

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
INDIANA SCHOOL FOR THE DEAF
STATE OF INDIANA
May 1, 2008 to March 31, 2012



FILED
10/30/2012

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	David Geeslin	07-01-07 to 06-30-13
Chairman of the Board	Scott Jensen	07-01-07 to 06-30-12
	Greg Genrich	07-01-12 to 06-30-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA SCHOOL FOR THE DEAF

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana School for the Deaf for the period of May 1, 2008 to March 31, 2012. The Indiana School for the Deaf's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Indiana School for the Deaf are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and State Agencies, and applicable laws and regulations except as stated in the review comments.

The Indiana School for the Deaf's response to the Review Comments identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Indiana School for the Deaf's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana School for the Deaf's management and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

August 16, 2012

INDIANA SCHOOL FOR THE DEAF
REVIEW COMMENTS
MARCH 31, 2012

CAPITAL ASSET INVENTORY

The Indiana School for the Deaf (ISD) does not properly report its capital assets within the state's ENCOMPASS financial system. Our testing determined that capital asset additions and deletions were incorrectly reported within the asset module of ENCOMPASS. Specifically, only 7 of the 21 vehicles owned by ISD are included in ENCOMPASS. Additionally, an annual physical inventory of the assets owned was not conducted during the review period.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. Adequate asset management staff should be assigned to recording and maintaining, on the ENCOMPASS financial system, all capital assets with a cost greater than \$500. Assets are automatically capitalized upon approval by either the BU approver or AOS approver. Controls should be in effect to assure that additions, disposals, and transfers to other departments or agencies are recorded timely. Inventories of these assets should be performed each year in each department and compared to the ENCOMPASS listing. Results of inventories should be retained for audit purposes. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.3)

ATTENDANCE REPORTS

As stated in our two prior reports (B27887 and B32446), we observed that employee attendance reports were frequently signed and dated prior to the last day worked.

A state employee must submit an attendance report for each pay period. This report should be contain accurate information and be signed and dated by the employee, on or after the last day worked in the pay period. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 9.4.1.1)

TRUST FUND

The Indiana School for the Deaf does not maintain a Trust Fund to record and safeguard funds belonging to students. Currently, ISD allows dorm parents to maintain funds in the dorm for students. These funds, usually in the form of cash, are maintained in envelopes that are locked up by the dorm parents. This informal system lacks appropriate record keeping and creates a security issue by having cash within student dorms.

Indiana Code 4-24-6-2 states:

"(a) Subject to a designation of the specific purpose for the use of donated funds by a donor, the superintendent or warden of an institution shall hold in trust funds deposited with the institution for the use and benefit of, or belonging to, any inmate or patient. (b) The superintendent or warden shall keep an accurate accounting of the receipts and disbursements of funds received under subsection (a) on books and records in accordance with the accounting procedure as prescribed by the state board of accounts. (c) Trust funds created under this section are subject to periodic audits the state board of accounts considers necessary. (d) Trust funds created under this section shall be: (1) deposited in depositories whose deposits are insured by the Federal Deposit Insurance Corporation; or (2) invested in government securities of the United States."

INDIANA SCHOOL FOR THE DEAF
REVIEW COMMENTS
MARCH 31, 2012
(Continued)

RECREATION FUNDS

Safeguarding of Assets

The Indiana School for the Deaf (ISD) purchased 108 gift cards, totaling \$27,000 in 2006 with funds from a private grant. Purchases made with these gift cards were accounted for in the Recreation Fund. Gift cards from this purchase, with a total remaining balance of \$6,737, were stolen from a safe in the ISD accounting office in August of 2011. ISD management filed a police report. No sign of forced entry was noted in the police report. ISD was unable to cancel the gift cards or proceed further with investigation of the theft, since the only listing of card numbers was stolen along with the cards. Proper controls to safeguard assets were not in place. (See Summary of Questioned Costs, page 8)

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

Grant Funds Improperly Deposited

The Indiana School for the Deaf deposited private grant funds awarded to the school totaling over \$150,000 in the school's Recreation Fund bank account outside the state's accounting system. The grants do not state a clear Recreation Fund purpose. ISD does not have the authority to deposit these funds outside the state's accounting system.

The Treasurer of State (TOS) is the receiver and custodian of all state revenue. All state departments and agencies must make deposits to the TOS or submit records of deposits made to the credit of the treasury in an approved depository. State agencies shall not maintain funds outside of the ENCOMPASS accounting system without specific statutory authority. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 4.4.2)

Each agency, department, quasi, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview, Summary of Agency Accounting Responsibilities)

Indiana Code 5-13-6-1 (b) states in part:

"Except as provided in subsections (d), (f), and (g), all public funds collected by state officers, other than the treasurer of state, shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds. "

INDIANA SCHOOL FOR THE DEAF
REVIEW COMMENTS
MARCH 31, 2012
(Continued)

Unapproved Form

The Indiana School for the Deaf did not use the approved form for monthly financial statements for the Recreation Fund. Additionally, a certificate of deposit valued at \$10,000 was omitted from the financial statements provided.

Indiana Code 5-11-1-2 states in part: "The state board of accounts shall formulate or approve all statements and reports necessary for the internal administration of the office to which they pertain."

Each institution should file monthly financial statements for its local funds with the state agency having administrative control over the institution. Institutions must use the official approved form applicable to their state agency. Changes may not be made to the approved form without approval of the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 12.4.7)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 12.3)

LATE PAYMENT PENALTIES

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Indiana School for the Deaf as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$1,910.78 and for the current fiscal year through April 30 penalties were \$1,188.57. These penalties are an unnecessary use of public funds.

Indiana Code 5-17-5 requires a state agency to ". . . pay a late payment penalty at a rate of one percent (1%) per month on amounts due on written contracts for public works, personal services, goods and services, equipment, and travel whenever the state agency . . . fails to make timely payment."

Payment of penalties and interest due to late payments to vendors may be the obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 6.4.7.4)

Each agency, department, quasi, institution, or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

INDIANA SCHOOL FOR THE DEAF
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2012, with David Geeslin, Superintendent; John Skjeveland, Controller; and Dawn Adams, Chief Operating Officer. The Official Response has been made a part of this report and may be found on pages 8 and 9.



Indiana School for the Deaf

*Indiana's State-Wide Deaf & Hard of
Hearing Resource On & Off Campus*

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OFFICIAL RESPONSE TO AUDIT

October 2, 2012

Bruce A. Hartman, CPA
State Examiner
State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2738

Dear Mr. Hartman:

This letter is the official response of the Indiana School for the Deaf to the State Board of Account's *Review Comments* arising from the recent audit performed of the Indiana School for the Deaf. We would like to thank the State Board of Accounts for the efforts of its field examiner, Deborah Goodchild, and for the opportunity to provide a response.

The *Review Comments* noted that "nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Indiana School for the Deaf are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and State Agencies, and applicable laws and regulations except as stated in the review comments." The *Review Comments* identify five areas that the Indiana School for the Deaf (ISD) needs to improve upon. ISD concurs with the *Review Comments* and has below set out its plan for quality improvement in these areas.

CAPITAL ASSET INVENTORY

Physical inventory will be taken on annual basis during summer and ensure that our inventory list is accurate with all acquisition and dispositions.

ATTENDANCE REPORTS

Submission of paper timesheets has been replaced with electronic time reporting through PeopleSoft. This system was implemented as of August 20. Employees and supervisors have been trained on this system and reports are submitted and approved on the last day of work within a given pay period.

TRUST FUND

The procedures will be implemented for dorm students' funds which staff held not more than \$50 per week combined for all students' spending during the field trips. Per Accounting Manual 12.4.1.1, each account will be tracked for each student showing exact record of the balance on hand.

RECREATION FUNDS

Internal controls to ensure the safeguarding of financial assets are now in place. ISD is also seeking to secure a bond that will cover employees in the event of a future loss.

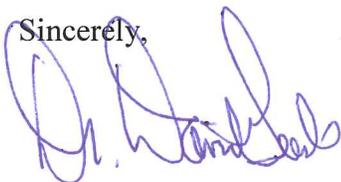
Grant funds that were improperly deposited in the Recreation Fund have been removed.

ISD is now using the approved form for monthly financial statements for the Recreation fund.

LATE PAYMENT PENALTIES

ISD will continue to monitor late payment penalties. There are some factors which are beyond our control due to change of staff, on leave, invalid documentation received from others and we will ensure that it's being minimized as much as possible with our duty to make the payment on timely manner.

Thank you for the efforts of your staff in conducting this year's audit of the Indiana School for the Deaf.

Sincerely,


Dr. David Geeslin
Superintendent/CEO

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INDIANA SCHOOL FOR THE DEAF
SUMMARY OF QUESTIONED COSTS

	<u>Amount</u>
Questioned Cost - Recreation Fund	
Safeguarding of Assets, Page 5	<u>\$ 6,737</u>

A questioned cost is a cost that is questioned by the Board of Accounts because of (a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (b) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.