

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

COMPLIANCE ENGAGEMENT REPORT

OF

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT

JEFFERSON COUNTY, INDIANA

July 1, 2020 to June 30, 2023



FILED

05/29/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-7
Statements of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	10-11
Official Response	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Business Manager	Christopher A. Trader	07-01-19 to 06-30-24
Executive Director	Michael L. Jones	07-01-19 to 06-30-24
President of the Board	Trevor Jones	07-01-19 to 06-30-20
	Tina Bennett	07-01-20 to 06-30-21
	Jeff Bates	07-01-21 to 06-30-22
	Rod Hite	07-01-22 to 06-30-23
	Trevor Jones	07-01-23 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT, JEFFERSON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Madison Area Educational Special Services Unit (Special Services Unit), for the period of July 1, 2020 to June 30, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Special Services Unit as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Special Services Unit's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Christopher A. Trader, Treasurer/Business Manager; Michael L. Jones, Executive Director; and Trevor Jones, President of the Board, on May 15, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 23, 2024

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Special Services Unit related to financial transactions and reporting. The Special Services Unit had not separated incompatible activities related to financial close and reporting and disbursements.

Due to ineffective internal controls, the following errors and noncompliance was noted:

Financial Close and Reporting

Financial and other information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Special Services Unit had not established effective internal controls over the AFR information entered into the Gateway.

During the reporting of the AFR for fiscal year 2022, the Special Services Unit did not include the financial information for the Pie 19-20 and Pip 19-20 funds. The omission of this financial information resulted in the misstatements shown in the table below:

Years	Fund	Beginning Cash and Investments (Under)/Overstated	Receipts (Under)/Overstated	Disbursements (Under)/Overstated	Other Financing Sources (Uses) (Under)/Overstated	Ending Cash and Investments (Under)/Overstated
FY 2022	Pie 19-20	\$ 65,978	\$ (269,693)	\$ (203,715)	\$ -	\$ -
FY 2022	Pip 19-20	-	(15,674)	(15,674)	-	-

Disbursements

Payments made to vendors for the employee portion of payroll withholdings were not included on an accounts payable voucher (APV). As a result, there was no evidence to verify approval by the officer or person receiving the goods or services, fiscal officer certification that the payments were true and correct, and governing Board approval for vendor disbursements for the employee portion of payroll withholdings.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
COMMENTS
(Continued)

TRANSFERS

Condition and Context

There were deficiencies in the internal control system of the Special Services Unit related to transfers. The Special Services Unit made multiple transfers without Board approval throughout the engagement period. The Special Services Unit made transfers from the Education fund to the Operations fund without Board approval for each year for the following amounts:

- FY20 - \$270,818
- FY21 - \$438,077
- FY22 - \$421,789
- FY23 - \$463,569

Criteria

Indiana Code 20-40-2-6(b) states in part:

"Only after the transfer is authorized by the governing body in a public meeting with public notice, money in the education fund may be transferred to the operations fund to cover expenditures that are not allocated to student instruction and learning under [IC 20-42.5](#). . . ."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

(This page intentionally left blank.)

STATEMENTS OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
(USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2020 and 2021

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-19	Receipts	Disbursements		06-30-20	Receipts	Disbursements		
Education	\$ 777,659	\$ 2,017,586	\$ 1,688,642	\$ (365,700)	\$ 740,903	\$ 2,327,643	\$ 1,659,405	\$ (438,077)	\$ 971,064
Operations	79,137	-	397,996	365,700	46,841	-	428,462	438,077	56,456
Local Rainy Day	315,878	-	-	-	315,878	-	-	-	315,878
Cdc Foundation Grant	6,738	22,500	30,212	-	(974)	122,500	97,604	-	23,922
Whas 19-20	-	1,872	1,872	-	-	1,039	1,039	-	-
Whas 18-19	-	4,468	4,468	-	-	-	-	-	-
Whas 20-21	-	-	-	-	-	4,419	4,419	-	-
Pie 20-21	-	-	-	-	-	256,758	267,767	-	(11,009)
Pie 17-18	(173,838)	501,558	327,720	-	-	-	-	-	-
Pie 18-19	(39,697)	1,196,320	1,178,943	-	(22,320)	217,549	195,229	-	-
Pie 19-20	-	289,157	305,656	-	(16,499)	1,015,160	1,064,639	-	(65,978)
Pip 17-18	(4,459)	13,517	9,058	-	-	-	-	-	-
Pip 18-19	-	36,984	36,984	-	-	18,634	18,634	-	-
Pip 19-20	-	-	-	-	-	41,084	41,084	-	-
Pip 20-21	-	-	-	-	-	4,105	4,105	-	-
Federal Tax	-	170,080	170,080	-	-	166,897	166,897	-	-
Ss Withholding	-	172,280	172,280	-	-	167,544	167,544	-	-
State Tax	-	69,084	69,084	-	-	67,927	67,927	-	-
Cnty Tax	-	25,109	25,109	-	-	27,030	27,030	-	-
Perf	-	13,626	13,626	-	-	11,241	11,241	-	-
Group Insurance Withholding	7,777	81,339	83,474	-	5,642	64,130	66,330	-	3,442
Annuities	-	63,203	63,203	-	-	65,438	65,438	-	-
Garnishments	-	6,744	6,744	-	-	2,507	2,507	-	-
Colonial	2,190	33,050	31,400	-	3,840	18,973	21,755	-	1,058
Aft Dues	-	7,853	7,853	-	-	8,774	8,774	-	-
Fit For King Dues	-	732	732	-	-	732	732	-	-
American Fid	-	-	-	-	-	32,132	29,875	-	2,257
Centra	-	21,000	21,000	-	-	22,350	22,350	-	-
Hsa	-	19,678	19,678	-	-	10,504	10,504	-	-
Totals	\$ 971,385	\$ 4,767,740	\$ 4,665,814	\$ -	\$ 1,073,311	\$ 4,675,070	\$ 4,451,291	\$ -	\$ 1,297,090

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2022 and 2023

Fund	Cash and Investments 07-01-21	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-22	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-23
Education	\$ 971,064	\$ 2,291,737	\$ 1,695,234	\$ (421,789)	\$ 1,145,778	\$ 2,364,732	\$ 1,779,189	\$ (463,569)	\$ 1,267,752
Operations	56,456	-	424,155	421,789	54,090	1,570	456,758	463,569	62,471
Local Rainy Day	315,878	-	-	-	315,878	-	-	-	315,878
Cdc Foundation Grant	23,922	112,500	133,772	-	2,650	-	2,650	-	-
Whas 21-22	-	4,209	4,623	-	(414)	1,791	1,377	-	-
Whas 22-23	-	-	-	-	-	3,477	5,086	-	(1,609)
Pie 19-20	(65,978)	269,693	203,715	-	-	-	-	-	-
Pie 20-21	(11,009)	1,148,248	1,201,002	-	(63,763)	187,802	124,039	-	-
Pie 22-23	-	-	-	-	-	300,013	314,824	-	(14,811)
Pie 21-22	-	263,811	289,917	-	(26,106)	1,601,147	1,595,874	-	(20,833)
Pip 19-20	-	15,674	15,674	-	-	-	-	-	-
Pip 22-23	-	-	-	-	-	656	656	-	-
Pip 20-21	-	41,893	46,131	-	(4,238)	10,624	6,386	-	-
Pip 21-22	-	-	-	-	-	60,093	60,345	-	(252)
Arp Special Education Grant	-	-	-	-	-	299,928	303,179	-	(3,251)
Arp Special Education Grant Preschool	-	-	-	-	-	3,357	3,357	-	-
Federal Tax	-	158,939	158,939	-	-	153,601	153,601	-	-
Ss Withholding	-	168,741	168,741	-	-	180,467	180,467	-	-
State Tax	-	70,376	70,376	-	-	73,773	73,773	-	-
Cnty Tax	-	27,778	27,778	-	-	31,591	31,591	-	-
Perf	-	13,037	13,037	-	-	13,492	13,492	-	-
Group Ins Withholding	3,442	60,333	59,431	-	4,344	78,153	76,590	-	5,907
Annuities	-	53,220	53,220	-	-	58,852	58,852	-	-
Garnishments	-	2,498	2,498	-	-	1,050	1,050	-	-
Colonial	1,058	14,908	15,215	-	751	12,579	12,667	-	663
Aft Dues	-	6,447	6,447	-	-	8,539	8,539	-	-
Fit For King Dues	-	1,152	1,152	-	-	732	732	-	-
American Fid	2,257	25,548	25,957	-	1,848	24,650	24,698	-	1,800
Centra	-	23,550	23,550	-	-	26,900	26,900	-	-
Hsa	-	10,479	10,479	-	-	7,596	7,596	-	-
Totals	\$ 1,297,090	\$ 4,784,771	\$ 4,651,043	\$ -	\$ 1,430,818	\$ 5,507,165	\$ 5,324,268	\$ -	\$ 1,613,715



702 Elm Street
Madison, IN. 47250
812-265-3448

Response to Audit comments:

Transfers

We disagree with the comment on Transfer not being approved by the Board. We passed a resolution on September 5, 2018 which states "The Board also authorizes transfers between these funds based on the Madison Area Educational Special Services Unit approved budget percentages" Each year the Board approves the budget and the percentage allowed to be transferred between the Education and Operation funds. Transfers are also reported monthly to the Board on the financial statements which they sign.

Indiana Code 20-40-2-6(b) states in part:

"(b)only after the transfer is authorized by the governing body in a public meeting with public notice, money in the Education fund may be transferred to the Operations fund to cover expenditures that are not allocated to student instruction and learning under IC 20-42.5..."

The Board resolution referenced above was approved in a public meeting with public notice.

Disbursements

The Board approves gross payroll on the payroll claim. Employees sign authorization to deduct amounts from gross pay to purchase insurance policies. Amounts collected from employees are then sent to various vendors based on those signed authorization forms. If we include these vendor checks on the Board docket for approval they are in essence approving the same disbursement twice. First when they approve gross pay and then again when employee withholding are sent.

A handwritten signature in black ink, appearing to read "Chris Trader", is written over a horizontal line.

Chris Trader, Business Manager