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

SUPPLEMENTAL COMPLIANCE REPORT
OF

PRAIRIE HEIGHTS COMMUNITY
SCHOOL CORPORATION
LAGRANGE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/27/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Karen S. Eagleson	07-01-12 to 12-31-16
Superintendent of Schools	Alan Middleton Jeff Reed	07-01-12 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	Michael Howe Bob Ledgerwood	07-01-12 to 12-31-12 01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PRAIRIE HEIGHTS COMMUNITY
SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Prairie Heights Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 24, 2016

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDING

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce the risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts. There was no segregation of duties, including an oversight, review, or approval process. The failure to establish controls could have enabled misstatements or irregularities to remain undetected. This deficiency constitutes a material weakness.

The Treasurer posted receipts, prepared the bank deposit slip, and took the deposit to the bank.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over financial transactions and reporting. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Governmental units 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. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)



Prairie Heights Community School Corporation

Jeff Reed, Superintendent
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Phone: (260) 351-3214 or (800) 800-9596
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CORRECTIVE ACTION PLAN

**FINDING 2014-001 INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING**

Contact Person Responsible for Corrective Action: Karen Eagleson
Contact Phone Number: 260-351-2067

Description of Corrective Action Plan:

Cash Receipts: The Administrative Assistant will collect all cash received in the corporation office, verify the amount and prepare a triplicate receipt. One copy of the receipt will be given to the submitter, one copy to the corporation treasurer and one copy remains in the receipt book. Upon receipt, the corporation treasurer will prepare daily the bank deposit slip. The deposit will be taken to the bank by the deputy treasurer daily. The deputy treasurer will return the bank deposit receipt to the corporation treasurer.

This corrective action plan was put into effect on February 23, 2016.

Karen S. Eagleson 3-22-16

Karen S. Eagleson, CPA
Chief Financial Officer, Prairie Heights CSC

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the Payroll fund with an overdrawn cash balance at June 30, 2014, of \$631.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2016, with Karen S. Eagleson, Treasurer; Jeff Reed, Superintendent of Schools; and Robert Ledgerwood, President of the School Board.