

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL TOWN OF HIGHLAND

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED

03/28/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Cynthia Adams | 07-01-15 to 06-30-18 |
| Superintendent of Schools | Brian Smith | 07-01-15 to 06-30-18 |
| President of the School Board | Patrick Krull Luanne Jurczak Robert Kuva Carol Green-Fraley | 07-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 |



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TO: THE OFFICIALS OF THE SCHOOL TOWN OF HIGHLAND, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School Town of Highland (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

March 7, 2018

SCHOOL TOWN OF HIGHLAND
FEDERAL FINDING

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source of the SEFA. One employee prepared the grant information for the federal awards without a system of oversight or review to detect and correct errors before submission.

Context

This was a systemic issue, as there was not a proper system of controls in place.

Criteria

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls.

Effect

The failure to establish internal controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure federal expenditures are properly reported on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

SCHOOL TOWN OF HIGHLAND

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Administration

Brian J. Smith, Superintendent
Sherri Mitchell, PhD. Director
Cynthia Adams, Director

Board of Trustees

Carol Green-Fraley, President
Patrick Krull, Vice President
Luanne Jurczak, Secretary
Vicki Crowel, Member
Robert Kuva, Member

CORRECTIVE ACTION PLAN

FINDING 2017-001

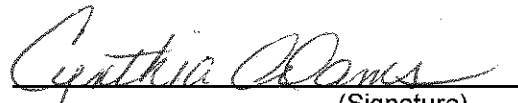
The Auditor noted that the School Town of Highland did not have a sufficient internal control procedure in place for completing the Schedule of Expenditures of Federal Awards (SEFA) report. The treasurer completed the report, but neglected to have another person review and approve the report prior to submission to the state.

Description of Corrective Action Plan:

The district will change the internal control procedure to include the requirement that the deputy treasurer is responsible to review the completed report and to correct any errors prior to submission to the state. The deputy treasurer will sign the report indicating her review of the data and her oversight.

Anticipated Completion Date:

The procedure is effective immediately and will be implemented on the June 30, 2018 SEFA report filed through Gateway.


(Signature)

Director of Finance & Operations
(Title)

March 1, 2018
(Date)

SCHOOL TOWN OF HIGHLAND
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2018, with Cynthia Adams, Treasurer; Brian Smith, Superintendent of Schools; and Robert Kuva, School Board member.