

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH CENTRAL AREA SPECIAL
EDUCATION COOPERATIVE
ORANGE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
04/26/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ruth D. Gilbert Sandra K. Wheeler	07-01-15 to 04-03-16 04-04-16 to 06-30-18
Director	Melissa D. Lancaster (Vacant) Amy L. Bollinger	07-01-15 to 04-22-16 04-23-16 to 06-05-16 06-06-16 to 06-30-18
President of the School Board	Dr. D. Lynn Reed	07-01-15 to 06-30-18



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TO: THE OFFICIALS OF THE SOUTH CENTRAL AREA SPECIAL
EDUCATION COOPERATIVE, ORANGE COUNTY, INDIANA

This report is supplemental to our examination report of the South Central Area Special Education Cooperative (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 Examination Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Examination Report of the School Corporation, which provides our opinion on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

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 Examination Result and Comment contained herein describes the identified reportable instance 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 Official Response to the Examination Result and Comment, incorporated within this report, was not verified for accuracy.

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

March 12, 2018

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
EXAMINATION RESULT AND COMMENT

TIMELY RECORDING

The School Corporation posted payroll disbursements for the summer payrolls of certified staff to the financial records in advance of the actual check issue dates. The financial transactions related to certified employee's biweekly payrolls for the three payrolls actually paid during the month of July 2016 were posted to the funds ledger in June 2016. The three payrolls paid during the months of July 2017 and August 2017 were posted to the funds ledger in June 2017. This has been the process followed by the School Corporation for the past several years so that the payroll expenses are presented in the funds ledger based on the certified teacher contracts for that school year.

As a result of these financial transactions not being posted in the proper period, various funds were reported in the financial statement as having negative fund balances at June 30. The funds with negative fund balances were as follows:

Fund	Years	Amount Overdrawn
Post-Retirement/Severance Future Benefits	2015-2016	\$ 8,559
WHAS 15-16	2015-2016	4,854
2015-16 Part B	2015-2016	211,102
2014-15 Part B	2015-2016	19,605
2014-15 Preschool	2015-2016	374
2015-16 Preschool	2015-2016	16,185
2015-16 Part B	2016-2017	1,159
2016-17 Part B	2016-2017	192,585
2016-17 Preschool	2016-2017	15,037

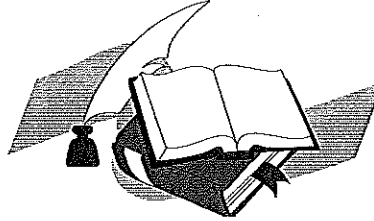
In addition to these individual funds having negative fund balances, the total cash and investment balances for the School Corporation were reported as negative amounts as of June 30, 2016, and June 30, 2017, in the amounts of \$63,257 and \$14,678, respectively.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**SOUTH CENTRAL AREA SPECIAL EDUCATION
COOPERATIVE**

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March 20, 2018

State Board of Accounts
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OFFICIAL RESPONSE

This letter is being submitted in response to the Examination Result and Comment provided at our recent federal fund audit findings exit conference regarding the Timely Recording item.

With the exception of Post-Retirement/Severance, all funds listed are set up for reimbursable grants. The cash deficits cited arose from disbursements exceeding receipts due to delays in reimbursements from the grantors, these deficits are to be repaid from future grant reimbursement receipts per federal budget reimbursement guidelines.

Even in the event that the summer payrolls had not been posted in June of each year, these funds still would have had negative balances. The total cash and investment balances for June 30, 2016 and June 30, 2017 would have been positive. During the school calendar year 2016 and 2017 a new treasurer was hired into the Cooperative. It was realized by this new treasurer that the Post Retirement/Severance Future Benefits needed to be funded and she made the appropriate transfer.

In previous audits, it was not unusual to have negative balances in reimbursable grant funds with the overall total cash balance remaining positive. Therefore, this specific issue of all financial transactions being recorded at the actual time of the transaction had not been brought to the former treasurer's attention. This procedure of posting summer payrolls during the month of June based on teacher contract dates continued when the new treasurer was trained. Please be advised that when the Cooperative books are closed on June 30, 2018 this past procedure will not be continued in order to be in compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1.

Respectfully submitted,

Amy L. Bollinger, SCASEC Director

Cc: Dr. Lynn Reed, SCASEC Board President
Mr. Jonathan Wineinger, State Board of Accounts
Mrs. Sandee Wheeler, SCASEC Treasurer

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2018, with Sandra K. Wheeler, Treasurer; Amy L. Bollinger, Director; and Dr. D. Lynn Reed, President of the School Board.