

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION
LAPORTE COUNTY, INDIANA

July 1, 2014 to June 30, 2017



FILED
05/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Holifield	07-01-14 to 03-06-17
	Rachel Dutoi	03-07-17 to 06-30-18
Superintendent of Schools	Linda Wiltfong	07-01-14 to 06-30-18
President of the School Board	Edmund Castle	07-01-14 to 12-31-14
	David Howell Jr.	01-01-15 to 12-31-15
	Steven Koontz	01-01-16 to 12-31-16
	Todd Morrow	01-01-17 to 12-31-17
	Jacob Wade	01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH CENTRAL COMMUNITY SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the South Central Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinions 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 established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

April 19, 2018

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

DEPOSITORY RECONCILIATIONS

A similar comment appeared in the prior Report B45738, entitled *BANK ACCOUNT RECONCILIATIONS*.

Depository reconciliations of the fund balances to the bank account balances were not conducted. The officials did complete reconcilments of the fund receipts and disbursements to the depository deposits and withdrawals. The bank balance exceeded the fund balance by \$3,710, \$3,735, and \$3,749, as of June 30, 2015, 2016, and 2017, respectively.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERDRAWN CASH BALANCES

A similar comment appeared in the prior Report B45738, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented in the Financial Statement Audit Report included the following funds with overdrawn cash balances at June 30, 2015, 2016, and 2017:

Fund	Amount Overdrawn as of June 30,		
	2015	2016	2017
High Ability 2013-2014	\$ 1,317	\$ 1,317	\$ 1,317
School Technology	348	29,249	65,668
Monsanto Grant	-	1,299	539
Alcoa Foundation Grant/Robotic	-	1,701	2,314
High Ability 2014-2015	-	4,280	-
Retirement/Severance Bond Debt Service	-	-	12,063
Textbook Rental	-	-	5,955
Shared Win Tax	-	-	17,604
Title I NCLB FY 15-16	-	-	12,524
Title II Part A 13-14	-	-	221
Title II Part A 14-15	-	-	1,250
Title II Part A 15-16	-	-	3,933
Senator David Ford Technology			12,176

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)

INTERNAL CONTROL

A similar comment also appeared in prior Report B45737, entitled *FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING*.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

There were deficiencies in the internal control system for the School Corporation related to Financial Transactions. The School Corporation had not separated incompatible activities related to Cash and Investments, Receipts, and Vendor Disbursements.

Cash and Investments: The Treasurer performed a reconciliation of funds receipts and disbursements to the bank's deposits and withdraws without a review process in place.

Receipts: One employee recorded and reconciled the receipts without evidence of any oversight, review, or approval process. This employee recorded receipts twice a month in the software system but backdated the receipts to reflect the deposit date.

Vendor Disbursements: One employee prepared and recorded the accounts payable vouchers without evidence of a proper system of oversight or review to ensure that vendor disbursements were accurately recorded in the proper funds.

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. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL TRAINING

The School Corporation could not provide supporting documentation that the Treasurer and Deputy Treasurer had completed the minimum internal control standards training.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION

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Mr. Ben Anderson

Superintendent
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Elementary Principal

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May 15, 2018

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-3765

RE: OFFICIAL RESPONSE

Indiana State Board of Accounts:

Please consider this letter as an "Official Response" to the recent audit of South Central Community School Corporation's financial ledgers.

1. Depository Reconciliations

Depository reconciliations of the fund balances to the bank account balances were not conducted. The officials did complete reconciliations of the fund receipts and disbursements to the depository deposits and withdrawals. The bank balance exceeded the fund balance by \$3,710, \$3,735, and \$3,749 as of June 30, 2015, 2016, and 2017, respectively.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Response: In regards to this item, the school corporation is taking steps to reorganize the duties within the Business Office. This will allow personnel within the office to be able to receipt monies received within the Corporation as they are received.

2. Overdrawn Cash Balances

The financial statement presented in the Financial Statement Audit Report included the following funds with overdrawn cash balances at June 30, 2015, 2016, and 2017:

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)

Response: All funds will be monitored more closely to prevent this occurrence happening again with any fund balance. Also, Business Manager/Corporation Treasurer will work on requesting reimbursement for Grant funds

Mission Statement

South Central Community School Corporation believes that all students will succeed to the best of their abilities.

School, family, and community will collaborate to prepare students for the 21st century by providing opportunities for students to develop intellectual, social, emotional, physical, and life-long decision making skills for higher levels of excellence.

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in a more timely manner to also prevent Grant Funds to hold a negative balance.

3. Internal Control

There were deficiencies in the internal control system for the School Corporation related to financial transactions. The School Corporation had not separated incompatible activities related to cash and investments, receipts, and vendor disbursements.

Cash and Investments: The Treasurer performed a reconciliation of funds receipts and disbursements to the bank's deposits and withdraws without a review process in place.

Receipts: One employee recorded and reconciled the receipts without evidence of any oversight, review, or approval process. This employee recorded receipts twice a month in the software system but backdated the receipts to reflect the deposit date.

Vendor Disbursements: One employee prepared and recorded the accounts payable vouchers without evidence of a proper system of oversight or review to ensure that vendor disbursements were accurately recorded in the proper funds.

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. . . .

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Response: To correct the gaps in Internal Controls found during our audit, the following steps are being put in Place.

Cash and Investments: The Business Manager/Treasurer will reconcile the funds receipts and disbursements to the bank's deposits and withdraws. Once she has completed this process, signed and dated the reconciliation along with all supporting documentation will be given to the Deputy Treasurer for her review. Once she has reviewed the reconciliation, the document will be signed and dated.

Receipts: As stated in an earlier response, the receipt process is being reorganized within the Business Office allowing monies received to be receipted in a more timely manner. The receipts had been being reviewed as they were being entered into the financial ledgers, but no documentation ie Business Manager's signature were evident to support this. Going forward as receipts are entered into the financial ledgers, they will be reviewed by the Business Manager/Treasurer and will be marked as such with initials and date of review.

Vendor Disbursements: Vendor disbursements were being reviewed by the Business Manager/Treasurer, but there was evidence to support this review ie, signature or initials of Business Manager/Treasurer. Going Forward in the Business Office, after the Business Manager has reviewed the vendor disbursements, she will mark them with her initials and date of review.

4. Internal Control Training

The School Corporation could not provide supporting documentation that the Treasurer and Deputy Treasurer had completed the minimum internal control standards training.

Indiana 5-11-1-27(g) states, "After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Response: Both the Business Manager/Corporation Treasurer and Deputy Treasurer have participated in Internal Control Training by viewing the State Board of Accounts PowerPoint and Web-Ex training on Internal Controls. Both employees have signed and dated the appropriate forms to provide the supporting evidence of this training. The goal of the corporation is to make this a corporation-wide requirement for our employees, with the Corporation holding the signed/dated documents as evidence of this training.

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Please add this "Official Response" to the documents regarding the 7/1/2017-6/30/2017 audit for the South Central Community School Corporation.



Rachel Dutoi
Business Manager/Treasurer
South Central Community School Corporation
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rdutoi@scentral.k12.in.us

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SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2018, with Rachel Dutoi, Treasurer; Linda Wiltfong, Superintendent of Schools; Jacob Wade, President of the School Board; and Geraldine Grott, School Board member.