

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SEYMOUR COMMUNITY SCHOOL CORPORATION

JACKSON COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
01/18/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2017-001	
Internal Control over Financial Transactions and Reporting.....	4-5
Finding 2017-002	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate.....	5-6
Corrective Action Plans.....	7-8
Exit Conference.....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steve Nauman (Vacant)	07-01-15 to 10-31-18 11-01-18 to 12-31-18
Superintendent of Schools	Robert D. Hooker	07-01-15 to 12-31-18
President of School Board	Art Juergens	07-01-15 to 12-31-18



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE SEYMOUR COMMUNITY SCHOOL  
CORPORATION, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Seymour Community School Corporation (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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

December 6, 2018

SEYMOUR COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Internal Control over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2015-001 from the immediately prior audit.

*Condition*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to the collection and recording of the School Corporation receipts.

*Context*

The Accounts Payable Clerk (AP Clerk) wrote and posted receipts and also prepared deposits for the School Corporation collections. The AP Clerk ran edit reports of the receipts and the Treasurer would review the receipts and verify they agreed with the deposit. However, there was no documentation retained to verify that this control procedure had been performed.

*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 had not established a proper system of internal control that would have ensured proper reporting of receipts.

*Effect*

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

SEYMOUR COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting of receipts.

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-3675, 15-3675, 16-3675  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2015-009 from the immediately prior report.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation had not established effective internal controls to ensure that a student withdrawn from the cohort was properly reviewed. The School Corporation used withdrawal forms for the students who were removed from a given cohort, but the control to verify that documentation was signed by the respective guardian, or by an administrator of the School Corporation, was not effective.

*Context*

The lack of effective internal controls was a systemic issue throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

SEYMOUR COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have segregated key functions related to the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

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



## **CORRECTIVE ACTION PLAN**

### **Section II – Financial Statement Findings**

#### **Finding 2017-001**

**Subject: Internal Controls over Financial Transactions and Reporting**

**Audit Findings: Material Weaknesses**

Contact Person Responsible for Corrective Action: Mr. Steve Nauman, Treasurer  
Contact Phone Number: 812-522-3340

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Seymour Community Schools will correct the deficiencies in the internal control system related to documentation retention that will verify the necessary control procedures upon completion.

The Accounts Payable Clerk (AP Clerk) will write and post receipts and also make up deposits for the School Corporation Collections. The AP Clerk will run edit reports of the receipts, and the Treasurer *and* Deputy Treasurer will review and verify their agreements with the deposits. Documentation will be created and retained to verify that this control feature has been completed. This will support the expectation of segregation of duties.

Anticipated Completion Date: December 6, 2018

### **Section III – Federal Award Findings and Questioned Costs**

#### **Finding 2017-002**

**Subject: Title 1 Grants to Local Educational Agencies – Special Tests and Provisions – Annual Report Card, High School Graduation Rate**

**Federal Agency: Department of Education**  
**Federal Program: Title 1 Grants to Local Education Agencies**

[www.scsc.k12.in.us](http://www.scsc.k12.in.us) \* (812)-522-3340 \* 1638 South Walnut Street, Seymour, Indiana 47274



**CFDA Number: 84.010**

**Federal Award Numbers and Years: FY 14-15, FY 15-16, FY 16-17**

**Pass Through Entity: Indiana Department of Education**

**Compliance Requirement: Special Tests and Provisions – Annual Report Card, High School Graduation Rate**

**Audit Findings: Material Weaknesses**

Contact Person Responsible for Corrective Action: Mr. Steve Nauman, Treasurer

Contact Phone Number: 812-522-3340

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Seymour Community Schools will establish an effective and compliant internal control process and system related to the grant agreements and the Special Tests and Provisions – Annual Report Card, High School Graduation Rate compliance requirements and verification necessary to support accurate reporting of students who have exited Seymour High School.

The School Corporation will require that the Seymour High School Administration and Guidance Department provide official written documentation as evidence of student enrollments, student transfers, suspensions, expulsions, exit conferences, and student enrollment in other school corporations, the work place, and/or military service.

The Guidance Director will create the necessary documentation necessary for the recording and reporting necessary for compliance. The documentation will be reviewed by the High School Principal to verify their agreement with the reports being completed.

Anticipated Completion Date: December 06, 2018

Robert D. Hooker

Superintendent of Schools

December 06, 2018

[www.scsc.k12.in.us](http://www.scsc.k12.in.us) \* (812)-522-3340 \* 1638 South Walnut Street, Seymour, Indiana 47274

SEYMOUR COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2018, with Steve Nauman, former Treasurer; Robert D. Hooker, Superintendent of Schools; Lisa Ferguson, Assistant Superintendent of Schools; Brandon Harpe, Assistant to the Superintendent of Schools; Rebecca Reasoner, Deputy Treasurer; and Patty Mullis, Budgetary Clerk.