

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER

PUTNAM COUNTY, INDIANA

July 1, 2013 to June 30, 2017



**FILED**

01/26/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra J. Christy	07-01-13 to 06-30-17
Executive Director	Valerie Buchanan	07-01-13 to 06-30-17
President of the Service Center Executive Board	Dr. Leonard Orr Dr. Mike Wilcox Jim Diagostino David Chapman	07-01-13 to 06-30-14 07-01-14 to 06-30-15 07-01-15 to 06-30-16 07-01-16 to 06-30-17



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE WEST CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the West Central Indiana Educational Service Center (School Corporation), for the period from July 1, 2013 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 Statements Audit 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/](http://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 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

December 12, 2018

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
AUDIT RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

The same comment also appeared in prior Report B43406, entitled *PENALTY AND INTEREST*.

The School Corporation paid penalties and interest to the Indiana Department of Revenue in the amount of \$25.24, because the original August 2015 submission was incorrect.

The School Corporation paid penalties and interest to the Indiana Department of Revenue in the amount of \$47.89, because the original July 2016 submission was incorrect.

The School Corporation paid penalties and interest to the Indiana Department of Revenue in the amount of \$5.28, because the original December 2016 submission was incorrect.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

***TRAINING ON AND CERTIFICATION OF INTERNAL CONTROL STANDARDS***

The Treasurer certified on the Annual Financial Report (AFR) for 2017, that the School Corporation had adopted minimum internal control standards and that training had been provided to personnel. However, no Certification Forms were maintained by the School Corporation to provide evidence for individual internal control standards training. Therefore, the AFR for 2017 was incorrect.

Indiana Code 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."

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7.](#)"

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7.](#)"

**INTERNAL CONTROLS**

The School Corporation did not have adequate controls over cash and investments and receipts.

*Cash and Investments*

The Treasurer received the bank statement, prepared the bank reconciliation, and performed month-end procedures in the financial accounting software. There was no evidence of an oversight, review, or approval process.

*Receipts*

The Treasurer opened mail, wrote receipts, prepared customer billings, posted customer payments, and made bank deposits. Management of the Service Center required the executive director to review and approve the monthly Revenue History Report at a month-end meeting with the Treasurer; however, there was no evidence of the review or approval of the Executive Director.

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. . . ."

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2018, with Debra J. Christy, Treasurer; Rusty King, Executive Director; and David Chapman, President of the Service Center Executive Board.