

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLUE RIVER CAREER PROGRAMS

SHELBY COUNTY, INDIANA

July 1, 2012 to June 30, 2017



FILED
02/14/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandy Hensley	07-01-12 to 06-30-19
Director	Steve Shaw	07-01-12 to 06-30-19
President of the School Board	David Finkel	07-01-12 to 06-30-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE BLUE RIVER CAREER PROGRAMS, SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of the Blue River Career Programs (School Corporation), for the period from July 1, 2012 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/.

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 18, 2018

BLUE RIVER CAREER PROGRAMS
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

The School Corporation verbally communicated the internal control standards adopted by the School Board to the appropriate personnel. However, there is no evidence that the training was performed.

Personnel whose official duties include receiving, processing, depositing, disbursing or otherwise have access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity should sign a document that indicates that they have completed training on the internal control standards adopted by the governing body.

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."

INTERNAL CONTROLS

There were deficiencies in the internal control system for the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments, receipts, payroll, and financial close and reporting. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

Cash and Investments

Cash reconcilements were performed monthly by the Treasurer without any oversight or review by another individual.

Receipts

Only the Treasurer and Assistant Treasurer issued receipts. The Treasurer made deposits to the bank and performed the reconciliation without any oversight or review by another individual.

BLUE RIVER CAREER PROGRAMS
AUDIT RESULTS AND COMMENTS
(Continued)

Payroll

Payroll is processed by the Treasurer. There was no review of payroll vouchers and registers being performed. The School Board only approves payroll in total.

Reporting

The Treasurer entered information into the Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports and the financial statements without any review or oversight by another individual. Likewise, only one of the biennial Form 9's submitted to Indiana Department of Education was reviewed by the 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. . . ."

BLUE RIVER CAREER PROGRAMS AUDIT **OFFICIAL RESPONSE**

1. **Finding** – The School Corporation verbally communicated the Internal Control Standards adopted by the School Board to the appropriate personnel. However, there is no evidence that the training was performed.

***Response** – The Treasurer will document that internal control standards training of appropriate personnel has been completed. Personnel whose official duties include receiving, processing, depositing, disbursing or otherwise have access to funds will sign a document that indicates that they have completed training on the Internal Control Standards adopted by the Governing Board.*

2. **Finding** – Cash reconcilements were performed monthly by the Treasurer without any oversight or review by another individual.

***Response** – The Governing Board will review and sign off on the Fund Balances and Bank Statement reconciliations each month.*

3. **Finding** – Only the Treasurer and Assistant Treasurer issue receipts. The Treasurer makes deposits to the bank and performs the reconcilement without any oversight or review by another individual.

***Response** - The Director or Asst. Treasurer will review and sign off on the receipts and deposit slips reconciliation each month.*

4. **Finding** – Payroll is processed by the Treasurer. There is not any review of payroll vouchers and registers being performed. The School Board only approves payroll in total.

***Response** - The Governing Board will review and sign off on the payroll register and payroll vouchers reconciliation each month.*

5. **Finding** – Gateway reporting is performed by the Treasurer without any review or oversight by another individual. Likewise, only one of the biennial Form 9's submitted to the Indiana Department of Education was reviewed by the Director.

***Response** - The Director will review and sign off on Gateway reports.*

BLUE RIVER CAREER PROGRAMS
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Sandy Hensley, Treasurer; Steve Shaw, Director; and David Finkel, President of the School Board.