

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

REGION 8 EDUCATION SERVICE CENTER

ADAMS COUNTY, INDIANA

July 1, 2013 to June 30, 2017



FILED
02/22/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christine A. Gamble	07-01-13 to 06-30-19
Executive Director	Joshua O. Wenning	07-01-13 to 06-30-19
Chairman of the Executive Board	Ann W. Linson	07-01-13 to 06-30-14
	John Trout	07-01-14 to 06-30-15
	Dr. Sherry L. Grate	07-01-15 to 06-30-16
	Dr. Philip G. Downs	07-01-16 to 06-30-17
	Dr. Patricia O'Connor	07-01-17 to 06-30-18
	Wayne Barker	07-01-18 to 06-30-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE REGION 8 EDUCATION
SERVICE CENTER, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the Region 8 Education Service Center (Education Service Center), 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 Education Service Center. It should be read in conjunction with our Financial Statements Report of the Education Service Center, which provides our opinion on the Education Service Center's financial statements. 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

REGION 8 EDUCATION SERVICE CENTER
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

The Executive and Governing Board of the Education Service Center had not adopted the minimum level of internal control standards as defined by the Indiana State Board of Accounts.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The fiscal officer of the Education Service Center had not completed the certification on internal control standards as required after June 30, 2016.

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).

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](#)."

ANNUAL FINANCIAL REPORT (AFR)

The Education Service Center had not electronically submitted required AFRs into the Indiana Gateway for Government Units financial reporting system for fiscal years ending June 30, 2014, 2015, 2016, and 2017. The required financial submission would have included; Unit Questions, Schedule of Officials, Capital Assets, Grants, Accounts Payable/Receivable, Debt, Leases, and Pensions.

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](#)."

REGION 8 EDUCATION SERVICE CENTER
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

An effective internal control system was not in place at the Education Service Center over cash and investments, receipts or disbursements, payroll, and vendor.

The Treasurer collected, receipted, deposited, and recorded the receipts into the accounting records without an oversight, approval, or other internal control process to ensure the accuracy of the collection and posting of receipts.

The Treasurer prepared the reconcilements of cash and investments without an oversight, approval, or other internal control process to ensure the accuracy of cash and investments.

Payroll disbursements were prepared by the Treasurer without an oversight, approval, or other internal control process to ensure the accuracy of payroll disbursements.

Vendor disbursements were prepared by the Treasurer without an oversight, approval, or other internal control process, prior to issuance, to ensure the accuracy of vendor disbursements.

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. . . ."

MILEAGE CLAIMS

Mileage reimbursements were based on gas purchases instead of the prescribed form for mileage claims, General Form Number 101.

The Mileage Claim (General Form 101) is designed to serve as a claim for mileage reimbursement to be presented to the school board of finance for allowance.

REGION 8 EDUCATION SERVICE CENTER
AUDIT RESULTS AND COMMENTS
(Continued)

Administrators, teachers and other employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the school corporation at a reasonable rate per mile as fixed by a resolution of the school board. Reimbursement mileage shall not include travel to and from the employee's home and place of employment. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The odometer reading columns on the form are to be used only when distance between points cannot be determined by fixed mileage or official state highway map. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TRAVEL POLICY

The Executive and Governing Board of the Education Service Center did not adopt a written travel policy in conformity with applicable laws.

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

REGION 8 EDUCATION SERVICE CENTER
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Christine A. Gamble, Treasurer; Joshua O. Wenning, Executive Director; and Wayne Barker, Chairman of the Executive Board.