

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
COVERED BRIDGE SPECIAL EDUCATION DISTRICT
VIGO COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
05/13/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jeffery Blake Susan Cobb	07-01-16 to 10-12-17 10-13-17 to 06-30-19
Treasurer	Deborah J. Thompson Anne Laferriere	07-01-16 to 01-31-19 02-01-19 to 06-30-19
President of the District Board	Daniel Tanoos David Chapman	07-01-16 to 08-14-17 08-15-17 to 06-30-19



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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

TO: THE OFFICIALS OF THE COVERED BRIDGE SPECIAL
EDUCATION DISTRICT, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the Covered Bridge Special Education District (School Corporation), for the period from July 1, 2016 to June 30, 2018. 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 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

March 28, 2019

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Deficiencies in the internal control system of the School Corporation related to financial transactions and reporting were noted. We believe the following deficiency constitutes a material weakness:

The School Corporation had not separated incompatible activities related to cash and investments and receipts. The failure to establish controls could have enabled material misstatements to remain undetected.

The School Corporation designed a control that required the Treasurer to perform a manual bank reconciliation, which would then be performed by the Deputy Treasurer in the Komputrol accounting system, which consists of marking all cleared items, using the same report. There was no documentation that this process was performed by different people or that the manual reconciliation was compared to the Komputrol reconciliation.

The Treasurer received payments and notices of electronic funds transfer and recorded the receipts in the ledger. There was no evidence of any review, oversight, approval, or other compensating control to ensure their accuracy.

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. . . ."

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 28, 2019, with Anne Laferriere, Treasurer; Ruth Tobias, Assistant Director; Susan Cobb, Executive Director; and Mary Beth Harris, School Board member.