

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
OREGON-DAVIS SCHOOL CORPORATION
STARKE COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
05/20/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls - Financial Transactions	4
Overdrawn Cash Balance	4
Training on Internal Control Standards	4-5
Accounts Payable Vouchers.....	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nicole Salazar	07-01-16 to 06-30-19
Superintendent of Schools	Donald Harman	07-01-16 to 06-30-19
President of the School Board	Christopher Lawrence Andrea McIntosh Christopher Lawrence	07-01-16 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE OREGON-DAVIS SCHOOL CORPORATION, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Oregon-Davis School Corporation (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 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

April 4, 2019

OREGON-DAVIS SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - FINANCIAL TRANSACTIONS

There were deficiencies in the internal control system of the School Corporation related to financial transactions. The School Corporation had not separated incompatible activities related to cash and investments.

One employee was responsible for ensuring that the School Corporation's ledger was reconciled with the bank depository balances. There was no evidence of review of the reconciliation of the School Corporation's ledger with the bank depository balances.

There was a comparison of the recorded receipts to the bank deposits and the recorded disbursements to the bank withdrawals. As of March, 2018, the same individual that recorded the disbursements reviewed the bank withdrawals.

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. . . ."

OVERDRAWN CASH BALANCE

A similar comment also appeared in the two most recent Reports B45168 and B48535.

The financial statement presented in the Financial Statement Audit Report of the School Corporation included the School Lunch fund with an overdrawn cash balance of \$45,329 at June 30, 2017, and \$36,450 at June 30, 2018.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

Training over internal control standards was not provided to the School Board members as required by Indiana Code 5-11-1-27(g).

OREGON-DAVIS SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

ACCOUNTS PAYABLE VOUCHERS

The School Corporation generated Accounts Payable Vouchers (vouchers) every month for goods and services received for the School Corporation. Vouchers were generated and checks were mailed before the School Board approved the vouchers.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-17-5-1(c) states:

"For the purposes of this section, payment by a political subdivision is timely if:

- (1) a date for payment is not specified in an applicable contract;
- (2) a claim:
 - (A) for payment for goods or services; and
 - (B) that must be approved by a local legislative body or board; is submitted to the body or board; and
- (3) the political subdivision pays the claim within thirty-five (35) days following the first regularly scheduled meeting of the body or board that is held at least ten (10) days after the body or board receives the claim."

OREGON-DAVIS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2019, with Nicole Salazar, Treasurer; Donald Harman, Superintendent of Schools; Christopher Lawrence, President of the School Board; and Annette Ferch, School Board member.