

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
SOUTHERN WELLS COMMUNITY SCHOOLS  
WELLS COUNTY, INDIANA  
July 1, 2016 to June 30, 2018



**FILED**  
06/20/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vicki S. Andrews MaryAnn Ripperger (interim) Lora J. Warner	07-01-16 to 02-15-19 02-16-19 to 03-31-19 04-01-19 to 06-30-19
Superintendent of Schools	Steve W. Darnell	07-01-16 to 06-30-19
President of the School Board	Chad Roush Kevin Scott Aaron J. Westfall	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE SOUTHERN WELLS COMMUNITY  
SCHOOLS, WELLS COUNTY, INDIANA

This report is supplemental to our audit report of the Southern Wells Community Schools (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/](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

May 6, 2019

SOUTHERN WELLS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***ANNUAL FINANCIAL REPORT***

A similar comment also appeared in prior Reports B46385 and B49301, entitled *ANNUAL FINANCIAL REPORT*.

The Annual Financial Report (AFR) submitted using the online Indiana Gateway for Government Units financial reporting system had the following errors during the audit period.

1. The School Corporation did not report all of the federal grants received and expended during the audit period on their Schedule of Expenditures of Federal Awards (SEFA). The SEFA submitted by the School Corporation for fiscal years 2016-2017 and 2017-2018 contained numerous errors. These errors consisted of federal grants that were omitted.
2. The supplementary information for the Schedule of Payables and Receivables as of June 30, 2018, was omitted from the AFR. The Schedule of Payables and Receivables should include all of the payables and receivables of the School Corporation.
3. The supplementary information submitted for the Schedule of Leases and Debt as of June 30, 2018, contained errors. The Schedule of Leases and Debt should include all of the various long-term debt issues of the School Corporation.
4. The supplementary information submitted for the Schedule of Capital Assets as of June 30, 2018, contained errors. The Schedule of Capital Assets should include all the assets of the School Corporation.

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](#)."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

***PUBLIC RECORDS RETENTION***

Timesheets for the Treasurer were not provided to verify the amount of overtime hours the Treasurer worked.

SOUTHERN WELLS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

**INTERNAL CONTROLS**

We identified deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts. Also, the timesheet sampled for the School Corporation Secretary was not approved by a supervisor.

The School Corporation adopted an internal control policy, but no documentable controls could be verified throughout the course of the audit over receipts. The Treasurer collected monies, wrote receipts, posted receipts to the financial ledger, and took the deposit to the bank without an oversight, approval, or review process in place to ensure the accuracy of the receipts.

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. . . ."

SOUTHERN WELLS COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 6, 2019, with Lora J. Warner, Treasurer; Vicki S. Andrews, former Treasurer; Steve W. Darnell, Superintendent of Schools; and Aaron J. Westfall, President of the School Board.