

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT
OF SHELBY COUNTY
SHELBY COUNTY, INDIANA

July 1, 2015 to June 30, 2018



FILED
08/16/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michele Bedwell Bonnie Thopy	07-01-15 to 03-02-18 03-03-18 to 06-30-20
Superintendent of Schools	Dr. Paula Maurer	07-01-15 to 06-30-20
President of the School Board	Linda Isgrigg Jim Emerick	07-01-15 to 12-31-17 01-01-18 to 12-31-19



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TO: THE OFFICIALS OF THE SOUTHWESTERN CONSOLIDATED SCHOOL
DISTRICT OF SHELBY COUNTY, SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of the Southwestern Consolidated School District of Shelby County (School Corporation), for the period from July 1, 2015 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 Statements Audit Report of the School Corporation, which provides our opinion on the School Corporation'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 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

July 2, 2019

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system of the School Corporation related to cash and investments, receipts, and vendor disbursements. The School Corporation had not established an effective internal control system to prevent, or detect and correct, material misstatements related to cash and investments, receipts, and disbursements.

Cash and Investments

The Deputy Treasurer performed the monthly bank reconciliements, which were then reviewed by the Treasurer. Oversight, review, or approval process to ensure they were complete and being prepared accurately, could not be confirmed for 12 of the 36 months during the audit period.

Receipts

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

Vendor Disbursements

The School Lunch fund (Cafeteria) and Textbook Rental fund are accounted for in the extra-curricular accounts maintained at the schools. The School Corporation's Cafeteria and Textbook Rental disbursements were not included in the claim dockets for School Board approval. The School Corporation's Cafeteria and Textbook Rental disbursements were made without approval by the School Board.

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. . . ."

Expenditures by the treasurer of the extra-curricular account are limited to those approved by the principal of the school and they should be in accordance with the general administration policies of the school corporation since the law provides that all expenditures shall be subject to review by the local school board. [IC 20-41-1-4]

Indiana Code 5-11-10-1.6(c)(5) states: "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."

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 2, 2019, with Bonnie Thopy, Treasurer; Dr. Paula Maurer, Superintendent of Schools; and Jim Emerick, President of the School Board.