

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

UNION-NORTH UNITED SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
01/16/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Elizabeth Mangus	01-01-17 to 12-31-20
Superintendent of Schools	Mitchell D. Mawhorter	07-01-15 to 06-30-21
President of the School Board	Karman Eash	01-01-17 to 12-31-20



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE UNION-NORTH UNITED SCHOOL  
CORPORATION, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Union-North United School Corporation (School Corporation), for the period from July 1, 2017 to June 30, 2019. 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

December 19, 2019

UNION-NORTH UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in the prior Report B50694, entitled *Finding 2017-002*.

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal controls or separated incompatible activities related to cash and investments, and receipts.

*Cash and Investments*

The School Corporation did not have effective controls in place to ensure that bank reconciliations were accurate. The oversight and review process was ineffective and did not ensure that cash and investments balances were properly reconciled to the record balances. The School Corporation reconciled each month to a balance that represented neither a combined fund balance, nor a combined bank balance. Variances of \$73,095 and \$77,929 existed between the reconciled bank balances and the record balances as of June 30, 2018 and 2019, respectively.

*Receipts*

The School Corporation did not have effective controls in place to ensure that recorded receipts agreed to corresponding deposits. There was no documentation of an oversight or review process.

Due to the lack of controls, the following errors occurred on the financial statement and were not detected and corrected:

1. Cash and investments were understated \$300,000 and \$126,726 as of June 30, 2018 and 2019, respectively.
2. Receipts were understated \$300,000 and \$129,452 as of June 30, 2018 and 2019, respectively.

Audit adjustments were proposed, approved by the School Corporation, and made to the financial statement.

*Criteria*

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.

UNION-NORTH UNITED SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in the prior Report B50694.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2018, and June 30, 2019:

Fund	Amount Overdrawn 06-30-18	Amount Overdrawn 06-30-19
16/17 Title I Grant	\$ 189	\$ 189
Curricular Materials Rental	77,934	1,478
Computer Consortium/Ed Tech Advance	102,366	-
Payroll Deductions	20,136	-

*Criteria*

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)

UNION-NORTH UNITED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2019, with Elizabeth Mangus, Treasurer; Mitchell D. Mawhorter, Superintendent of Schools; Karman Eash, President of the School Board; Larry Ort, School Board member; and Arden Balmer, School Board member.