

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH ADAMS COMMUNITY SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
01/23/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Larry G. Carty Beth A. Quinn	07-01-17 to 06-30-19 07-01-19 to 06-30-21
Superintendent of Schools	Brent M. Lehman	07-01-17 to 06-30-20
President of the School Board	Benjamin S. Faurote Stacey L. Bussel	01-01-17 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH ADAMS COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the North Adams Community Schools (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/.

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

January 14, 2020

NORTH ADAMS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

GENERAL FUND BALANCE

Condition and Context

As of June 30, 2019, the School Corporation's General fund had a balance in the amount of \$23,138. The General fund's balance should have been transferred to the Education fund.

Criteria

Indiana Code 20-40-2-7(a) states: "On January 1, 2019, the balance, as of December 31, 2018, in the school corporation's general fund shall be transferred to the education fund."

Indiana Code 20-40-18-1 states: "The governing body of each school corporation shall create an operations fund to be used by the school corporation after December 31, 2018."

Indiana Code 20-40-18-12(a) states:

"After December 31, 2018, any property taxes collected from a levy imposed under any of the following shall be deposited in the operations fund:

- (1) [IC 20-46-4](#) (school transportation levy) (repealed).
- (2) [IC 20-46-5](#) (school bus replacement levy) (repealed).
- (3) [IC 20-46-6](#) (capital projects levy) (repealed).
- (4) [IC 36-10-13](#) (art association and historical society levies).
- (5) [IC 36-10-14](#) (public playground levy)."

LOSS OF SCHOOL CORPORATION FUNDS DUE TO CYBER FRAUD

Condition and Context

The School Corporation's computers were compromised by a Malware download. On July 3, 2018, \$282,300 was wired out of their bank account through a School Corporation's workstation without their knowledge. The School Corporation received \$250,000 from their insurance carrier due to their computer fraud policy. The net loss of this transaction was \$32,300.

NORTH ADAMS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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."

FIVE COMPONENTS OF INTERNAL CONTROL

"Component Two: Risk Assessment. . . .

Principle 8. Management considers the potential for fraud when identifying, analyzing, and responding to risks. . . ."

The types of fraud which could impact the achievement of objectives include fraudulent financial reporting, misappropriation of assets, and corruption. As a part of this analysis, fraud risk factors are identified: pressure, opportunity, and rationalization. The response to fraud risk exercises the same process used for all analyzed risks. (Uniform Internal Control Standards for Indiana Political Subdivisions)

NORTH ADAMS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2020, with Beth A. Quinn, Treasurer; Brent M. Lehman, Superintendent of Schools; and Stacey L. Bussel, President of the School Board.