

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

SPECIAL COMPLIANCE REPORT
OF

LAWRENCE NORTH HIGH SCHOOL WRESTLING PROGRAM
METROPOLITAN SCHOOL DISTRICT
OF LAWRENCE TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2016 to June 30, 2019



FILED

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT OF
LAWRENCE TOWNSHIP, MARION COUNTY, INDIANA

This is a special compliance report for the Metropolitan School District of Lawrence Township (School Corporation), for the period July 1, 2016 to June 30, 2019, and is in addition to any other report for the School Corporation as required under Indiana Code 5-11-1. All reports pertaining to the School Corporation may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the Lawrence North High School Wrestling Program (Wrestling Program). The 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 3, 2019

LAWRENCE NORTH HIGH SCHOOL WRESTLING PROGRAM
METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
RESULTS AND COMMENTS

REVENUE FROM WRESTLING PROGRAM

The Wrestling Program received its financial support primarily from donations, fundraising events, and fees assessed for uniforms and gear. For the fiscal years 2016-2017, 2017-2018, and 2018-2019, the fundraising events included an annual golf outing, sales of vendor coupon books, and dine and donate dates. The revenue and expenses for the Wrestling Program were accounted for in the records maintained by the Extracurricular Treasurer.

Based on the extracurricular records and information obtained from third-party sources, the following deficiencies in the accounting for revenues generated by the Wrestling Program existed and are described below.

Golf Outings

Golf outings were organized by the wrestling coach and held in October of each year in 2016, 2017, and 2018. Participants paid \$75 each and individuals and/or local businesses could "sponsor a hole" for a \$50 donation. Based on the extracurricular records for wrestling and the information provided by the golf course manager, the following deficiencies were noted in the accounting for revenues and expenses generated from the annual golf outing fundraisers:

1. Information relating to the October 2016 golf outing was not available for review.
2. Based upon information provided by the golf course manager regarding number of participants and prizes and other expenses paid from collections, we calculated a shortfall in deposits for the 2017 and 2018 golf outings to be \$462 and \$169, respectively.
3. Records were not available for persons and/or vendors who had donated for the "sponsor a hole."
4. According to the golf course manager, the invoices for the green fees, cart rentals, lunch, and beverages were paid with a combination of cash and checks that were made payable to Lawrence North High School and/or the wrestling coach.

Wrestling Uniform Fees and Fundraising Revenue

Each year the wrestlers were assessed a fee for practice packs, uniforms, etc. The fees were established by the wrestling coach at an amount to cover the actual cost. In addition, a "transportation" fee of \$40 was assessed to offset the cost of bus transportation to and from wrestling events. Fundraisers and solicitation of donations were also organized to offset the total cost per wrestler. Based on the rosters of the number of participants for the school years 2017-2018 and 2018-2019 and fees assessed, calculated collections exceeded collections deposited with the Extracurricular Treasurer by \$940.50 and \$2,014, respectfully. We noted the following deficiencies in the accounting for revenues from fees and fundraisers:

1. Records on fees assessed for the 2016-2017 school year were not available.
2. The fundraising event in the 2017-2018 school year was the sale of vendor coupon books. An inventory of the number of coupon books purchased but unsold at year end, and/or a record of the number of coupon books sold was not maintained.
3. Receipts were not issued the remitters of fees.

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Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DEPOSITS

For the 2017-2018 and 2018-2019 school years, cash deposits totaled \$37 and \$60, respectively.

According to the golf course manager, the expenses related to the annual golf outing were paid with a combination of cash and checks; therefore, deposits were not made intact and the associated receipt and disbursement transactions were not recorded in the extracurricular records.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 7)

INTERNAL CONTROLS

Internal controls over cash receipts were insufficient due to the lack of oversight and monitoring of extracurricular activities, such as fundraising events and the collection of fees. Collections were not counted and receipted in the presence of the sponsors. Internal controls are necessary to prevent, or detect and correct, misstatements in a timely manner. Furthermore, once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness of the implemented controls.

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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. . . ."

LAWRENCE NORTH HIGH SCHOOL WRESTLING PROGRAM
METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2019, with Dr. Shawn Smith, Superintendent of Schools; Reginald McGregor, President of the School Board; Michael Shreves, Chief Financial Officer; and Pearl McQueenie, Extracurricular Treasurer.