

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MADISON-GRANT UNITED SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
01/30/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tarina Morris (Vacant) Shaela Smith	07-01-17 to 03-01-19 03-02-19 to 04-07-19 04-08-19 to 06-30-20
Superintendent of Schools	Dr. Scott Deetz	07-01-17 to 06-30-20
President of the School Board	Aaron Caudell Mary Jo Brunt	01-01-17 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
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TO: THE OFFICIALS OF THE MADISON-GRANT UNITED SCHOOL CORPORATION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Madison-Grant 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/.

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 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 Results and Comments, incorporated within this report, was not verified for accuracy.

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

January 22, 2020

MADISON-GRANT UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition

There were deficiencies in the internal control system of the School Corporation related to cash and investments, financial account balances, and financial reporting of the Solar Panel Construction project.

Cash and Investments

The School Corporation did not include the construction activity in its financial records or reconcile the activity of the construction funds held at First Merchants Private Wealth Advisors (Bank) in the name of the School Corporation for the Solar Panel Construction project.

Financial Account Balances and Reporting

The internal control in place over the review of the Form 9 was not effective in preventing, or detecting and correcting, errors. The construction project financial activity within the Construction - Solar Panel Project fund was not reported in the School Corporation's Form 9, which was used to compile the School Corporation's financial statement. This resulted in the financial statement being materially understated for receipts, disbursements, and beginning and ending cash balances during the audit period.

Audit adjustments were proposed, accepted 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.

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. . . . "

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."

MADISON-GRANT UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

AVERAGE DAILY MEMBERSHIP

Condition

Average Daily Membership (ADM) was reviewed for fiscal years 2017-2018 and 2018-2019. The designated building level personnel did not provide written certification that the detailed student records maintained to support the ADM claimed was accurate for Madison-Grant Junior-Senior High School for 2018-2019.

Criteria

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."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

MADISON-GRANT UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition

We inspected an email to over 40 recipients describing that as of November 15, 2017, the School Corporation had no record that the employees completed the internal control training and were out of compliance. We observed a listing with 23 people taking the training after the date of the email. Therefore, we could not verify that all employees from the original list had taken the training on internal control standards.

Also, there was no other list for newer, more current hires that documented training on internal control standards. We did, however, observe the Treasurer's certification completed on March 30, 2019.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

MADISON-GRANT UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2020, with Shaela Smith, Treasurer; Mary Jo Brunt, President of the School Board; Dr. Katti Sneed, Vice President of the School Board; Steve Vore, Assistant Superintendent of Schools; and Dr. Scott Deetz, Superintendent of Schools.