

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CULVER COMMUNITY SCHOOLS CORPORATION
MARSHALL COUNTY, INDIANA
July 1, 2017 to June 30, 2019



FILED
02/21/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Result and Comment: Financial Transactions and Reporting	4-5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Casey Howard	07-01-17 to 06-30-20
Superintendent of Schools	Karen Shuman	07-01-17 to 06-30-20
President of the School Board	Mark Maes Jack L. Jones Theresa Thompson	01-01-17 to 12-31-17 01-01-18 to 12-31-19 01-01-20 to 12-31-20



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TO: THE OFFICIALS OF THE CULVER COMMUNITY SCHOOLS
CORPORATION, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Culver Community Schools 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 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

February 5, 2020

CULVER COMMUNITY SCHOOLS CORPORATION
AUDIT RESULT AND COMMENT

FINANANCIAL TRANSACTIONS AND REPORTING

Condition and Context

A similar comment also appeared in the immediately prior audit Report B50625, entitled *FINDING 2017-002*.

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established an effective system of internal controls related to cash and investments, and financial reporting.

Cash and Investments

The School Corporation had implemented controls related to the bank reconciliations; however, the controls were not effective. Due to the lack of effective controls, a variance of \$24,906 existed between the reconciled bank balances and the record balances as of June 30, 2019.

Financial Reporting

The School Corporation had implemented controls for financial reporting; however, the controls were not effective. Due to the lack of effective controls, the following errors occurred on the financial statement and were not detected and corrected:

1. In 2015, bonds were issued through the Culver School Building Corporation, a related-party of the School Corporation; but their financial transactions were erroneously included on the School Corporation's financial reports for the fiscal year 2017-2018. This resulted in an overstatement of the School Corporation's financial statement for cash and investments beginning balance of \$580,284; receipts of \$4,327; and disbursements of \$584,611.
2. The School Corporation inadvertently reported disbursements from July 2019 for 12 funds. In total, disbursements for 2018-2019 were overstated by \$860,156 and this caused cash and investments at June 30, 2019, to be understated the same amount.

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:

CULVER COMMUNITY SCHOOLS CORPORATION
AUDIT RESULT AND COMMENT
(Continued)

"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. . . .

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CULVER COMMUNITY SCHOOLS CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2020, with Casey Howard, Treasurer; Karen Shuman, Superintendent of Schools; Theresa Thompson, President of the School Board; and Ken VanDePutte, School Board member.