

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PENN-HARRIS-MADISON SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/11/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Financial Transactions and Reporting	4
Bank Account Reconciliations - Penn High School	5
Condition of Records - Penn High School	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director of Business Services/Treasurer	(Vacant) Jerry Hawkins	07-01-17 to 08-31-17 09-01-17 to 06-30-20
Superintendent of Schools	Dr. Jerry L. Thacker	07-01-17 to 06-30-24
President of the School Board	Gary Fox Christopher Riley	01-01-17 to 12-31-17 01-01-18 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Penn-Harris-Madison 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 opinions 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

February 26, 2020

PENN-HARRIS-MADISON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

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 payroll withholdings. There was no process in place at the School Corporation to review the accuracy and propriety of payroll withholdings, deductions, and benefits retained from employees' wages and the corresponding payments to vendors.

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. . . .

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. . . ."

PENN-HARRIS-MADISON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS - PENN HIGH SCHOOL

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were incomplete.

The Penn High School extracurricular account (ECA) Treasurer opened a separate bank account during fiscal year 2018-2019 to pay athletic officials through the use of a third-party. This bank account was not included in the ECA records, nor was it included in the monthly reconciliations.

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 Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS - PENN HIGH SCHOOL

Extracurricular account (ECA) funds were used to pay athletic officials through the use of a third-party. These transactions were not properly supported or accounted for in the records. Funds were disbursed out of the Athletics and Activities ECA fund from the ECA's main bank account and deposited into a separate ECA bank account. No receipt was issued for the amount deposited in the separate account. Funds were withdrawn from the separate bank account by the third-party to pay athletic officials. There was no documentation to support the amounts withdrawn and paid to the athletic officials.

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 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)

PENN-HARRIS-MADISON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2020, with Jerry Hawkins, Executive Director of Business Services/Treasurer; Dr. Jerry L. Thacker, Superintendent of Schools; Christopher Riley, President of the School Board; Jim Garrett, School Board member; Victoria L. Roush, Accounting Coordinator/Deputy Treasurer; Jill Riggs, Director of Food Service; and Aaron Leniski, Chief Operating Officer.