

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

SPECIAL COMPLIANCE REPORT
OF

HANCOCK MADISON SHELBY
SPECIAL EDUCATION COOPERATIVE
HANCOCK COUNTY, INDIANA

July 1, 2016 to December 27, 2017



FILED
05/19/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Karen Niemeier Dr. Michael Bennett	07-01-15 to 04-08-16 04-09-16 to 12-31-19
Treasurer	Kaitlyn Veach	01-01-16 to 12-31-19
President of the Board of Directors	Dr. Lisa Lantrip Chris Hoke	07-01-15 to 06-30-16 07-01-16 to 12-31-19

The School Corporation permanently closed on December 31, 2019.



STATE OF INDIANA
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TO: THE OFFICIALS OF THE HANCOCK MADISON SHELBY SPECIAL
EDUCATION COOPERATIVE, HANCOCK COUNTY, INDIANA

This is a special compliance report for the Hancock Madison Shelby Special Education Cooperative (School Corporation), for the period July 1, 2016 to December 27, 2017, 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 payroll and payroll taxes. 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.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

March 10, 2020

HANCOCK MADISON SHELBY SPECIAL EDUCATION COOPERATIVE
RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

This is a repeat comment from the prior Report B47020, entitled *PENALTIES AND INTEREST*.

Condition and Context

Kaitlyn Veach (Veach), Treasurer, made late filings and payments for quarterly federal and local tax returns to the Internal Revenue Service and the Indiana Department of Revenue, resulting in late payment fees of \$4,009.59 and \$2,229.33, for each agency, respectively.

On September 4, 2019, the Internal Revenue Service refunded the \$4,009.59 plus interest in the amount of \$259.20 upon a request by the Treasurer. On January 13, 2020, Veach reimbursed the School Corporation \$2,229.33 for penalties and interest incurred and paid to the Indiana Department of Revenue. (See Summary of Charges, page 7)

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SALARY OVERPAYMENT

Condition and Context

During fiscal year 2016-2017, Rebecca Webb (Webb), Payroll Clerk, was overpaid \$735.92 according to the salary ordinance.

On February 20, 2020, Webb reimbursed the School Corporation \$735.92 for salary overpayments. (See Summary of Charges, page 7)

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

HANCOCK MADISON SHELBY SPECIAL EDUCATION COOPERATIVE
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Condition and Context

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation had not separated incompatible activities related to receipts and payroll disbursements. The failure to establish these controls could have enabled material misstatements to remain undetected.

The Treasurer was responsible for preparing and paying claims for payroll taxes. The claims were approved by the Board of Directors. Claims for penalties and interest were paid and approved eight times during the period. The approval system in place was not effective in preventing further late payments of payroll taxes.

The Payroll Clerk was responsible for preparing the payroll claims for total payroll to be presented for approval, and preparing payroll checks, without an oversight or review process.

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. . . ."

HANCOCK MADISON SHELBY SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on March 10, 2020, with Kaitlyn Veach, Treasurer; Joe Buck, Board of Directors member; Kenneth McCarty, Business Manager of South Madison Community School Corporation; and Penny Myers, Treasurer of South Madison Community School Corporation.

HANCOCK MADISON SHELBY SPECIAL EDUCATION COOPERATIVE
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Kaitlyn Veach, Treasurer:			
Penalties, Interest, and Other Charges, page 4	\$ 6,238.92	\$ 6,238.92	\$ -
Rebecca Webb, Payroll Clerk:			
Salary Overpayment, page 4	735.92	735.92	-
Totals	\$ 6,974.84	\$ 6,974.84	\$ -

This report was forwarded to the Office of the Indiana Attorney General.