

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CROTHERSVILLE COMMUNITY SCHOOLS

JACKSON COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
08/21/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Terry L. Richey	07-01-17 to 06-30-21
Superintendent of Schools	Dr. Terry A. Goodin	07-01-17 to 06-30-21
President of the School Board	Robert E. Spicer Dale L. Schmelzle	07-01-17 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CROTHERSVILLE COMMUNITY
SCHOOLS, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Crothersville Community Schools (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

July 7, 2020

CROTHERSVILLE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS

Condition and Context

The School Corporation had not approved school lunch disbursements during regular School Board meetings; rather there was mention of school lunch disbursements being approved yearly in the August School Board meeting minutes; however, there was no tangible evidence that a proper itemized review or approval of claims had occurred.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

INTERNAL CONTROLS OVER CASH AND INVESTMENTS AND RECEIPTS

A similar comment also appeared in prior Report B50164, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to the financial transactions and reporting. The School Corporation had not separated incompatible activities related to the cash and investments and receipts. The failure to establish these controls could enable material misstatements to occur and remain undetected.

CROTHERSVILLE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Cash and Investments

Monthly bank reconciliations are performed by the ECA Treasurer for school lunch and text-book rental is completed by the Corporation Treasurer for the corporation funds. The reconciliation is then reviewed and signed by someone separate than who prepared the reconciliation; however, no tangible evidence exists that suggests that the bank reconciliation is performed by someone separate from the reviewer.

Receipts

When receipts are collected, deposit slips are created and subsequently compared to the day's collections. A review, as evidenced by a signature on the deposit slips, is completed prior to the bank deposit. While the signature on the deposit slips indicates a review occurred, there is no evidence to suggest that the reviewer is someone separate than the individual who collected the funds and prepared the deposit slips.

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. . . ."

CROTHERSVILLE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2020, with Terry L. Richey, Treasurer; Dale L. Schmelzle, President of the School Board; and Dr. Terry A. Goodin, Superintendent of Schools.