

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

SPECIAL COMPLIANCE REPORT
OF

PIKE HIGH SCHOOL ATHLETIC DEPARTMENT
MSD OF PIKE TOWNSHIP
MARION COUNTY, INDIANA

February 1, 2020 to March 18, 2020



FILED
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TO: THE OFFICIALS OF THE MSD OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

This is a special compliance report for the MSD of Pike Township (School Corporation), for the period February 1, 2020 to March 18, 2020, 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 the Athletic Department cash change funds. 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

November 30, 2020

PIKE HIGH SCHOOL ATHLETIC DEPARTMENT
MSD OF PIKE TOWNSHIP
RESULTS AND COMMENTS

BACKGROUND

The Pike High School Athletic Department of MSD of Pike Township (Department) maintained \$14,000 in cash change in a safe within the Department's office. The cash change was used at the gates of the various sporting events throughout the school year. On March 17, 2020, the School Corporation called all cash change to be re-deposited as the school was closing due to the COVID-19 pandemic. The Athletic Director counted the cash and determined that \$5,313.66 was missing from the cash change funds. He notified the Extra-Curricular Treasurer, the Principal, and the School Corporation Police Chief. Subsequently, the Superintendent of Schools and the Chief Financial Officer were also notified of the missing money.

The Indiana State Board of Accounts was notified by the School Corporation officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of sporting events and cash change for the Department. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts*.

CASH CHANGE TAKEN FROM ATHLETIC SAFE

On August 9, 2017, the Extra-Curricular Treasurer wrote a check for cash change in the amount of \$14,000 for the Department. The Athletic Director cashed the check and the cash was then used to make change at the entry gates of all sporting events. The Athletic Secretary was responsible for preparing the cash change boxes to be used on the day of any sporting event. The cash change not in use was maintained in the safe within the Department office. The cash change boxes were distributed to individuals who would head the event that evening. Their duty was to take the boxes to the gates and transfer them to the gate workers who would count the cash change prior to the gates opening. After the event, the head of the event would collect the cash change boxes and return them to the safe and lock them in for safekeeping until the next business day. On the next business day, the Athletic Secretary would remove the boxes and take the cash change from the boxes and return it to the safe and then reconcile the cash in the boxes to the tickets sold for the event. The Athletic Director would then review the report of collections and take the money collected to the Extra-Curricular Treasurer. The Extra-Curricular Treasurer would then count the money and issue a receipt to the Athletic Director. A deposit of the collections would then follow.

Per the Athletic Secretary, all \$14,000 was counted on February 10, 2020. There were three subsequent evenings with sporting events after February 10, 2020, in which the Athletic Secretary prepared cash change boxes. A \$1,500 cash change box was prepared for February 11, 2020 events. A \$2,000 cash change box was prepared for February 25, 2020 events. A \$800 cash change box was prepared for a March 5, 2020 event. After each of these events, the Athletic Secretary returned the cash change to the safe and reconciled the event collections to the tickets sold before taking it to the Athletic Director.

On March 17, 2020, the Athletic Director was ordered to return the cash change to the Extra-Curricular Treasurer due to the school shutting down because of the COVID-19 pandemic. The Athletic Director determined that \$5,313.66 was missing from the cash change that was in the safe. The cash change that was in the safe, \$8,686.34, was taken to the Extra-Curricular Treasurer and receipted back to the Athletic Fund and deposited. The Extra-Curricular Treasurer stated that the deposit took 4 large deposit bags to hold all of the cash. Per a discussion with the Athletic Director, most of the cash change that was maintained was in five-dollar bills and one-dollar bills as those were used most often to make change at the sporting events.

PIKE HIGH SCHOOL ATHLETIC DEPARTMENT
MSD OF PIKE TOWNSHIP
RESULTS AND COMMENTS
(Continued)

A Cash Change Fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such Cash Change Fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the extracurricular in an amount to be determined by the governing body. The check is drawn in favor of the officer or employee who has been designated as custodian of the Cash Change Fund. The custodian shall convert same to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing board shall have authority to increase or decrease such fund and shall require the entire Cash Change Fund to be returned to the General Fund if and when it is no longer needed for the purpose established or when a change is made in the custodian of the fund. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 6)

INTERNAL CONTROL DEFICIENCIES

We noted the following weaknesses with internal controls over the cash change in the Athletic Department:

1. The cash change was not returned to the Extra-Curricular Treasurer at the end of the 2017-2018 or 2018-2019 school years as was the procedure.
2. The cash change was not counted in its entirety after each event to make sure that all of the cash change was still on hand.
3. Five individuals had the combination to the safe.
4. The combination to the safe has not been changed in several years.
5. Money was not usually counted in the presence of another individual to verify the count.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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. . . .".



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

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Linda J. Searles, RSBO
Chief Financial Officer

January 15, 2021

Indiana State Board of Accounts
Indiana Government Center South
302 West Washington Street, Room E418
Indianapolis, IN 46204-2738

Re: **Official Response** – Special Audit of the MSD of Pike Township for the period of 2/1/20 to 3/18/20


To whom it may concern:

We are submitting this official response to the special audit conducted by the Indiana State Board of Accounts for the period February 1, 2020 to March 18, 2020. Below is the response of the MSD of Pike Township (the "School Corporation") to the final draft of the "Results and Comments" provided to the School Corporation on January 7, 2021.

The MSD of Pike Township agrees with the "Results and Comments" related to the cash change in the Athletic Department at Pike High School and has already begun implementation of the following procedures:

1. While procedures were in place requiring reconciliation of cash change at the end of each school year, the procedures were not followed at the end of 2017-18 or 2018-19 school year. The MSD of Pike Township now requires the completion of a reconciliation form at the end of the end of each school. Once completed the form must be signed by the Athletic Director, ECA Treasurer and Principal and sent to the CFO.
2. As per district procedures, all cash must counted in its entirety after each event by (and in the presence of) two employees. To assure this occurs both employees will attest to this count via signature on the event form.
3. A new safe with a "drop box" feature will replace the old safe. This feature will reduce the number of individuals who need the combination to the safe. The completed event form along with all cash is to be sealed in a tamper-proof deposit bag, and placed in the "drop box" portion of the safe.
4. Language regarding responsibility for the safekeeping of cash has been added to the Athletic Director's job description.

Respectfully,


Linda J. Searles
Chief Financial Officer
MSD of Pike Township

Cc: Dr. Flora Reichanadter, Superintendent

PIKE HIGH SCHOOL ATHLETIC DEPARTMENT
MSD OF PIKE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on January 7, 2021, with Dr. Flora Reichenadter, Superintendent of Schools; Linda Searles, Chief Financial Officer; and Regina Randolph, Vice President of the School Board.