

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TWIN LAKES SCHOOL CORPORATION

WHITE COUNTY, INDIANA

July 1, 2012 to June 30, 2014





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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Margie L. Reynolds	07-01-12 to 06-30-15
Superintendent of Schools	Dr. Thomas E. Fletcher	07-01-12 to 06-30-15
President of the School Board	Larry Crabb John Gooding	07-01-12 to 12-31-12 01-01-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TWIN LAKES SCHOOL CORPORATION, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the Twin Lakes School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings incorporated within this report was not verified for accuracy.

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

February 19, 2015

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 12-13, FY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and several of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirement for Cash Management, Eligibility, Suspension and Debarment, Reporting, and Special Tests and Provisions - verification of free and reduced price applications. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were maintained in compliance with the Cash Management requirements.

*Eligibility*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that they publicly announce eligibility criteria per federal regulation 7CFR 245.5.

In addition, free and reduced meal applications are not reviewed by another employee prior to final determination of free, reduced, or paid status. Currently the application information is entered into the food service software which automatically makes the determination dependent on the information entered into the software. There was no segregation of duties, such as an oversight, review, or approval process to ensure information is correctly entered into the system.

*Suspension and Debarment*

The School Corporation has not designed or implemented adequate policies and procedures to verify compliance with Suspension and Debarment requirements for the vendors selected for procured products.

*Reporting*

The monthly reimbursement request is independently prepared by the Food Service Secretary and submitted electronically via the DOE website. This report is not verified by anyone prior to submission. The Food Service Director submits the Annual Report which is not reviewed by another employee prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Verification of Free and Reduced Applications*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the verification of free and reduced meal applications are completed as required. There was no segregation of duties, such as an oversight, review, or approval process.

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The failure to establish an effective internal control system places the school at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the applicable compliance requirements of the programs.

***FINDING 2014-002 - INTERNAL CONTROLS OVER THE CAREER AND  
TECHNICAL EDUCATION - BASIC GRANTS TO STATES***

Federal Agency: Department of Education

Federal Program: Career and Technical Education - Basic Grants to States

CFDA Number: 84.048

Federal Award Year: FY 11-12, FY 12-13, FY 13-14, FY 13 (Tech) and FY 14 (Tech)

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all the compliance requirements that have a direct and material effect on the program. This includes the compliance requirements for Allowable Activities, Allowable Costs, Cash Management, Period of Availability and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Activities Allowed and Allowable Costs*

The School Corporation has not designed or implemented policies and procedures to ensure that Activities Allowed and Allowable Costs were reviewed and approved by someone knowledgeable of the program requirements. Disbursements were made by the Program Coordinator without oversight, review, or approval.

*Cash Management and Reporting*

Requests for reimbursement (Cash Management) and the final fiscal status detail reports (Reporting) were prepared by the School Corporation Treasurer and properly filed with the Indiana Department of Education. However, the reports were not verified by anyone prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

*Period of Availability*

The School Corporation has not designed or implemented policies and procedures to ensure that accounts payable vouchers and the monthly reimbursement reports were being verified to ensure they were within the period of availability. There was no segregation of duties, such as an oversight, review, or approval process.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

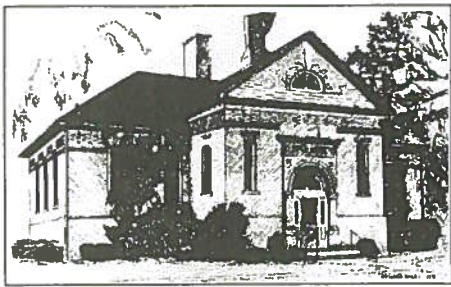
OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the applicable compliance requirements of the program.





# TWIN LAKES SCHOOL CORPORATION

565 SOUTH MAIN STREET

MONTICELLO, INDIANA 47960

PHONE: (574) 583-7211

FAX: (574) 583-8963

## CORRECTIVE ACTION PLAN

### **FINDING 2014-001**

Contact Person Responsible for Corrective Action: Margie L. Reynolds, Treasurer  
Contact Phone Number: 574-583-7211

#### Description of Corrective Action Plan:

Margie Reynolds, Treasurer, will work closely with Pat Berger, Food Services Director, to ensure that internal controls are maintained as per OMB Circular A-133, Subpart C, section .300.

Margie Reynolds, Treasurer, will work with Dr. Tom Fletcher, Superintendent, to design an internal control system and ensure that the National School Lunch Program duties are segregated.

Anticipated Completion Date: February 18, 2015

### **FINDING 2014-002**


Contact Person Responsible for Corrective Action: Margie L. Reynolds, Treasurer  
Contact Phone Number: 574-583-7211

#### Description of Corrective Action Plan:


Margie Reynolds, Treasurer, will work closely with James Stradling, Director, Indian Trails Career Cooperative, to ensure that internal controls are maintained as per OMB Circular A-133, Subpart C, section .300.

Anticipated Completion Date: February 18, 2015

  
Thomas E. Fletcher, Superintendent

  
Date

  
Margie L. Reynolds, Treasurer

  
Date



INDIAN TRAILS  
CAREER COOPERATIVE

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Carroll Consolidated School Corporation • Delphi Community School Corporation • Frontier School Corporation  
Kankakee Valley School Corporation • North Newton School Corporation • North White School Corporation  
Rensselaer Central Schools Corporation • South Newton School Corporation • Tri-County School Corporation  
Twin Lakes School Corporation • West Central School Corporation

### Corrective Action Plan

FINDING 2014-002

Contact Person Responsible for Corrective Action: James Stradling

Contact Phone Number: 574-583-7264

Description of Corrective Action Plan:

All claims for the Indian Trails Career Cooperative will be reviewed and signed by two members of the Indian Trails staff. This process will provide a check and balance for funding of all grants both federal and state.

The Indian Trails staff reviews all request for compliance and allowances for all grant funds. The individual is notified by the Indian Trails staff if a request is approved or not approved.

The Director of Indian Trails writes and administers the Career and Technical Education grants, to include the federal Perkins grant. The director stays current with federal and state grant guidelines through professional development activities regarding grant administration.

Anticipated Completion Date: 18 February 2015

Director

*Performance Excellence*

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300 S. THIRD STREET MONTICELLO, INDIANA 47960  
TELEPHONE: 574-583-7264  
FAX: 574-583-2861

TWIN LAKES SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**PREPAID LUNCH ACCOUNT**

The Prepaid Food fund cash balance reported in the School Corporation's food service software has a greater cash balance than the School Corporation's ledger. As of December 31, 2014, the balance in the detailed subsidiary ledger, the food service software, exceed the School Corporation's ledger balance by \$1,804.

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

**COLLECTIVE BARGAINING AGREEMENT**

The collective bargaining agreement, entered into on October 8, 2013, contained the following item prohibited by Indiana Code 20-29-6-4.5(b):

1. page 3 Article entitled "New Compensation Model," "Item 1. 2013-2014 Compensation Model, section (I) discusses "Evaluation."

Indiana Code 20-29-6-4.5(a) states in part:

"For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following: . . .

- (5) Any subject not expressly listed in section 4 of this chapter."

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1.5, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

TWIN LAKES SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2015, with Dr. Thomas E. Fletcher, Superintendent of Schools; Margie L. Reynolds, Treasurer; Kimberly Campbell, Deputy Treasurer; and Doug Haygood, School Board Member.