

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
PLYMOUTH COMMUNITY SCHOOL CORPORATION
MARSHALL COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
05/09/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lori VandeWeele Kandi S. Tinkey	06-04-13 to 12-03-14 12-04-14 to 06-30-16
Superintendent of Schools	Daniel L. Tyree	07-01-13 to 06-30-16
President of the School Board	Todd A. Samuelson	01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PLYMOUTH COMMUNITY SCHOOL
CORPORATION, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Plymouth Community School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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/.

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

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

March 3, 2016

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Years: FY 2014, FY 2015
Pass-Through Entity: Indiana Department of Education

Internal Control

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Cash Management. 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 programs. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to three months' average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

Compliance

The cash balance in the School Lunch fund exceeded three month average expenditures for all 24 months of the audit period. For the 2013-2014 school year, the three month average expenditures was \$444,653; the average monthly cash balance was \$954,597. For the 2014-2015 school year, the three month average expenditures was \$502,963; the average monthly cash balance was \$1,049,808.

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."

7 CFR 210.9(b) states in part:

"*Agreement.* Each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. Nothing in the preceding sentence shall be construed to limit the ability of the State agency to suspend or terminate the agreement in accordance with §210.25. If a single State agency administers any combination of the Child Nutrition Programs, that State agency shall provide each school food

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

authority with a single agreement with respect to the operation of those programs. The agreement shall contain a statement to the effect that the 'School Food Authority and participating schools under its jurisdiction, shall comply with all provisions of 7 CFR parts 210 and 245.' This agreement shall provide that each school food authority shall, with respect to participating schools under its jurisdiction: . . .

- (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with §210.19(a); . . ."

The failure to establish internal controls enabled 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 Cash Management requirements. In addition, we recommended that the School Corporation comply with the Cash Management requirements.

FINDING 2015-002 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Internal Control

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Equipment and Real Property Management. 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 programs. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that equipment purchased with federal program funds was properly recorded in the capital asset records. An oversight, review, or monitoring process has not been established.

Compliance

The School Corporation did not comply with the Equipment and Real Property Management requirements. Of the five items purchased with federal program funds, three could not be found on the Capital Asset Inventory. In addition, the School Corporation's inventory records did not adequately identify equipment acquired with federal funds.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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."

7 CFR 3016.32(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . ."

The failure to establish internal controls enabled 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 compliance requirements for Equipment and Real Property Management. In addition, we recommended that the School Corporation comply with the Equipment and Real Property Management requirements.

FINDING 2015-003 - ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Eligibility. 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 type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 programs. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that determinations of eligibility for free and reduced price meals were accurate. There was no segregation of duties, such as an oversight, review, or approval process.

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 Eligibility compliance requirements of the programs.

FINDING 2015-004 - PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Program Income. 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 programs. 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.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation has not designed or implemented adequate policies and procedures to ensure that program income was properly recorded. An oversight, review, or approval process has not been established.

Compliance

The School Corporation did not comply with the requirements for accounting for program income generated from the operation of the food service program. All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in a Prepaid Food fund.

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."

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

The failure to establish internal controls enabled 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 compliance requirements for Program Income. In addition, we recommended that the School Corporation comply with the Program Income requirements.

FINDING 2015-005 - INTERNAL CONTROL OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Years: 13-5485, 14-5485, 15-5485
Pass-Through Entity: Indiana Department of Education

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Availability, Reporting and Special Tests and Provisions - Comparability and Highly Qualified Teachers and Paraprofessionals. 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 type of 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.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

The School Corporation has designed adequate policies and procedures to ensure that expenditures paid were for an allowable activity, for an allowable cost or within the period of availability; however, the School Corporation did not properly implement the controls. There is no segregation of duties, such as an oversight, review, or approval process for some expenditures.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the Annual Financial Reports and the reimbursement requests were accurate prior to submission. There is no segregation of duties, such as an oversight, review, or approval process.

Eligibility

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the determination for eligibility was properly assessed for the audit period. For the 2013-2014 school year, the School Corporation operated a targeted assistance program. One person at each school was responsible for determining eligibility. For the 2014-2015 school year, the School Corporation operated a schoolwide program and eligibility was based on the Average Daily Membership (ADM) and poverty levels. One person was responsible for completing the application and including the ADM and poverty levels. There was no segregation of duties, such as an oversight, review, or approval process.

Special Test and Provisions - Comparability

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the Comparability Reports were accurate prior to submission. There is no segregation of duties, such as an oversight, review, or approval process.

Special Test and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Corporation hired highly qualified teachers and paraprofessionals. One employee was responsible for verifying compliance with highly qualified requirements without an oversight, review, or approval process.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 compliance requirements listed above.



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Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-0001

Responsible Party: Kandi Tinkey
Responsible Party Phone No.: 574-936-3115

We will be presenting a plan to the school board for approval of expending the school lunch funds which includes upgrades to the equipment and facilities, in order to reduce the balance so it is in compliance with federal regulations.

Anticipated Completion Date: Present to school board by June of 2016

Kandi S. Tinkey

(Signature)

Business Manager

(Title)

March 3, 2016

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-0002

Responsible Party: Kandi Tinkey
Responsible Party Phone No.: 574-936-3115

We have established new procedures, which includes a review of all invoices at time of payment for all purchases over \$5,000 per item, which will be processed into the fixed assets program, as well as an annual inventory review for building staff.

Anticipated Completion Date: Began January 2016, and will be continuous.

Kandi S. Tinkey

(Signature)

Business Manager

(Title)

March 3, 2016

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-0003

Responsible Party: Kandi Tinkey
Responsible Party Phone No.: 574-936-3115

We have already assigned the review of all free/reduced applications to an employee which is not involved with the initial application procedure. This employee is directed to acknowledge, by signature or initials, their review and report any discrepancies to the proper designated official.

Anticipated Completion Date: Began January 2016, and will be continuous.

Kandi S. Tinkey

(Signature)

Business Manager
(Title)

March 3, 2016
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-0004

Responsible Party: Kandi Tinkey
Responsible Party Phone No.: 574-936-3115

The school corporation established a fund account (8440) in order to properly record prepaid lunch funds.

Anticipated Completion Date: Began July 1, 2015, and will be continuous.

Kandi S. Tinkey

(Signature)

Business Manager
(Title)

March 3, 2016
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-005: Internal Control over Title I, Part A Cluster

Responsible Party: Brooke Busse
Responsible Party Phone No.: 574-936-3115

Activities Allowable, Allowable Costs and Period of Availability:

We will continue to utilize the policies and procedures in place to ensure that expenditures paid were an allowable activity, allowable cost or within the period of availability. All expenditures require the approval/review of the Business Manager and Title I administrator. Signatures will be evidence of the approval/review.

Anticipated Completion Date: Began August 2015 and will be continuous.

Cash Management and Reporting:

Our Business Manager will continue to prepare the Annual Financial Report. Before submissions, the Title I Administrator will review the report. Once reviewed and signed by the Title I Administrator, our Business Manager will submit the report.

Anticipated Completion Date: Began August 2015 and will be continuous.

Eligibility:

We have five schools operating a School-wide Title I program. Eligibility is based on ADM and poverty levels. Our Data Director will continue to prepare the ADM report twice a year and each building will continue to input poverty data into NutriKids. When the Title I Administrator prepares the grant application, the Data Director will review and sign the eligibility data in the grant to ensure it is accurate.

Anticipated Completion Date: Begin January 2016 and will be continuous.

Comparability:

Title I Administrator will continue to prepare the Comparability Report. Before submission, the Data Manager will review the report. Once reviewed and signed by the Data Manager, our Title I Administrator will submit the report.

Anticipated Completion Date: Begin January 2016 and will be continuous.

Highly Qualified Teachers and Paraprofessionals:

Our Personnel & Benefits Coordinator will continue to verify compliance with highly qualified requirements of teachers and paraprofessionals. Our Executive Secretary will review the information to ensure it is accurate.

Anticipated Completion Date: Begin January 2016 and will be continuous.



(Signature)

Title I Administrator
(Title)

3/3/2016
(Date)

PLYMOUTH COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OFFICIAL BONDS

The School Corporation had a crime insurance policy to cover all employees. The term of the policy was for three years and was not on file in the County Recorder's Office. This policy covered forgery or alteration, identity fraud expense, and employee theft. New bonds for the Treasurer and Deputy Treasurer were not issued each year.

During the audit period, Indiana Code 20-26-4-5 stated in part: "For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties . . ."

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CREDIT CARDS

The School Corporation had an approved credit card policy but did not follow the established guidelines. Upon review of six credit card claims, two were not adequately itemized.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes. . . .
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. . . .

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for complying with the ordinances, resolutions and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DISPOSITION OF ASSETS

In June 2015, the School Corporation held a public auction for the sale of surplus property. Receipts from the sale of these assets were \$10,617. Information presented for audit indicated that the sale was not advertised 15 days before the date of the sale.

Indiana Code 5-22-22-11(a) states, "Notice of a sale under this chapter must be given by publication of the time, place, and terms of the sale, as provided in IC 5-3-1 in the county where the property is located. The publication shall be made at least fifteen (15) days before the date of the sale."

PLYMOUTH COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2016, with Kandi S. Tinkey, Treasurer; Daniel L. Tyree, Superintendent of Schools; and Larry Pinkerton, School Board member.