

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TRI-COUNTY SCHOOL CORPORATION

WHITE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
05/06/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marsha Bell	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Gilbert Crimmins Dr. Kathy Goad	07-01-12 to 01-31-14 02-01-14 to 06-30-16
President of the School Board	Don Pampel Jennifer Douglas Rachel Cantrell	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TRI-COUNTY SCHOOL CORPORATION, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the Tri-County 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 Result and Comment 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 Result and Comment contained herein describes 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 7, 2016

TRI-COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

The School Corporation has not separated incompatible activities related to cash and investment balances and payroll disbursements. The Treasurer was solely responsible for all areas related to cash and investments, including depositing, recording, and performing the reconciliations of cash and investment balances to the record balances. The Deputy Treasurer independently prepared the payroll distribution report each pay. This report detailed the pay for every employee, by fund, for the entire School Corporation. These reports were not subjected to review before payroll was disbursed. The School Corporation has not designed or implemented adequate segregation of duties such as oversight, review, or approval processes.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***FINDING 2014-002 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER***

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: FY2013, FY2014  
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 the following compliance requirements: Cash Management, Eligibility, Procurement and Suspension and Debarment, 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 programs.

*Cash Management*

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Cash Management requirements. There were no procedures in place to ensure that the School Lunch fund's net cash resources were limited to three months' average expenditures in compliance with Cash Management requirements. An oversight, review, or approval process has not been established.

TRI-COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Eligibility requirements. There were no procedures in place to verify that free and reduced meal applications were accurately determined before notification of eligibility. An oversight, review, or approval process has not been established.

*Procurement and Suspension and Debarment*

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Procurement and Suspension and Debarment requirements. There were no procedures in place to ensure that vendors used for the food service program were not suspended or debarred from participation in federal programs. An oversight, review, or approval process has not been established.

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

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements. There were no procedures in place to ensure that the verifications of free and reduced price meal applications were accurate or were subjected to review after the initial eligibility determination. An oversight, review, or approval process has not been established.

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.

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. Non-compliance 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 listed above.

TRI-COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-003 - CASH MANAGEMENT AND REPORTING***

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preshool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: A58313DL0126, A58313DL1403, 14212-051-PN01, 14213-051-PN01,  
14214-051-PN01, 99914-051-TA01, 45712-051-PN01, 45713-051-PN01,  
45714-051-PN01

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 the Cash Management and Reporting compliance requirements of the programs. 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 programs.

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Cash Management and Reporting requirements. Requests for reimbursement reports were required to be submitted to receive grant funding. Requests were prepared by the Special Education Cooperative Treasurer and properly filed with the Department of Education. However, the reports were not reviewed by anyone prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

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.

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 Cash Management and Reporting compliance requirements.



**Dr. Kathy Goad**  
Superintendent

105 N 2nd Street  
Wolcott, IN 47995

**CORRECTIVE ACTION PLAN**  
**Of Findings in Audit Period 7/1/2012 thru 6/30/2014**

**Audit Contact: Marsha Bell, Treasurer**  
**Phone: (219) 279-2418**

**Financial Statement Finding 2014-001 Financial Transactions and Reporting**

The Tri-County school corporation has reviewed the Financial State Findings related to the audit for the years July 1, 2012-June 30, 2014 and we offer the following corrective actions.

Deficiencies in the Internal Control System –It is the responsibility of the Treasurer to prepare deposits as well as record and perform reconciliations of cash and investment balances. The Superintendent will review the monthly bank reconciliations which show receipts, expenditures, bank and fund balances. Following the review of the Treasurer’s documents the superintendent will sign off on the accuracy of the reports. The Assistant Treasurer is responsible for preparing time cards and leave forms for all school employees. The Superintendent signs off on this report and provides it to the Treasurer to prepare the payroll distribution report. The Superintendent will review the report and sign off for accuracy prior to presenting the disbursement of payroll by the Treasurer.

Anticipated Complete Date: February 1, 2016

Marsha Bell  
Tri-County School Corporation Treasurer

March 2, 2016



**Dr. Kathy Goad**  
Superintendent

105 N 2nd Street  
Wolcott, IN 47995

**CORRECTIVE ACTION PLAN**  
**Of Findings in Audit Period 7/1/2012 thru 06/30/2014**

**Audit Contact: Marsha Bell, Treasurer**  
**Phone: (219) 279-2418**

**Federal Finding: 2014-002 Internal Control over Child Nutrition Cluster**  
**Federal Agency: Department of Agriculture**  
**Federal Programs School Breakfast Program, National School Lunch Program, Summer Food Service Program for children (SFSPC)**  
**CFDA Numbers: 10.553, 10.555, 10.559**  
**Federal Award Years: 2012/2013-8535, 2013/2014-8535**  
**Pass-Through Entity: Indiana Department of Education**

*Cash Management*

The Assistant Treasurer will complete the Lunch Fund Excessive Cash Balance Worksheet each month to monitor the net cash resources and assure they are limited to three months' average expenditures.

*Eligibility*

On receipt of Free and Reduced Meals applications building secretaries forward the applications to the corporation office. The Superintendent determines eligibility then sends the form on the Assistant Treasure who confirms the eligibility status is accurate prior to notifying the applicant of their eligibility status.

*Suspension and Debarment*

The Assistant Treasurer reviews the Suspended Vendors List for both Indiana and the Federal Government at <http://secure.in.gov/idoa/2481.htm> to ensure vendors used for the food service program have not been suspended or debarred from participation in deferral programs.

*Special Tests and Provisions – Verification of Free and Reduced Price Applications*

Following the percentages determined in the directions of the Indiana Department of Education the Assistant Treasurer pulls random applications for verification. The Superintendent sends a letter the applicants from the random sample. The Assistant Treasurer reviews the documents received from the applicants pursuant to directions in the letter for their continued eligibility. The Superintendent reviews the eligibility status with the verification documents and a letter is sent to applicant on their new eligibility status.

**Federal Finding: 2014-003 – Cash Management and Reporting**

**Federal Agency: Special Education\_ Grants to States and Special Education\_ Preschool Grants**

**CFDA Numbers: 84.027 & 84.173**

**Federal Award Numbers: A58313DL0126, A58313DL1403, 14212-051-PN01, 14213-051-PN01, 14214-051-PN01, 99914-051-TA01, 45712-051-PN01, 45713-051-PN01, 45714-051-PN01, 45714-051-PN01**

**Pass-Through Entity: Indiana Department of Education**

Tri-County School Corporation belongs to the Cooperative School Services special education co-op. The LEA of the co-op is West Central School Corporation. The Treasurer of West Central prepares the requests for reimbursement and the superintendent of West Central signs off of the requests. Their Board of Trustees then approves the requests before they are paid. The West Central Treasurer then sends them to the Cooperative School Services Director who reviews the reimbursement forms and distributes them to member schools. Once we receive the reimbursement request the Treasurer and the superintendent review them for accuracy. Each month the Cooperative Services will send Tri-County School Corporation the fund balances, revenue, and expenditure for those funds that are that are ran through the LEA for cooperative services.

Anticipated Completion Date: February 1, 2016



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Marsha Bell, Treasurer

March 2, 2016

TRI-COUNTY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**COLLECTIVE BARGAINING**

The collective bargaining agreement presented for audit contained the following items prohibited by statute:

- (1) An item discussing curriculum development and revision.
- (2) Discussion of unpaid leave.
- (3) A clause discussing teacher's rights.

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, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

Indiana Code 20-29-6-4.5 states:

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

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (The School Administrator and Uniform Compliance Guidelines Volume 198, June 2012)

TRI-COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2016, with Rachel Cantrell, President of the School Board; Dr. Kathy Goad, Superintendent of Schools; Marsha Bell, Treasurer; and Karla Buntin, Deputy Treasurer.