

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TRI-CENTRAL COMMUNITY SCHOOLS

TIPTON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
07/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa Dever	07-01-12 to 12-31-16
Superintendent of Schools	Dr. Lee Williford Dr. Robert Boyd (Interim) Tim Garland Dave Driggs	07-01-12 to 12-31-12 01-01-13 to 06-30-13 07-01-13 to 12-31-15 01-01-16 to 06-30-16
President of the School Board	Mike Harlow Chris Kelley	07-01-12 to 01-14-13 01-15-13 to 12-31-16



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TO: THE OFFICIALS OF TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of Tri-Central Community Schools (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/.

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

April 14, 2016

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer prepared and submitted the SEFA via the Gateway system; however, there was no additional oversight of the SEFA information. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, there were the following errors: (a) noncash assistance was not reported in the Child Nutrition Cluster for fiscal year 2013 to 2014; (b) expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted for some grant awards; and (c) total federal expenditures were incorrectly reported due to Special Education monies handled through the Kokomo Area Special Education Cooperative being left off the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Criteria

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The SEFA contained the errors identified in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the preparation of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Number): 14-7935, 14211-035-PN01,
14212-035-PN01, 14213-035-PN01,
14214-035-PN01, 99914-035-TA01

Pass-Through Entity: Indiana Department of Education

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to its grant agreements and the Allowable Costs/Cost Principles compliance requirement. The School Corporation is a member of the Kokomo Area Special Education Cooperative (KASEC), and they provide oversight of the KASEC through the School Corporation Superintendent of Schools who serves as a member of the KASEC Board. However, the KASEC has not established an effective internal control system in relation to Allowable Costs/Cost Principles.

Semiannual Certifications related to the School Corporation's Special Education Grants to States for fiscal year 2014 could not be located by the KASEC, and therefore, were not presented for audit.

Context

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.

Criteria

OMB Circular A-87, Attachment B, paragraph 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

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."

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirement could result in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above. Additionally, we recommended that the School Corporation comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-003 - EQUIPMENT AND REAL PROPERTY MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Number): 14-7935, 14211-035-PN01,
14212-035-PN01, 14213-035-PN01,
14214-035-PN01, 99914-035-TA01

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Equipment and Real Property Management and Reporting.

Equipment and Real Property Management

The Technology Director was the sole person responsible for maintaining and inventorying the technology equipment with no oversight.

Reporting

The Special Education Director was the sole person responsible for the Count of Children with Disabilities Report for 2012 with no oversight of the process.

The failure to establish an effective internal control system placed 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.

Context

The Count of Children with Disabilities Report for 2012 appears to be an isolated instance because the 2013 report contained certified signatures of oversight.

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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.

Criteria

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."

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-004 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, ELIGIBILITY, EQUIPMENT AND REAL PROPERTY MANAGEMENT, REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 7935

Pass-Through Entity: Indiana Department of Education

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Equipment and Real Property Management, and Reporting.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Effective internal controls have not been established to ensure the appropriate employees were paid from the School Lunch fund. The Deputy Treasurer reviewed time cards for cafeteria employees submitted by the School Lunch Director before processing payroll. However, there was not a subsequent review by someone knowledgeable of the cafeteria employees to insure that the appropriate employees were paid from the School Lunch fund.

Eligibility

The Food Service Director manually entered the free and reduced lunch applications that had not already been submitted electronically, into the School Corporation's food service software. A second individual was not verifying the accuracy of the data being submitted.

Equipment and Real Property Management

Inventory records were prepared by a third-party. However, the unit did not document a separate review of inventory purchased within the School Lunch program.

Reporting

Effective internal controls have not been established to verify information on the Requests for Reimbursement and Financial Reports. The School Lunch Director and Food Service Director collaborated to complete and submit the Requests for Reimbursement and Financial Reports. However, evidence to document that the information was reviewed and verified was not presented.

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.

Context

Internal controls were not established for these requirements throughout the audit period. 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.

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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."

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-005 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 7935
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Cash Management.

The School Lunch Director and Corporation Treasurer collaborated to establish a budget and monitor cash balances within the School Lunch fund. However, implementation of an internal control relating to the cash balance has not been established by the unit.

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The cash balance in the School Lunch fund was greater than the average expenditures for 3 months at the end of each of the 24 months of the audit period. The cash balance exceeded the allowed balance of the average expenditures for 3 months by an average of approximately \$147,000 per month during the audit period.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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.

Context

Internal controls were not established for this requirement throughout the audit period. 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.

This instance of noncompliance was systematic throughout the audit period.

Criteria

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)(2) states that the School Food Authority should:

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

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

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

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-006 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 7935
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Special Tests and Provisions - Verification of Free and Reduced Price Applications and Paid Lunch Equity.

Evidence of a second individual reviewing the information subject to verification was not present within the grant files. The School Lunch Director was exclusively responsible for determining the paid lunch equity calculation, also without review.

Per inquiry with officials, verifications of free and reduced price lunch applications were completed during fiscal year 2012-2013; however, documentation of the verifications could not be located for audit. Verifications of free and reduced price applications for fiscal year 2013-2014 were retained for audit.

The calculation for the change in meal prices was not retained for audit for fiscal years 2012-2013 or 2013-2014. Evidence of approval for a change in meal prices was also not presented for audit.

The failure to establish an effective internal control system places the School Corporation at risk of non-compliance 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.

Context

Noncompliance related to verifications only existed for one year during the audit period. Noncompliance with Paid Lunch Equity requirements was systematic throughout the audit period.

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Internal controls were not established for these requirements throughout the audit period. 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.

Criteria

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 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title; and . . .
- (6) Records to document compliance with the requirements in §210.14(e); . . ."

7 CFR 245.6a(c) states in part:

"*Verification requirement—(1) General.* The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year."

7 CFR 210.14(e)(1) states in part:

"*Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section."

TRI-CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

- (13) Upon request, make all accounts and records pertaining to its nonprofit school food service available to the State agency, . . . for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for the resolution of the issues raised by the audit; . . . "

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements listed above

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

TRI-CENTRAL COMMUNITY SCHOOLS

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Dan DeLong, Vice President
Kolby Dickover, Secretary
Jerry Fernung
Mike Harlow
Carol Kinder
Craig Smith

SUPERINTENDENT

Dave Driggs
TREASURER
Lisa Dever
DEPUTY TREASURER
Cindy Tarrh
SECRETARY
Donna Cook

CORRECTIVE ACTION PLAN

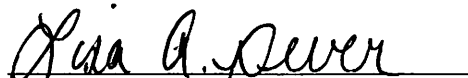
FINDING 2014-001

Contact Person for Corrective Action: Lisa A. Dever, Treasurer
Contact Phone Number: (765) 963-2585, Ext. 1006

Views of Responsible Official: Management understands the importance of correct reporting of the SEFA. While it is understood that internal controls need to be in place, it has been difficult to have continued oversight in this area due to a couple of reasons. There have been 3 staffing changes take place in the Administration Office since the prior audit of FY 2012. While none of those staffing changes was the position of the corporation treasurer, her duties were increased and included federal grants without any prior training on the SEFA. Until this school year, 2015-16, there have been no training opportunities to attend in order to have a better understanding of the SEFA reporting and federal grants in general. We were not aware of the role KASEC played in our SEFA reporting for special education, but now have a much better understanding of our role as well as KASEC'S.

Description of Corrective Action Plan: The administration has hired a grant writer, creating a separate position responsible for maintaining all federal grant funds and files. The grant writer is responsible for maintaining records to include the CFDA number, grantor agency, program title, pass-through entity, if applicable, and the pass-through identifying number. The grant writer will ensure that proper documentation is received from KASEC to reflect the total federal funds handled for special education by the pass-through agency as we are ultimately responsible for the reporting of our grant dollars. The corporation treasurer will prepare the SEFA and submit the report in Gateway after oversight by the grant writer. In this manner, the proper internal controls will be in place and will ensure accurate reporting.

Anticipated Completion Date: Management anticipates having official internal controls and training documents approved by 6/30/2016. We anticipate being in full compliance with personnel training by year-end 2016 but will strive for completion at the earliest date possible after the school term commences in the fall of 2016.


Signature

Corporation Treasurer
Title

April 14, 2016
Date

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Dan DeLong, Vice President
Kolby Dickover, Secretary
Jerry Fernung
Mike Harlow
Carol Kinder
Craig Smith

SUPERINTENDENT

Dave Driggs
TREASURER
Lisa Dever
DEPUTY TREASURER
Cindy Tarrh
SECRETARY
Donna Cook

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person for Corrective Action: Donna Cook, Grant Writer
Contact Phone Number: (765) 963-2585, Ext. 1001

Views of Responsible Official: Management has changed twice since the prior audit of FY 2012, first with a new superintendent for 2.5 years and then with another newly hired superintendent at the start of the 2016 calendar year. While there have been several management and staffing changes within the administration building, it is important that the proper oversight of the KASEC co-op through proper internal controls, in relation to allowable costs/cost principles, is maintained and monitored.

Description of Corrective Action Plan: Management shall adopt an internal control process, including segregation of duties, in an effort to ensure the grant agreement and allowable costs/cost principles are compliant per the grant requirements. As part of the oversight of the Special Education-Grants to States, our grant writer will request, semi-annually, copies of the certifications for those employees paid from Special Education funds at KASEC. By making timely requests, reasonable assurance can be made that no material noncompliance is detected, or if so, can be corrected on a timely basis.

Anticipated Completion Date: Management anticipates having official internal controls and training documents approved by 6/30/2016. We anticipate being in full compliance with personnel training by year-end 2016 but will strive for completion at the earliest date possible after the school term commences in the fall of 2016.



Signature

Corporation Grant Writer

Title

April 14, 2016

Date

TRI-CENTRAL COMMUNITY SCHOOLS

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Dave Driggs
TREASURER
Lisa Dever
DEPUTY TREASURER
Cindy Tarrh
SECRETARY
Donna Cook

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person for Corrective Action: Staci Eller, Special Education Administrator
Contact Phone Number: (765) 963-5885, Ext. 1352

Views of Responsible Official: The Corporation had a prior special education administrator who passed away after an extended illness in 2014. She was the sole proprietor of the records for special education students and the responsible party for preparing and submitting the Count of Children with Disabilities report for 2012. It has been determined that some of her official records were inadvertently destroyed after her office was cleared for her replacement to move in. There is evidence that the report was submitted but the corresponding signed document cannot be found.

Description of Corrective Action Plan: Management will establish proper internal controls to include segregation of duties for the maintenance and inventory of property and equipment used for the needs of special education students. The newly hired special education administrator shall be responsible for maintaining records of the special education program per the guidelines in the retention schedule utilized by the Corporation. Records shall be marked clearly for destruction at the proper time so as to deter from records being destroyed before the allowed timeframe. The special education administrator will provide necessary copies of the state reports to the Administration Office for safe file keeping upon completion.

Anticipated Completion Date: Management anticipates having official internal controls and training documents approved by 6/30/2016. We anticipate being in full compliance with personnel training by year-end 2016 but will strive for completion at the earliest date possible after the school term commences in the fall of 2016.



Signature

Special Education Administrator

Title

April 14, 2016

Date

TRI-CENTRAL COMMUNITY SCHOOLS

4774 NORTH 200 WEST
SHARPSVILLE, INDIANA 46068-9457
PHONE (765) 963-2585
FAX (765) 963-3042

SCHOOL BOARD MEMBERS

Chris Kelley, President
Dan DeLong, Vice President
Kolby Dickover, Secretary
Jerry Fernung
Mike Harlow
Carol Kinder
Craig Smith

SUPERINTENDENT

Dave Driggs
TREASURER
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CORRECTIVE ACTION PLAN

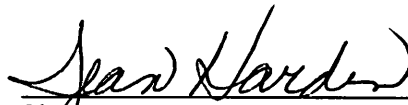
FINDING 2014-004

Contact Person for Corrective Action: Jean Harden, Food Service Director
Contact Phone Number: (765) 963-2560, Ext. 1172

Views of Responsible Official: Management understands the need for establishing, implementing and periodically reviewing internal controls for all federal grant funds. While the daily practices of the responsible individuals who manage the School Breakfast Program and National School Lunch Program have not changed over the years, we are committed to making the necessary changes in our daily and monthly routine, as needed, for proper implementation and oversight of the federal programs.

Description of Corrective Action Plan: Management is currently in the process of developing internal controls to implement corporation wide by adoption of the Board of School Trustees. Approval will be made by the Board for designated training materials and all pertinent personnel will receive said training as adopted. Documentation of the training will be recorded by the Corporation Treasurer and the records maintained for audit. More specifically for this audit finding, the Deputy Treasurer will send the distribution report to the Food Service Director during the payroll process for verification of employees to be paid from the school lunch fund. After review, the report will be returned to the Deputy Treasurer so that payroll may be completed as approved. The Assistant Food Service Director will be responsible for verifying the accuracy of the free and reduced lunch applications, not uploaded electronically, prior to being entered into the food service software program manually. The Food Service Director will then be responsible for entering that data after being reviewed and signed off on as approved. The annual financial report will be prepared by the Food Service Director and the Corporation Treasurer will review the figures, sign off and enter the data into the State's software program for submission. Supporting documentation will be maintained for audit. Inventory records will be kept on all equipment of significant cost by the Food Service Director. Her inventory of items determined to be fixed assets will be reviewed on location by a third party vendor biannually for reporting to the Administration Office and included on the Corporation Fixed Asset Ledger. Those items not considered to be fixed assets, costing less than the Board approved minimum, will be tracked by the Food Service Director and made available for audit. The Assistant Food Service Director will complete the requests for reimbursement from the State and the Food Service Director will review and sign off as approved then enter the data in the School Nutrition System online for official reimbursement of the monthly claims. All supporting documentation will be retained and made available for audit.

Anticipated Completion Date: Management anticipates having official internal controls and training documents approved by 6/30/2016. We anticipate being in full compliance with personnel training by year-end 2016 but will strive for completion at the earliest date possible after the school term commences in the fall of 2016.



Signature

Food Service Director

Title

April 14, 2016

Date

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Donna Cook

CORRECTIVE ACTION PLAN

FINDING 2014-005:

Contact Person for Corrective Action: Jean Harden, Food Service Director
Contact Phone Number: (765) 963-2560, Ext. 1172

Views of Responsible Official: Management understands the need for establishing, implementing and periodically reviewing internal controls for federal grant funds. We realize that in the absence of internal controls, certain requirements of the federal grant funds have gone unnoticed quite by accident, due to instances of personnel changing and newly hired or appointed personnel not receiving proper training. Management is committed to making the necessary changes for proper implementation of internal controls and oversight of the federal programs.

Description of Corrective Action Plan: Management is currently in the process of developing internal controls to implement corporation wide by adoption of the Board of School Trustees. Approval will be made by the Board for designated training materials and all pertinent personnel will receive said training as adopted. Documentation of the training will be recorded by the Corporation Treasurer and the records maintained for audit. The Superintendent and Corporation Treasurer made known to the Food Service Director that the cash balance in the school lunch fund was too high approximately one year ago. A plan was put in place to reduce that balance which included hiring an additional full-time cook, adding full-time employees to the PERF plan and paying for past service credit, updating the cafeteria graphics, replacing old and worn equipment, replacing POS computers and purchasing slip-resistant shoes for all food service personnel. Management plans to recover indirect costs as related to the school lunch fund going forward as well. Monthly reports will be provided to the Food Service Director by the Corporation Treasurer for proper monitoring of the cash balance in the school lunch fund. Appropriate measures will be taken in order to maintain a minimum 3 month balance of operating expenditures.

Anticipated Completion Date: Management anticipates having official internal controls and training documents approved by 6/30/2016. We anticipate being in full compliance with personnel training by year-end 2016 but will strive for completion at the earliest date possible after the school term commences in the fall of 2016.


Signature

Food Service Director
Title

April 14, 2016
Date

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SECRETARY
Donna Cook

CORRECTIVE ACTION PLAN

FINDING 2014-006:

Contact Person for Corrective Action: Jean Harden, Food Service Director

Contact Phone Number: (765) 963-2560, Ext. 1172

Views of Responsible Official: Management understands the need for establishing, implementing and periodically reviewing internal controls for federal grant funds. We realize that in the absence of internal controls, including segregation of duties, certain requirements of the federal grant funds have gone unnoticed. Management is committed to making the necessary changes for proper implementation of internal controls and oversight of the federal programs.

Description of Corrective Action Plan: Management is currently in the process of developing internal controls to implement corporation wide by adoption of the Board of School Trustees. Approval will be made by the Board for designated training materials and all pertinent personnel will receive said training as adopted. Documentation of the training will be recorded by the Corporation Treasurer and the records maintained for audit. The Food Service Director is responsible for the verification of a random sampling of free and reduced lunch applications. A second individual will review those same applications for accuracy and all documentation, along with the reviewers' initials and date reviewed, shall be maintained for audit. Paid lunch equity shall be determined annually by the Food Service Director and reviewed and verified by the Corporation Treasurer. Proper procedures shall be followed by presenting to the Board of School Trustees all increases in lunch prices for approval prior to the start of the school term. All documentation to support the calculation of school lunch equity shall be maintained for audit.

Anticipated Completion Date: Management anticipates having official internal controls and training documents approved by 6/30/2016. We anticipate being in full compliance with personnel training by year-end 2016 but will strive for completion at the earliest date possible after the school term commences in the fall of 2016.


Signature

Food Service Director
Title

April 14, 2016
Date

TRI-CENTRAL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

CREDIT CARDS

The School Corporation utilized credit cards, but did not have a policy approved by the School Board.

A similar comment appeared in Report B41994.

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.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
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.
8. If properly authorized, an annual fee may be paid.

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

TRI-CENTRAL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

RECONCILEMENT OF THE PREPAID FOOD FUND

The School Corporation maintains a prepaid food fund. The subsidiary records, which maintain a balance by student, were not routinely reconciled to the cash balance of the prepaid food fund. As a result, numerous errors went undetected leaving a difference of \$59,017.50 between the subsidiary records and the prepaid food fund detail at June 30, 2014.

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 Food Prescribed Forms and any approved computerized forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Bulletin and Uniform Compliance Guidelines, September 2008)

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the School Corporation's records at the time the transactions occurred. Our test of this procedure found that 35 percent of the receipts tested were not recorded at the time of the transactions.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

POLICIES

The School Corporation adopted a policy in which purchases of more than \$25,000, requires the purchasing agent to seek at least three price quotations. However, no quotes were taken for their purchase of milk from Prairie Farms that provided milk products totaling over \$25,000 in both fiscal year 2012-2013 and 2013-2014.

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)

TRI-CENTRAL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2016, with Chris Kelley, President of the School Board; Dave Driggs, Superintendent of Schools; and Lisa Dever, Treasurer.