

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TRI-CREEK SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

01/19/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dana Bogathy	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Debra K. Howe	07-01-14 to 06-30-18
President of the School Board	Douglas Ward	07-01-14 to 06-30-18



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This report is supplemental to our audit report of the Tri-Creek School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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 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 instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

December 7, 2017

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding the lack of segregation of duties for payroll disbursements and the monitoring of controls. The prior year finding number was 2014-001.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to cash and investment balances, receipts, payroll disbursements, journal entries, and the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investment Balances - One individual performed the monthly reconciliation of the bank balance to the records balance without evidence of a proper system of oversight or review. Additionally, due to the conversion to a new accounting system, monthly variances were noted and identified during the reconciling process. The School Corporation was not able to identify the cause and correct the identified variances noted within the accounting system.

Receipts - Although one individual prepared the receipts and another reviewed, this control was not effective in instances where the issuer did not know what receipt account to use. The reviewer would advise the issuer of the receipt account to use, which resulted in the reviewer reviewing their own guidance.

Payroll Disbursements - One employee entered the wages for the salaried employees into the computerized accounting system at the beginning of the year without evidence of a proper system of oversight or review to ensure salaried employees were paid the correct amounts from the proper funds.

Journal Entries - Several employees had the ability to make journal entries into the computerized financial accounting system without evidence of a proper system of oversight or review.

SEFA - One employee prepared the SEFA without evidence of a proper system of oversight or review.

2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would require the School Corporation to monitor and assess the quality of the system of internal control.

Context

The lack of controls were systemic issues, which occurred during the second year of the audit period, coinciding with the conversion to a new computerized accounting system and the departure of the former Deputy Treasurer.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

Cause

Management of the School Corporation had not established a proper system of internal controls.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that financial transactions are properly recorded, cash is properly reconciled, and federal expenditures are properly reported on the SEFA.

Views of Responsible Officials

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

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Child Nutrition Cluster - Eligibility, Program Income, Reporting
National School Lunch Program - Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16, FY 14-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Program Income, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit year regarding the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. The prior year finding number was 2014-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Eligibility

The application information was entered into the food service software which automatically made the eligibility determinations dependent upon the information entered into the software. The Food Service Bookkeeper completed this step without evidence of a proper system of oversight or review. In addition, the Food Service Bookkeeper reviewed the income guidelines parameters entered into the food service software by the software vendor; however, the review process was not documented.

Program Income

The School Corporation had no evidence of controls to ensure that receipts generated from the cafeteria sales were properly recorded.

Reporting

The Annual Report was prepared and submitted electronically by the Food Service Bookkeeper without evidence of a proper system of oversight or review.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

There was no documentation of an oversight or review process over the School Corporation's performance of verifications of the free and reduced price eligibility of households selected from a sample of applications that were approved for free and reduced price meals.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the *Condition* 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

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. The lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16, FY 14-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat of Finding 2014-004 from the immediate prior audit year.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to comply with the Cash Management requirement that they limit their net cash resources in the School Lunch fund to three months average expenditures of the food service program. The School Corporation maintained excessive net cash resources for the entire audit period.

Context

The lack of controls and noncompliance were systemic problems. The net cash resources in the School Lunch fund exceeded three months average expenditures 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. . . ."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall 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 by the State agency in accordance with § 210.9(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted 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 controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16, FY 14-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit year regarding the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. The prior year finding number was 2014-005.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have policies or procedures in place to ensure that those vendors that were not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs.

Context

The lack of controls and noncompliance were systemic issues, which occurred 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted 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 controls to ensure compliance and comply with the Procurement and Suspension and Debarment 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 2016-005

Subject: National School Lunch Program - Reporting
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement.

The School Corporation prepared and submitted the School Food Authority (SFA) Verification Collection Report (report) without evidence of a proper system of oversight or review. The reports for both years had numerous errors in the "results of verification from original benefit type" section of the report, where verification results were either overstated or understated.

Context

The lack of controls and noncompliance were systemic issues as there were errors in the reports submitted for both years of 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 245.6a(h) states in part:

"By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted 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 controls to ensure compliance and comply with the Reporting 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 2016-006

Subject: Title I Grants to Local Educational Agencies - Reporting,
Special Tests and Provisions - Highly Qualified Teachers
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4645, 15-4645, 16-4645
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Highly
Qualified Teachers and Paraprofessionals
Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

Reporting

The Final Expenditure reports were prepared by the Business Manager and reviewed by the Title I Secretary; however, there was no documentation of the review.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation had the appropriate documentation to verify that the newly-hired teachers were highly qualified; however, the control was not effective since the review of the verifications was not consistently documented.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue, which occurred 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed an effective system of internal controls over the Reporting and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

Effect

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. Noncompliance with the grant agreement or the compliance requirements could have resulted 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 controls to ensure compliance with the Reporting and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

Views of Responsible Officials

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

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4645, 15-4645, 16-4645
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation failed to comply with the Annual Report Card, High School Graduation Rate requirements that for the students removed from the High School cohort graduation rate for mobility reasons there be written documentation that the student is enrolled in another school or in an educational program that culminates in the award of a high school diploma, or emigrated to another country, or is deceased.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period as 33 percent of students tested were either not reported correctly or did not have the required documentation to support their removal from their cohort. Sixty students were listed on the 2015 and 2016 Graduation Cohort Status Report as mobile. Of the fifteen tested, four did not have the required supporting documentation to substantiate moving them from the cohort for mobility reasons, and one was coded incorrectly.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 200.19(b) states in part:

"*High schools*—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

- (2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted 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 controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2016-008

Subject: Title I Grants to Local Educational Agencies - Special Tests
and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4645, 15-4645, 16-4645

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation was required to maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

The School Corporation had the appropriate administration and building personnel certify the Agreements that documented their understanding of the School Corporation's test security measures and policies. However, not all Agreements were provided for audit.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue as the signed Agreements for the high school, middle school, and Lake Prairie Elementary School were not provided for audit.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The Indiana Assessment Program Manual, Chapter 10, Section 9, Part A states in part:

". . . School corporation, accredited nonpublic school, charter school, and Choice school administrators must develop, implement and assess procedures for the secure storage, administration and delivery of standardized test books back to the IDOE via the test contractor. . . ."

Tri-Creek School Corporation 2623.01 - Test Security Provisions for Statewide Assessments policy states: ". . . D. following all procedures located in the testing manuals and those outlined by the IDOE. . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part: ". . . Ensure all applicable school and corporation staff review and sign the Indiana Testing Security and Integrity Agreement annually by the end of September as described in the *Code of Ethical Practices and Procedures*. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that the required Agreements were maintained and provided for audit to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to maintain and provide the required Agreements prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that the required Agreements are maintained and provided for audit to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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



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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Dana Bogathy, Treasurer
Contact Phone Number: 219-750-1282

Views of the Responsible Official:
The school district concurs with the finding.

Description of Corrective Action Plan:

The school district will require review and dual controls on bank reconciliations, receipting, payroll contract entries/revisions, journal entries and the SEFA. The school district will establish a committee to review and communicate internal control procedures.

Anticipated Completion Date: June 2018

FINDING 2016-002

Contact Person Responsible for Corrective Action: Martha Silverthorn, Director of Student Nutrition Services
Contact Phone Number: 219-750-1336

Views of the Responsible Official:
The school district concurs with the finding.

Description of Corrective Action Plan:

Eligibility

Ten percent of the applications entered into the POS application program on a yearly basis will be reviewed by the Food Service Director. The Food Service Director will review these applications by checking the accuracy of the information entered into the POS application software and initialing the application for compliance.

Program Income and Reporting

The school district will implement a dual control system of review for receipts and for the completion of the annual report as indicated by signature of those individuals.

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

The school district will document our oversight process for the Verification process by indication of signature. The oversight process will include a dual control between the person who enters the info and the person who verifies the info. The documents involved in the oversight process will be kept with all verification material to ensure accuracy of the Annual Verification report.

Anticipated Completion Date:
Corrective Action will be taken immediately following the audit release.



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FINDING 2016-003

Contact Person Responsible for Corrective Action: Martha Silverthorn, Director of Student Nutrition Services

Contact Phone Number: 219-750-1336

Views of the Responsible Official:

The school district concurs with the finding.

Description of Corrective Action Plan:

Cash Management

The Food Service Director will annually submit an expenditure plan for approval to the Indiana Department of Education Nutrition Department if the department has a cash balance of more than three months.

Anticipated Completion Date:

Corrective Action will be taken immediately following the audit release.

FINDING 2016-004

Contact Person Responsible for Corrective Action: Martha Silverthorn, Director of Student Nutrition Services

Contact Phone Number: 219-750-1336

Views of the Responsible Official:

The school district concurs with the finding.

Description of Corrective Action Plan:

Procurement and Suspension and Debarment

The Food Service Department will require a SBOA suspension and debarment form for bidders of formal bids or RFP's unless contracted through a third party purchasing service. Vendors that are not contracted through a formal process will be verified through SAMs by the Food Service Director and will maintain those results on file in the Food Service Offices.

Anticipated Completion Date:

Corrective Action will be taken immediately following the audit release.

FINDING 2016-005

Contact Person Responsible for Corrective Action: Martha Silverthorn, Director of Nutrition Services

Contact Phone Number: 219-750-1336

Views of the Responsible Official:

The school district concurs with the finding.

Description of Corrective Action Plan:

Reporting



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The verification collection report will be supported with reports from the POS system to verify the accuracy of the final collection report submission. The Food Service Director reviews the verification information submitted and creates the state report. The Assistant Food Service Director reviews and signs the verification information and report. The Assistant Food Service Director and the Food Service Director sign the verification worksheet before submission of the final report. The Assistant Food Service Director will review the accuracy of the submitted report and initial the report for verification. Supporting documents will be kept with all verification material to ensure accuracy of the Annual Verification report.

Anticipated Completion Date:

Corrective Action will be taken immediately following the audit release.

FINDING 2016-006

Contact Person Responsible for Corrective Action: Dana Bogathy, Treasurer

Contact Phone Number: 219-750-1282

Views of the Responsible Official:

The school district concurs that proper documentation of dual control approval was not evident on the Final Expenditure report and Highly Qualified forms.

Description of Corrective Action Plan:

Reporting

The Title I Final Expenditure report will be prepared by a member of the business office and will reviewed by the Business Manager as noted by signatures from both parties starting with the 2017-18 report.

Highly Qualified Teachers and Paraprofessional

The school district will require a review of the highly qualified forms and coding by a member of the business office as indicated by signature.

Anticipated Completion Date:

Corrective Action will be taken immediately following the audit release.

FINDING 2016-007

Contact Person Responsible for Corrective Action: Dana Bogathy, Treasurer

Contact Phone Number: 219-750-1282

Views of the Responsible Official:

The school district concurs with the finding.

Description of Corrective Action Plan:

The school district will comply with providing proper documentation for student mobility from their cohort group in high school beginning January 1, 2018.



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FINDING 2016-008

Contact Person Responsible for Corrective Action: Dana Bogathy, Treasurer

Contact Phone Number: 219-750-1282

Views of the Responsible Official:

The school district concurs with the finding.

Description of Corrective Action Plan:

The school district will require a second member of the administrative team to review the retention and destruction of testing materials beginning January 1, 2018.



(Signature)

TREASURER

(Title)

12/6/17

(Date)

TRI-CREEK SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B45934, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the Food Service Clearing fund with an overdrawn cash balance of \$41,590 at June 30, 2016.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

TRI-CREEK SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2017, with Dana Bogathy, Treasurer; Dr. Debra K. Howe, Superintendent of Schools; Douglas Ward, President of the School Board; and Martha Silverthorn, Food Service Director.