

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TWIN LAKES SCHOOL CORPORATION

WHITE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
06/20/2018



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                             | <u>Term</u>  |
|----------------------------------|---|--|
| Treasurer                        | Margie Reynolds                             | 07-01-14 to 06-30-18   |
| Superintendent<br>of Schools     | Dr. Thomas Fletcher<br>Michael Galvin       | 07-01-14 to 06-30-16<br>07-01-16 to 06-30-18                         |
| President of the<br>School Board | John Gooding<br>Larry Crabb<br>John Gooding | 07-01-14 to 12-31-15<br>01-01-16 to 12-31-16<br>01-01-17 to 12-31-18 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Twin Lakes School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa](http://www.in.gov/sboa).

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

May 23, 2018

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The School Corporation had not established an effective internal control system over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA).

*Context*

Due to the lack of controls, the SEFA contained the following errors:

1. The National School Lunch Program did not include commodities, which resulted in an understatement of federal expenditures for the 2015 and 2106 fiscal years of \$82,938 and \$88,839, respectively.
2. The Special Education Cluster (IDEA) was understated in fiscal year 2015 by \$550,846 and overstated in fiscal year 2016 by \$18,168.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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. . . ."

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 § \_\_\_\_\_.310. . . ."

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.
- (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 have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors 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.

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-002***

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants  
CFDA Numbers: 84.027, 84.173  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015, FY2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*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 Procurement and Suspension and Debarment compliance requirement. The School Corporation was a participating member school corporation of the Logansport Area Joint Special Education Cooperative (Cooperative). Logansport Community Schools was the fiscal agent and administrator of the Cooperative. The School Corporation relied on the Cooperative to comply with the Procurement and Suspension and Debarment compliance requirement of the Special Education Cluster (IDEA) programs. Because the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the compliance requirement.

*Procurement*

The School Corporation had not established effective controls to ensure that its Procurement policies were followed.

The School Corporation failed to comply with the procurement requirement that small purchases must be in compliance with its procurement procedures and state laws and procedures. Small purchase procedures were not followed which required that price or rate quotations be obtained from an adequate number of qualified sources. There were no quotes obtained for the noncontracted purchases during the audit period. Contracted procurement was not conducted in a manner that encouraged full and open competition.

*Suspension and Debarment*

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not perform any procedures to ensure that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls occurred throughout the audit period and noncompliance were systemic issues throughout the 2016 school year.

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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). . . ."

2CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

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

*Logansport Community Schools Policy 6325 - PROCUREMENT - FEDERAL GRANTS/FUNDS*  
states:

"Competition

All procurement transactions shall be conducted in a manner that encourages full and open competition and is in accordance with good administrative practice and sound business judgment. . . .

TWIN LAKES SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Procurement Methods

The Corporation shall utilize the following methods of procurement:

A. Sealed Bids

Sealed, competitive bids shall be obtained when the purchase of, and contract for, single items of supplies, materials, or equipment amounts to \$150,000 and when the Board determines to build, repair, enlarge, improve, or demolish a school building/facility the cost of which will exceed the amount allowed by Indiana statute."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment 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*

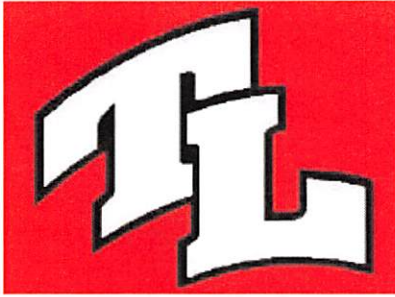
There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the 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.



# *Twin Lakes School Corporation*

*Michael Galvin, Superintendent*

*565 South Main Street*

*Monticello, Indiana 47960*

*Telephone: 574-583-7211 · www.tlschools.com*

## **CORRECTIVE ACTION PLAN**

### ***FINDING 2016-001***

Subject: Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which is the source for the Schedule of Expenditures of Federal Awards (SEFA).

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

Description of Corrective Action Plan:

The Superintendent, Treasurer and Food Service Director will work together to determine the accurate value of Commodities. The Treasurer has since corrected the prior SEFAs and has entered the commodity value in subsequent SEFAs.

The Superintendent, Treasurer, and Special Education Director will work together, to the best of their knowledge and ability, accurately state the Special Education Cluster (IDEA) in the SEFA.

Anticipated Completion Date: April 1, 2018

### ***FINDING 2016-002***

Contact Person Responsible for Corrective Action: Michael L. Galvin, Superintendent, Special Education Director  
Contact Phone Number: 574-583-7211

Views of Responsible Official:

Subject: Special Education Cluster - Procurement, Suspension and Debarment

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Qualified Opinion

Description of Corrective Action Plan:

The Superintendent will work with the Special Education Director to verify that the Procurement, Suspension and Debarment compliance requirement corrective action plan per The Logansport Community School Corporation is being followed.

Anticipated Completion Date: April 1, 2018

TWIN LAKES SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2018, with John Gooding, President of the School Board; Michael Galvin, Superintendent of Schools; Margie Reynolds, Treasurer; Kim Campbell, Deputy Treasurer; and James Stradling, Director of Indian Trails Cooperative.