

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PLYMOUTH COMMUNITY SCHOOL CORPORATION

MARSHALL COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
07/19/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---------------------------|--|
| Treasurer | Kandi Tinkey | 07-01-15 to 06-30-19 |
| Superintendent of Schools | Dan Tyree Andy Hartley | 07-01-15 to 06-30-17 07-01-17 to 06-30-19 |
| President of the School Board | Todd Samuelson | 01-01-15 to 12-31-18 |



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

This report is supplemental to our audit report of the Plymouth Community School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. 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

June 28, 2018

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2015-2016, SY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

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 Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure accurate reporting of the School Food Authority (SFA) Verification Collection Reports. A proper system of oversight or review had not been established.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the paid lunch equity calculations were accurate. An oversight or review process had not been established.

Context

The lack of controls was a systemic issue 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

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 designed or implemented internal controls to ensure compliance with the Reporting and Special Tests and Provisions - Paid Lunch Equity 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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the 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 Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2015-2016, SY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Program Income
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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Program Income Receipts (School Breakfast Program and National School Lunch Program)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income Disbursements

The School Corporation had not designed or implemented adequate policies or procedures to ensure that payroll disbursements were for only food service operating costs or that the appropriate supporting documentation was in agreement with the payroll disbursements. The School Corporation also had not designed procedures to ensure that program income was properly accounted for. There were no controls to ensure that program income was deducted from allowable costs to determine net allowable costs and were not added to the project budget.

Wages of food service employees were paid from the School Lunch fund. In the 2015-2016 and 2016-2017 school years, a percentage of the salaries of three administrative School Corporation employees were also paid from the School Lunch fund without proper documentation. These administrative employees did not maintain personnel activity reports to support the distribution of their salaries to the School Lunch fund. The salaries charged to the federal programs without proper supporting documentation totaled \$28,404 and were considered questioned costs. As a result, program income was added to the project budget rather than being deducted from total allowable costs to determine the net allowable costs of the programs.

Context

The lack of controls and payments without adequate supporting documentation for these three employees were systemic issues 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). . . ."

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, Section 8h states in part:

". . . (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

7 CFR 210.2 states in part:

". . . . *Nonprofit school food service* means all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services. . . ."

7 CFR 210.14(a) states:

"*Nonprofit school food service*. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)"

2 CFR 200.307 states in part:

"(e) *Use of program income*. If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

- (1) *Deduction*. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project. . . ."

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$28,404 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Views of Responsible Officials

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

FINDING 2017-003

Subject: School Breakfast Program, National School Lunch Program - 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): SY 2015-2016, SY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

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 Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight, review, or monitoring of the cash balances (net cash resources).

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with the cash management requirement that they limit cash balances (net cash resources) to three months average expenditures.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The cash balances (net cash resources) in the School Lunch fund exceeded the three months average expenditures for all 24 months 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 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 § 210.19(a)."

7 CFR 220.7(e) states in part:

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

(iv) Limit its net cash resources 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 designed or implemented an effective internal control system that would have ensured compliance with the 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.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system 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.

FINDING 2017-004

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2015-2016, SY 2016-2017

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 requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established internal controls to ensure that the purchasing method used complied with 2 CFR 200.320 and its own purchasing policy.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not always obtain bids from an adequate number of sources for purchases of goods or services exceeding \$150,000, which exceeded the small purchase procedures.

Context

The lack of effective controls and the noncompliance were systemic issues throughout the audit period. Approximately 52 percent of the School Lunch fund disbursements were vendor procurements.

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. . . ."

PLYMOUTH COMMUNITY 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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) 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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

Cause

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

FINDING 2017-005

Subject: Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA) - Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Level of Effort - Maintenance of Effort, Earmarking; Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Title I Grant to Local Educational Agencies, Special Education_ Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.010, 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 15-5485, 16-5485, 17-5485, 14215-032-PN01, 14216-030-PN01, 14217-030-PN01, 45715-032-PN01, 45716-030-PN01, 45717-030-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Matching, Level of Effort, Earmarking; Special Tests and Provisions - Schoolwide Programs

Audit Finding: Material Weakness

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Matching, Level of Effort, Earmarking; and Special Tests and Provisions - Schoolwide Programs.

*Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Period of Performance; Level of Effort, Earmarking*

The School Corporation had not established an effective internal control system to ensure that payroll disbursements were for allowable costs; were within the period of performance; and were included in the correct fund for level of effort - maintenance of effort and earmarking. There were no procedures to ensure that payroll disbursements were for only Title I and special education costs. There was no documented review of the funds in which the payroll disbursements were recorded.

Special Tests and Provisions - Schoolwide Programs

The School Corporation did not document a review or oversight to ensure that the schoolwide plan was in compliance with the schoolwide programs requirements.

Context

The lack of controls over payroll disbursements was a systemic issue throughout the audit period. The lack of controls for the schoolwide programs was isolated to the 2016-2017 school year.

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 a system of internal controls to ensure compliance with the compliance requirements listed above.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the 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 Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Matching, Level of Effort, Earmarking; and Special Tests and Provisions - Schoolwide Programs compliance requirements.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Title I Grants to Local Educational Agencies - Procurement
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Education Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 15-5485, 16-5485, 17-5485
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

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 requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established internal controls to ensure that the purchasing method used complied with 2 CFR 200.320 and its own purchasing policy.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Context

The lack of effective controls and the noncompliance were systemic issues throughout the audit period.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
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. . . ."

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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) 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. . . ."

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirements of 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 2017-007

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

Federal Agency: Department of Education

Federal Program: Title I Grant to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-5485, 16-5485, 17-5485

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. There were no controls to ensure that required security procedures were performed or documented.

Context

The lack of controls was a systemic issue 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 a system of internal controls to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

PLYMOUTH COMMUNITY 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 2017-008

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 Numbers: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 15-5485, 16-5485, 17-5485
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 had not established internal controls to ensure that written documentation was retained which supported the student's removal from the high school cohort graduation rate for mobility reasons.

The School Corporation failed to comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirement, which required that for the students removed from the high school cohort graduation rate for mobility reasons there was written documentation that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. Of the six students tested, three were not supported by documentation that substantiated their removal from the cohort for mobility reasons.

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. . . ."

PLYMOUTH COMMUNITY 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). . . ."

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. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured 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 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.

PLYMOUTH COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.



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Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Gloria Burnam
Contact Phone Number: 574-936-2001

Views of Responsible Official: We Concur with the Findings

Description of Corrective Action Plan: In order to establish an internal control system and segregation of duties, related to School food Authority and Verification Collection Records, the Director of Food Service will complete the verification report, sign & date, send to a Head Cook to review, sign & date, then the Director will send to IDOE.

To establish an internal control system and segregation of duties related to paid lunch equity the Director of Food Service will complete tool, sign & date, send to Business Manager to review, sign & date, then Director will send to Executive Secretary for School Board approval. After approval, Director will send to IDOE

Anticipated Completion Date: June 30, 2018

Gloria Burnam
(Signature)

Director of Food Service

(Title)

06/28/2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Kandi Tinkey
Contact Phone Number: 574-936-3115

Views of Responsible Official: Program Income Receipts School Lunch Program: Two employees do verify school lunch deposits; however proper documentation of this procedure was not established. We concur with this finding.

Activities Allowed or not Allowed: We concur with the payroll distribution finding.

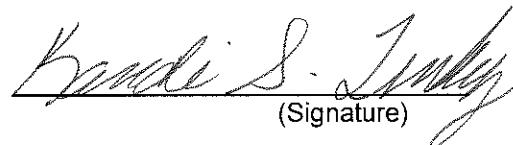
Wages of food service employees being paid from the school lunch fund without proper documentation. The administrative staff in question did in fact provide support services to the school lunch program, however we concur that there was a lack of documentation supporting these services. The school lunch account is not exclusively comprised of federal funds, therefore some of the funds could be considered state and local.

Description of Corrective Action Plan: To comply with Program Income Receipts, the corporation will implement procedures to ensure documentation of the verification for school lunch receipts/deposits.

The payroll department will provide a Fund Distribution Report by Employee every pay to the Director of Food Service and the Business Manager. The Director and Business Manager will approve the payroll expenses and the document with approvals will be kept in digital format by the payroll department.

To comply with federal internal control systems, the corporation will remove those corporation administrative employees that were referenced in the Finding 2017-002, from any type of payroll distribution out of the school lunch program.

Anticipated Completion Date: July 1, 2018 for documentation of receipts, July 1, 2017 for Wages not properly documented. May 11, 2018 for Distributions.


(Signature)

Business Manager/Treasurer

(Title)

06/28/2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-003

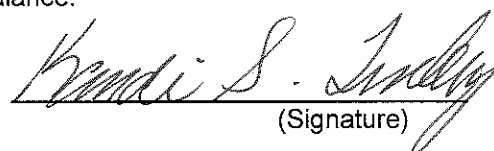
Contact Person Responsible for Corrective Action: Kandi Tinkey
Contact Phone Number: 574-936-3115

Views of Responsible Official: Our initial plan to spend down the school lunch balance was to renovate /remodel the high school kitchen. After some investigation, including correspondence with our school attorney, we determined the cost and our inability to set aside dollars for future projects within the school lunch program would not allow us to present this plan to the school board.

As we were regrouping to come up with a plan B to present to the school board, cafeteria equipment started deteriorating and breaking, so we ended up replacing and upgrading equipment. We also began using our indirect cost rate to transfer funds from school lunch account into the general fund account. Unfortunately, due to the timing of our last audit, the investigation period, and when we began to replace equipment and utilize indirect costs, we were unable to fulfill the corrective action plan for the current audit. It has subsequently been fulfilled.

Description of Corrective Action Plan: The Director of Food Service will monitor the cash balance monthly to ensure the balance does not exceed three months average expenditures. This information will be signed, dated and forwarded to the business manager for review. The school corporation will continue to monitor the need to use the indirect cost, as allowed, to maintain the appropriate cash balance.

Anticipated Completion Date: July 31, 2017 we established the appropriate cash balance and maintained appropriate balance.
July 31, 2018 for documentation of monitoring the cash balance.


(Signature)

Business Manager/Treasurer

(Title)

06/28/2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Gloria Burnam
Contact Phone Number: 574-936-2001

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: To comply with internal control systems related to Procurement and Suspension and Debarment, the Director of Food Service will receive quotes/contracts from vendors for purchases over \$3,500 per year. The Food Service Director attended a training for guidance on proper procurement procedures in October of 2017.

Anticipated Completion Date: July 1, 2018

Gloria Burnam
(Signature)

Director of Food Service

(Title)

06/28/2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Kandi Tinkey & Brooke Busse
Contact Phone Number: 574-936-3115

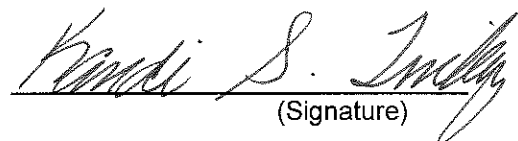
Views of Responsible Officials: We have procedures in place to catch any overages in all budget lines, which includes all major grants, specifically Title I and Special Education Grants. A report is produced from our financial software system that informs the corporation of any budget account that has over-expended funds. This is reviewed and documented every payroll by the Business Manager and Deputy Treasurer.

Special Tests and Provisions – School Wide Plan: We concur with the Finding

Description of Corrective Action Plan: The payroll department will provide all federal grant directors and the business manager with a Fund Distribution Report by Employee every pay. The directors will approve the payroll expenses and the document with approvals will be kept in digital format by the payroll department.

Central Office will provide consultation throughout the School Wide Plan Development and will review the plan to ensure all required components are included. All building school improvement plans, inclusive of School Wide Plans, will be reviewed and approved annually by the school board.

Anticipated Completion Date: May 11, 2018 for Activities allowed or not allowed
August of 2018 for Special Tests and Provisions – School Wide Program


(Signature)

Business Manager

(Title)

06/28/2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Brooke Busse
Contact Phone Number: 574-936-3115

Views of Responsible Official: I concur with the audit finding.

Description of Corrective Action Plan:

Throughout the requisition and ordering process, the grant director will obtain at least 3 quotes for purchases of goods or services exceeding \$3500. For contracts over \$25,000, Accounts Payable shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at www.sam.gov

Anticipated Completion Date: June 2018

Brooke Busse
(Signature)

Director of Quality Programs
(Title)

6/28/18
(Date)



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Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-007

Contact Person Responsible for Corrective Action: Brooke Busse and Elizabeth Cobb
Contact Phone Number: 574-936-3115

Views of Responsible Official: I concur with the audit finding.

Description of Corrective Action Plan:

Beginning the 2018-2019 school year, PCSC District Test Coordinator will obtain a list from each building principal of all staff that are required to participate in PCSC Test Security training. DTC will continue to collect digital confirmation of those whom have completed the training and will ensure everyone on the list has in fact completed the training by the deadline that was communicated. When applicable, DTC will inform building principals of staff still needing to complete the training.


Anticipated Completion Date: Beginning 2018-2019 School Year (before any Standardized Testing takes place)



(Signature)



(Title)



(Date)



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Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-008

Contact Person Responsible for Corrective Action: Brooke Busse, Keshena Hunter, Jim Condon
Contact Phone Number: 574-936-3115

Views of Responsible Official: I concur with the audit finding.

Description of Corrective Action Plan:

PHS Guidance Secretary will retain required written documentation for the students removed from the high school cohort graduation rate for mobility reasons: students enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased. PHS Guidance Secretary will prepare withdraw forms. PHS principal will review and sign-off on all withdraw forms.

Anticipated Completion Date: June 2018

Brooke Busse
(Signature)

Director of Quality Programs
(Title)

6/28/18
(Date)

PLYMOUTH COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

ACCOUNTS PAYABLE VOUCHERS

The School Corporation generated Accounts Payable Vouchers (vouchers) every month for goods and services received for the School Corporation. Vouchers were generated and checks were mailed before the governing board approved the vouchers.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-17-5-1(c) states:

"For the purposes of this section, payment by a political subdivision is timely if:

- (1) a date for payment is not specified in an applicable contract;
- (2) a claim:
 - (A) for payment for goods or services; and
 - (B) that must be approved by a local legislative body or board; is submitted to the body or board; and
- (3) the political subdivision pays the claim within thirty-five (35) days following the first regularly scheduled meeting of the body or board that is held at least ten (10) days after the body or board receives the claim."



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Office of the Superintendent

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

We would like to make the below statement in response to the Audit Result and Comment concerning Accounts Payable Vouchers.

Indiana Code 5-17-5-1(b) states, in part:

- (b) . . . payment [by a political subdivision] is timely if:
 - (1) a check or warrant is mailed or delivered on the date specified for the amount specified in the applicable contract documents

The Plymouth Community School Corporation Board of School Trustees generally meets only once each month. In some instances, this may result in claims or warrants not being authorized by the Board until after the payment date specified in the applicable contract documents. To ensure timely payment, the attached Resolution authorizes the Business Manager to issue payment to be mailed or delivered on or before the date specified for the amount specified in any applicable contract document.

Resolution Authorizing Timely Payment of Claims

Indiana Code Section 5-11-10-1.6 provides any claim submitted to the Plymouth Community School Corporation may only be paid after the claim has been allowed by the Board of School Trustees. The Board generally meets only once each month throughout the calendar year, which may result in some claims coming contractually due before the Board has an opportunity to allow payment. The Board wishes to authorize the Corporation's Business Manager to issue checks or warrants for payment of claims prior to Board review if such prior payment is necessary to ensure timely payment according to Indiana Code Section 5-17-5-1.

The Plymouth Community School Corporation Board of School Trustees now **resolves** that the Corporation Business Manager is allowed to mail or deliver a check or warrant prior to review by the Board if necessary to ensure payment of a Corporation financial obligation by the date specified for the amount specified in the applicable contract document.

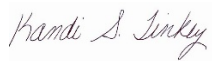
At each meeting of the Board, the Corporation Business Manager shall provide the Board with a list of all check or warrants mailed or delivered prior to Board review.

This Resolution is approved by the Plymouth Community School Corporation Board of School Trustees on _____, 2018.

Todd Samuelson, President

Melissa Christiansen, Secretary

Sincerely,



Kandi S. Tinkey

PLYMOUTH COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2018, with Kandi Tinkey, Treasurer; Andy Hartley, Superintendent of Schools; Jill VanDriessche, Assistant Superintendent of Schools; Brook Busse, Director of Quality Programs; and Jeffery R. Houin, Legal Counsel.