

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, 2016 to June 30, 2018



FILED
03/22/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Margie Reynolds	07-01-16 to 06-30-19
Superintendent of Schools	Michael Galvin	07-01-16 to 06-30-19
President of the School Board	Larry Crabb John Gooding Shane Hanna	01-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19



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, 2016 to June 30, 2018. 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

February 4, 2019

TWIN LAKES SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Career and Technical Education - Basic Grants to States - Procurement
Federal Agency: Department of Education
Federal Program: Career and Technical Education - Basic Grants to States
CFDA Number: 84.048
Federal Award Numbers and Years (or Other Identifying Numbers): 16-4700-8565, 17-4700-8565,
18-4700-8565, A58-6-16CI-3236,
A58-7-17CI-3991
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.

The School Corporation did not have controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320.

The School Corporation's purchasing policy was not updated to include all the procurement standards as outlined in 2 CFR 200.318.

The School Corporation did not provide price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell within the small purchases procedures. The School Corporation also did not document the rationale for the method of procurement when a non-competitive proposal method was used.

Context

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

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). . . ."

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. . . ."

TWIN LAKES SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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. . . .

(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;
- (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

Management had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the procurement requirements.

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
FEDERAL FINDINGS
(Continued)

FINDING 2018-002

Subject: Career and Technical Education - Basic Grants to States - Reporting
Federal Agency: Department of Education
Federal Program: Career and Technical Education - Basic Grants to States
CFDA Number: 84.048
Federal Award Numbers and Years (or Other Identifying Numbers): 16-4700-8565, 17-4700-8565,
18-4700-8565, A58-6-16CI-3236,
A58-7-17CI-3991
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
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 compliance requirement.

One individual completed and filed the End of Year Fiscal Reports and the Local Plan End of Grant Narrative Reports without evidence of an oversight or review process.

Context

The lack of controls was a systemic issue throughout the audit period, pertaining only to the End of Year Fiscal Reports and the Local Plan End of Grant Narrative Reports.

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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Reporting 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 Reporting 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.

TWIN LAKES 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 with the grant agreement and 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.



Twin Lakes School Corporation

Michael Galvin, Superintendent

565 South Main Street

Monticello, Indiana 47960

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CORRECTIVE ACTION PLAN

FINDING 2018-001

Subject: Career and Technical Education-Basic Grants to States - Procurement

Federal Agency: Department of Education

Federal Program: Career and Technical Education-Basic Grants to States

CFDA Number: 84.048

Federal Award Numbers (or Other Identifying Numbers): 16-4700-8565, 17-4700-8565, 18A-4700-8565,
A58-6-16CI-3236, A58-7-17CI-3991

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Michael L. Galvin, Superintendent, Contact Phone Number: 574-583-7211; James R. Stradling, Director Indian Trails Career Cooperative, Contact Phone Number: 574-583-7264

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Changes to the Equipment/Supply Request form used by Indian Trails Career Cooperative will require each request be submitted with at least three quotes from three different vendors. Each form will require a narrative describing the rationale for recommending one vendor over the others.

Request forms and all quotes will be saved at the Indian Trails Career Cooperative office.

Anticipated Completion Date: March 1, 2019

FINDING 2018-002

Subject: Career and Technical Education-Basic Grants to States - Reporting

Federal Agency: Department of Education

Federal Program: Career and Technical Education-Basic Grants to States

CFDA Number: 84.048

Federal Award Numbers (or Other Identifying Numbers): 16-4700-8565, 17-4700-8565, 18A-4700-8565,
A58-6-16CI-3236, A58-7-17CI-3991

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness

Contact Person Responsible for Corrective Action: Michael L. Galvin, Superintendent, Contact Phone Number: 574-583-7211; James R. Stradling, Director Indian Trails Career Cooperative, Contact Phone Number: 574-583-7264

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Perkins End of Year Fiscal Reports and End of Year Narrative Summary Reports will be reviewed and signed by the director of Indian Trails Career Cooperative and the local education agency(LEA) Superintendent or their designee. Copies will be retained at the Indian Trails Career Cooperative office.

Anticipated Completion Date: March 1, 2019

TWIN LAKES SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

LATE SUBMISSION OF ANNUAL FINANCIAL REPORTS

The School Corporation's Annual Financial Reports for fiscal year 2017 and fiscal year 2018 were not filed electronically until November 6, 2017, and August 31, 2018, respectively, which was 69 and 2 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TWIN LAKES SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2019, with Maury Waymouth, Vice President of the School Board; Michael Galvin, Superintendent of Schools; Margie Reynolds, Treasurer; James Stradling, Director of Indian Trails Cooperative; and Kimberly Campbell, Deputy Treasurer.