

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

TRI-CREEK SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/21/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dana Bogathy	07-01-18 to 06-30-21
Superintendent of Schools	Rod Gardin Debra K. Howe (interim)	07-01-18 to 02-22-21 02-23-21 to 06-30-21
President of the School Board	Michelle Dumbsky Douglas Ward	07-01-18 to 12-31-20 01-01-21 to 06-30-21



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Tri-Creek School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated June 7, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tri-Creek School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 7, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Tri-Creek School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002, that we consider to be material weaknesses.


The School Corporation's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated June 7, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

June 7, 2021

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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TRI-CREEK SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 18-19	\$ -	\$ 78,700	\$ -	\$ -
School Breakfast Program			FY 19-20	-	-	-	57,465
				<u>-</u>	<u>-</u>	<u>-</u>	<u>57,465</u>
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	FY 19-20	-	-	-	4,812
School Breakfast Program				<u>-</u>	<u>-</u>	<u>-</u>	<u>4,812</u>
Total - School Breakfast Program				<u>-</u>	<u>78,700</u>	<u>-</u>	<u>62,277</u>
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	FY 18-19	-	491,228	-	-
National School Lunch Program Commodities			FY 18-19	-	113,939	-	-
National School Lunch Program Commodities			FY 19-20	-	-	-	109,029
National School Lunch Program			FY 19-20	-	-	-	340,320
				<u>-</u>	<u>-</u>	<u>-</u>	<u>340,320</u>
Subtotal - National School Lunch Program				<u>-</u>	<u>605,167</u>	<u>-</u>	<u>449,349</u>
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	FY 19-20	-	-	-	104,504
School Lunch Program				<u>-</u>	<u>-</u>	<u>-</u>	<u>104,504</u>
Total - National School Lunch Program				<u>-</u>	<u>605,167</u>	<u>-</u>	<u>553,853</u>
Total - Child Nutrition Cluster				<u>-</u>	<u>683,867</u>	<u>-</u>	<u>616,130</u>
Total - Department of Agriculture				<u>-</u>	<u>683,867</u>	<u>-</u>	<u>616,130</u>
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
IDEA Part B Section 611 - FY 2017			14217-045-PN01	-	-	-	-
IDEA Part B Section 611 - FY 2018			18611-045-PN01	-	85,532	-	-
IDEA Part B Section 611 - FY 2018			18611-045-PN01	-	-	-	6,417
IDEA Part B Section 611 - FY 2019			19611-045-PN01	-	558,407	-	-
IDEA Part B Section 611 - FY 2019			19611-045-PN01	-	-	-	131,155
IDEA Part B Section 611 - FY 2020			20611-045-PN01	-	-	-	523,821
				<u>-</u>	<u>-</u>	<u>-</u>	<u>523,821</u>
Total - Special Education Grants to States				<u>-</u>	<u>643,939</u>	<u>-</u>	<u>661,393</u>

TRI-CREEK SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Education Preschool Grants	Indiana Department of Education	84.173					
IDEA Part B Section 619 - FY2018			18619-045-PN01	-	8,413	-	-
IDEA Part B Section 619 - FY 2019			19619-045-PN01	-	7,388	-	-
IDEA Part B Section 619 - FY 2019			19619-045-PN01	-	-	-	8,104
IDEA Part B Section 619 - FY2020			20619-045-PN01	-	-	-	12,013
Total - Special Education Preschool Grants				-	15,801	-	20,117
Total - Special Education Cluster (IDEA)				-	659,740	-	681,510
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A Fund 4129			17-4645	-	123,854	-	-
Title I Part A - 4122			18-4645	-	202,766	-	-
Title I Part A - 4122			18-4645	-	-	-	116,096
Title I Part A Fund 4120			19-4645	-	-	-	162,738
Total - Title I Grants to Local Educational Agencies				-	326,620	-	278,834
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048					
Perkins Grant Fund 6250 - Summer Expansion Grant			18A-4700-4645	-	7,187	-	-
Perkins Grant Fund 6239			19-4700-4645	-	40,560	-	121,860
Perkins Grant Fund 6258 - Summer Expansion Grant			19A-4700-4645	-	-	-	35,000
Perkins Grant Fund 6230			20-0512-4645	-	-	-	108,658
Perkins Grant Fund 6238			18-4700-4645	-	31,556	-	-
Total - Career and Technical Education -- Basic Grants to States				-	79,303	-	265,518
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01119-207-PN01	-	-	-	1,833
Title III			01120-208-PN01	-	-	-	4,118
Title III			01118-206-PN01	-	3,551	-	-
Title III - 6887			01117-211-PN01	-	1,394	-	-
Title III- Fund 6888			01118-204-PN01	-	1,620	-	-
Total - English Language Acquisition State Grants				-	6,565	-	5,951

TRI-CREEK SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A-6843			16-4645	-	24,441	-	-
Title II Part A 6845			17-4645	-	78,465	-	-
Title II Part A 6845			S367A170013	-	-	-	504
Title II Part A-6840			S367A180013	-	-	-	69,927
Total - Supporting Effective Instruction State Grants				-	102,906	-	70,431
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A - 5818			S424A180015	-	10,778	-	-
Title IV Part A - 5818			S424A180015	-	-	-	14,569
Title IV Part A - 5819			S424A190015	-	-	-	15,430
Total - Student Support and Academic Enrichment Program				-	10,778	-	29,999
Total - Department of Education				-	1,185,912	-	1,332,243
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Reimbursement - Federal			FY 19-20	-	-	-	638
Total - Medicaid Cluster				-	-	-	638
Total - Department of Health and Human Services				-	-	-	638
Total federal awards expended				\$ -	\$ 1,869,779	\$ -	\$ 1,949,011

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TRI-CREEK SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2019 and 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

Note 4. Wabash Valley Education Center (Cooperative)

The School Corporation is a member of the Wabash Valley Education Center (Cooperative). As a result, some activity for the English Language Acquisition State Grants that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

TRI-CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition and Context

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

The Form 9 financial report, required to be submitted to the Indiana Department of Education every six months, included the financial activity of the School Corporation and was the basis for the financial statement. The Treasurer prepared the Form 9 report and provided it to the Deputy Treasurer for review. However, there was no documented evidence of the review. Additionally, the Deputy Treasurer only verified the ending balances of the funds; therefore, no process or review was in place to ensure the receipts and disbursements for each fund were correctly reported.

TRI-CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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. . . ."

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

"The state examiner shall require from every audited entity 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](#)."

Cause

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

Effect

The failure to establish a system of internal controls could enable material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-002

Subject: Child Nutrition Cluster - Eligibility, Program Income, Procurement and Suspension and Debarment, Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 18-19, FY 19-20

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Program Income, Procurement and Suspension and Debarment, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Eligibility, Program Income, Procurement and Suspension and Debarment, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Eligibility

The Assistant Food Service Director ran the direct certification match report monthly and uploaded it to the school lunch system. There was no system of oversight or review to ensure that all students on the direct certification match report were entered accurately in the software system.

Program Income

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was assessed properly. Food prices for each fiscal year were entered into the student lunch system without any oversight or review.

Procurement and Suspension and Debarment

The School Corporation had not implemented an internal control process over the procurement requirement for vendors that belong in the small purchase category. One individual was responsible for preparing the quote sheet for the small purchases without any oversight or review from another individual.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation did not have documented internal controls to ensure the accuracy of the paid lunch equity calculation. The Food Service Director prepared the calculation once a year and the Assistant Food Service Director reviewed the calculation for accuracy; however, documentation of the review was not maintained.

The lack of internal controls was a systemic issue throughout the audit period.

TRI-CREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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). . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility, Program Income, Procurement and Suspension and Debarment, 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 Eligibility, Program Income, Procurement and Suspension and Debarment, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Eligibility, Program Income, Procurement and Suspension and Debarment, 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.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



*"The Tri-Creek School Corporation and Community ...
Engaged to Learn ... Equipped to Achieve ... Empowered to Succeed"*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

This finding has been corrected, but not until after the current audit period. The Deputy Treasurer performs the monthly bank reconciliations. Beginning in August 2019, the Business Manager reviewed and signed off on the bank reconciliations. In order to reconcile the bank to the cash balance in Skyward, the Deputy Treasurer went back and completed monthly bank reconciliations dating back to July 31, 2015.

The Deputy Treasurer was finally able to identify all discrepancies between Skyward and the bank in February 2020. On December 3, 2020, the School Board took action to approve the adjustments to Skyward necessary to balance. The Deputy Treasurer posted those adjustments to Skyward on December 25, 2020 with the approval of the Business Manager.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

This finding has been corrected. For both the 2018-2019 and 2019-2020 Schedule of Expenditures of Federal Awards (SEFA), the Deputy Treasurer gathered the grant information and prepared the SEFA. Once the SEFA was prepared, the Business Manager reviewed and approved it.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-003 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

This finding has been partially corrected. Food Service contracted with Asset Tiger in the summer of 2019 to compile a capital asset listing and perform an inventory. That inventory included an asset tag, description, location, value, brand, model, and serial number.

In late 2020, the School Corporation contracted with Adtec to produce a capital asset listing for the entire School Corporation (including Food Service). They compiled their own capital asset listing based on information obtained from Corporation as well as the prior report issued by Deyo/Stone. The new listing only includes assets that were verified by Adtec. The School Corporation is still working to identify the funding sources for capital assets listed in the report.



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CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Dana M. Bogathy, Treasurer
Contact Phone Number: 219-696-6661

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

Description of Corrective Action Plan:

The Deputy Treasurer will review the Form 9 export for ending balance, expenditure, and receipt activity prior to the submission to the Department of Education-Finance and note the review by signature and date on the report.

Anticipated Completion Date: July 31, 2021



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CORRECTIVE ACTION PLAN

FINDING 2020-002

Contact Person Responsible for Corrective Action: Dana M. Bogathy, Treasurer
Contact Phone Number: 219-696-6661

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

Description of Corrective Action Plan:

Eligibility

The Assistant Food Service Director will continue to run the direct certification process and the Deputy Treasurer or their designee will review the export of the data into the software system. This will be noted by signature and date.

Program Income

The Assistant Food Service Director will enter the approved meal and ala carte pricing into the software and the Deputy Treasurer or their designee will review the pricing. This will be noted by signature and date.

Procurement, Suspension and Debarment

The district will review small purchase procurements for food service with two personnel as noted by signature and date.

Special Tests and Provisions - Paid Lunch Equity

The Food Service Management Company will complete the Paid Lunch Equity Calculation with the Assistant Food Service Director. The Deputy Treasurer or their designee will review the calculation. This will be noted by signature and date.

Anticipated Completion Date: July 31, 2021

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.