

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TRI-CREEK SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/02/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra K. Goss Dana M. Bogathy	07-01-12 to 12-08-13 12-09-13 to 06-30-16
Superintendent of Schools	Dr. Debra K. Howe	07-01-12 to 06-30-16
President of the School Board	Douglas L. Ward	07-01-12 to 06-30-16



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

This report is supplemental to our audit report of the Tri-Creek School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. 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 Results and Comments 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 Results and Comments contained herein describe the identified reportable instances 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 Results and Comments, incorporated within this report, were not verified for accuracy.

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

January 4, 2016

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to payroll disbursements and School Lunch fund cash and investments and receipts. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risk of errors in financial reporting.

The School Corporation does not have adequate controls over payroll disbursements. The School Corporation Treasurer performs all aspects of the payroll transactions and reporting. There is no segregation of duties, such as an oversight, review, or approval process.

The Food Service Program accounted for in the School Lunch fund operates as an extra-curricular fund. The Food Service Bookkeeper receives cash, records the cash transactions to the ledger, prepares the deposit slip, takes the deposit to the bank, and performs the monthly reconcilements of the financial record balance to the bank balance. There is no segregation of duties, such as an oversight, review, or approval process.

An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that 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. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and several of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Allowable Activities, Eligibility, Reporting, Special Tests and Provisions for School Food Accounts and Verifications of Free and Reduced Applications.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Allowable Activities

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are only expended for allowable activities of the programs. There are no controls over payroll transactions and reporting.

Eligibility

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals are accurately determined. Currently, the application information is entered into the food service software which automatically makes the determination dependent upon the information entered into the software. There are no controls to ensure that the information entered into the food service software is correct.

Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. The monthly reimbursement request report and annual report is prepared by the Food Service Bookkeeper and submitted electronically via the DOE website. There is no segregation of duties, such as an oversight, review, or approval process over the compliance requirements for Reporting.

Special Tests and Provisions - School Food Accounts

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the requirements for school food accounts. The Food Service Bookkeeper makes daily deposits, writes checks, and completes the monthly reconciliation. There are no controls over compliance with the School Food Accounts requirements.

Special Tests and Provisions - Verification of Free and Reduced Applications

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the requirements for the verifications of free and reduced price meal applications are accurately determined. There are no controls to ensure that the verifications of free and reduced price meal applications were completed in compliance with program requirements.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the programs.

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014-003 - ALLOWABLE COSTS - INDIRECT COSTS

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are expended only for allowable costs of the programs. There are no controls over the calculation of indirect costs charged to the Food Service Program's School Lunch fund. There is also no oversight or review process to ensure that indirect costs are calculated and charged in accordance with Allowable Cost requirements.

The School Corporation charged indirect costs to the Food Service Program's School Lunch fund at a rate of \$0.02 per meal served. The amount claimed as indirect costs is less than the amount calculated based on the indirect cost rate approved for the 2012-2013 school year and the program expenditures. This is not consistent with indirect costs charged to other federal programs. In addition, the School Corporation charged indirect costs to the Food Service Program for the 2013-2014 school year even though they did not apply for an indirect cost rate for that year.

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."

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

"Basic Guidelines: . . .

- (c) Be authorized or not prohibited under state or local laws and regulations. . . .
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . ."

OMB Circular A-87, Attachment A, Subpart F, states in part:

"Indirect Costs:

- (1). General. Indirect costs are those:
 - (a) incurred for a common or joint purpose benefiting more than one cost objective, and . . .

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term 'indirect costs,' as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

- (2) Cost allocation plans and indirect cost proposals. 'Requirements for development and submission of cost allocation plans and indirect cost rate proposals are contained in Attachments C, D, and E.'

The failure to establish an effective internal control system could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements. Additionally, we recommended that the School Corporation comply with the Allowable Costs requirements of the programs.

FINDING 2014-004 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were in compliance with the Cash Management requirements of the programs. The School Corporation had process to monitor the cash balances of the School Lunch fund.

The School Lunch fund cash balances were maintained at an amount in excess of three months' average expenditures during our audit period. Monthly reports were not available to test each month; however, the four semiannual reports that were available reported material excess balances. The School Lunch fund had its largest balance of \$1,548,004 at June 30, 2013, which is 12 months of average expenditures for that fiscal year. The School Corporation indicated that they will purchase equipment with the excess cash balances; however, there is not a formal plan to spend down the excess cash balances.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(a) states in part: "*Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with §210.9(a)."

7 CFR 210.2, defines net cash resources as:

"*Net cash resources* means all monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a school food authority's nonprofit school food services at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

The failure to establish an effective internal control system could enable noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in sanctions from the pass-through agency.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements. Additionally, we recommended that the School Corporation comply with the Cash Management requirements of the programs.

FINDING 2014-005 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the Procurement and Suspension and Debarment requirements of the programs. The School Corporation relied on a consultant from a purchasing cooperative to perform procurements activities and to verify compliance with Suspension and Debarment requirements for their bread and bakery products. There was no oversight, review, or approval process over the consultant's responsibilities. In addition, the School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the Procurement and Suspension and Debarment requirements for products not purchased through the purchasing cooperative.

The School Corporation did not advertise for bids for dairy purchases during the audit period. Dairy purchases for the audit period was \$206,364. The School Corporation did not verify if the dairy vendors were suspended or debarred.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 3016.35 states in part:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

7 CFR 3016.36 states in part:

"(b) *Procurement standards:*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement. Additionally, we recommended that the School Corporation comply with the Procurement and Suspension and Debarment requirements of the programs.

FINDING 2014-006 - PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Program Income requirements. There are no controls to ensure that receipts generated from cafeteria sales are properly recorded.

The School Corporation did not properly record program income generated from the Food Service Programs. All monthly receipts, from sales as well as prepayments, were recorded directly in the School Lunch fund. A fund for prepayments was not established.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

TRI-CREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.14 (c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements. Additionally, we recommended that the School Corporation comply with the Program Income requirements of the programs.

FINDING 2014-007 - ACTIVITIES ALLOWED, ALLOWABLE COSTS, PERIOD OF AVAILABILITY

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 12-4645, 13-4645, and 14-4645
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the program expenditures were in compliance with requirements for Activities Allowed, Allowable Costs and Period of Availability. The School Corporation Treasurer was responsible for all aspects of the payroll transactions and reporting process. There was no segregation of duties, such as an oversight, review, or approval process.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements.



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CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Dana M. Bogathy, Treasurer
Contact Phone Number: 219-696-6661, ext. 1782
Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

The school district has implemented a monthly approval process by the Board of School Trustees for all payroll claims, effective July 1, 2015. The Board of School Trustees will approve by signature a monthly summary sheet listing all payroll dates and totals for the month. The Board of School Trustees will also receive supplemental payroll reports to back up the summary sheet information

The district has implemented the following segregation of duties and approvals in regards to the food service program:

- The Food Service Managers will prepare deposits and submit to the Food Service Bookkeeper for review and signature. The Food Service Bookkeeper will record the deposit in the ledger. The Food Service Director will take the deposit to the bank. The Food Service Bookkeeper will compare the bank deposit slip to the ledger and initial.
- Bank reconciliations will be conducted by the Food Service Bookkeeper and approved by signature by the Food Service Director. The Food Service Director and Business Manager will meet quarterly to review reconciliations. This will begin during 1st quarter in 2016.

FINDING 2014-002

Contact Person Responsible for Corrective Action: Judy Knight, Food Service Director
Contact Phone Number: 219-696-6661
Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

Allowable Activities- The Food Service Director enters the time attendance in to the payroll system for the food service staff. The Food Service Bookkeeper reviews and approves the payroll. The payroll is sent to the Financial Assistant for review and processing. The Business Manager approves the payroll docket prior to submitting the docket to the Board of School Trustees for monthly approval. (Food Service Bookkeeper and Director may switch entry and approval duties in the future.) This process began in July 2015.



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Eligibility- The Tri-Creek School Corporation annually uploads the income eligibility guidelines into our food service computer software. The program then determines the applicant's eligibility. Beginning July

2015, the Food Service Bookkeeper will go into the system to verify the guideline amounts were accurately uploaded and will process the free and reduced applications through the system. The Food Service Director will also randomly test some of the computer-generated determinations to verify the software is making the proper eligibility conclusions

Reporting- As of July 2015, the Food Service Bookkeeper prepares the monthly reimbursement and Annual Financial Report (AFR). The Food Service Director reviews and approves the reimbursement and AFR submission. The Business Manager will review the AFR with the Food Service Director prior to the submission on an annual basis.

School Food Account- The district as of July 1, 2015 has ceased to operate the food service fund as an extra curricular fund and has moved all accounting of the fund over to the corporation financial system to improve oversight of the funds.

Verification of Free and Reduced Application- The food service software randomly selects the applications for the verification based on the annual upload of income eligibility. The Food Service Director will review the randomly software selected applications prior to sending out the verification requests. The Food Service Director will review the returned verification materials and determine eligibility. A second individual will review and approve the eligibility determination of the verified applications. Effective November 2015

FINDING 2014-003

Contact Person Responsible for Corrective Action: Dana M. Bogathy, Business Manager

Contact Phone Number: 219-696-6661, ext. 1282

Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

Tri-Creek School Corporation will discontinue the practice of charging an indirect cost \$0.02 per meal served to the food service fund, effective July 2015. The district will use the established indirect cost rate if it deems necessary.



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FINDING 2014-004

Contact Person Responsible for Corrective Action: Judy Knight, Food Service Director

Contact Phone Number: 219-696-6661

Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

The Tri-Creek School Corporation will implement procedures to ensure to limit net cash resources to 3 months' average expenditures by June 2016. Such procedures shall include, but not be limited to:

- The Tri-Creek School Corporation will evaluate the possibility of using the indirect cost rate
- The Food Service Director will submit a list of necessary equipment purchases to the Business Manager by March 2016
- The Food Service Director will evaluate the ala-carte pricing and submit a recommended list of pricing adjustments to the Business Manager by March 2016.
- The Food Service Director will evaluate other program areas and make recommendations to the Business Manager for consideration by March 2016

FINDING 2014-005

Contact Person Responsible for Corrective Action: Judy Knight, Food Service Director

Contact Phone Number: 219-696-6661

Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

The Food Service Director will properly advertise all necessary bids within the standards of all applicable State, local laws and regulations, effective immediately. The Food Service Bookkeeper will verify the vendor for suspension and disbarment. The Food Service Director will make the recommendation to the Board of School Trustees for all vendors selected after the Business reviews the recommendation.

FINDING 2014-006

Contact Person Responsible for Corrective Action: Judy Knight, Food Service Director

Contact Phone Number: 219-696-6661

Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

The district as of July 1, 2015 has ceased to operate the food service fund as an extra curricular fund and has moved all accounting of the fund over to the corporation financial system to better improve oversight of the funds. The district has implemented 3 separate funds for the food service program- payroll reconciliation of the funds have been established, effective August 2015.



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FINDING 2014-007

Contact Person Responsible for Corrective Action: Dana M. Bogathy, Business Manager

Contact Phone Number: 219-696-6661, ext. 1282

Fiscal Year ending: June 30, 2014

Description of Corrective Action Plan:

Effective July 2015, payroll approvals are approved by their respective Title I building principal and will be indicated by signature on the payroll register. The district Title I Coordinator will review program expenditures and reimbursements with the Curriculum Secretary and Business Office personnel on a quarterly basis as indicated by signing a copy of the reimbursement requests for that period.

Signed

Business Manager

Title

1/14/14

Date

TRI-CREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate for the October 5, 2012 ADM count. Though the rosters were signed by the school principals, they did not include the transfer out students. A detailed list of the transfer out students was provided, but it was not signed by the designated building level personnel.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OFFICIAL BOND

The Extra-Curricular Account Treasurer's official bonds were not filed in the Office of the Lake County Recorder. It was also noted that all bonds were continuation bonds rather than new bonds each year.

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement entered into for the 2014-2015 school year contained clauses regarding reimbursements to teachers that are prohibited by Indiana Code 20-29-6-4.5.

A. College Attendance:

1. The Board will pay, in a lump sum, \$300 not to exceed \$2,750 in any school year for each three (3) semester hours taken in an area that the Board designates as a need. (i.e. certificate, dual college credits, areas of teacher shortage, project lead way, or career technology education).
2. The maximum number of semester hours compensated at the above rates in any one (1) school year will be three (3) per teacher.

TRI-CREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-29-6-4.5 states in part:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following: . .

(3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards. . . .

(5) Any subject not expressly listed in section 4 of this chapter."

During the audit period, Indiana Code 20-29-6-4 stated:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

(1) Salary.

(2) Wages.

(3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

ECA EDUCATIONAL FEES/TEXTBOOK RENTAL CHARGES

The curricular materials rental charges detail did not support the shipping charges that were collected from students. The School Corporation could not provide documentation as to how the shipping charges were calculated and they were not supported by textbook invoices. In addition, although the total textbook rental and educational fees were adopted by the School Board prior to being charged to the students, there was no written opinion of an attorney regarding the educational fees.

During the audit period, Indiana Code 20-26-12-2, stated:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

(1) in compliance with the minimum certification standards of the state board; and

(2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

TRI-CREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

(1) extended for usage by students under section 24(e) of this chapter; and

(2) paid for through rental fees previously collected.

(c) This section does not limit other laws."

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

TRAVEL POLICY

The School Corporation does not have an approved travel policy. A "Professional Visitation Request" form has been used for several years but has not been approved by the School Board.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes.

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CREDIT CARDS

Upon review of credit card claims, we noted that supporting documentation was not available for all items listed on the credit card statement. Also, payments for items such as funeral flowers were made from the General fund.

In addition, during the 2012-2013 and 2013-2014 school years there was a total of \$1,660 and \$6,295, respectively, paid out of the General fund account 23210 with object code 614 - Superintendent Food Purchases. The payments included such items as staff or potential staff meals during meetings, trainings, interviews, and staff appreciation. Had these charges been properly recorded in the promotion of the school business expense account, the expenses would have exceeded the amount allowed per state statute.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRI-CREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-26-5-4(3) states in part:

"To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based on the school corporation's ADM of the previous year (as defined in IC 20-43-1-7) to promote the best interests of the school corporation through:

- (A) the purchase of meals, decorations, memorabilia, or awards . . ."

CONTROLS OVER TEXTBOOK RENTAL RECEIPTS

Textbook rental receipts were issued and the receipt numbers were generated from the School Corporation's computer software for the 2012-2013 and 2013-2014 school years. The textbook rental software had the capability of issuing the same receipt number for more than one transaction. The ability to use the same receipt number more than once significantly interfered with the accountability over receipts. A similar comment appeared in the previous audit report. The School Corporation changed its software vendor for the student database beginning with the 2014-2015 school year.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers either preprinted on the form or printed on the form by the application system. If the numbers are printed on the form by the application system, adequate security must be implemented to prevent unauthorized modification of the number sequence. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSPORTATION FUND EXPENDITURES - ADMINISTRATIVE PERSONNEL

Portions of the salaries of the Business Manager, Financial Assistant, and Bookkeeper were paid from the Transportation Fund, totaling \$10,126 and \$1,694 for the 2012-2013 and 2013-2014 school years, respectively.

The Conclusion of Attorney General Advisory Number 96-78 states in part: "The school transportation fund was established to cover costs which are attributable to transportation. Indiana Code 21-2-11.5-2(b)(1) through (b)(7) (now 20-40-6-6) set forth the costs which may be attributed to transportation. According to subsection (b)(1), the salaries of "transportation-related" employees may be paid from this fund. As the school superintendent and school corporation treasurer do not appear to be positions that are transportation-related, payment from the transportation fund of the salaries attached to these positions would be improper." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

TRI-CREEK SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

PUBLIC WORKS CONTRACT

A \$1,238,000 public works contract was awarded for the new Lowell Middle School Athletic Complex project. Required documentation related to the project was not presented for audit. The missing documents included all the bid documents, work documents, construction contracts, and any other pertinent information related to this project.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The financial statement presented for the School Corporation included the following funds with overdrawn cash balances at June 30, 2013 and 2014:

Fund	Amount Overdrawn 06-30-13	Amount Overdrawn 06-30-14
2009 HS Refunding Improvement Bonds 2012	\$ 374,965	\$ -
Food Service Clearing	54,791	-
Lake Prairie Project	-	58,367
Transportation Center	-	38,077
Local eLearning Donations	-	914
STAA CSL Loan #A1777	-	70,212
Common School Tech Loan #1804	-	15,958

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9)



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OFFICIAL RESPONSE

January 10, 2016

Mr. Paul Joyce
State Examiner
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Dear Mr. Joyce:

This is the official response to the State Board of Accounts audit report of the Tri-Creek School Corporation audit for the period of July 1, 2012 to June 30, 2014.

Average Daily Membership

The Tri-Creek School Corporation acknowledges it did not have the complete detailed list of transfer students for the October 5, 2012 Average Daily Membership count included with the rosters that were approved and signed by the building principal. For future Average Daily Membership counts, the district will maintain and have the building principal approve by signature all proper roster documentation.

Official Bond

The district acknowledges it did not file the Extra-Curricular Account Treasurer's official bonds with the Office of Lake County Recorder. The district will obtain new bonds on a yearly basis and file them with the Office of Lake County Recorder upon receipt.

Collective Bargaining Agreement

The district has removed the College Attendance reimbursement portion from the collective bargaining agreement and placed this benefit in to school policy.

ECA Educational Fees/Textbook Rental Charges

The district will obtain a written opinion from an attorney regarding the educational fees. The district will use actual shipping charges in the board approved student fees.

Travel Policy

The district could not find board action approving the Professional Visitation Request form, which listed all of the district's procedures and guidelines for travel. The district updated their policies to NEOLA in 2015. The approval of policies included a travel policy. Administrative Guidelines are being developed and will be put in place by June 2016.



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Credit Cards

The district acknowledges it made payment for a \$20 monthly re-occurring charge for Verizon data charges based off the statement. The district receives the detailed invoice via email and did not attach invoice for this \$20 charge to the statement. The district will not make payments based solely on statements without the detailed invoice as supporting documentation, effective immediately.

The district acknowledges it incorrectly coded expenditures as Superintendent expenditures when they should have been Promotional expenditures. The district will adhere to the Promotional expenditure guideline as stated by Indiana Code.

Controls Over Textbook Rental Receipts

The district was aware the school's computer software during the audit period, Harmony, inaccurately assigned duplicate receipt numbers and took appropriate action to select a new software provider, Skyward Student Information Systems.

Transportation Fund Expenditures- Administrative Personnel

The district acknowledges that it charged the Transportation fund a portion of the salaries for the Business Manager, Financial Assistant and Bookkeeper in regards to the support those positions provide for the Transportation Department. This practice ceased when the current Business Manager was hired in 2014.

Public Works Contract

The district acknowledges it cannot locate the public works contracts for the new Lowell Middle School Athletic Complex Project. The district has established a public works contract receipt procedure that includes a signature receipt of the documentation for the contract.

Overdrawn Cash Balances

The district acknowledges the funds listed were overdrawn as indicated on the financial statement. The district further acknowledges all of those funds are reimbursable funds. (grants, construction bonds, Common School Loans, etc.) The reimbursement was in transition and was not received in time for the posting of the financial statement. The district approves a resolution every year stating the Treasurer may temporarily transfer General Fund balances to cover overdrawn funds for the posting of the financial statement. The time it would take to temporarily transfer balances back and forth to cover these reimbursements in transit would have taken Business Department personnel off of priority daily district operational duties and thus wasted district time and resources. The district acknowledges the funds were overdrawn but also states these funds were all reimbursable and the reimbursements were in transit. These overdrawn reimbursable funds are not an indicator of serious financial problems as your blanket statement from the Accounting and Uniform Compliance Guideline Manual for Public School Corporations states.


Dana M. Bogathy
Business Manager

TRI-CREEK SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 4, 2016, with Dana M. Bogathy, Treasurer; Dr. Debra K. Howe, Superintendent of Schools; and Douglas L. Ward, President of the School Board.