

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
STEUBEN COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
05/08/2015

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Federal Findings: | |
| Finding 2014-001 - Internal Controls Over Financial Transactions and Reporting | 4 |
| Finding 2014-002 - Internal Controls Over Child Nutrition Cluster | 4-5 |
| Finding 2014-003 - Internal Controls Over Title I Grants to Local Educational Agencies | 5-6 |
| Corrective Action Plan | 7-9 |
| Audit Results and Comments: | |
| Overpayment Collections | 10 |
| Receipt Issuance | 10 |
| Official Response | 11 |
| Exit Conference | 12 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|----------------------------|--|
| Treasurer | Monte Van Gessel | 07-01-12 to 06-30-15 |
| Superintendent of Schools | Dr. Brent Wilson | 07-01-12 to 06-30-15 |
| President of the School Board | Glen Arney Brad Gardner | 07-01-12 to 12-31-14 01-01-15 to 12-31-15 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF STEUBEN COUNTY, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Steuben County (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

March 18, 2015

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash, receipts, and payroll. Receipts are posted, deposits are prepared, and the bank reconciliation is prepared by the same person. There is no evidence that someone reviews the bank reconciliation or that someone other than the preparer of the bank deposits reviews and takes the deposits to the bank. Payroll is prepared and direct deposits are transmitted by the same person. No one reviews the payroll prior to transmission. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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, segregation of duties, 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 CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture

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

CFDA Number: 10.555, 10.553, 10.559

Award Number and Year (or Other Identifying Number): F Y12-13 and FY 13-14

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 for Activities Allowed, Allowable Costs, Program Income, and Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Activities Allowed/Allowable Costs/Program Income

The School Corporation used the Child Nutrition grants and program income to supplement allowable employees' payroll. The School Corporation has a lack of internal control over payroll processing. For payroll processing, the same person enters the payroll, processes the payroll, and performs the direct deposits of payroll. No payroll review is performed prior to the direct deposits of payroll. The failure to establish these controls could enable unallowable payroll costs or other irregularities to occur and go undetected.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

Reporting

The School Corporation must submit a monthly sponsor claim for reimbursement of meals served and an Annual Financial Report to the Indiana Department of Education. The School Corporation has a lack of internal control over the preparation of these two reports. The individual preparing the report will submit the report without a secondary review from another individual.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 listed above.

***FINDING 2014-003 - INTERNAL CONTROL OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Award Number and Year (or Other Identifying Number): 12-7615, 13-7615, and 14-7615

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 the following compliance requirements: Activities Allowed and Allowable Costs.

The School Corporation used the Title I grant to supplement allowable employees' payroll. The School Corporation has a lack of internal control over payroll processing. For payroll processing, the same person enters the payroll, processes the payroll, and performs the direct deposits of payroll. No payroll review is performed prior to the direct deposits of payroll. The failure to establish these controls could enable unallowable payroll costs or other irregularities to occur and go undetected.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
FEDERAL FINDINGS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 listed above.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ Internet Home Page: www.msdssteuben.k12.in.us

Dr. Brent A. Wilson
Superintendent

Mr. Mike Christ
Asst. Superintendent

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mr. Mike Wenzel
Technology Coordinator

Mrs. Monte VanGessel
Business Manager

Mrs. Stephanie Haynes-
Clifford
Food Service Director

Mr. Scott Poor
Transportation
Director/AHS Asst.
Principal

BOARD OF SCHOOL TRUSTEES

Mr. Brad Gardner
President

Mr. Kevin R. Beard
Vice President

Mrs. Trishia Stites
Secretary

Mr. Michael D. Holcomb
Member

Mrs. Kim Hutchins
Member

SCHOOL ATTORNEY
Mr. Kim E. Shoup
Attorney At Law

CORRECTIVE ACTION PLAN

FINDING 2014-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Monte VanGessel
Contact Phone Number: 260 665-2854 xt1208

Description of Corrective Action Plan:

Payroll Processing: The Payroll Clerk will prepare the payroll and print the *Payroll Distribution Report*. The Human Resources Director will review this report and initial and date the last recap page if all is in order. A copy of this signed recap page will be forwarded to the Business Manager. The Payroll Clerk will then complete the ACH file for submission to the bank for direct deposit to employee accounts. She will also post these to the appropriations. This posting generates a *Fund Transaction Edit* which will be given to the Business Manager for comparison to the recap page of the *Payroll Distribution Report*. Both pages will be initialed by the Business Manager if they match and then filed together.

Cash Receipts: The corporation Assistant Treasurer (AT) will collect all money received in the corporation on a daily basis. All funds remitted will be accompanied by a recap sheet signed by the person submitting the funds. The AT will verify the collections and prepare a receipt in duplicate as well as the bank deposit. A duplicate of the receipt will be returned to the submitter. This bank deposit will be reviewed, initialed, and taken to the bank by the Payroll Clerk or Business Manager daily. They will then return the deposit slip to the AT. Every other month the bank reconciliation will be done by the ECA Treasurer. Each month the Business Manager will review and initial the bank reconciliation.

Anticipated Completion Date: Immediately

Monte VanGessel
(Signature)

Business Manager/Treasurer
(Title)

3-18-2015
(Date)

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ Internet Home Page: www.msdsieben.k12.in.us

Dr. Brent A. Wilson
Superintendent

Mr. Mike Christ
Asst. Superintendent

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mr. Mike Wenzel
Technology Coordinator

Mrs. Monte VanGessel
Business Manager

Mrs. Stephanie Haynes-
Clifford
Food Service Director

Mr. Scott Poor
Transportation
Director/AHS Asst.
Principal

BOARD OF SCHOOL TRUSTEES

Mr. Brad Gardner
President

Mr. Kevin R. Beard
Vice President

Mrs. Trishia Stites
Secretary

Mr. Michael D. Holcomb
Member

Mrs. Kim Hutchins
Member

SCHOOL ATTORNEY
Mr. Kim E. Shoup
Attorney At Law

CORRECTIVE ACTION PLAN

FINDING 2014-002 INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

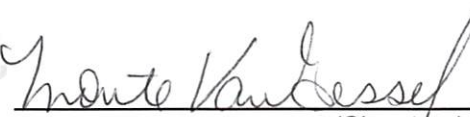
Federal Agency: U.S. Department of Agriculture
Federal Program: National School Lunch Program, School Breakfast Program, Summer Food Service Program for Children
CFDA Number: 10.555, 10.553, 10.559
Federal Award Number and Year: 7615 FY 2013 and FY 2014
Pass Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Monte VanGessel
Contact Phone Number: 260 665-2854 xt1208

Description of Corrective Action Plan:

Payroll Processing: The Payroll Clerk will prepare the payroll and print the *Payroll Distribution Report*. The Human Resources Director will review this report and initial and date the last recap page if all is in order. A copy of this signed recap page will be forwarded to the Business Manager. The Payroll Clerk will then complete the ACH file for submission to the bank for direct deposit to employee accounts. She will also post these to the appropriations. This posting generates a *Fund Transaction Edit* which will be given to the Business Manager for comparison to the recap page of the *Payroll Distribution Report*. Both pages will be initialed by the Business Manager if they match and then filed together.

Program Reporting: The Food Service Administrative Assistant will prepare the monthly sponsor claim for reimbursement of meals served. The Food Service Director will review and initial the claim prior to submission. The Food Service Director will prepare the annual financial report. This will be reviewed by the school corporation Business Manager who will initial prior to filing with the Indiana Department of Education.

Anticipated Completion Date: Immediately


(Signature)

Business Manager/Treasurer
(Title)

3-18-2015

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ Internet Home Page: www.msdssteuben.k12.in.us

Dr. Brent A. Wilson
Superintendent

Mr. Mike Christ
Asst. Superintendent

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mr. Mike Wenzel
Technology Coordinator

Mrs. Monte VanGessel
Business Manager

**Mrs. Stephanie Haynes-
Clifford**
Food Service Director

Mr. Scott Poor
Transportation
Director/AHS Asst.
Principal

BOARD OF SCHOOL TRUSTEES

Mr. Brad Gardner
President

Mr. Kevin R. Beard
Vice President

Mrs. Trishia Stites
Secretary

Mr. Michael D. Holcomb
Member

Mrs. Kim Hutchins
Member

SCHOOL ATTORNEY
Mr. Kim E. Shoup
Attorney At Law

CORRECTIVE ACTION PLAN


FINDING 2014-003 INTERNAL CONTROLS OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 7615 FY 2013 and FY 2014
Pass Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Monte VanGessel
Contact Phone Number: 260 665-2854 xt1208

Description of Corrective Action Plan:

Payroll Processing: The Payroll Clerk will prepare the payroll and print the *Payroll Distribution Report*. The Human Resources Director will review this report and initial and date the last recap page if all is in order. A copy of this signed recap page will be forwarded to the Business Manager. The Payroll Clerk will then complete the ACH file for submission to the bank for direct deposit to employee accounts. She will also post these to the appropriations. This posting generates a *Fund Transaction Edit* which will be given to the Business Manager for comparison to the recap page of the *Payroll Distribution Report*. Both pages will be initialed by the Business Manager if they match and then filed together.

Anticipated Completion Date: Immediately


(Signature)

Business Manager/Treasurer
(Title)

3-18-2015
(Date)

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
AUDIT RESULTS AND COMMENTS

OVERPAYMENT COLLECTIONS

Payments were made to an employee for mileage reimbursement which exceeded the amount owed by the School Corporation in the amount of \$16.95. Refunds have been received as of February 17, 2015.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE

Cafeteria receipts are deposited by the next business day within the School Corporation's cafeteria bank account. The School Corporation issues and posts the cafeteria receipts at the month end instead of the time of the transaction.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ Internet Home Page: www.msdssteuben.k12.in.us

Dr. Brent A. Wilson
Superintendent

Mr. Mike Christ
Asst. Superintendent

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mr. Mike Wenzel
Technology Coordinator

Mrs. Monte VanGessel
Business Manager

**Mrs. Stephanie Haynes-
Clifford**
Food Service Director

Mr. Scott Poor
Transportation
Director/AHS Asst.
Principal

BOARD OF SCHOOL TRUSTEES

Mr. Brad Gardner
President

Mr. Kevin R. Beard
Vice President

Mrs. Trishia Stites
Secretary

Mr. Michael D. Holcomb
Member

Mrs. Kim Hutchins
Member

SCHOOL ATTORNEY
Mr. Kim E. Shoup
Attorney At Law

February 27, 2015

Response to Metropolitan School District of Steuben County Audit Results and Comments

OVERPAYMENT COLLECTIONS

The \$16.95 overpayment on an employee mileage reimbursement was corrected by deducting the overpayment from the same employee's February 17, 2015 reimbursement. Another layer of checking employee reimbursement claims has been added.

RECEIPT ISSUANCE

This practice has been going on here at MSD for many years prior to when the current employees were hired. It will be changed immediately.



Monte VanGessel
Business Manager/Treasurer

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2015, with Monte Van Gessel, Treasurer; Dr. Brent Wilson, Superintendent of Schools; Stephanie Haynes-Clifford, Food Service Director; Dana L. Weaver, Assistant Treasurer; Rebecca S. Maggart, Payroll; Cyndi Nusbaum, Curriculum Director; Kevin Beard, School Board member; and Kimberly Hutchins, School Board member.

The contents of this report were discussed separately on March 18, 2015, with Brad Gardner, President of the School Board, and Trishia Stites, School Board member.