

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MSD OF WARREN COUNTY

WARREN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/22/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware	07-01-12 to 06-30-15
Superintendent of Schools	Ralph Shrader	07-01-12 to 06-30-15
President of the School Board	Dr. Gary Greenwood, DVM John Hegg Steve Magner	07-01-12 to 06-30-13 07-01-13 to 06-30-14 07-01-14 to 06-30-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MSD OF WARREN COUNTY, WARREN COUNTY, INDIANA

This report is supplemental to our audit report of the MSD of Warren 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 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 Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

April 16, 2015

MSD OF WARREN COUNTY
FEDERAL FINDING

***FINDING 2014-001 - INTERNAL CONTROLS OVER THE SCHOOL BREAKFAST
PROGRAM AND NATIONAL SCHOOL LUNCH PROGRAM***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program and National School Lunch Program

CFDA Numbers: 10.553 and 10.555

Federal Award Years: FY 13 and FY 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 and some of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Cash Management; Reporting; and Procurement and Suspension and Debarment. 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.

Cash Management

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund's monthly cash balances were in compliance with the Cash Management requirements. A monitoring or review process has not been established to ensure that the School Lunch fund's net cash resources are limited to three months' average expenditures in compliance with Cash Management requirements.

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 is independently prepared by the Food Service Director and submitted electronically via the Indiana Department of Education's website. There was no oversight, review, or approval process to ensure the monthly reimbursement request reports are correct.

MSD OF WARREN COUNTY
FEDERAL FINDING
(Continued)

Procurement and Suspension and Debarment

The School Corporation has not designed or implemented adequate policies and procedures to verify compliance with Procurement and Suspension and Debarment requirements related to vendors selected for procured products and covered transactions.

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 programs. 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. Non-compliance 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 listed above.

Metropolitan School District of Warren County

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Mr. James P. Beyer, Asst. Superintendent
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CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Nanette Ware
Contact Phone Number: (765) – 762-3364

Description of Corrective Action Plan: Management of MSD Warren County will establish a proper internal control system as required by federal guidelines to provide 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. Management of MSD Warren County will establish the proper segregation of duties in order to have an effective internal control system.

Anticipated Completion Date: Ongoing: The Superintendent will meet with the corporation treasurer to develop an internal control system which meets the federal requirements. It will be our goal to have a system in place by the close of the 2014-15 school year.

Nanette Ware
(Signature)

Treasurer
(Title)

4/16/15
(Date)

MSD OF WARREN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2015, with Ralph Shrader, Superintendent of Schools; Steve Magner, President of the School Board; and Nanette Ware, Treasurer.