

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
MORGAN COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
06/05/2015



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jim Diagostino Becky Merriman (Vacant) Rhondi Taylor	07-01-12 to 07-12-13 07-13-13 to 08-29-14 08-30-14 to 08-31-14 09-01-14 to 06-30-15
Superintendent of Schools	Brad Lindsey Larry Moore (Interim) David E. Marcotte	07-01-12 to 06-30-13 07-01-13 to 01-13-14 01-14-14 to 06-30-15
President of the School Board	William E. Roberson	07-01-12 to 06-30-15



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE MOORESVILLE CONSOLIDATED  
SCHOOL CORPORATION, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Mooresville Consolidated 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/](http://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

April 23, 2015

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROL OVER THE PREPARATION  
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: The federal awards expended for June 30, 2013, did not report many of the 2010-2011 and 2011-2012 grants that were reimbursed during this period. The cumulative effect of these errors understated the SEFA in the amount of \$1,272,381 for the period ending June 30, 2013. The federal awards expended for June 30, 2014, also contained grants not correctly reported with the cumulative effect of the errors understating the SEFA in the amount of \$55,737 for period ending June 30, 2014. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING - TEXTBOOK RENTAL FUND***

The School Corporation has not established an effective internal control system over the reporting of the financial activity of the Textbook Rental fund. The School Corporation changed their handling of textbook rental funds during the 2013-2014 school year. The School Corporation began recording textbook rental activity in the ledger rather than in the extra-curricular accounts. However, the School Corporation failed to monitor the extra-curricular funds to see that textbook rental collections were being remitted to the School Corporation timely. As a result, the extra-curricular funds had some collections on hand that were not timely remitted and reported in the ledger and financial statement. Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in this report.

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)

The central office of a school corporation should ensure all financial information for school lunch and textbook rental maintained at all buildings is summarized and properly accounted for in School Lunch Fund 080, and Textbook Rental Fund 090, in each Biannual Financial Report (Form Nine) filed with the Indiana Department of Education. (The Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

***FINDING 2014-003 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to the performance of monthly bank reconciliations. Monthly bank reconciliations were not performed timely and were not being reviewed after completion. The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2. Monitoring of Controls: 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. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires 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, 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)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***FINDING 2014-004 - INTERNAL CONTROL OVER CASH MANAGEMENT AND REPORTING***

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Number and Year (or Other Identifying Number): Project No. 2010-2011, 2011-2012, and 2012-2013

Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States and Special Education - Preschool Grants

CFDA Number: 84.027 and 84.173

Federal Award Number and Year (or Other Identifying Number): Project No. 14211-063-PN01, 14212-063-PN01, 14213-063-PN01, 14214-063-PN01, 45712-063-PN01, 45713-063-PN01, and 45714-063-PN01

Pass-Through Entity: Metropolitan School District of Wayne Township

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): Project No. 12-5930, 13-5930, and 14-5930

Pass-Through Entity: Indiana Department of Education

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance requirements for Cash Management and Reporting that have a direct and material effect on the programs. 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.

Reimbursement Voucher is the form used to request reimbursements of program expenditures paid (Cash Management) as well as a required report by the Indiana Department of Education (Reporting). The Metropolitan School District of Wayne Township requires this same form (Reimbursement Voucher) for the Special Education - Grants to States and Special Education - Preschool Grants that it passes through to the School Corporation. This form is prepared by the School Corporation Treasurer and submitted. The School Corporation Treasurer generates a financial report from their ledger of disbursements paid for the reporting period being covered for each grant award entitled Financial Report - Appropriation. This report is used to complete the Reimbursement Voucher by the School Corporation Treasurer and submitted to the Indiana Department of Education or the Metropolitan School District of Wayne Township without being verified or reviewed. There is no segregation of duties such as an oversight, review, or approval process.

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.

***FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Number and Year (or Other Identifying Number): Project No. 2010-2011, 2011-2012,  
and 2012-2013

Pass-Through Entity: Indiana Department of Education

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States and Special Education - Preschool Grants

CFDA Number: 84.027 and 84.173

Federal Award Number and Year (or Other Identifying Number): Project No. 14211-063-PN01,  
14212-063-PN01, 14213-063-PN01,  
14214-063-PN01, 45712-063-PN01,  
45713-063-PN01, and 45714-063-PN01

Pass-Through Entity: Metropolitan School District of Wayne Township

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): Project No. 12-5930, 13-5930, and 14-5930

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system over the compliance requirement for Allowable Costs/Cost Principles that has a direct and material effect on the programs. The failure to establish an effective internal control system places the School Corporation at risk of material non-compliance.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required time and effort reports for all full and part-time employees working under a federal award are prepared and retained. When employees are paid from a federal grant, the School Corporation is required to obtain the appropriate certifications from all grant personnel to support their compensation; however, the School Corporation did not obtain these certifications.

OMB Circular A 87, Attachment B, item 8h, states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meet the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

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 of the grant agreement or the compliance requirements that have a direct and material effect to the programs could result in the loss of federal funds to the School.

We recommended that the School Corporation establish controls related to the grant agreement and the compliance requirement noted above.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-006 - INTERNAL CONTROL OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, SPECIAL TESTS AND PROVISIONS, AND COMPARABILITY***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): Project No. 12-5930, 13-5930, and 14-5930

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system related to the grant agreement and the Special Tests and Provisions compliance requirement for Comparability. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that supporting documentation for the Comparability requirement is retained. During the review of Comparability requirement for the school year 2012-2013, the School Corporation used the corporation-wide salary schedule to ensure equivalence among schools in teachers, administrators, and other staff was provided. However, the School Corporation was unable to produce supporting documentation for the report. For the school year 2013-2014, the School Corporation complied with the requirement and had documentation to support the report.

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 establish controls related to the grant agreement and Special Tests and Provisions compliance requirement for Comparability.

**MOORESVILLE CONSOLIDATED SCHOOL CORPORATION**  
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**RANDY TAYLOR, ASSISTANT SUPERINTENDENT**  
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**CORRECTIVE ACTION PLAN**

**FINDING 2014-001**

**RANDY TAYLOR, SUPERINTENDENT OF BUSINESS**  
**317-831-0950**

As a Governmental Unit, internal controls will be established for all Federal Programs. The Treasurer will prepare and complete all reports and respective Directors will review and sign off on each report before submission. Copies of all reports will be provided to Director, Treasurer and Asst. Superintendent of Business.

**FINDING 2014-002**

**RANDY TAYLOR, SUPERINTENDENT OF BUSINESS**  
**317-831-0950**

The Treasurer will request all textbook rental funds to be sent to Central Office in a timely manner. The Asst. Superintendent of Business will request an end of month financial report from each school which will be checked by the Asst. Treasurer and Asst. Superintendent of Business.

**FINDING 2014-003**

**RANDY TAYLOR, SUPERINTENDENT OF BUSINESS**  
**317-831-0950**

The Treasurer will do monthly bank reconcilements and provide proof of reconciliation to the Asst. Superintendent of Business.

**FINDING 2014-004**

**RANDY TAYLOR, SUPERINTENDENT OF BUSINESS**  
**317-831-0950**

As a Governmental Unit, internal controls will be established for all Federal Programs. The Treasurer will prepare and complete all reports and respective Directors will review and sign off on each report before submission. Copies of all reports will be provided to Director, Treasurer and Asst. Superintendent of Business.

**FINDING 2014-005**

**RANDY TAYLOR, SUPERINTENDENT OF BUSINESS**  
**317-831-0950**

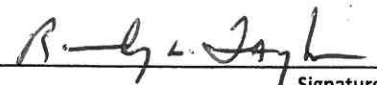
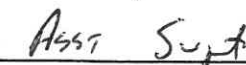

The Asst. Superintendent of Business will request each Director to establish policies and procedures to ensure that time logs will be prepared and retained on a semi-annual basis. All logs will be signed by the employee and/or their direct supervisor.

**FINDING 2014-006**

**RANDY TAYLOR, SUPERINTENDENT OF BUSINESS**  
**317-831-0950**

The Asst. Superintendent of Business will ensure that all Directors will retain proper documentation of comparability reports.

**WE ANTICIPATE ALL FINDINGS TO BE IN PLACE BY JULY 1, 2015.**

  
Signature  
  
Title  
  
Date

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***AVERAGE DAILY MEMBERSHIP (ADM) - NO PRINCIPAL CERTIFICATION***

The designated building level personnel did not provide written certification that the detailed student records maintained to support the ADM claimed was accurate.

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

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)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconcilements were not being conducted in a timely manner. As of June 30, 2014, the School Corporation reported cash necessary to balance of \$1,661. The errors occurred due to a change in the payroll accounting system in January 2014. The School Corporation could not identify the differences for two months, and therefore, did not perform reconcilements until after the audit was started and were requested by the auditors.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2015, with William E. Roberson, President of the School Board; David E. Marcotte, Superintendent of Schools; Randy Taylor, Assistant Superintendent of Schools; Becky Merriman, former Treasurer; and Rhondi Taylor, Treasurer.

The contents of this report were discussed on April 23, 2015, via email correspondence, with Jim Diagostino, former Treasurer.