

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF MT. VERNON
POSEY COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
09/24/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2014-001 - Special Tests and Provisions - Participation of Private School Children	4-5
Finding 2014-002 - Period of Availability	5
Finding 2014-003 - Procurement and Suspension and Debarment	5-6
Corrective Action Plan	7-8
Audit Results and Comments:	
Public Works	9
Textbook Rental Charges	9
Exit Conference	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary E. Buchanan	01-01-12 to 12-31-15
Superintendent of Schools	Dr. Thomas Kopatich	07-01-10 to 06-30-16
President of the School Board	Heather Allyn Kathy Weinzapfel Beth McFadin-Higgins Heather Allyn	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 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 MT. VERNON, POSEY COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Mt. Vernon (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

July 1, 2015

METROPOLITAN SCHOOL DISTRICT OF MT. VERNON
FEDERAL FINDINGS

***FINDING 2014-001 - SPECIAL TESTS AND PROVISIONS - PARTICIPATION
OF PRIVATE SCHOOL CHILDREN***

Federal Agency: U.S. Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Number and Year: EDS A58-0-10DL-114, 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over compliance with Special Tests and Provisions - Participation of Private School Children. 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.

As required by the program, the School Corporation did not conduct consultations with private school officials to determine the kind of educational services to provide to eligible private children regarding the Twenty-First Century Community Learning Centers program.

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."

20 USC, Section 7881(c)(1) states in part:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials during the design and development of the programs under this chapter, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel and the amount of funds available for those services; and
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of contract services through potential third-party providers."

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

METROPOLITAN SCHOOL DISTRICT OF MT. VERNON
FEDERAL FINDINGS
(Continued)

We recommended that the School Corporation establish controls to ensure all grant requirements are complied with and that they conduct consultations with private school officials to ensure private school children receive any educational services needed.

FINDING 2014-002 - PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Education
Federal Program: Twenty- First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Number and Year: EDS A58-0-10DL-114, 2012-2013
Pass-Through Entity: Indiana Department of Education

The School Corporation was in noncompliance over the Period of Availability compliance requirements. The School Corporation did not ensure that all obligations for expenditures made from program funds were incurred during the period of availability. The grant expenditures were required to be encumbered by September 30. The School Corporation purchased iTunes gift cards which were redeemed to the iTunes account, but no purchases of apps were charged to the account during the period of availability.

The expenditures of program funds which were not obligated during the period of availability totaled \$2,900. These expenditures are considered questioned costs.

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."

34 CFR 80.23(a) states:

"Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

The failure to establish internal controls has enabled 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 develop controls and procedures to ensure grant funds are only disbursed for obligations within the appropriate period of availability. All purchasing individuals should be made aware of each grant's period of availability and the definition of obligation. If an extension of the grant is needed it should be requested prior to the end of the grant period.

FINDING 2014-003 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Education
Federal Program: Safe and Drug-Free Schools and Communities_National Programs
CFDA Number: 84.184
Federal Award Number and Year: Q184L080320, 2012-2013

METROPOLITAN SCHOOL DISTRICT OF MT. VERNON
FEDERAL FINDINGS
(Continued)

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: Procurement and Suspension and Debarment. The School Corporation failed to identify if contractors were listed on the suspension and debarment list.

The failure to establish an effective internal control system places the school 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 program.

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 activities.

2 CFR 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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 has enabled 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.

Dr. Thomas P. Kopatich
Superintendent

METROPOLITAN SCHOOL DISTRICT OF MT. VERNON
1000 WEST FOURTH STREET MT. VERNON, INDIANA 47620
TELEPHONE 812-838-4471 FAX 812-833-5179
www.mvschool.org

CORRECTIVE ACTION PLAN
Indiana State Board of Accounts Audit
July 1, 2012 – June 30, 2014

FINDING 2014-001 - SPECIAL TESTS AND PROVISION PARTICIPATION OF PRIVATE SCHOOL CHILDREN

Contact Person: Loren E. Evans
Title: Director of Business and Technology
Phone Number: 812-833-5122

Anticipated Completion Date: October 1, 2015

Additional controls will be developed and implemented to ensure that all grant requirements are complied with, and consultations with private school officials will take place at the start of each federal grant year to provide timely and meaningful dialog regarding the educational needs of private school children who reside in the participating public school attendance area. Applicable compliance supplements for each specific federal grant program will be reviewed annually by the federal program director and a checklist of grant-specific requirements will be prepared by the federal program director and provided to the Superintendent or designee for review.

FINDING 2014-002 - Period of Availability

Contact Person: Loren E. Evans
Title: Director of Business and Technology
Phone Number: 812-833-5122

Anticipated Completion Date: October 1, 2015

Funds from Twenty First Century Community Learning Centers grant that were redeemed to the iTunes account will be fully expended on applications and downloaded to tablets for use in the 21st CCLC program for Fall 2015. Existing Apple Volume Purchasing Program (VPP) internal control procedures will be updated to require downloading of software within the grant's period of availability. In addition, the MSD of Mt. Vernon will develop additional procedures to ensure that federal grant funds are only disbursed for obligations within the grant's designated period of availability. At the start of each new federal grant period, all purchasing individuals will be notified of each specific federal grant's period of availability by the federal program director along with the requirements for obligation and expenditure of grant funds.

FINDING 2014-003 - PROCUREMENT, SUSPENSION AND DEBARMENT

Contact Person: Loren E. Evans
Title: Director of Business and Technology
Phone Number: 812-833-5122

Anticipated Completion Date: October 1, 2015

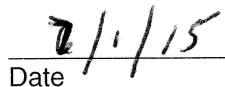
MSD of Mt. Vernon will develop and implement additional internal controls to ensure that proper procurement procedures are followed regarding Suspension and Debarment as stipulated by the applicable Federal Agency. A segregation of duties will be created relating to contract procurement and contract approval to ensure that federal program contracts are allowable and proper before they are signed. Applicable compliance supplements for each specific federal grant program will be reviewed annually by the federal program director and a checklist of grant-specific requirements will be prepared by the federal program director and provided to the Superintendent or designee for review.



Signature



Title



Date

METROPOLITAN SCHOOL DISTRICT OF MT VERNON
AUDIT RESULTS AND COMMENTS

PUBLIC WORKS

The School Corporation entered into contracts in excess of \$200,000 and no existence of performance bonds were found for two of five projects reviewed.

Indiana Code 36-1-12-14 states in part:

"(e) Except as provided by subsections (i) and (h), the contractor shall furnish the board with a performance bond equal to the contract price. If acceptable to the board, the performance bond may provide for incremental bonding in the form of multiple or chronological bonds that, when taken as a whole, equal the contract price. The surety on the performance bond may not be released until one (1) year after the date of the board's final settlement with the contractor.

The performance bond must specify that:

- (1) a modification, omission, or addition to the terms and conditions of the public work contract, plans, specifications, drawings, or profile;
- (2) a defect in the public work contract; or
- (3) a defect in the proceedings preliminary to the letting and awarding of the public work contract; does not discharge the surety."

TEXTBOOK RENTAL CHARGES

A textbook was extended for usage by the School Board. However, a rental fee of 25 percent was charged to the students. The full rental price of the textbook had already been collected.

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

"(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.

(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."

METROPOLITAN SCHOOL DISTRICT OF MT. VERNON
EXIT CONFERENCE

The contents of this report were discussed on July 1 2015, with Loren Evans, Director of Business; Mary E. Buchanan, Treasurer; Dr. Thomas Kopatich, Superintendent of Schools; Heather Allyn, President of the School Board.