

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
MONROE CENTRAL SCHOOL CORPORATION
RANDOLPH COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
09/23/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diana Dull	07-01-13 to 06-30-17
Superintendent of Schools	Reece Mann Adrian Moulton	07-01-13 to 06-30-15 07-01-15 to 06-30-17
President of the School Board	Mike Elder Dan Pike	07-01-13 to 12-31-15 01-01-16 to 12-31-16



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 MONROE CENTRAL SCHOOL
CORPORATION, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Monroe Central School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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, incorporated within this report, was not verified for accuracy.

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

July 12, 2016

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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).

During the audit of the SEFA, the following errors were identified:

1. School Breakfast Program expenditures were overstated by \$5,767 and \$7,982 in the 2013-2014 and 2014-2015 school years, respectfully.
2. National School Lunch Program expenditures were overstated by \$126,470 and \$133,836 in the 2013-2014 and 2014-2015 school years, respectfully.
3. Summer Food Service Program expenditures were overstated by \$348 and \$549 in the 2013-2014 and 2014-2015 school years, respectfully.
4. Special Education_Grants to States expenditures were understated by \$244 and \$5,104 in the 2013-2014 and 2014-2015 school years, respectfully.
5. Title I Grants to Local Educational Agencies expenditures were understated by \$149,215 and \$29,958 in the 2013-2014 and 2014-2015 school years, respectfully.

Audit adjustments for the above referenced items were proposed, accepted by the School Corporation, and made to the SEFA. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Criteria

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. . . ."

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (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."

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, misstatements of the SEFA could have remained undetected. The SEFA contained the errors identified in the *Condition*.

View of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-002 - SUSPENSION AND DEBARMENT

Federal Agency: Indiana Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-066-PN01, 14214-066-PN01,
14215-066-PN01, 99914-066-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation was a member of the Greater Randolph Inter-local Cooperative (GRIC), and the School Corporation provided oversight of GRIC through the School Corporation Superintendent who served as a member of the GRIC Board. However, GRIC had not established an effective internal control system in relation to the Suspension and Debarment compliance requirement.

Context

The entities selected to provide services to GRIC were not checked against the System for Award Management, nor were they required to certify that they were not suspended or debarred from doing work paid for by federal funds, nor was a clause or condition added to the covered transaction.

Criteria

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. . . ."

2 CFR 180.300 states:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of GRIC and the School Corporation's management establish controls related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003 - ELIGIBILITY

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Eligibility compliance requirement.

Context

There were no controls in place to ensure that the School Corporation notified parents of the approval or denial of their applications. The Indiana Department of Education performed a review of all students receiving benefits for the audit period. There was no segregation of duties, such as oversight, review, or approval process.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Suspension and Debarment compliance requirement.

Context

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Suspension and Debarment requirements. The School Corporation did not have controls in place to ensure that a search of the System for Award Management was conducted; that certification from the vendor was collected, or that a clause or condition was added to the contract. There was no segregation of duties, such as oversight, review, or an approval process.

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

2 CFR 180.300 states:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Monroe Central School Corporation

1918 North CR 1000 West
Parker City, Indiana 47368
765-468-6868 765-468-6578 FAX

Corrective Action Plan

Finding 2015-001 -

Contact Person for Corrective Action: Diana Dull, Corporation Treasurer

Contact Number: 765-468-6868 ext. 2202

Views of Responsible Official:

This finding is based on reports that were required to be completed by the Corporation Treasurer for the first time on Gateway for the first year of this audit. It is our opinion that not enough guidance was given to complete this report in the correct manner. Where the report requested information on expenditures the Auditor informed us it was asking for what we received, which we feel is a contradiction in terminology which leads to the over statement in many of the programs. It was also during this period that it was the responsibility of the interlocal to report some of the Federal awards but after they were audited it was determined that we should have been reporting those dollars instead. We feel this was out of our control. We feel these reports were done to the best of our ability with the knowledge we had at the time, but will take corrective action to complete this reporting in the manner required in the future.

Description of Corrective Action:

When the Corporation Treasurer prepares the information to be recorded on the SEFA portion of the Annual Financial Report on Gateway, all Federal grants will be reported by:

1. Listing individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual federal programs within a cluster of programs. Total Federal awards expended shall be shown either by individual award or by Federal agency.
2. 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 total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. The information will be reviewed by the Treasurer and then the Deputy Treasurer to insure that all information is correctly reported.
5. All federal dollars "expended" (received) will be reported in only those years received.

Anticipated Completion Date: August 15, 2016

Amia Bell

(Signature)

Corporation Pres.

(Title)

7/12/16

(Date)



Monroe Central School Corporation

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765-468-6868 765-468-6578 FAX

Corrective Action Plan

Finding 2015-002 -

Contact Person for Corrective Action: Adrian Moulton, Superintendent

Contact Number: 765-468-6868 ext. 2201

Views of Responsible Official:

Description of Corrective Action:

The Board of Greater Randolph Interlocal Cooperative decided, going forward, that Greater Randolph Interlocal Cooperative will no longer retain any funds (other than PreSchool Funds) to pay vendors/contractors on our behalf.

If that should change in the future, the Treasurer of Greater Randolph Interlocal Cooperative is aware that she must verify that vendors/contractors are not "suspended", "debarred", or "otherwise excluded".

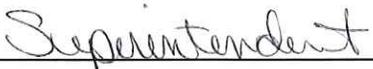
PreSchool funds are currently used solely for employee expenditures.

Anticipated Completion Date:

July 12, 2016



(Signature)



(Title)



(Date)



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Corrective Action Plan

Finding 2015-003 -

Contact Person for Corrective Action: Patsy Winans, Food Service Director

Contact Number: 765-468-6868 ext. 2204

Views of Responsible Official:

- The Auditor brought to my attention that he could not find any copies of letters that were sent to parents/guardians for areas such as applications results, negative balances, requesting monies owed, etc.

I told him that I had not been trained or told to keep a copy of any letters that I had sent home. When going through training I was shown where to re-print letters but not to keep a copy on file of them.

Description of Corrective Action:

- I will keep a copy of all letters that I will be sending to parent/guardians concerning students, eligibility and food service area.

Anticipated Completion Date:

- I will start keeping a copy of all letters being sent home regarding students, eligibility and food service area immediately.

Patricia Winans

(Signature)

Food Service Director

(Title)

7/12/14

(Date)



Monroe Central School Corporation

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765-468-6868 765-468-6578 FAX

Corrective Action Plan

Finding 2015-004 -

Contact Person for Corrective Action: Patsy Winans, Food Service Director

Contact Number: 765-468-6868 ext. 2204

Views of Responsible Official:

- The Auditors spoke with me during our Audit explaining that I had no record of checking on our milk and bread vendors to see if they were suspended or debarred.

I told them this was not something I knew I was supposed to be doing. I also shared that I had not had "my turn" at getting the bids from milk and bread vendors since I was asked to take this position over.

They explained the process of what needs to be done and what I will need to keep a copy of for proof of doing the check on the vendors.

Description of Corrective Action:

- I will either request the vendor to send Form # 1624 along with their paperwork or I will go online and check their information myself. I will keep proof that I have checked the vendor such as the form requested or a screen print with date and time of the information online.

Anticipated Completion Date:

- I have made note of what I need to have on file pertaining to our vendors and will follow through as it is "my turn" to do the bid requesting.

Patricia Winters

(Signature)

Food Service Director

(Title)

7/12/14

(Date)

MONROE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel were unable to provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

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)

COLLECTIVE BARGAINING AGREEMENT

The School Corporation failed to post the collective bargaining agreement on their website within 14 days after the parties reached an agreement for the years 2013, 2014, and 2015.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

CURRICULAR MATERIALS RENTAL

Supporting documentation pertaining to the calculations of curricular materials rental charged to students were not provided. Therefore, we were unable to verify that the rental charged was within the statutory guidelines.

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.

(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."

MONROE CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2016, with Diana Dull, Treasurer; Adrian Moulton, Superintendent of Schools; and Matthew Deckman, Vice President of the School Board.