

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE

MORGAN COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED
03/05/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-22
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	24-26
Corrective Action Plan	27-29
Other Reports.....	30

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Whitney Kuszmaul	07-01-21 to 06-30-24
Superintendent of Schools	William Robertson Eric Bowlen	07-01-21 to 06-30-22 07-01-22 to 06-30-24
President of the School Board	Don Lipps Jacque Deckard Matthew Hankins	07-01-21 to 01-17-23 01-18-23 to 01-09-24 01-10-24 to 12-31-24



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of Martinsville (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 20, 2024, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 20, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Metropolitan School District of Martinsville's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2021 to June 30, 2023. The School Corporation's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2021 to June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, and 2023-003. Our opinion on the major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, and 2023-003 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated February 20, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 20, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

(This page intentionally left blank.)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2022-23	\$ -	\$ 618,489	\$ -	591,655
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program Commodities			FY 2022	-	1,767,267	-	-
National School Lunch Program Supply Chain Assistance			FY 2022-23	-	311,923	-	189,979
National School Lunch Program After School Snack Program			FY 2023	-	-	-	1,349,163
			FY 2023	-	-	-	193,773
			FY 2023	-	-	-	2,571
Total - National School Lunch Program				-	2,079,190	-	1,735,486
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2022-23	-	84,071	-	38,251
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 2022-23	-	19,644	-	2,712
Total - Child Nutrition Cluster				-	2,801,394	-	2,368,104
Pandemic EBT Administrative Costs	Indiana Department of Education	10.649	FY 2022-23	-	3,063	-	3,135
Total - Department of Agriculture				-	2,804,457	-	2,371,239
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Part B Section 611 Special Education FY2019			19611-037-PN01	-	7,049	-	-
Part B Section 611 Special Education FY2020			20611-157-PN01	-	112,167	-	-
Part B Section 611 Special Education FY2021			21611-157-PN01	-	322,391	-	34,767
Part B Section 611 Special Education FY2022			22611-157-PN01	-	892,909	-	240,947
Part B Section 611 Special Education FY2023			23611-157-PN01	-	-	-	947,099
Subtotal - Special Education Grants to States				-	1,334,516	-	1,222,813
COVID-19 - Special Education Grants to States American Rescue Plan IDEA Part B 611	Indiana Department of Education	84.027X					
			22611-157-ARP	-	7,500	-	230,999
Total - Special Education Grants to States				-	1,342,016	-	1,453,812

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Special Education Preschool Grants	Indiana Department of Education	84.173					
Part B Section 619 Special Education FY2019			19619-037-PN01	-	741	-	-
Part B Section 619 Special Education FY2020			20619-157-PN01	-	3,104	-	-
Part B Section 619 Special Education FY2021			21619-157-PN01	-	35,150	-	-
Part B Section 619 Special Education FY2022			22619-157-PN01	-	-	-	36,157
Part B Section 619 Special Education FY2023			22619-157-PN01	-	7,941	-	19,916
Subtotal - Special Education Preschool Grants				-	46,936	-	56,073
COVID-19 - Special Education Preschool Grants American Rescue Plan IDEA Part B 619	Indiana Department of Education	84.173X	22619-157-ARP	-	8,344	-	9,488
Total - Special Education Preschool Grants				-	55,280	-	65,561
Total - Special Education Cluster (IDEA)				-	1,397,296	-	1,519,373
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY20/21			S010A200014	-	255,463	-	-
Title I FY21/22			S010A210014	-	509,301	-	-
Title I 2021-2022			S010A210014	-	-	-	535,311
Title I 2022-2023			S010A220014	-	-	-	524,800
Total - Title I Grants to Local Educational Agencies				-	764,764	-	1,060,111
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney Vento FY20/21			FY 2021	-	19,519	-	-
McKinney Vento FY21/22			FY 2022	-	19,749	-	-
McKinney Vento FY21/22			FY 2022	-	-	-	14,513
McKinney Vento FY22/23			FY 2023	-	-	-	11,295
Total - Education for Homeless Children and Youth				-	39,268	-	25,808
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A FY19			S367A190013	-	3,570	-	-
Title II Part A FY20			S367A200013	-	53,572	-	-
Title II Part A FY20			S367A200013	-	-	-	51,439
Title II Part A FY21			S367A210013	-	-	-	54,875
Total - Supporting Effective Instruction State Grants				-	57,142	-	106,314

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A Student Support & Academic Enrichment FY18			S424A180015	-	720	-	-
Title IV Part A Student Support & Academic Enrichment FY19			S424A190015	-	6,738	-	4,893
Title IV Part A Student Support & Academic Enrichment FY20			S424A200015	-	41,939	-	1,952
Title IV Part A Student Support & Academic Enrichment FY21			S424A210015	-	-	-	62,011
Title IV Student Support & Academic Enrichment FY22			S424A220015	-	-	-	3,343
Total - Student Support and Academic Enrichment Program				-	49,397	-	72,199
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
EARN Indiana		84.425D	5120S425D210013	-	80,176	-	-
Dual Language Immersion		84.425C	7000S425C200018	-	-	-	761
Education Stabilization Relief Fund		84.425D	23-0512-ES13	-	-	-	10,880
Elementary & Secondary School Emergency Relief Fund II		84.425D	S425D200013	-	-	-	9,321
Elementary & Secondary School Emergency Relief Fund II		84.425D	S425D210013	-	134,816	-	197,885
ESSER III (ARP) for FY2021		84.425U	S425U210013	-	5,714,178	-	2,513,990
American Rescue Plan HCY II		84.425W	S425W210015	-	-	-	29,555
Total - COVID-19 - Education Stabilization Fund				-	5,929,170	-	2,762,392
Total - Department of Education				-	8,237,037	-	5,546,197
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778	FY22/FY23	-	141,856	-	123,241
Total - Medicaid Cluster				-	141,856	-	123,241
Total - Department of Health and Human Services				-	141,856	-	123,241
Total federal awards expended				\$ -	\$ 11,183,350	\$ -	\$ 8,040,677

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2022 and 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	COVID-19 - Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-001

Subject: COVID-19 - Education Stabilization Fund - Allowable Costs/Cost Principles
 Federal Agency: Department of Education
 Federal Program: COVID-19 - Education Stabilization Fund
 Assistance Listings Number: 84.425U
 Federal Award Number and Year (or Other Identifying Number): S425U210013
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Allowable Costs/Cost Principles
 Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The COVID-19 - Education Stabilization Fund established by the Coronavirus Aid, Relief, and Economic Security Act, and further funded by the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act, was for the purpose of preventing, preparing for, or responding to the novel coronavirus.

A sample of 25 claims charged to the program was selected for testing to verify the expenditures were in conformance with the applicable cost principles. Of the 25 claims tested, 6 claims totaling \$1,650, each of which paid an individual for work as a contracted security guard, were identified as not being in conformance with the applicable cost principles. Payment to the security guards was made based on an accounts payable voucher signed by the contractor; however, there was not an invoice, time sheet, or other supporting documentation that accompanied the accounts payable voucher.

The ineffective internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, documentation could not be provided to support amounts charged to the grant. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure time charged to the grant is properly supported, recorded, and approved.

FINDING 2023-002

Subject: COVID-19 - Education Stabilization Fund - Reporting

Federal Agency: Department of Education

Federal Program: COVID-19 - Education Stabilization Fund

Assistance Listings Numbers: 84.425D, 84.425U

Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425D210013,
S425U210013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit an annual data report to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

During the audit period, the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports; however, a single employee prepared and submitted the reports without evidence of a review, or oversight process in place to prevent, or detect and correct, errors.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Additionally, for the ESSER I, Year 2 report, the "Total Mandatory Subgrant Amount Expended in Current Reporting Period" was not supported by the School Corporation's records. Actual expenditures from a report provided by the School Corporation did not tie to the amount submitted for the Annual Performance Reporting. The key line item was determined to be overstated by \$80,342.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the ESSER I, Year 2 report.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . ."

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the amounts reported were not supported by the School Corporation's records.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure supporting documentation is used and retained for all required reports submitted on behalf of the COVID-19 - Education Stabilization Fund program.

Views of Responsible Officials

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

FINDING 2023-003

Subject: COVID-19 - Education Stabilization Fund - Special
Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistance Listings Number: 84.425U
Federal Award Number and Year (or Other Identifying Number): S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Findings: Material Weakness, Other Matters

Condition and Context

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the wage rate requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not designed, nor implemented a system of internal control to ensure that construction contracts in excess of \$2,000, paid from federal grant funds, included a prevailing wage rate clause. One vendor during the audit period was identified that was subject to wage rate requirements; however, the School Corporation did not enter into an agreement with the vendor. As such, there not a contract that included a prevailing wage rate clause. In addition, the School Corporation did not obtain weekly certified payrolls from the vendor completing the construction.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in § 5.1, the following clauses . . .

(1) *Minimum wages.*

- (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . . .

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(3) *Payrolls and basic records. . . .*

(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. . . ."

2 CFR 200 Appendix II states in part:

"In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, 'Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction'). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, construction contracts entered into did not contain the required wage rate requirements clauses, nor were certified payrolls obtained by the School Corporation.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and include the wage rate requirement clause in construction contracts. In addition, certified payrolls should be obtained as required.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Metropolitan School District of Martinsville

*P.O. Box 1416
389 E. Jackson Street
Martinsville, Indiana 46151
765-342-6641
Fax 765-342-6877*

Board of Education

*Matt Hankins, President
Heather Staggs, Vice President
Luke Jackson, Secretary
Dan Conway
Jacque Deckard*

Superintendent

*Eric Bowlen
Assistant to the Superintendent
Suzie Lipps
District Treasurer
Whitney Kuszmaul*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2021

Current Audit Period: July 1, 2021 – June 30, 2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding:

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). Recommended that the School Corporation's management establish a formal review over the SEFA to ensure amounts reported are accurate. The School Corporation should establish a documented, secondary review to ensure the amounts reported on the SEFA agree to the supporting federal receipt fund ledger detail.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented.

Response Comments:

No Further Action Warranted

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2021
Current Audit Period: July 1, 2021 – June 30, 2023

Finding Subject: Preparation of the Annual Financial Report

Summary of Finding:

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct errors on the Annual Financial Report (AFR). The AFR was reviewed prior to submission. However, it was not reviewed in enough detail to prevent the following errors in the financial statement.

1) For the period of July 1, 2020, to June 30, 2021, the School Corporation improperly excluded the ESSER II fund which understated receipt and disbursement amounts by \$98 and \$1,780,451. receptively. The ending cash as of June 30, 2021, in the ESSER II fund was a negative balance of \$1,780,353.

2) For the period of July 1, 2020 to June 30, 2021, the School Corporation improperly excluded the 8000 and 9000 payroll withholding funds which understated receipt and disbursement amounts by \$15,420,387 and \$15,772,369 respectively. Ending cash as of June 30, 2021 in the clearing funds was a balance of \$171,870.

Recommended that the School Corporation's management establish a formal review over the AFR financial statement submission to ensure amounts reported are accurate and agree to underlying fund ledgers. The School Corporation should establish a documented, secondary review to ensure the amounts reported on the financial statement agree to the supporting fund ledger detail.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented.

Response Comments:

No Further Action Warranted

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2019
Current Audit Period: July 1, 2021 – June 30, 2023

Finding Subject: Child Nutrition Cluster - Internal Controls

Summary of Finding:

Fourteen instances where there was no documented review by someone other than the individual making the eligibility determination. The lack of review was isolated to paper applications. Recommended that the

School Corporation's management establish a formal review over a sample of applicants entered into the software to ensure the accuracy and completeness of the information entered.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented.

Response Comments:

No Further Action Warranted

Metropolitan School District of Martinsville

*P.O. Box 1416
389 E. Jackson Street
Martinsville, Indiana 46151
765-342-6641
Fax 765-342-6877*

Board of Education

*Matt Hankins, President
Heather Staggs, Vice President
Luke Jackson, Secretary
Dan Conway
Jacque Deckard*

Superintendent

*Eric Bowlen
Assistant to the Superintendent
Suzie Lipps
District Treasurer
Whitney Kuszmaul*

CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

June 30, 2023

Finding 2023-001

Finding Subject: COVID-19 - Education Stabilization Fund - Allowable Costs/Cost Principles

Summary of Finding: The School Corporation paid security contractors without an invoice. Costs charged to grant funds must be adequately documented. The School Corporation had an accounts payable voucher signed by the contractor, but there was no invoice supporting the accounts payable voucher. Costs charged to grant funds must be adequately supported with documentation.

Contact Person Responsible for Corrective Action: Tiffany Grant, Grant Coordinator

Contact Phone Number and Email Address: 765-342-6641 - Tiffany.Grant@msdmartinsville.org

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: A contract is on file with the Martinsville City Police Department for the contracted police officers that work for the MSD of Martinsville. Going forward, contracted police officers will submit their timesheets directly to the MSD of Martinsville Assistant Police Chief. The Assistant Police Chief will verify hours worked and submitted to the schedule. The Assistant Police Chief will review and initial/sign the vouchers before submitting those to the Grant Coordinator for review and signature.

Anticipated Completion Date: February 2024

Metropolitan School District of Martinsville

Finding 2023-002

Finding Subject: COVID-19 - Education Stabilization Fund - Reporting

Summary of Finding: The School Corporation was required to submit an annual data report to the Indiana Department of Education (IDOE) via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity. The School Corporation submitted two reports during the audit period; however, a single employee prepared and submitted the reports without evidence of a review or oversight process in place to prevent or detect and correct errors for the first report submission.

Additionally, for the ESSER I Year 2 reporting, the 'Total Mandatory Subgrant Amount Expended in Current Reporting Period' was not supported by the School Corporation's records. Actual expenditures from a provided report did not agree to the amount submitted for the Annual Performance Reporting.

The key line item 'Total Mandatory Subgrant Amount Expended in Current Reporting Period' for the ESSER I Year 2 report was determined to be overstated by \$80,342.

Contact Person Responsible for Corrective Action: Whitney Kuszmaul, District Treasurer & Tiffany Grant, Grant Coordinator

Contact Phone Number and Email Address: (765) 342-6641

Whitney.Kuszmaul@msdmartinsville.org & Tiffany.Grant@msdmartinsville.org

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Grant Coordinator works to collect the data from a couple different sources. The staff report information comes from our Payroll/HR department, the CE information comes from our Reporting Specialist and the financial data comes from District Treasurer. The Grant Coordinator requests a detailed report for the appropriate period and break down the detailed report by project/report categories. All of this information is then recorded in the DOE data sheet and is reviewed and tied back to the detailed reports provided by the District Treasurer. After review, the Grant Coordinator and the District Treasurer initial/sign off on the DOE data sheets. The Jot Form confirmation is retained with the DOE data sheets and supporting reports/documentation.

Anticipated Completion Date: February 2024

Metropolitan School District of Martinsville

Finding 2023-003

Finding Subject: COVID-19 - Education Stabilization Fund: Special Tests & Provisions - Wage Rate Requirements

Summary of Finding: The School Corporation did not have adequate policies or procedures to ensure that contracts in excess of \$2,000 paid from federal grant funds included a prevailing wage rate clause. There was at least one vendor during the audit period that was subject to wage rate requirements; however, the School Corporation did not enter into an agreement with the vendor and obtain a contract that included a prevailing wage rate clause.

The School Corporation also did not obtain weekly certified payrolls from the vendor completing the construction.

Contact Person Responsible for Corrective Action: Kyle Stout, Director of Operations & Tiffany Grant, Grant Coordinator

Contact Phone Number and Email Address: 765-342-6641

Kyle.Stout@msdmartinsville.org & Tiffany.Grant@msdmartinsville.org

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Director of Operations will put out the requests for bids/proposals/contracts. The bids/proposals/contracts will be reviewed by the Director of Operations and the Grant Coordinator to ensure they are following our School Board policy #6325, Procurement – Federal Grants/Funds. If a contract is to be entered into with a vendor, that contract is sent to the School Board for approval. Once approved, the Grant Coordinator will retain the weekly payrolls from the contracted vendor to ensure that the Davis Bacon Prevailing Wage Requirements are being met. If the requirements of Davis Bacon are not being met, the Grant Coordinator informs the Director of Operations of non-compliance.

Anticipated Completion Date: February 2024

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.