

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY
POSEY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/21/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol A. Lupfer	01-01-14 to 12-31-17
Superintendent of Schools	Dr. Todd Camp	07-01-14 to 06-30-18
President of the School Board	Steve Bender Geoffrey A. Gentil Gregory U. Schmitt	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NORTH POSEY COUNTY, POSEY COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of North Posey County (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

August 2, 2017

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
FEDERAL FINDINGS

FINDING 2016-001

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The Program Director monitored the cash balances (Net Cash Resources) of the School Lunch fund; however, the cash balances (Net Cash Resources) exceeded the amount of the three months average expenditures throughout the audit period. The three months average expenditures for the fiscal year ending June 30, 2015, was \$167,915. The cash balance (Net Cash Resources) at June 30, 2015, was \$243,327, resulting in an excess cash balance (Net Cash Resources) of \$75,412. The three months average expenditures for the fiscal year ending June 30, 2016, was \$167,768. The cash balance (Net Cash Resources) at June 30, 2016, was \$309,465, resulting in an excess cash balance (Net Cash Resources) of \$141,697.

Context

This was a systemic issue. The cash balance (Net Cash Resources) of the School Lunch fund was greater than the three months average expenditures amount throughout the entire audit period.

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 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). . . ."

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(b) states: "*Net cash resources*. The school fund authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Cash Management requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to occur. Noncompliance with the grant agreement and 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 comply with the grant agreement and the Cash Management requirements.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Child Nutrition Cluster - Reporting and Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with the grant agreement and the following compliance requirements: Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Reporting

An effective internal control system was not in place to ensure that the monthly Sponsor Claim (claims for reimbursement), Annual Financial Report, and School Food Authority (SFA) Verification Collection Reports were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed accurately. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control.

Context

Internal control issues were systemic, occurring throughout the audit period.

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 section 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). . . ."

Cause

Management had not developed a system of internal controls, including segregation of duties that would have ensured that the School Corporation complied with the grant agreement and the compliance requirements listed above.

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements 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 requirements listed above.

Views of Responsible Officials

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

Board of Education

Gregory U. Schmitt
Geoffrey A. Gentil
Amy J. Will
Vincent F. Oakley
Brett A. Stock

Board Attorney

William H. Bender

**Metropolitan School District
of North Posey County**

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CORRECTIVE ACTION PLAN

Todd E. Camp
Superintendent

Angela J. Wannemuehler
Asst. Superintendent of Curriculum

Carol A. Lupfer
Financial Officer

Jayme L. Bender
Deputy Treasurer

Amy D. Motz
Human Resource Officer

FINDING 2016-001

Contact Person Responsible for Corrective Action: **Dr. Todd Camp, Superintendent**
Contact Phone Number: **812-874-2243**

Views of Responsible Official: We concur with the finding that the cash balance in the Hot Lunch program was greater than the expenditures and the allowable limits.

Description of Corrective Action Plan: The Corporation will systematically review the operational costs and improve the Hot Lunch Program and establish reasonable ways to spend down the cash that will improve the overall program.

1. Improve the quality of products and commodities in the plate lunch
2. Expand offerings
3. Expand hours for some staff
4. Improve the technology, equipment and furnishings
 - a. Computers
 - b. Alarm system for freezers
 - c. Air condition in kitchen areas
 - d. Storage equipment for supplies
 - e. Dishwasher and other cooking and serving equipment

Anticipated Completion Date: The Food Service Director and the Superintendent are responsible for correction. It will take two years to correct this finding to ensure all regulations and wasteful spending does not occur.

FINDING 2016-002

Contact Person Responsible for Corrective Action: **Dr. Todd Camp, Superintendent**
Contact Phone Number: **812-874-2243**

Views of Responsible Official: Weakness in the internal controls. We agree there is no documentation to show segregation of duties and there were no checks and balances to make sure compliance was met. We, however, did have a system in place, but the system did lack the documentation of proof.

The Director reviews and enters applications. The ECA treasurer reviews and enters application into our Harmony Software database to verify the accuracy of the applications. We have a school Principal verify more than the minimum applications to make sure applicants qualify.

Description of Corrective Action Plan: The Corporation will create a procedure for the review and verification of the documentation that will show that the verification process is being completed.

Anticipated Completion Date: This process will take place at the beginning of the 2017-2018 school year. The Food Service Director will create this process and the Superintendent will approve the process before it goes into effect.

Dr. Todd Camp

Signature

Superintendent

Title

7/27/17

Date

METROPOLITAN SCHOOL DISTRICT OF NORTH POSEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2017, with Dr. Todd Camp, Superintendent of Schools; Carol A. Lupfer, Treasurer; Gregory U. Schmitt, President of the School Board; and Vincent F. Oakley, School Board member.