

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

**SUPPLEMENTAL COMPLIANCE REPORT
OF**

**METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE
MORGAN COUNTY, INDIANA**

July 1, 2013 to June 30, 2015



FILED
11/09/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly LaRue	07-01-13 to 06-30-18
Superintendent of Schools	Ronald Furniss	07-01-13 to 12-31-14
	Dr. Jerry Sanders (interim)	01-01-15 to 06-30-15
	Michele Moore	07-01-15 to 12-31-17
President of the School Board	Steve Brock	01-01-13 to 12-31-13
	Rebecca J. Weddle	01-01-14 to 12-31-15
	Tana Lobb	01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Metropolitan School District of Martinsville (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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 28, 2015

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

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). The Treasurer was the only employee involved in the preparation and submission of the SEFA; there was no other review, oversight, or approval process.

Context

The SEFA presented for audit contained the following errors:

1. The National School Lunch Program commodities were not included, resulting in an understatement totaling \$180,014 and \$209,567 for fiscal year 2014 and fiscal year 2015, respectively.
2. The National School Lunch Program expenditures were understated by \$29,805 and \$6,068 for fiscal year 2014 and fiscal year 2015, respectively.
3. The Summer Food Service Program for Children expenditures were understated by \$9,563 for fiscal year 2014.
4. The Child and Adult Care Food Program expenditures were overstated by \$284 and \$4,938 for fiscal year 2014 and fiscal year 2015, respectively.
5. The Improving Teacher Quality State Grants expenditures were understated by \$11,494 for fiscal year 2014.

Audit adjustments 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

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § _____.310. . . ."

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide 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 controls that would have ensured proper reporting of federal expenditures on the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate and complete reporting of federal expenditures on the SEFA.

Views of Responsible Officials

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

FINDING 2015-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation over cash and investments. The bank reconciliations between bank balances and the School Corporation's records did not contain evidence of a review and approval process taking place. This lack of controls resulted in variances in the bank reconciliations not being identified and corrected timely during the audit period.

Context

Monthly bank reconciliations were completed; however, none of the reconciliations were reviewed and approved by someone other than the preparer.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control over cash and investments.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate and complete bank reconciliations are prepared.

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

Subject: Internal Controls over Special Education Cluster (IDEA) and
Improving Teacher Quality State Grants - Cash Management,
Period of Availability of Federal Funds, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants,
Improving Teacher Quality State Grants

CFDA Numbers: 84.027, 84.173, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-039-PN01, 14214-039-PN01,
14215-039-PN01, 99914-039-TA01,
45713-039-PN01, 45714-039-PN01,
45715-039-PN01, FY2011, FY2012,
FY2014, FY2013

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Period of Availability of Federal Funds, Reporting

Audit Finding: Material Weakness

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 and the following compliance requirements: Cash Management, Period of Availability of Federal Funds, and Reporting.

Cash Management

There were no controls in place to ensure that reimbursement requests were accurate. Reimbursement requests were prepared and filed by the Treasurer with no other review, oversight or approval process, or any other compensating control.

Period of Availability of Federal Funds

There were no controls in place to ensure that expenses were incurred within the period of availability. The School Corporation used the reimbursement requests to verify that expenses were incurred during the period of availability. Reimbursement requests were prepared and filed by the Treasurer with no other review, oversight or approval process, or any other compensating control.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Reporting

There were no controls in place to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the Reimbursement Requests and the Report of Children and Youth with Disabilities Receiving Special Education, Under Part B (IDEA) without oversight, review or approval, or other compensating control.

Context

The lack of controls was a systemic problem, 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. . . ."

Cause

The School Corporation had not developed a system of internal controls that segregated key functions.

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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

FINDING 2015-004

Subject: Special Education Cluster (IDEA) and Improving Teacher Quality State Grants - Level of Effort

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants,
Improving Teacher Quality State Grants

CFDA Numbers: 84.027, 84.173, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-039-PN01, 14214-039-PN01,
14215-039-PN01, 99914-039-TA01,
45713-039-PN01, 45714-039-PN01,
45715-039-PN01, FY2011, FY2012,
FY2014, FY2013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Level of Effort compliance requirement.

Context

The Treasurer prepared the Level of Effort - Maintenance of Effort (MOE) amounts to be used on the calculation worksheets during the audit period. The documentation to support the MOE calculations was not maintained and available for audit for either year of the audit period. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the MOE calculations.

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. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management of the School Corporation had not developed a system of internal controls over the Level of Effort (Maintenance of Effort) compliance requirement that would have ensured that the documentation to support the MOE calculations was retained and available for audit.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit, prevented the determination of the School Corporation's compliance with the Level of Effort requirements.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to the grant agreement and the Level of Effort compliance requirement that would ensure that records are retained and available for audit.

Views of Responsible Officials

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

FINDING 2015-005

Subject: Improving Teacher Quality State Grants - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): FY2011, FY2012, FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The Semi-Annual Certifications were not prepared for those employees who were paid entirely from the Improving Teacher Quality State Grants program for the audit period.

Context

There were no Semi-Annual Certifications completed during 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. . . ."

OMB circular A 87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with 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 and implement procedures to ensure compliance with the grant agreement and the Allowable Costs/Costs Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2015-006

Subject: Internal Controls over Child Nutrition Cluster

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): FY12/13, FY13/14, FY14/15

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

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 following compliance requirements: Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Eligibility

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate. The School Corporation used a computer-based system to determine a household's eligibility based on information provided by the parent or guardian. However, there were no controls in place to ensure that the system parameters had been accurately defined to match the Federal Income Guidelines nor that the system had calculated and determined the benefits correctly.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

In addition, the School Corporation processed some paper Free and Reduced Applications. The applications were entered into their computer-based system with no control in place to ensure the information was entered correctly.

Reporting

There were no controls in place to ensure that required reports were complete and accurate prior to submission. Annual Financial Reports are required at the end of every year for the food service program. There was no evidence of the reports being reviewed and approved by a separate member of management prior to submission.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
(Applies to School Breakfast Program and National School Lunch Program)*

There were no controls in place to ensure that the Special Tests and Provisions - Verification of Free and Reduced Price Application (NSLP) report was complete and accurate prior to submission. The yearly verification summary is prepared by the Skyward Administrator. The Food Service Director reviews/approves the summary prior to submission of the 3 percent verification of student applications; however, there is no evidence of his review. There were no other review, oversight, or approval processes in place to determine accuracy.

Context

The lack of controls was a systemic problem, occurring during 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. . . ."

Cause

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

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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

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.

FINDING 2015-007

Subject: Child Nutrition Cluster - Procurement

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): FY12/13, FY13/14, FY14/15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement compliance requirement.

The School Corporation policy is that the School Board shall accept/reject bids in a meeting open to the public. During the 2014-2015 school year, the School Corporation solicited bids for dairy, bakery, and produce products; however, the School Corporation did not follow this policy as these bids were not accepted during a public meeting.

Context

The lack of controls and the noncompliance were a systemic problem, occurring during the school year 2014-2015.

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. . . ."

7 CFR 3016.36(b) states: "Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . ."

The School Corporation's 6320 - Purchasing policy states in part: ". . . The Board shall accept or reject bids in a Board meeting open to the public and award contracts as a consequence of such bids. . . ."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with 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 and ensure compliance related to the grant agreement and Procurement compliance requirement.

Views of Responsible Officials

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

Metropolitan School District of Martinsville

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Board of Education

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Steve Brock, Vice President
Michelle Baugh, Secretary
Dave Rinehart
Debbie Lipps*

Superintendent

*Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Kimberly LaRue*

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Preparation of the Schedule of Expenditures of Federal Awards errors 1, 2, 3 & 4 the following steps will be followed.

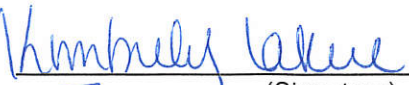
The District Treasurer will contact the Food Service Director and request that the Food Service Department report all Federal Awards pertaining to CFDA Numbers for Child Nutrition Programs. The Director will work with the Food Service Business Specialist to calculate all Federal Awards pertaining to the National School Breakfast, National School Lunch, Summer Food Service and Food Distribution programs. The amounts will be verified by Director and presented to the District Treasurer to be reported on the SEFA report for each calendar year.

In regards to finding pertaining to Preparation of the Schedule of Expenditures of Federal Awards error 5 the following steps will be followed.

The District Treasurer will contact the Grant Director and request report for all Federal Awards for each calendar year. The Treasurer will verify all award amounts for the SEFA report.

The District Treasurer will prepare the SEFA report and will submit to the Superintendent for review for approval.

Anticipated Completion Date: September 28, 2017



Treasurer (Signature)

9/28/17 (Title)

(Date)

Metropolitan School District of Martinsville

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Board of Education

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Steve Brock, Vice President
Michelle Baugh, Secretary
Dave Rinehart
Debbie Lipps*

Superintendent

*Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Kimberly LaRue*

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the School Corporation over cash and investments the following step will be followed for internal control.

The monthly bank reconcilements will be completed by the District Treasurer and will be reviewed and approved by the Superintendent.

We have already implemented this internal control in January 2017.

Anticipated Completion Date: January 31, 2017

<i>Kimberly LaRue</i>	(Signature)
<i>Treasurer</i>	(Title)
<i>9/28/17</i>	(Date)

Metropolitan School District of Martinsville

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Steve Brock, Vice President
Michelle Baugh, Secretary
Dave Rinehart
Debbie Lipps***

Superintendent

***Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Kimberly LaRue***

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Special Education Cluster and Improving Teacher Quality State Grants the following steps will be followed.

The District Treasurer will prepare all federal grants reimbursement and will include all documents supporting actual funds requested for reimbursements. The actual reimbursement request will be approved by the administrator before submitting for reimbursement.

Anticipated Completion Date: September 29, 2017

Kimberly LaRue
(Signature)
Treasurer
(Title)
9/28/17
(Date)

Metropolitan School District of Martinsville

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Superintendent

***Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Kimberly LaRue***

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Special Education Cluster and Improving Teacher Quality State Grants Level of Effort the following steps will be followed.

The District Treasurer will prepare financial reports for calculation for the Maintenance for Effort worksheet for the Special Education Director. The Director will complete the worksheet and will file all supporting documents for future audits.

Anticipated Completion Date: September 29, 2017

Kimberly LaRue
(Signature)
Treasurer
(Title)
9/28/17
(Date)

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Dr. Terry Terhune
Treasurer
Kimberly LaRue***

CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls for the Improving Teacher Quality State Grants allowable costs/cost principles the following controls will be followed.

The Director will be responsible for completing all Semi-Annual Certifications for employees who are paid entirely from the grant for each audit period. The certifications will be located with the Directors grant agreement for each grant cycle.

Anticipated Completion Date: September 29, 2017

Kimberly LaRue

Treasurer (Signature)

9/28/17 (Title)

(Date)

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

***Tana Lobb, President
Steve Brock, Vice President
Michelle Baugh, Secretary
Dave Rinehart
Debbie Lipps***

Superintendent

***Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Kimberly LaRue***

CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Child Nutrition Cluster the following implementation will take place.

Eligibility

The Food Service Support Specialist will verify and print the USDA Income Eligibility Guidelines for that Program Year entered into software. In addition, starting with the 2017-2018 school year the Food Service Director is manually calculate 3% of all submitted applications.

Reporting

The Food Service Director will review, print and sign submitted Annual Financial Report once report is compiled by Food Service Business Specialist.

Special Tests and Provisions

The Food Service Director will verify and sign the Verification of Free/Reduced Applications to establish evidence of review.

Anticipated Completion Date: September 29, 2017

Kimberly LaRue
(Signature)

Treasurer
(Title)

9/28/17

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Assistant Superintendent
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Treasurer
Kimberly LaRue***

CORRECTIVE ACTION PLAN

FINDING 2015-007

Contact Person Responsible for Corrective Action: Kimberly LaRue

Contact Phone Number: 765-342-6641

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

In regards to Child Nutrition Cluster- procurement the following organizational steps will be executed.

Procurement Standards

The MSD of Martinsville will following procurement standards as set forth in Indiana Code. The Food Service Director will make a request to the Board of Trustees to make a motion to advertise bids. Once the bids are opened and reviewed the Director will make recommendation and ask for approval of bids as set forth in bid documentation. In addition, as outlined in Indiana Code, the MSD of Martinsville Board of Trustees could make a motion to approve any and all Food Service bids that have been awarded by the State sponsored Education Service Center.

Anticipated Completion Date: September 28, 2017

Kimberly LaRue
(Signature)

Treasurer
(Title)

9/28/17

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted for the School Corporation bank accounts; however, the reconciliations did not balance. The June 30, 2014 bank reconciliation was cash short \$163,315. This variance was due to unidentified differences in the balances of the School Lunch fund and the Textbook Rental fund that were accounted for in the Extracurricular Accounts (ECA) and added to the School Corporation funds for reporting purposes. The reconciliations performed for these funds at the ECA level were incorrect and the differences were never investigated. Beginning in SY2014-15, the School Corporation began accounting for the two funds in the School Corporation financial system. The June 30, 2015 bank reconciliation is cash long \$2,696. This variance was made up of differences in amounts used for payroll withholdings, investment balances, and prepaid school lunch amounts (ECA).

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

PREPAID SCHOOL LUNCH ACCOUNTS

Prepaid Lunch transactions were not placed into a Prepaid Lunch fund, rather, they were accounted for within the School Lunch fund.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

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Indiana State Board of Accounts
302 W. Washington St.
Room E418
Indianapolis, IN 46204-2765

September 29, 2017

Dear Indiana State Board of Accounts Audit Team:

We would like to respond to the Audit Results and Comments for the audit of the MSD of Martinsville for the period ending June 30, 2015. We concur with the comment about bank reconciliations. Errors in the bank reconcilements for the ECA accounts of the district go back to 2002. In July 2002, the bank reconcilements began to have errors in reconciling. The reconciliation showed amounts off from this time period until present. The district appreciates the support the State Board of Accounts has provided us in trying to determine how to fix these errors that go back over 15 years.

In reviewing bank records, we were unable to obtain records prior to 2010 from the banks involved. With the lack of historical records, we have been unable to determine why the records were not correct in 2002, but do acknowledge that those errors from 2002 still are showing in the books in this audit period.

In reference to our audit comment about Prepaid Lunch accounts, the district would like to confirm that we do have a prepaid lunch account, but it is reported as an ECA account and not part of the corporation records. This account is not part of the Fund 800 School Lunch account, but accounted for separately as required. The account is not part of the district financial records, however, but maintained as part of the ECA corporation fund. In response to the audit, we will transfer that prepaid lunch account fund to our corporation account by January 1, 2018 as requested by State Board of Accounts

Sincerely,



Michele D. Moore, Ed.D.
Superintendent

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2017, with Michele Moore, Superintendent of Schools; Kimberly LaRue, Treasurer; and Tana Lobb, President of the School Board.