

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF STEUBEN COUNTY
STEUBEN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
01/04/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monte VanGessel	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Brent A. Wilson	07-01-14 to 12-31-17
President of the School Board	Glen Lee Arme y Brad Gardner Kevin Beard Brad Gardner	07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF STEUBEN COUNTY, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Steuben 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 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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

November 20, 2017

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
FEDERAL FINDING

FINDING 2016-001

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-046-PN01, 14214-046-PN01,
99914-046-TA01, 14215-046-PN01,
14216-044-PN01, 45715-046-PN01,
45716-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of the Northeast Indiana Special Education Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school of the Cooperative. The member schools of the Cooperative had determined that it was beneficial to pool their resources to provide Special Education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. The fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member schools and was responsible for following the compliance requirements related to Allowable Costs/Cost Principles.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Because the grant agreements are between the IDOE and each member of the Cooperative, each member school is ultimately responsible for ensuring compliance with the requirements. The fiscal agent had not implemented adequate controls to ensure that Semi-Annual Certifications prepared were properly signed by the Special Education Director.

Context

The Semi-Annual Certifications were not all properly signed by the Special Education Director.

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. . . ."

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
FEDERAL FINDING
(Continued)

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). . . ."

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."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
FEDERAL FINDING
(Continued)

Effect

The failure to establish an effective internal control system placed the Cooperative and the participating School Corporations in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, 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 Allowable Costs/Cost Principles compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

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 STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ www.msdsteuben.k12.in.us

Dr. Brent A. Wilson
Superintendent

Mrs. Ann Rice
Asst. Superintendent

Mrs. Cyndi Nusbaum
Director of Curriculum &
Instruction

Mrs. Chantell Manahan
Technology Director

Mrs. Monte VanGessel
Business Manager

**Mrs. Stephanie Haynes-
Clifford**
Food Service Director

Mr. Scott Poor
Transportation Director

Mr. Heath Wagner
Facilities & Grounds
Director

Ms. Kathy Bahr
Special Education
Coordinator

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Mr. Case Gilbert
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Mrs. Kimberly Hutchins
Secretary

Mr. Kevin Beard
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Ms. Marilyn Hill
Member

Mrs. LeAnn Boots
Member

Mr. Cory Archbold
Member

SCHOOL ATTORNEY

Mr. Kim E. Shoup

Corrective Action Plan

FINDING 2016-001

Contact person Responsible for Corrective Action: Monte
VanGessel

Contact Phone Number: 260 665-2854

View of Responsible Official: MSD has contacted the LEA of the
NEISEC and has been insured that a corrective action plan has
been adopted and is going to be followed.

Description of Corrective Action Plan: A copy of the Corrective
Action Plan from DeKalb County Eastern (the LEA for the NEISEC)
states "Payroll records for each individual employee show funding
allocation from IDEA part B grant and IDEA Preschool grant.
NEISEC Director will print off and sign all Semi-Annual Certifications
semi-annually."

Anticipated Completion Date: A copy of the Corrective Action Plan
has been obtained by MSD. The LEA states the plan is in place and
ongoing.



Monte VanGessel
Business Manager
October 30, 2017

This institution is an equal opportunity provider.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
AUDIT RESULT AND COMMENT

PENALTIES, INTEREST, AND OTHER CHARGES

The School Corporation paid a penalty to the Internal Revenue Service (IRS) in January 2015, in the amount of \$14,449. The penalty was the result of payroll withholdings that were inadvertently not submitted to the IRS in June of 2014. The School Corporation went through the appeal process to have the penalty subsequently removed or reduced, but the IRS denied the appeal.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1).

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Mr. Cory Archbold
Member

SCHOOL ATTORNEY

Mr. Kim E. Shoup

November 27, 2017

Response to State Board of Accounts Audit Result and
Comment regarding penalties, interest and other charges.

3 ½ years ago in June of 2014, during the conversion from Windows XP to Windows 7, the business office had been using a laptop with Windows 7 installed for payroll transactions that needed to be run through the bank account for ACH withdrawals. This required that transactions be downloaded to a thumb drive then completed on the laptop. Although the June 5 federal tax payment had been set up with the bank for withdrawal on June 5, the “submit to pay” button was missed on the smaller laptop screen for this payment. It was discovered when balancing the June bank statement. The IRS was notified and payment was immediately made.

In August of 2014 the district was notified of the penalty. An appeal was filed but denied by the IRS.

Corrective action that was taken. Each payroll 2 other individuals check to see that the federal tax deposit has cleared the bank on the payroll date.

The district had not been assessed any penalties prior to this one incident and has not been assessed any since.



Monte VanGessel
Business Manager

This institution is an equal opportunity provider.

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2017, with Monte VanGessel, Treasurer; Dr. Brent A. Wilson, Superintendent of Schools; Ann Rice, Assistant Superintendent of Schools; Cyndi Nusbaum, Director of Curriculum and Instruction; Stephanie Haynes-Clifford, Food Service Director; LeAnn Boots, School Board member; Marilyn Hill, School Board member; and Cory Archbold, School Board member.