

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
MORGAN COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
05/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Becky Merriman (Vacant) Rhondi Taylor	07-01-14 to 08-29-14 08-30-14 to 08-31-14 09-01-14 to 06-30-18
Superintendent of Schools	David E. Marcotte Randy Taylor	07-01-14 to 06-30-16 07-01-16 to 06-30-18
President of the School Board	William E. Roberson	07-01-14 to 06-30-18



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TO: THE OFFICIALS OF THE MOORESVILLE CONSOLIDATED
SCHOOL CORPORATION, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Mooresville Consolidated School Corporation (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 Findings, identified in the above referenced audit report, are 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 Findings, incorporated within this report, was not verified for accuracy.

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

April 17, 2018

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

This is a repeat of Finding 2014-001 from the immediately prior audit.

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).

Context

The SEFA presented for audit contained the following errors:

- The Child Nutrition Cluster expenditures were overstated by \$624,377 for fiscal year 2014-2015 and \$120,466 for fiscal year 2015-2016.
- The Special Education Cluster (IDEA) expenditures were understated by \$30,446 for fiscal year 2015-2016.
- The Improving Teacher Quality State Grants expenditures were overstated by \$445,397 for fiscal year 2015-2016.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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. . . ."

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. . . ."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

The failure to establish controls enabled material misstatements of the SEFA.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors 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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

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

Condition

Management of the School Corporation did not have a proper system of internal control in place over disbursements. The accounts payable vouchers and payroll disbursements were not reviewed and approved by the Fiscal Officer.

Context

This was a systemic problem as the Fiscal Officer's review of the accounts payable vouchers and payroll disbursements did not occur throughout the audit period.

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. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services.
- (3) the invoice or bill is filed with the governmental entity's fiscal officer.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

The School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls enabled noncompliance related to Financial Transactions.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to Financial Transactions.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed and Allowable Costs/Cost Principles
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): FY2014, FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Adequate time records for time worked were not maintained for the Food Service Director and cafeteria managers, nor was their payroll approved by another individual. The Food Service Director did not receive biweekly payroll reports for salaries charged to the School Lunch fund. Additionally, the Food Service Director did not have access to the accounting records to review expenditures charged to the School Lunch fund for monitoring the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The deficiency of the time records for the Food Service Director and cafeteria managers' payrolls and the inadequate oversight over expenditures charged to the School Lunch fund were systemic issues, which occurred 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 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 200.430(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 . . ."

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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. . . ."

Cause

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Internal Controls

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): FY2014, FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - School
Food Accounts, Special Tests and Provisions - Paid Lunch Equity

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: Cash Management, Eligibility, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

Management of the School Corporation had not established documented controls to ensure that the School Lunch fund net cash resources did not exceed the three months average expenditures.

Eligibility

There were no controls in place to ensure that eligibility determinations were complete and accurate. The eligibility section of some applications was not completed after the determination was made by the School Corporation. There was no segregation of duties, such as an oversight, review, or approval process.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Annual Financial Reports and Monthly Sponsor Claims (claims for reimbursement) were accurate prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

Special Tests and Provisions - School Food Accounts

The School Corporation had not designed or implemented adequate policies and procedures to ensure that Special Tests and Provisions - School Food Accounts requirements were considered. The Food Service Director did not receive detailed reports of the activity being recorded in the School Lunch fund to ensure that was being used only for child nutrition purposes. There was no segregation of duties, such as an oversight, review, or approval process.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Board minutes indicated that they approved a ten cent increase in the school lunch prices based on the Food Service Director's recommendation. However, the paid lunch equity form and the supporting documentation was not presented for audit. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred 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 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

The School Corporation had not established and implemented an effective internal control system 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.

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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-005

Subject: School Breakfast Program and National School Lunch Program - Program Income
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): FY2014, FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

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 Program Income compliance requirement. The School Corporation had not established a separate fund to account for prepaid amounts until the 2015-2016 school year. All receipts from sales for the 2014-2015 school year, as well as prepayments, were recorded directly in the School Lunch fund. The Prepaid Food fund was not properly used in the 2015-2016 school year. The inability to distinguish prepaid amounts prevented the ability to test the School Corporation's compliance with the Program Income compliance requirement.

Context

The lack of controls was a systemic problem, which prevented the determination of compliance with Program Income requirements 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 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). . . ."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

Cause

Management had not developed a system of internal controls over the Program Income compliance requirement for the audit period.

Effect

The failure to establish effective internal controls, which would have ensured that documentation was maintained and available for audit, prevented the determination of the School Corporation's compliance with the grant agreement and the Program Income compliance requirement.

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 Program Income compliance requirement. In addition, we recommended that the School Corporation account for and maintain documentation related to Program Income.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation failed to retain copies of their policies for this compliance requirement.

Procurement

The School Board failed to approve bids and award contracts. The Food Service Director failed to request approval from the School Board to extend an approved bid for an additional year. Additionally, the Procurement requirements related to maintaining the history of procurements or the use of a sole source vendor were not performed for 2015-2016 school year.

Suspension and Debarment

The School Corporation, nor their purchasing service, performed any procedures to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and noncompliance with the Procurement and Suspension and Debarment compliance requirement were a systemic problem 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 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 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.320(f) states:

"Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

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

Cause

The School Corporation had not established and implemented effective internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

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 Procurement and Suspension and Debarment compliance requirement.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-007

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Education Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-5930, 15-5930, 16-5930

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2014-006 from the immediately prior audit regarding the requirements for Special Tests and Provisions - Comparability.

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: Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. One individual was responsible for ensuring compliance with these compliance requirements without an adequate system of oversight or review. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls were systematic issues, which occurred 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. . . ."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(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). . . ."

Cause

Management 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 allowed noncompliance with the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-008

Subject: Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5930, 15-5930, 16-5930
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Procurement

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Procurement requirements.

Suspension and Debarment

The School Corporation did not perform any procedures to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls over the Procurement and Suspension and Debarment compliance requirement and the noncompliance with Suspension and Debarments requirements were systemic problems 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 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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established and implemented effective internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement or the Suspension and Debarment requirements, and could have placed the School Corporation in noncompliance with the grant agreement or the procurement requirements.

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 Procurement and Suspension and Debarment 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 2016-009

Subject: Special Education Cluster (IDEA) - Activities Allowed and Unallowed,
Level of Effort - Maintenance of Effort, and Reporting

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): 14213-063-PN01, 14214-063-PN01,
99914-063-TA01, 45714-063-PN01,
14215-153-PN01, 99914-063-PN01,
45715-153-PN01, 14216-123-PN01,
45716-123-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed and Unallowed, Level of Effort -
Maintenance of Effort, and Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2014-004 from the immediately prior audit regarding the requirements for Reporting.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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: Activities Allowed or Unallowed, Level of Effort - Maintenance of Effort, and Reporting.

Activities Allowed and Unallowed

One individual prepared the vendor and payroll claims without a proper system of oversight or review.

Level of Effort - Maintenance of Effort

There were no controls in place to ensure that Maintenance of Effort was properly calculated and reported in the grant application. There was no segregation of duties, such as an oversight, review, or approval process.

Reporting

The Final Expenditure Report was prepared by one individual without a proper system of oversight or review prior to submission.

Context

The lack of controls was a systemic issue, which occurred 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 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 established an effective internal control system to ensure compliance with the compliance requirements listed above.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
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 allowed noncompliance with the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-010

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): 14213-063-PN01, 14214-063-PN01,
99914-063-TA01, 45714-063-PN01,
14215-153-PN01, 99914-063-PN01,
45715-153-PN01, 14216-123-PN01,
45716-123-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2014-005 from the immediately prior audit.

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 Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds were not completed or presented. Additionally, one individual prepared the vendor and payroll claims without a proper system of oversight or review.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and the noncompliance were systemic issues, which occurred 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 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 8(h)(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); . . .

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (iv) 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 developed an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in a loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance with the Allowable Costs/Cost 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 2016-011

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14213-063-PN01, 14214-063-PN01,
99914-063-TA01, 45714-063-PN01,
14215-153-PN01, 99914-063-PN01,
45715-153-PN01, 14216-123-PN01,
45716-123-PN01

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 and Suspension and Debarment compliance requirement.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Procurement

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Procurement requirements. For the 2015-2016 fiscal year, the procurement requirements related to maintaining the history of Procurements or the use of a sole source vendor were not performed.

Suspension and Debarment

The School Corporation did not perform any procedures to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls over the compliance requirement and the noncompliance related to Suspension and Debarment were systemic issues, which occurred throughout the audit period. The noncompliance with Procurement requirements occurred in the 2015-2016 fiscal year.

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). . . ."

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

2 CFR 200.320(f) states:

"Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

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

Cause

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

Effect

The failure to establish an effective internal control system enabled material 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 develop and implement procedures and establish controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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CORRECTIVE ACTION PLAN

FINDING 2016-001 – Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Jacob Allen

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the Preparation of the Schedule of Expenditures of Federal Awards.

Anticipated Completion Date: December 31, 2018

FINDING 2016-002 – Internal Controls Over Financial Transactions

Contact Person Responsible for Corrective Action: Jacob Allen

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the Internal Controls Over Financial Transactions.

Anticipated Completion Date: April 17, 2018

(Signature)

(Title)

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Daniel Williams
Contact Phone Number: 317-931-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Beginning April 1, 2018, the Food Services Director will sign off and approve all cafeteria manager's timecards. Additionally the director will sign off and approve the summary of all food service payrolls.

Anticipated Completion Date: April 1, 2018

FINDING 2016-004

Contact Person Responsible for Corrective Action: Daniel Williams
Contact Phone Number: 317-931-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Beginning with the 2017-2018 school year the food service director will document the department's efforts to maintain a cash balance less than 3 months average expenditures. If the balance exceeds the 3 months average expenditures, the director will provide documentations as to how the balance will be used.

For eligibility accuracy provisions, beginning in the 2016-2017 school year the food services support specialist began using Skyward to determine eligibility with the food service director manually checking 5% off applications for errors.

Beginning with the 2017-2018 school year the food service support specialist will verify and sign off on Annual Financial claims prepared by the Food Service director.

Beginning with the 2017-2018 school year the corporation treasurer will provide monthly detailed reports which will be verified and signed off on by the food service director.

The food services department did follow Paid Lunch Equity requirements beginning with the 2015-2016 school year. A copy of the USDA Paid Lunch Equity tool for that school year was emailed to auditor on April 13, 2018. A copy of the summary page of the tool will be attached to this corrective action plan. The food services will continue to follow Paid Lunch Equity requirements and document its efforts.

Anticipated Completion Date: July 1, 2018

FINDING 2016-005

Contact Person Responsible for Corrective Action: Daniel Williams
Contact Phone Number: 317-931-0950

Views of Responsible Official: We concur with the finding.

Beginning with the 2018-2019 school year the food services department will properly distinguish prepaid lunch accounts separately from the school food service fund.

Anticipated Completion Date: July 1, 2018

FINDING 2016-006

Contact Person Responsible for Corrective Action: Daniel Williams
Contact Phone Number: 317-931-0950

Views of Responsible Official: We concur with the finding.

Beginning with the 2018-2019 school year the food services department will request bids and extensions, including those selected by purchasing coop to be approved by school board. The department will also verify all vendors above the federal threshold will be verified on sam.gov for possible suspension or debarment. All procurement records will be retained.

Anticipated Completion Date: July 1, 2018

(Signature) _____

(Title) _____

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Finding 2016-007 TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – SPECIAL TESTS AND PROVISIONS-COMPARABILITY; SPECIAL TESTS AND PROVISIONS- HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS; SPECIAL TESTS AND PROVISIONS- ANNUAL REPORT CARD, GRADUATION RATE

Federal Agency: U.S. Department of Education

Report Period: 7-1-2014 to 6-30-2016

Federal Program: Title I Grants to Local Educational Agencies

CDFA Number and Year: 84.010

Federal Award Number and Year: 14-5930; 15-5930; 16-5930

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Test and Provisions- Comparability; Special Tests and Provisions- Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions- Annual Report Card, High School Graduation Rate.

Contact Person: Casey Gibson, Director of Title I (casey.gibson@mooresvilleschools.org)

Date: April 12, 2018

Correction Action Plan:

On Wednesday, April 11, 2018, a meeting was held to discuss the Title I grant requirements and documentation for Mooresville Schools. At the conclusion of the meeting, the following documented items were determined in need of corrective action for our district.

1. An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Special Test and Provisions- Comparability; Special Tests and Provisions- Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions- Annual Report Card, High School Graduation Rate.

The required documentation for the above mentioned items will be corrected immediately and documentation will be available for future reference.

Finding 2016-008 TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – PROCUREMENT, AND SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Education

Report Period: 7-1-2014 to 6-30-2016

Federal Program: Title I Grants to Local Educational Agencies

CDFA Number and Year: 84.010

Federal Award Number and Year: 14-5930; 15-5930; 16-5930

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Procurement and Suspension and Debarment

Contact Person: Casey Gibson, Director of Title I (casey.gibson@moorevilleschools.org)

Date: April 12, 2018

Correction Action Plan:

On Wednesday, April 11, 2018, a meeting was held to discuss the Title I grant requirements and documentation for Mooresville Schools. At the conclusion of the meeting, the following documented items were determined in need of corrective action for our district.

1. An effective internal control system with a segregation of duties will be put into place in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment.

The required documentation for the above mentioned items will be corrected immediately and documentation will be available for future reference.

Respectfully,

Casey Gibson, Director of Title I

Dr. Jacob Allen, Assistant Superintendent

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FINDING 2016-009 – Special Education Cluster – Activities Allowed and Unallowed, Level of Effort – Maintenance of Effort, and Reporting

Contact Person Responsible for Corrective Action: Susie Hurt
Contact Phone Number: (317) 831-0950

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: When federal budget is prepared (Part B 611, 619) a minimum of two people who are preparing the grant, will sign off on the calculations so that there is more than one person reviewing the reports

Anticipated Completion Date: 6/30/18

FINDING 2016-010 – Special Education Cluster – Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Susie Hurt
Contact Phone Number: (317) 831-0950

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: Director of Special Education will prepare semi-annual certifications of personnel expenses for employees paid 100% out of the grant

Anticipated Completion Date: 6/30/18

FINDING 2016-011 – Special Education Cluster – Procurement, Suspension and Debarment

Contact Person Responsible for Corrective Action: Susie Hurt
Contact Phone Number: (317) 831-0950

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: *Procurement*. When placing an order over \$3500, The Director of Special Education will procure three bids and document. If MCSC is already in contract with a company this will be noted as "sole source".

Suspension and Debarment: Director of Special Education will prepare and retain a binder of verification that vendors were not suspended or debarred from participating in federal programs before entering into a contract

Anticipated Completion Date: 6/30/18

Respectfully,

Susie Hurt, Director of Special Education

Dr. Jacob Allen, Assistant Superintendent

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

Prepaid meal payments were receipted into the School Lunch fund. During the 2015-2016 school year, the Pre-Pay Cafeteria fund was set up; however, transactions recorded in the School Lunch Prepaid Food fund were posted to revenue. Transfers out of the Prepaid Food Fund to the School Lunch Fund were posted as negative receipts. As of June 30, 2016, the School Lunch Prepaid Food fund cash balance was \$24,366.

There was no evidence presented that officials balanced the Pre-Pay Cafeteria fund cash balance with the total of the individual student meal accounts.

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)

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 17, 2018, with Jacob Allen, Assistant Superintendent of Schools; Randy Taylor, Superintendent of Schools; and William E. Roberson, President of the School Board.