

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

MONROE COUNTY COMMUNITY
SCHOOL CORPORATION
MONROE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
07/19/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Director of Business Operations | Timothy Thrasher John Kenny | 07-01-14 to 06-30-17 07-01-17 to 06-30-18 |
| Superintendent of Schools | Dr. Judith DeMuth | 07-01-14 to 06-30-18 |
| President of the School Board | Keith Klein Martha Street Kelly Smith | 07-01-14 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE MONROE COUNTY COMMUNITY
SCHOOL CORPORATION, MONROE COUNTY, INDIANA

This report is supplemental to our audit report of the Monroe County Community 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, were not verified for accuracy.

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

June 21, 2018

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness, Noncompliance

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to recording of federal grant receipts, disbursements, and cash and investment balances. Requests for reimbursement of grant funds were not reviewed and requested timely. Several posting errors were made to grants resulting in a negative cash balance and were not corrected timely. Journal entries were used to receipt and disburse money between funds, to correct transactions that had been inaccurately posted to the records, and to post Electronic Funds Transfer (EFT) disbursements from the School Corporation's bank accounts to an appropriate fund. These entries were calculated and posted to the records by one employee of the School Corporation without the approval of a second employee of the School Corporation or approval by the School Board.
2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial transactions and reporting would have required the School Corporation to monitor and assess the quality of the system of internal control.
3. **Cash Reconcilements:** The School Corporation has not performed timely reconcilements of the fund balances to the bank balances.

Context

The lack of adequate internal controls was a systemic issue, which occurred 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. . . .

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 5-13-6-1(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."

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish and properly implement controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Child Nutrition Cluster - 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, and 10.559
Federal Award Number and Year (or Other Identifying Number): RA 5740
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: 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 Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications or other documentation of personnel expenses for several employees whose salaries were paid 100 percent out of the grant funds were not completed or presented.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and the noncompliance 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). . . ."

OMB 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); . . .
- (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. . . ."

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with 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 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 related to the grant agreement and 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 2016-003

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 Number and Year (or Other Identifying Number): RA 5740
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.

Procurement

The School Corporation did not have a procurement policy that complied with 2 CFR 200.320. Procurement requirements related to maintaining the history of procurements or the use of a sole source vendor were not performed for the 2015-2016 fiscal year. Contracts were not provided for the 2015-2016 fiscal year.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Suspension and Debarment

The School Corporation did not have a suspension and debarment policy. There were no procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and noncompliance 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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) 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 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micropurchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) 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 non-competitive 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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with 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 2016-004

Subject: Child Nutrition Cluster - Program Income

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 Number and Year (or Other Identifying Number): RA 5740

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. The actual program income generated from the food service program was not transferred or recorded. The program income calculation included amounts received for prepaid meals, which caused an overstatement in the income reported for the National School Lunch Program.

Context

The lack of properly designed and implemented controls and failure to properly calculate program income 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. . . ."

MONROE COUNTY COMMUNITY 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). . . ."

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 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7 states in part:

". . . (e) Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

7 CFR 225.6(e) states in part:

"State-Sponsor Agreement. A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

Cause

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Program Income compliance requirement.

Effect

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

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Program Income 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 2016-005

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): 14213-042-PN01, 14214-042-PN01,
14216-040-PN01, 99914-042-TA,
14215-042-PN01, 45713-042-PN01,
45714-042-PN01, 45716-040-PN01,
45715-042-PY02

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 finding from the immediately prior audit. The prior finding number was 2014-009.

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 several employees whose salaries were paid 100 percent out of the grant funds were not completed or presented. Also, the Semi-Annual Certifications were not signed and dated after the six month period was completed.

Context

The lack of controls and the noncompliance 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. . . ."

MONROE COUNTY COMMUNITY 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). . . ."

OMB 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); . . .
- (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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirements.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 related to the grant agreement and 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 2016-006

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): 14213-042-PN01, 14214-042-PN01,
14216-040-PN01, 99914-042-TA,
14215-042-PN01, 45713-042-PN01,
45714-042-PN01, 45716-040-PN01,
45715-042-PY02

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.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

A local procurement policy was not implemented by the School Corporation for the audit period.

Suspension and Debarment

The School Corporation did not have a suspension and debarment policy. There were no procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before a contract was signed.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance 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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) 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 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."

MONROE COUNTY COMMUNITY 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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-007

Subject: Adult Education - Basic Grants to States - Matching, Level of Effort, Earmarking

Federal Agency: Department of Education

Federal Program: Adult Education - Basic Grants to States

CFDA Number: 84.002

Federal Award Numbers and Years (or Other Identifying Numbers): 14/15EDS#C1-5AE-4-41; 15/16
CONTRACT #14246;
14/15EDS#C1-5-ELC-4-41;
ELC 15/16; C1-4-AE-3-41;
C1-4-ELC-3-41

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 matching and maintenance of effort (MOE) requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The amounts budgeted for matching and MOE requirements were documented; however, there was no oversight or review process to ensure that the amounts were actually spent, the expenditures were for allowable costs, the amounts were spent from appropriate funding sources, and supporting documentation was maintained. For amounts claimed as in-kind contributions, that there was insufficient documentation to corroborate the values placed on the in-kind contributions.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance 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). . . ."

34 CFR 74.23 states in part:

"(a) All contributions, including cash and third party in-kind, are accepted as part of the recipient's cost sharing or matching when contributions meet the following criteria:

- (1) Are verifiable from the recipient's records.
- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles. . . .

(h) . . .

- (3) The value of donated space may not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- (4) The value of loaned equipment shall not exceed its fair rental value.
- (5) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties: . . .
 - (ii) The basis for determining the valuation for personal service, material, equipment, buildings, and land must be documented."

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.306(b) states in part:

"For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under subpart E—Cost Principles of this part; . . .

(i) . . .

- (3) The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality."

Indiana Department of Workforce Development Policy 2013—05 states in part: "MOE is required to be documented, used in a manner for administration and/or instruction, . . ."

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreements and the matching and MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the matching and MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-008

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

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): SY 13-14, SY 14-15,
(1003a) 2014/15,
Basic-2015/2016,
(1003a) 15/16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Period of Performance, and Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2014-003 for Cash Management and Reporting and 2014-006 for Period of Performance.

Condition

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that supporting documentation was retained for reimbursement requests and financial reports. Alternative audit procedures were used to confirm the School Corporation was in compliance with the compliance requirements.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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 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 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 2016-009

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): SY 13-14, SY 14-15,
(1003a) 2014/15,
Basic-2015/2016,
(1003a) 15/16

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.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

A local procurement policy was not implemented by the School Corporation for the audit period.

Suspension and Debarment

The School Corporation did not have a suspension and debarment policy in place. There were no procedures being performed to verify that vendors were not suspended or debarred from participation in federal programs before a contract was signed.

Context

The lack of controls and noncompliance 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 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

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:

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security

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): SY 14/15, Basic-2015/2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the Special Tests and Provisions - Assessment System Security. The School Corporation had not adopted a locally developed written test security policy.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

A locally developed written test security policy was not adopted 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. . . ."

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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed..."

Indiana Assessment Program Manual, Chapter 13, Section 9, Part D states in part:

"Required local test security policy. Every school corporation, public school, charter school, accredited nonpublic school, Choice school, or other test administration location that administers tests under the Indiana Assessment System **MUST** have a locally developed written test security policy. . . ."

Cause

The School Corporation had not established a system of internal control that would have ensured that a locally developed written test policy was implemented or approved.

Effect

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

Questioned Costs

There were no questioned costs identified.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management adopt a locally developed written test security policy to ensure compliance with the Special Tests and Provisions - Assessment System Security 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: School Improvement Grants - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: School Improvement Grants

CFDA Number: 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): SY 14-15 FV; SY 14-15 HP;
(1003g) 15/16 FV;
(1003g) 15/16 HP

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: 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 Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications or other documentation of personnel expenses for several employees whose salaries were paid 100 percent out of the grant funds were not completed or presented for audit.

Context

The lack of controls and noncompliance 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:

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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); . . .
- (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 had not developed a system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material 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.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Official

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

FINDING 2016-012

Subject: School Improvement Grants - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Program: School Improvement Grants
CFDA Number: 84.377
Federal Award Numbers and Years (or Other Identifying Numbers): SY 14-15 FV; SY 14-15 HP;
(1003g) 15/16 FV;
(1003g) 15/16 HP

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.

Procurement

The School Corporation did not have a procurement policy that complied with 2 CFR 200.320. Eight vendors tested for procurement compliance were subject to the "small purchase" procurement method (\$3,500 - \$150,000). The School Corporation procured books, a technology-related lease, and professional services for professional development and other consulting services. Small purchase procedures were not followed which require that at least three price or rate quotations be obtained from qualified sources. The School Corporation did not obtain quotes from other vendors or document its basis for purchasing from these vendors.

Suspension and Debarment

The School Corporation did not have a suspension and debarment policy. No procedures were performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls related to the procurement requirements was a systemic problem for fiscal year 2015-2016 due to changes in federal requirements for procurement. The lack of controls over the suspension and debarment requirements was a systemic problem for both fiscal years.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

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(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

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;

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive 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 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.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-013

Subject: School Improvement Grants - Internal Controls

Federal Agency: Department of Education

Federal Program: School Improvement Grants

CFDA Number: 84.377

Federal Award Numbers and Years (or Other Identifying Numbers): SY 14-15 FV; SY 14-15 HP;
SY 14-15 FV; SY 14-15 HP;
(1003g) 15/16 FV;
(1003g) 15/16 HP

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Cash Management; Matching, Level of Effort, Earmarking; Period
of Performance; and 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 agreement and the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; and Reporting.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

The School Corporation had not designed or implemented adequate policies or procedures to ensure that expenditures were properly charged to the applicable federal grants. No employee listing was maintained of those employees chosen to be paid from the School Improvement Grants funds. Journal entry adjustments were made to the grant funds, posted to the grant funds in total, and were not reviewed by someone other than the employee making the adjustments.

Cash Management, Reporting

One employee prepared and submitted the requests for reimbursement and the final expenditure reports. The grant coordinator indicated that the reports were reviewed; however, there was no documentation of the review.

Matching, Level of Effort, Earmarking

The grant coordinator indicated that the proposed goods or services were reviewed prior to purchase to ensure compliance with level of effort - supplementing not supplanting requirements. However, there was no documentation of this review.

Context

The lack of effective controls was a systemic problem, occurring throughout the audit period.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 developed a system of internal controls that would have ensured compliance with Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; and Reporting compliance requirements.

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 compliance requirements and allowed the misuse and mismanagement of federal fund and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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.



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: John Kenny
 Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Business Operations in conjunction with the Grants Budget Manager will implement the following controls in response to the audit finding:

1. Lack of Segregation of Duties
 - Review all grants reimbursement requests prior to submission. Will make sure that documentation to support the amounts is provided and accurate.
 - Maintain a monthly submission schedule for reimbursements so that we remain timely in our submissions.
 - Review accounting postings to grants for accuracy so that correcting journal entries are kept to an absolute minimum.
2. Monitoring of Controls – The Director of Business Operations in conjunction with the Grants Budget Manager will set up a process to identify or communicate corrective actions to improve controls. This will include monthly monitoring of grant reports for accuracy.
3. Cash Reconcilements – The Director of Business Operations is currently in process to become current on bank reconcilements. We have performed reconcilements through September 2017 currently and have a timeline in place to be current through June 30, 2018 by the end of July 2018.

Anticipated Completion Date: Various and ongoing. Implemented all by September 30, 2018.

John Kenny
 (Signature)

Director of Business Operations
 (Title)

6/19/18
 (Date)



**MONROE COUNTY
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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Hattie Johnson
Contact Phone Number: (812) 349-4762 ext. 40013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Food Services will complete semi-annual certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds. Also, the Director of Food Services will sign and date the semi-annual certifications after the six month period is completed.

Anticipated Completion Date: June 30, 2018

Hattie Johnson
(Signature)

Food Service Director
(Title)

June 18, 2018
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Hattie Johnson
Contact Phone Number: (812) 349-4762 ext. 40013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Business Operations will modify the procurement policy to comply with 2 CFR 200.320. Contracts will be attached to all purchase orders generated with the requirements of 2 CFR 200.320. In addition, price or rate quotations obtained from an adequate number of sources will be attached, if applicable. The Food Services Director will verify that no vendors have been Suspended or Debarred prior to procurement approval.

Anticipated Completion Date: July 31, 2018

Hattie L Johnson
(Signature)

Food Service Director
(Title)

June 18, 2018
(Date)



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- Dr. Kathleen Hugo, Director of Special Education
- Mr. John Kenny, Director of Business Operations
- Mr. Tim Pritchett, Director of Technology

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Hattie Johnson
Contact Phone Number: (812) 49-4762 ext. 40013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

1. MCCSC will establish an 8400 account for deposit of all school meal prepayment deposits.
2. Income from meal prepayments will be deposited to the 8400 account
3. Income from cash payments or other sources will be deposited to the 0800 account
4. Food Service daily income report will be revised to indicated the following:
 - a. Income from meal prepayments
 - b. Income from cash payments
 - c. Income from catering
 - d. Income from rebates
 - e. Income from donation's
 - f. Income from other _____
5. The business office will transfer earned income from the 8400 account to the 0800 account on a monthly basis.
 - a. Food Service will provide documentation to support the total to be transferred by the 5th business day of each month (for the prior month).
 - b. Annually in June, prepayment balances of students who graduate or withdraw from the corporation, will transfer to the 0800 account per the district guidelines for policy 8500 section VIII.
 1. Food service will provide a listing of students/balances that did not respond as outlined in policy 8500 section VIII

Anticipated Completion Date: June 30, 2018

Hattie Johnson
(Signature)

Food Service Director
(Title)

June 18, 2018
(Date)



MONROE COUNTY
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 Dr. Kathleen Hugo, Director of Special Education
 Mr. John Kenny, Director of Business Operations
 Mr. Tim Pritchett, Director of Technology

CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Dr. Kathleen Hugo
 Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Special Education will complete semi-annual certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds. Also, the Director of Special Education will sign and date the semi-annual certifications after the six month period is completed.

Anticipated Completion Date: June 30, 2018

Kathleen Hugo
 (Signature)
Direct, Special ED
 (Title)
June 19, 2018
 (Date)



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 Dr. Kathleen Hugo, Director of Special Education
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 Mr. Tim Pritchett, Director of Technology

CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Dr. Kathleen Hugo
 Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Business Operations will modify the procurement policy to comply with 2 CFR 200.320. Contracts will be attached to all purchase orders generated with the requirements of 2 CFR 200.320. In addition, price or rate quotations obtained from an adequate number of sources will be attached, if applicable. The Director of Special Education will verify that no vendors have been Suspended or Debarred prior to procurement approval.

Anticipated Completion Date: July 24, 2018

Kathleen Hugo
 (Signature)

Director Special Ed
 (Title)

June 19, 2018
 (Date)



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Mr. Tim Pritchett, Director of Technology

CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Rob Moore
Contact Phone Number: (812) 330-7731

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

- In addition to the current maintenance of effort reporting process, the Director of Adult Education will implement each of the following:
 - o The Director of Adult Education will ask all Subgrantees for documentation in compliance with maintenance of effort expenditures outside of the Adult Education Grant as outlined in 34 CFR 74.23.
 - o The Director of Adult Education will review maintenance of effort expenditures for allowable costs. This will be additionally reviewed by the business office as outlined in 2 CFR 200.303.
 - o The Director of Adult Education will ensure all proper documentation will be maintained with maintenance of effort reports by checking if all costs are allowable and whether or not they were paid for outside of the Adult Education Grant.

Anticipated Completion Date: July 1, 2018

Robert Moore
(Signature)

Director of Adult Education
(Title)

6/19/2018
(Date)



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Mr. John Kenny, Director of Business Operations
Mr. Tim Pritchett, Director of Technology

CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Grants Budget Manager & Dr. Markay Winston
Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Grants Budget Manager will perform the following tasks:

- Review all grants reimbursement requests prior to submission. Will make sure that documentation to support the amounts is provided and accurate.
- Maintain a monthly submission schedule for reimbursements so that we remain timely in our submissions.
- Review accounting postings to grants for accuracy so that correcting journal entries are kept to an absolute minimum.

Anticipated Completion Date: September 30, 2018



(Signature)

Asst. Supt.

(Title)

6-19-18

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-009

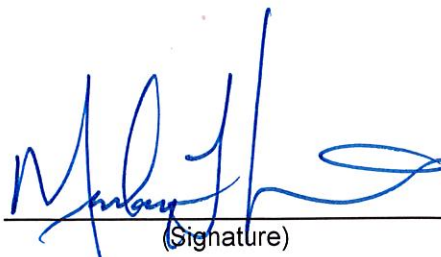
Contact Person Responsible for Corrective Action: Grants Budget Manager & Dr. Markay Winston
Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Business Operations will modify the procurement policy to comply with 2 CFR 200.320. Contracts will be attached to all purchase orders generated with the requirements of 2 CFR 200.320. In addition, price or rate quotations obtained from an adequate number of sources will be attached, if applicable. The Grant Specialist will verify that no vendors have been Suspended or Debarred prior to procurement approval.

Anticipated Completion Date: July 24, 2018



(Signature)

Asst. Supt.

(Title)

6-19-18

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-010

Contact Person Responsible for Corrective Action: Grants Budget Manager & Dr. Markay Winston
Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

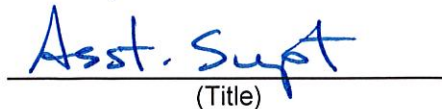
Description of Corrective Action Plan:

The Grants Budget Manager will adopt a locally developed written test security policy to ensure compliance with the Special Tests and Provisions – Assessment System Security compliance requirement.

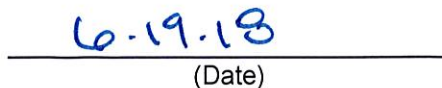
Anticipated Completion Date: September 30, 2018



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-011

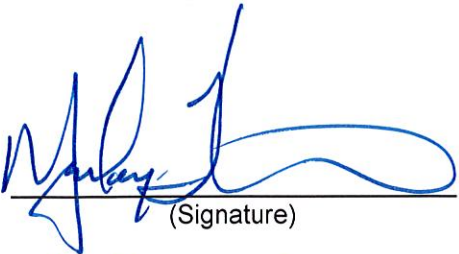
Contact Person Responsible for Corrective Action: Grants Budget Manager & Dr. Markay Winston
Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

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Anticipated Completion Date: June 30, 2018



(Signature)

Asst. Supt.

(Title)

6/19/18

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-012

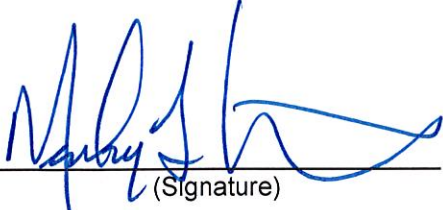
Contact Person Responsible for Corrective Action: Grants Budget Manager & Dr. Markay Winston
Contact Phone Number: (812) 330-7700

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

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Anticipated Completion Date: July 24, 2018



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-013

Contact Person Responsible for Corrective Action: Grants Budget Manager & Dr. Markay Winston
Contact Phone Number: (812) 330-7700

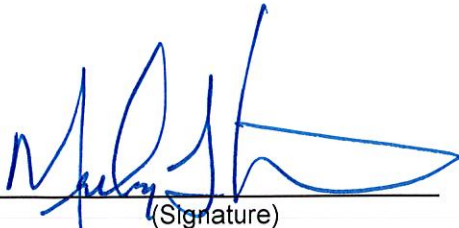
Views of Responsible Official: We concur with the finding

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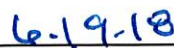
Anticipated Completion Date: September 30, 2018



(Signature)



(Title)



(Date)

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

Prepaid school meal receipts were not recorded into a Prepaid School Lunch Accounts fund, but were instead 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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

MONROE COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2018, with Dr. Judith DeMuth, Superintendent of Schools; John Kenny, Director of Business Operations; Dr. Lois Sabo-Skelton, Vice President of the School Board; and Timothy Thrasher, former Director of Business Operations.