

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
MONROE CENTRAL SCHOOL CORPORATION
RANDOLPH COUNTY, INDIANA
July 1, 2015 to June 30, 2017



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diana Dull	07-01-15 to 12-31-18
Superintendent of Schools	Adrian Moulton	07-01-15 to 06-30-19
President of the School Board	Mike Elder Dan Pike	07-01-15 to 12-31-15 01-01-16 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 CENTRAL SCHOOL
CORPORATION, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Monroe Central School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. 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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 4, 2018

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA. The School Corporation did create an approval process involving the Superintendent of Schools' review of the SEFA to ensure the SEFA was accurate. However, the approval process did not detect the errors in the SEFA.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was overstated by \$359,879.
2. The Title I Grants to Local Educational Agencies was overstated by \$599 and the Special Education Cluster (IDEA) was understated \$163.
3. There were various errors of combining all funds of a specific grant type into one line.
4. There were various errors in identifying correct program titles, pass-through identifying numbers, and proper naming of pass-through entities.

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.

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2017-002

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): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition

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

Cash Management

The School Corporation had not designed nor implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to the three months average expenditures in accordance with the Cash Management compliance requirement. There were no employees verifying this requirement.

Reporting

The School Corporation had not designed nor implemented adequate policies and procedures to ensure the monthly Reimbursement Reports, yearly Annual Financial Report, and yearly Verification Summary Report were accurate. Only one employee was involved in the reporting process without oversight or review before they were submitted.

MONROE CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

The School Corporation had not designed, nor implemented adequate policies and procedures to ensure that verifications of eligibility determinations for free and reduced price meals were accurate. Only one employee was involved in the verification process without oversight or review by a separate knowledgeable individual.

Context

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

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 to ensure compliance with the Cash Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

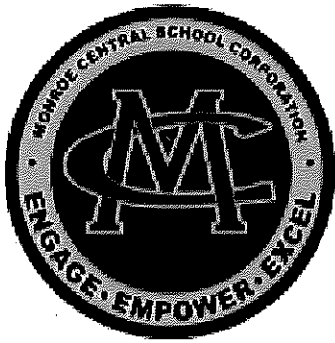
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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



Monroe Central School Corporation

1918 North CR 1000 West
Parker City, Indiana 47368
765-468-6868 765-468-6578 FAX

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: **Diana Dull, Corporation Treasurer**
Contact Phone Number: **765-468-6868 EXT. 2202**

Views of Responsible Official:

I understand the finding but feel that it was not explained well with previous audit so measures taken to correct the finding were not sufficient to entirely correct the issue.

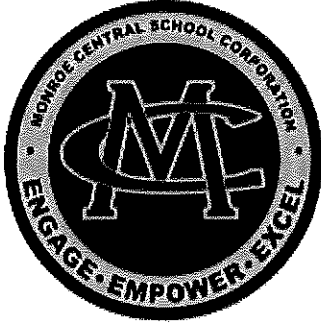
Description of Corrective Action Plan:

When the Corporation Treasurer prepares the information to be recorded on the SEFA portion of the Annual Financial Report on Gateway, all Federal grants will be reported by:

1. Listing individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual federal programs within a cluster of programs. Total Federal awards expended shall be shown either by individual award or by Federal agency.
2. 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. The information will be reviewed by the Treasurer and then the Deputy Treasurer to insure that all information is correctly reported.
5. All federal dollars "expended" (received) will be reported in only those years received.
6. Only Federal receipts will be recorded on the SEFA, not total receipts as has been recorded in the past by the Treasurer and will be cross checked by the Deputy Treasurer, initialed and dated.

Anticipated Completion Date: November 30, 2018

Diana Dull
(Signature)
Corporation Treasurer
(Title)
11/26/2018
(Date)



Monroe Central School Corporation

1918 North CR 1000 West
Parker City, Indiana 47368
765-468-6868 765-468-6578 FAX

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: **Patsy Winans, Food Service Director**
Contact Phone Number: **765-468-6868 EXT. 2204**

Views of Responsible Official: I understand the finding however, I would like to make it known that this is the first time this has been explained to me that this is the procedure to be followed.

Description of Corrective Action Plan:

1. Food Service Director will now email the 3 month total quarterly expenditures vs the monthly end balance in the Cafeteria Fund to insure the balance does not exceed the 3 month expenditures totaled to the Corporation Treasurer for verification. Food Service Director will print off email response from Corporation Treasurer and file with report.
2. Food Service Director will complete the monthly Reimbursement Claim Reports, the yearly Annual Financial Report and yearly Verification Summary Report and now give to the Corporation Treasurer for review. Once reviewed the Corporation Treasurer will sign off with date and initial.
3. Food Service Director will process the Free and Reduced applications to determine if eligible for free or reduced price meals. Once processed the applications will now be given to the Corporation Treasurer or Deputy Treasurer for review/verification of eligibility and sign off with date and initial.

Anticipated Completion Date: Effective immediately including the AFR due in September and the Verification Summary Report in December.

Patsy Winans
(Signature)
Food Service Director
(Title)
11/26/2018
(Date)

MONROE CENTRAL SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

NEGATIVE DISBURSEMENTS

During the audit, it was noted that the Clearing Fund had significant differences for receipts and disbursements between the fiscal years 2015-2016 and 2016-2017. It was determined that when the accounting software was changed in March of 2017, the provider changed the function of the receipts in the Clearing Fund to become negative disbursements. This caused items to be zeroed out instead of recorded and caused receipts and disbursements to be reduced below actual activity. Audit adjustments were proposed, accepted by the School Corporation, and made to the Clearing Fund to increase receipts and disbursements by \$508,290 in fiscal year 2016-2017.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

MONROE CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2018, with Diana Dull, Treasurer; Adrian Moulton, Superintendent of Schools; Dan Pike, President of the School Board; and Patsy Winans, Food Service Director.