

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE
MORGAN COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
02/01/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly LaRue Whitney Teeters	07-01-15 to 11-15-17 11-16-17 to 12-31-18
Superintendent of Schools	Dr. Michele Moore	07-01-15 to 06-30-19
President of the School Board	Rebecca J. Weddle Tana Lobb Dave Rinehart	07-01-15 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 METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Martinsville (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

Any Corrective Action Plan or Official Response for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

December 5, 2018

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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. 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 (Gateway) financial reporting system, which was the source of the SEFA. One employee was responsible for the preparation and submission of the federal award information into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was understated by:
 - a. \$215,464 for fiscal year 2016 and \$224,889 for fiscal year 2017 due to the omission of Commodities.
 - b. \$277 for fiscal year 2016 due to the omission of the Special Milk Program for Children.
 - c. \$3,825 for fiscal year 2016 due to the omission of the After School Snack Program, which is included with the National School Lunch Program expenditures.
2. The Supporting Effective Instruction State Grants expenditures were understated by \$3,284 for fiscal year 2016.
3. The Special Education Cluster (IDEA) was understated by \$450 for fiscal year 2016.

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

Criteria

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

- (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."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate reporting 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, Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-006.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Condition

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

Eligibility

An effective internal control system was not in place to ensure the accuracy of the determination of students' eligibility for free or reduced priced meals. Application information was entered into cafeteria software, which automatically made the determination dependent on the information entered into the system. There was no segregation of duties, such as an oversight, review, or approval process to ensure the information was correctly entered into the system.

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

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed and was accurate. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of internal controls was a systemic issue 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

The School Corporation had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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 listed above. 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding of the immediately prior audit. The prior audit finding number was 2015-007.

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 requirements.

The School Corporation's policy is that the School Board shall accept/reject bids in a meeting open to the public. During the 2015-2016 school year, the School Corporation solicited and accepted bids for the purchase of food items; however, the food service bids were reviewed and accepted by the food service department as opposed to being accepted by the School Board during a public meeting.

Context

The lack of controls and the noncompliance were systemic issues during the 2015-2016 school year.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

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). . . ."

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."

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the procurement requirements 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 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

FINDING 2017-004

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

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): 14214-039-PN01, 14215-037-PN01,
14215-039-PN01, 99914-039-TA01,
14216-037-PN01, 14217-037-PN01,
45715-039-PN01, 45716-037-PN01,
45717-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the level of effort - maintenance of effort (MOE) requirements.

The School Corporation was required to calculate MOE through the compliance standard calculation prescribed by the Indiana Department of Education. The School Corporation did not provide adequate supporting documentation to determine whether the MOE compliance standard was met during the 2015-2016 school year.

Context

The lack of controls and the failure to provide adequate supporting documentation regarding compliance with MOE requirements were applicable to the 2015-2016 school year.

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). . . ."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 300.203(b) states in part:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that adequate supporting documentation supporting the School Corporation's compliance with the level of effort - MOE requirements was available for audit for both years of the audit period.

Effect

The failure to establish an effective internal control system prevented the determination of the School Corporation's compliance with the level of effort - MOE requirements for the 2015-2016 school year.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that supporting documentation will be available regarding the Matching, Level of Effort, Earmarking compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2017-005

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 14214-039-PN01, 14215-037-PN01,
14215-039-PN01, 99914-039-TA01,
14216-037-PN01, 14217-037-PN01,
45715-039-PN01, 45716-037-PN01,
45717-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 and Reporting compliance requirements.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the reimbursement requests were accurately prepared. Reimbursement requests were prepared and submitted by the Treasurer. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls was a systemic issue 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. . . ."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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 listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14214-039-PN01, 14215-037-PN01,
14215-039-PN01, 99914-039-TA01,
14216-037-PN01, 45715-039-PN01,
45716-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior year finding number was 2015-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Special education grants included a period of performance that required any expenses to be formally obligated by September 30 and liquidated by December 31. Two of four claims examined that were liquidated between September 30 and December 31, 2015, were not obligated prior to September 30, 2015.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the 14214-039-PN01 award in the 2015-2016 school year.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

Cause

The School Corporation had not established an effective internal control structure that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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 Period of Performance 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 to ensure compliance and comply with the Period of Performance 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 2017-007

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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): 16-5925, 17-5925
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not comply with the requirement that students removed from the high school cohort graduation rate for mobility reasons have written documentation to support the students' removal from the cohort.

Context

The lack of controls and noncompliance were systemic issues during the 2016-2017 school year only.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

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). . . ."

34 CFR 200.19(b) states in part:

"High schools-

(1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

(2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort. . . ."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Views of Responsible Officials

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

Metropolitan School District of Martinsville

*P.O. Box 1416
389 E. Jackson Street
Martinsville, Indiana 46151
765-342-6641
Fax 765-342-6877*

Board of Education

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

Superintendent

***Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Whitney Teeters***

CORRECTIVE ACTION PLAN

Finding 2017-001

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the preparation of the Schedule of Expenditures of Federal Awards for the Food Service Department, the following steps will be followed for internal control.

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

In regards to the finding pertaining to the Preparation of the Schedule of Expenditures of Federal Awards for the remaining grants, the following steps will be followed for internal control.

The District Treasurer will contact the Grant Director and request the report for all Federal Awards for each calendar year. The Treasurer will verify all award amounts for the SEFA report. The District Treasurer will prepare the SEFA report and will submit to the Superintendent for review for approval.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Lutz
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

Metropolitan School District of Martinsville

P.O. Box 1416
389 E. Jackson Street
Martinsville, Indiana 46151
765-342-6641
Fax 765-342-6877

Board of Education

Dave Rinehart, President
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Superintendent

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Assistant Superintendent
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Treasurer
Whitney Teeters

CORRECTIVE ACTION PLAN

Finding 2017-002

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Child Nutrition Cluster, the following step will be followed for internal control.

The Food Service Support Specialist will verify and print the USDA Income Eligibility Guidelines for the Program Year that is entered into the software. In addition, starting with the 2017-2018 school year, the Food Service Director will manually calculate 3% of all submitted applications. In regards to reporting, the report is compiled by the Food Service Support Specialist. The Food Service Director will review, print and sign the supporting documents. The Food Service Director will also verify and sign the Verification of Free/Reduced Applications to establish evidence of review.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

Metropolitan School District of Martinsville

P.O. Box 1416
389 E. Jackson Street
Martinsville, Indiana 46151
765-342-6641
Fax 765-342-6877

Board of Education

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

Superintendent

Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Whitney Teeters

CORRECTIVE ACTION PLAN

Finding 2017-003

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Child Nutrition Cluster- Procurement, the following step will be followed for internal control.

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

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Dr. Terry Terhune
Treasurer
Whitney Teeters*

CORRECTIVE ACTION PLAN

Finding 2017-004

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Special Education Cluster – Level of Effort, Maintenance of Effort, the following step will be followed for internal control.

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

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Whitney Teeters

CORRECTIVE ACTION PLAN

Finding 2017-005

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the Internal Controls over the Special Education Cluster, the following step will be followed for internal control.

The District Treasurer will prepare all federal grant reimbursement forms and will include all documents supporting actual funds requested for reimbursements. All forms will be filed in their respective grant folders. The actual reimbursement request will be approved by the Director of the grant with their signature before submission of the form. The District Treasurer will serve as the secondary approver and will sign the reimbursement request as well.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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CORRECTIVE ACTION PLAN

Finding 2017-006

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

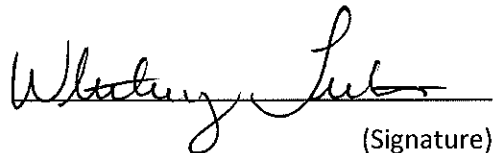
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the Special Education Cluster and the period of performance, the following action will be followed for internal control.

A list of all encumbrance deadlines has been given to the Director of Special Education as well as the Secretary of Special Education. When creating vouchers for payment, the Secretary must first reference the deadlines. All special education items are verified by the Special Education Director before being presented to the District Treasurer.

Anticipated Completion Date: November 30, 2018


(Signature)

District Treasurer
(Title)

11-26-2018
(Date)

Metropolitan School District of Martinsville

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Dr. Terry Terhune
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Whitney Teeters*

CORRECTIVE ACTION PLAN

Finding 2017-007

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the Title I Grants Special Tests and Provisions – Annual Report Card and High School Graduation Rate, the following steps will be followed for internal control.

All files pertaining to students will be kept at the Martinsville High School. Adequate notes will be kept when students are withdrawn along with the reasoning behind them withdrawing mobility. There will be twice monthly discussions between counselors and the High School Principal regarding mobility of students. Martinsville High School will work to file and retain the appropriate documentation for all mobile students. If a parent does not sign off on a students withdraw, a certified letter will be sent to the home and copies of the letter and certified mail slip will be retained in the students file.

Anticipated Completion Date: November 30, 2018



(Signature)

District Treasurer

(Title)

11-26-2018

(Date)

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

November 19, 2018

Dear State Board of Accounts Audit Team:

We would like to respond to the audit findings in our audit report the years 2015/16 and 2016/17. Our previous report for 2013/14 and 2014/15 was not filed until November 2017. This current audit period had ended before we could make changes based upon the findings in the previous audit. The district has reviewed the comments in this report and based upon recommendations in the prior audit has implemented corrective actions to ensure that the items are not in the next audit.

Subsequent audits starting after January 2018 will show that the district has made the suggested corrections and our records reflect good internal controls.

Sincerely,

Michele Moore, Ed.D.

Dr. Michele Moore
Superintendent

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2018, with Dr. Michele Moore, Superintendent of Schools, and Whitney Teeters, Treasurer.