

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION

MORGAN COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rhondi Taylor	07-01-16 to 06-30-19
Superintendent of Schools	Randy Taylor	07-01-16 to 06-30-19
President of the School Board	William E. Roberson	07-01-16 to 12-31-19



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

This report is supplemental to our audit report of the Mooresville Consolidated School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. 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 describe 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

February 21, 2019

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit.

Condition

Management of the School Corporation had not established an adequate internal control system related to the approval of accounts payable vouchers and payroll disbursements by the fiscal officer.

Context

The lack of controls was a systemic issue, as controls over the accounts payable vouchers and payroll disbursements were not in place during the audit period.

Criteria

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

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

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

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

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

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal control 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 2018-002

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

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

Condition

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

Context

The SEFA presented for audit contained the following errors:

- The National School Lunch Program Commodities expenditures were understated by \$141,321 for fiscal year 2016-2017 and overstated by \$45 for fiscal year 2017-2018.
- The Special Education Grants to States expenditures were understated by \$1,016 and \$71,345 for fiscal year 2016-2017 and 2017-2018, respectively.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- The Title I Grants to Local Educational Agencies expenditures were understated by \$80,832 for fiscal year 2017-2018.
- The Education for Homeless Children and Youth expenditures were understated by \$3,495 for fiscal year 2017-2018.
- The Supporting Effective Instruction State Grant expenditures were understated by \$42,071 for fiscal year 2017-2018.

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

Criteria

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

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

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

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

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:

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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."

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

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): FY2017, FY2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Program Income, Reporting, Special Tests
and Provisions - Verification of Free and Reduced Price Applications
(NSLP), Special Tests and Provisions - School Food Accounts,
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Findings 2016-003, 2016-004, and 2016-005 from the immediately prior audit regarding Activities Allowed or Unallowed, Program Income, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

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 compliance requirements listed above.

Activities Allowed or Unallowed

There were no controls in place to ensure payroll expenditures were being reviewed for accuracy and allowability prior to the initiation of payment.

Program Income

The School Corporation had not separated incompatible activities within the assessment and recording of program income. There were no control procedures in place to ensure that the proper meal prices were being charged or that program income was properly recorded in the School Lunch fund.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Annual Financial Reports and Verification Summary Report were accurate prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) - (School Breakfast Program and National School Lunch Program only)

The School Corporation had not separated incompatible activities related to the reverification of accepted free and reduced applications. There was no documentation of a control in place, such as an oversight, review, or approval process to ensure the verifications were properly performed.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - School Food Accounts

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

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

The School Corporation had not separated incompatible activities related to the accuracy of the paid lunch equity data submitted to the Indiana Department of Education for the federal award programs. There was no segregation of duties, such as an oversight, review, or approval process to ensure that accurate data was entered into the Paid Lunch Equity Tool.

Context

The lack of properly designed and implemented 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

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

Effect

The failure to establish an effective system of internal control placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance with 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 2018-004

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2017, FY2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2016-004 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. The School Corporation did not monitor net cash resources in the School Lunch fund to ensure that the School Lunch fund's net cash resources did not exceed 3 months average expenditures.

The School Lunch fund's net cash resources exceeded 3 months average expenditures during 13 of 24 months in the audit period. This excess ranged from \$81,196 to \$231,326 in fiscal year 2016-2017 and from \$95,767 to \$323,527 in fiscal year 2017-2018.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MOORESVILLE CONSOLIDATED 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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not established and implemented an effective internal control system to ensure compliance with the Cash Management 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 Cash Management 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 Cash Management compliance requirement.

Views of Responsible Officials

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-005

Subject: Child Nutrition Cluster - 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): 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 of Finding 2016-006 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements.

Suspension and Debarment

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into covered transactions for the period for fiscal year 2016-2017.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout fiscal year 2016-2017.

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 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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-006

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, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2017, FY2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2016-003 from the immediately prior audit.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Adequate time records for time worked were not maintained by the Food Service Director and cafeteria managers, nor was their payroll approved by another individual. The Food Service Director did not receive biweekly payroll reports for salaries charged to the School Lunch fund. Additionally, the Food Service Director did not have access to the accounting records to review expenditures charged to the School Lunch fund for monitoring the Allowable Costs/Cost Principles compliance requirement.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (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. . . ."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles 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 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 2018-007

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): 16-5930, 17-5930, 18-5930

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Special Tests and Provisions - Comparability, Special Tests and
Provisions - Assessment System Security

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-007 from the immediately prior audit concerning Special Tests and Provisions - Comparability.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

Activities Allowed or Unallowed

There were no controls in place to ensure payroll expenditures were being reviewed for accuracy and allowability prior to the initiation of payment. The School Corporation's internal controls were not effective to ensure grant funds were expended for allowable activities.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Allowable Costs/Cost Principles

There were no controls in place to ensure payroll expenditures were being reviewed for accuracy to the initiation of payment.

Special Tests and Provisions - Comparability

There were no controls in place to ensure the accuracy of the contents included on the Title I Comparability Report. Data regarding student and teacher count was provided by a separate individual; however, there was not any evidence that those values were examined for accuracy by another individual prior to submission.

Special Tests and Provisions - Assessment System Security

There were no controls in place to ensure that any individual who administered, handled, or had access to secure test materials at the School Corporation completed assessment training and retained the testing agreement on file at the appropriate office.

Context

The lack of 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 control that segregated key functions.

Effect

The failure to establish an effective system of internal control placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

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 compliance requirements listed above.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2018-008

Subject: Title I Grants to Local Educational Agencies - Eligibility

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): 16-5930, 17-5930, 18-5930

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

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 Eligibility compliance requirement.

All non-public enrollment counts reported on the Title I Eligibility School Summary Report differed from the School Corporation's records.

Context

The lack of controls and noncompliance were systemic issues, 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). . . ."

34 CFR 200.78(a)(1) states:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

Cause

The School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the Eligibility compliance requirement.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective system of internal control placed the School Corporation in noncompliance with the grant agreement and the Eligibility compliance requirement.

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 Eligibility 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 2018-009

Subject: Title I Grants to Local Educational Agencies - Suspension and Debarment
Federal Agency: Indiana 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): 16-5930, 17-5930, 18-5930
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This a repeat of Finding 2016-008 from the immediately prior audit.

Condition

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

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

Context

The lack of controls and noncompliance with suspension and debarment requirements were systemic issues throughout the audit period.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
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 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 Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective system of internal control placed the School Corporation in noncompliance with the grant agreement and the suspension and debarment requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-010

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): 14215-123-PN01, 14216-123-PN01,
14217-123-PN01, 18611-123-PN01,
45716-123-PN01, 45717-123-PN01,
18619-123-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Findings 2016-009 and 2016-010 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed

There were no controls in place to ensure payroll expenditures were being reviewed for accuracy and allowability prior to the initiation of payment. The School Corporation's internal controls were not effective to ensure grant funds were expended for allowable activities. Control procedures were implemented beginning in January 2018.

Allowable Costs/Cost Principles

There were no controls in place to ensure payroll expenditures were being reviewed for accuracy and allowability prior to the initiation of payment. The School Corporation's internal controls were not effective to ensure grant funds were expended for allowable costs. Control procedures were implemented beginning in January 2018.

Context

The lack of controls was a systemic issue, which occurred from July 1, 2016 through December 31, 2017.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MOORESVILLE CONSOLIDATED 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). . . ."

Cause

The School Corporation had not developed an internal control system that segregated key functions.

Effect

The failure to establish an effective system of internal control placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management continue to utilize the controls implemented in January 2018 to ensure compliance with 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 2018-011

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-123-PN01, 14216-123-PN01,
14217-123-PN01, 18611-123-PN01,
45716-123-PN01, 45717-123-PN01,
18619-123-PN01

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 of Finding 2016-011 from the immediately prior audit.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system in order to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not have effective monitoring procedures in place to ensure that federal procurement requirements were being followed during the disbursement process. In addition, no documentation was retained to provide evidence that the School Corporation verified 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 issues, 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). . . ."

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 system of internal control enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
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 Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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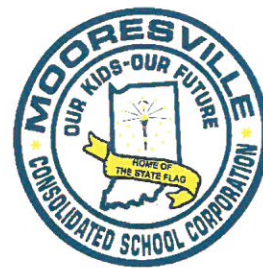
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CORRECTIVE ACTION PLAN

FINDING 2018-001 Controls Over Finance Transactions

Contact Person Responsible for Corrective Action: Dr. Jake Allen

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Approval of Accounts Payable Vouchers: Payroll specialist signs off on the vouchers and then the vouchers are reviewed by the treasurer and signed off on.

Payroll Disbursements: Payroll disbursements are generated by the payroll specialist, and the office manager reviews and approves the payroll disbursement before payroll is complete.

Anticipated Completion Date: August, 2018

FINDING 2018-002 Preparation of Schedule Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Dr. Jake Allen

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Annual Financial Report is prepared by the district financial consultant and is then reviewed by the assistant superintendent. The treasurer then reviews before submitting the report on Gateway.

Anticipated Completion Date: August, 2018


(Signature)

Asst. Superintendent
(Title)

2-20-19
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-003

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Activities Allowed or Unallowed

The Food Services Director signs off and approves all cafeteria manager's time cards; Cafeteria manager's sign off and approve all cafeteria employee time cards. Additionally, the payroll specialist puts together a payroll summary report in which the director signs off and approves. These documents are kept with the payroll specialist. The Treasurer will additionally review and sign off on all payroll claims charged to the food service fund.

Program Income

Treasurer sends monthly financial reports to the food services director to review and sign off. At this time, both the treasurer and food service director have reviewed the reports for accuracy. Detailed reports were not created until after the last audit, so those might not have been observed in this audit.

Beginning with school year 2018-2019 the food services support specialist will review Form 9 data and sign off before providing this data to the food service director. The director will review and approve the data before submitting it to the treasurer.

Reporting

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

Special Tests and Provisions – Verification of Free and Reduced Price Applications

Beginning with the 2017-2018 the food service director will verify and sign off on verification summary report prepared by food service support specialist. The food service director performs the initial confirmation review.

Special Tests and Provisions – School Food Accounts

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

Special Tests and Provisions – Paid Lunch Equity

To ensure the accuracy of the report beginning school year 2018-2019, the PLE worksheet will be reviewed by the food service specialist and signed off on before going to the DOE for approval and then to the school board for approval of prices.

Anticipated Completion Date: July 1, 2019


(Signature)

Food Service Director
(Title)

2/20/2019

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CORRECTIVE ACTION PLAN

FINDING 2018-004

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

Views of Responsible Official: We concur with the finding.

The food service director documented that food service fund was in excess of the 3 months operating income. The food service director did note that the excess funds were being held in reserve for a large equipment purchase for the amount of the excess funds. Current procedures will remain in place and the DOE will be contacted with the "spend-down plan", at the conclusion of a school year when balances are in excess of 3 months operating expenditures.

Anticipated Completion Date: 7/1/2019

(Signature)

Daniel Williams

(Title)

Food Service Director

2/20/2019

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CORRECTIVE ACTION PLAN

FINDING 2018-005

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

Views of Responsible Official: We concur with the finding.

Beginning with the 2018-2019 school year the food service department will verify all vendors above the federal threshold will be verified on sam.gov for possible suspension or debarment. All procurement records will be retained. Both the food service specialist and the food service director will review and sign off on the SAMS verification report. The report will be maintained in the food services office.

Anticipated Completion Date: July 1, 2019



(Signature)

Food Service Director

(Title)

2/20/2019

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CORRECTIVE ACTION PLAN

FINDING 2018-006

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Services Director signs off and approves all cafeteria manager's time cards; Cafeteria manager's sign off and approve all cafeteria employee time cards. Additionally, the payroll specialist puts together a payroll summary report in which the director signs off and approves. These documents are kept with the payroll specialist. The Treasurer additionally approves all payroll claims charged to the food services fund.

Anticipated Completion Date: April 1, 2018

(Signature)

Daluttl-

(Title)

Food Service Director

2/20/2019

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CORRECTIVE ACTION PLAN

Finding 2018-007

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

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Correction Action Plan:

1. An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: (a) Activities Allowed or Unallowed, (b) Allowable Costs--Cost Principals, (c) Special Tests and Provisions-Comparability, and (d) Special Tests and Provisions-Assessment of System Security.
 - a. Payroll reports will be printed and reviewed by the Treasure. She will initial the reports when they are correct to her knowledge. These records will be retained in the Treasure's office. The Treasure will also run a payroll report for all funds paid by a Title I account. The Director of Title I will review the report and initial the report when it is correct. This documentation will be kept in the Director of Title I's office.
 - b. Payroll reports will be printed and reviewed by the Treasure. She will initial the reports when they are correct to her knowledge. These records will be retained in the Treasure's office. The Treasure will also run a payroll report for all funds paid by a Title I account. The Director of Title I will review the report and initial the report when it is correct. This documentation will be kept in the Director of Title I's office.
 - c. Comparability reports will be completed by the Director of Title I. The report will be reviewed and initialed by the Assistant Superintendent of Curriculum and Instruction when it is accurate. This documentation will be kept in the Director of Title I's office.

- d. When a training is held for assessment security compliance, a sign-in sheet will be maintained. The sign-in sheets will be reviewed and initialed by the Assistant Superintendent. All sign-in sheets will be maintained on file in the appropriate office.

Anticipated Completion Date: March 1, 2019

Finding 2018-008

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

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of the Correction Action Plan:

1. An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: (a) maintain proper documentation to support the enrollment and poverty amounts reported for public schools within the Local Educational Agency on the Title I eligibility school summary page as well as (b) maintain proper documentation for non-public enrollment reported on the Title I eligibility school summary page.
 - a. A copy of the completed ADM report as well as the poverty count submitted to the IDOE will be kept and used to verify the IDOE's uploaded enrollment and poverty numbers on the eligible school summary page. Prior to beginning the grant, the Director of Title I will verify the enrollment and poverty numbers on the eligible school summary page and if there is a discrepancy the Director of Title I will contact the IDOE. This documentation will be maintained in the Director of Title I's office.
 - b. A copy of non-public student verified addresses will be kept and used to verify the IDOE's uploaded enrollment numbers on the eligible school summary page. Prior to beginning the grant, the Director of Title I will verify the enrollment numbers on the eligible school summary page and if there is a discrepancy the Director of Title I will contact the IDOE. This documentation will be maintained in the Director of Title I's office.

Anticipated Completion Date: March 1, 2019

Finding 2018-009

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

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Correction Action Plan:

1. An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: (a) Procurement and (b) Suspension and Debarment.
 - a. In regard to Procurements made with Title I funds, the Director of Title I will be responsible for getting quotes if the amount exceeds \$3500 or keep documentation for a sole source. These will be reviewed by the Assistant Superintendent.
 - b. In regard to Title I funds to a single vendor that exceed \$25,000 in a calendar year, the Director of Title I will check the status of Suspension or Debarment using the website SAM.gov. Documentation will be reviewed by the Assistant Superintendent. Documentation will be maintained in the Director of Title I's office.

Anticipated Completion Date: March 1, 2019

Casey G. Gibson
(Signature)

Director of Title I
(Title)

2-20-2019
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-010 Special Education Cluster

Contact Person Responsible for Corrective Action: Susie Hurt

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Activities Allowed and Unallowed: Payroll expenditures are reviewed for accuracy by the treasurer and the special education secretary. The treasurer provides the sped secretary with a Payroll Distribution Report; the secretary checks the names and account numbers to ensure that they are being paid out of the correct account.

Anticipated Completion Date: January 19, 2018

Allowable Costs and Cost Principles: Payroll expenditures are reviewed for accuracy by the treasurer and the special education secretary. The treasurer provides the sped secretary with a Payroll Distribution Report; the secretary checks the names and account numbers to ensure that they are being paid out of the correct account.

Anticipated Completion Date: January 19, 2018

FINDING 2018-011 – Internal Controls Over Financial Transactions

Contact Person Responsible for Corrective Action: Susie Hurt

Contact Phone Number: 317-831-0950

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

To meet the Procurement, Suspension and Disbarment compliance requirement, the special education secretary crosschecks all vendors with the SAMS website and then maintains a document of each vendor's status. Furthermore, these documents will be reviewed and initialed by the director of special education. All documentation will be maintained the secretary of special education's office.

Anticipated Completion Date: March 1, 2019

Susie Hurt
(Signature)

Director of Special Education
(Title)

2/20/19
(Date)

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS

The Treasurer certified on the Annual Financial Report (AFR) for 2017 and 2018 that the School Corporation had adopted minimum internal control standards and that training had been provided to personnel. The School Corporation failed to retain Certification Forms to provide evidence that personnel received internal control standards training. Therefore, we were unable to verify that training had occurred.

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2019, with David Oberle, School Board member; Randy Taylor, Superintendent of Schools; and Jake Allen, Assistant Superintendent of Schools.