

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

METROPOLITAN SCHOOL DISTRICT  
OF STEUBEN COUNTY  
STEUBEN COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
05/02/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monte VanGessel	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Brent A. Wilson	07-01-16 to 06-30-19
President of the School Board	Kevin Beard Brad Gardner LeAnn Boots	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF STEUBEN COUNTY, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Steuben County (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 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/](http://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.

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

April 9, 2019

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
FEDERAL FINDINGS

**FINDING 2018-001**

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

*Condition*

The School Corporation did not have a proper system of internal controls 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, which is a financial reporting system used to compile the School Corporation's SEFA. There was no evidence of a control process in place to ensure the accuracy of the information prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$105,876 and \$112,710 for fiscal years 2016-2017 and 2017-2018, respectively.
2. The Special Education Cluster (IDEA) expenditures were understated by \$17,828 and \$6,852 for fiscal years 2016-2017 and 2017-2018, respectively.

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. . . .

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

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
FEDERAL FINDINGS  
(Continued)

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

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

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

*Effect*

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

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

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

*Views of the Responsible Officials*

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

**FINDING 2018-002**

Subject: Child Nutrition Cluster - Eligibility  
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): FY 2016-2017, FY 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not implemented at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The School Corporation used a computer software system to determine eligibility based on information entered into the software by either the Food Service Director or Food Service Secretary from student applications. The School Corporation had established an internal control policy over Eligibility as recommended by the Indiana Department of Education; however, sufficient evidence was not provided to verify that the policy had been properly implemented.

*Context*

The lack of properly implemented controls was a systemic problem, 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). . . ."

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not implemented a system of internal controls that would have ensured compliance with the Eligibility compliance requirement.

*Effect*

The failure to implement an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management implement controls related to the grant agreement and the compliance requirement listed above.

*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 STEUBEN COUNTY

400 SOUTH MARTHA STREET ♦ ANGOLA, INDIANA 46703 ♦ 260.665.2854 ♦ FAX: 260.665.9155 ♦ [www.msdsteuben.k12.in.us](http://www.msdsteuben.k12.in.us)

**Dr. Brent A. Wilson**  
Superintendent

**Mrs. Ann Rice**  
Asst. Superintendent

**Mrs. Cyndi Nusbaum**  
Director of Curriculum &  
Instruction

**Mrs. Chantell Manahan**  
Technology Director

**Mrs. Monte VanGessel**  
Business Manager

**Mrs. Stephanie Haynes-  
Clifford**  
Food Service Director

**Mr. Gary Puckett**  
Transportation Director

**Mr. Heath Wagner**  
Facilities & Grounds  
Director

**Ms. Kathy Bahr**  
Special Education  
Coordinator

## BOARD OF SCHOOL TRUSTEES

**Mrs. LeAnn Boots**  
President

**Mr. Cory Archbold**  
Vice President

**Ms. Marilyn Hill**  
Secretary

**Mr. Kevin Beard**  
Member

**Mr. Brad Gardner**  
Member

**Ms. Case Gilbert**  
Member

**Mr. Scott Poor**  
Member

## SCHOOL ATTORNEY

**Mr. Kim E. Shoup**

## Corrective Action Plan

### FINDING 2018-001

Contact person Responsible for Corrective Action: Monte VanGessel

Contact Phone Number: 260 665-2854

View of Responsible Official: We concur with the finding.

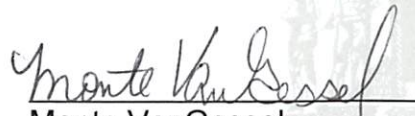
MSD has reported the same commodities number which was obtained from the IDOE School and Community Nutrition Programs website since 2015 and was unaware an incorrect number was being reported.

School Bulletin Volume 211 Page 7 states that when a Co-Op is a fiscal agent for the school corporation, the Co-Op "should provide the member schools with their total allocation and that is what each member school should include in the grant section of their Gateway AFR." MSD has relied on the NEISEC to provide the correct numbers for the SEFA.

Description of Corrective Action Plan:

MSD will follow the guidelines for reporting commodities presented by the State Board of Accounts during this audit from here forward.

MSD has requested the NEISEC have the allocation numbers that are provided to MSD be certified by 2 (two) responsible officials of the NEISEC from here forward.



Monte VanGessel  
Business Manager

April 8, 2019

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**Dr. Brent A. Wilson**  
Superintendent

## Corrective Action Plan

**Mrs. Ann Rice**  
Asst. Superintendent

### FINDING 2018-002

**Mrs. Cyndi Nusbaum**  
Director of Curriculum &  
Instruction

**Mrs. Chantell Manahan**  
Technology Director

**Mrs. Monte VanGessel**  
Business Manager

**Mrs. Stephanie Haynes-Clifford**  
Food Service Director

**Mr. Gary Puckett**  
Transportation Director

**Mr. Heath Wagner**  
Facilities & Grounds  
Director

**Ms. Kathy Bahr**  
Special Education  
Coordinator

Contact person Responsible for Corrective Action: Stephanie Haynes-Clifford

Contact Phone Number: 260 665-2854

View of Responsible Official: Food Service has followed MSD Board Policy #3410 since its implementation by reviewing 5% of Free and Reduced lunch applications. These reviewed applications were not set aside so they could be readily retrieved for the audit.

Description of Corrective Action Plan:

From here forward Food Service will maintain separate copies of audited applications in a separate file or location for easy audit retrieval.

#### BOARD OF SCHOOL TRUSTEES

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President

**Mr. Cory Archbold**  
Vice President

**Ms. Marilyn Hill**  
Secretary

**Mr. Kevin Beard**  
Member

**Mr. Brad Gardner**  
Member

**Ms. Case Gilbert**  
Member

**Mr. Scott Poor**  
Member

#### SCHOOL ATTORNEY

**Mr. Kim E. Shoup**

  
Stephanie Haynes-Clifford  
Food Service Director  
April 8, 2019

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METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2019, with Monte VanGessel, Treasurer; Dr. Brent A. Wilson, Superintendent of Schools; Ann Rice, Assistant Superintendent of Schools; Cyndi Nussbaum, Curriculum Director; Tammy Gilbert, Food Service Assistant; LeAnn Boots, President of the School Board; Cory Archbold, School Board member; and Marilyn Hill, School Board member.