

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

MUNCIE COMMUNITY SCHOOLS

DELAWARE COUNTY, INDIANA

July 1, 2018 to June 30, 2019



FILED

12/05/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert Coddington Brad DeRome	05-11-17 to 12-09-18 12-10-18 to 06-30-20
Superintendent of Schools	Stephen Edwards (interim)	07-01-18 to 07-12-19
Director of Public Education and Chief Executive Officer	Dr. Lee Ann Kwiatkowski	07-01-19 to 06-30-22
President of the School Board	James Williams	07-01-18 to 06-30-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muncie Community Schools (School Corporation), a component unit of Ball State University, Indiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated October 16, 2019. The opinion on governmental activities was qualified. The opinions on all other opinion units were unmodified.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002.

Muncie Community Schools' Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

October 16, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Muncie Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Title I Grants Local to Educational Agencies

As described in item 2019-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Qualified Opinion on Title I Grants Local to Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003, 2019-004, and 2019-005, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Corporation's basic financial statements. We issued our report thereon dated October 16, 2019, which contained a qualified opinion on governmental activities and an unmodified opinion on all other opinion units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Paul D. Joyce, CPA
State Examiner

October 16, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

MUNCIE COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster School Breakfast Program	Indiana Department of Education	10.553	FY 2018-2019	\$ -	\$ 453,054
National School Lunch Program Cafeteria Fund #800 Commodities	Indiana Department of Education	10.555	FY 2018-2019 FY 2018-2019	- -	1,758,765 242,272
Total - National School Lunch Program				-	2,001,037
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2018-2019	-	87,100
Total - Child Nutrition Cluster				-	2,541,191
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 2018-2019	-	207,719
Total - Department of Agriculture				-	2,748,910
<u>Department of Education</u>					
Special Education Cluster (IDEA) Special Education Grants to States 2016-2017 Special Education - Grants to State (IDEA, Part B) 2017-2018 Special Education - Grants to State (IDEA, Part B) 2018-2019 Special Education - Grants to State (IDEA, Part B)	Indiana Department of Education	84.027	14217-008-PN01 18611-008-PN01 19611-008-PN01	- - -	26,759 344,159 1,307,355
Total - Special Education Grants to States				-	1,678,273
Special Education Preschool Grants 2016-2017 Special Education - Preschool 2017-2018 Special Education - Preschool 2018-2019 Special Education - Preschool	Indiana Department of Education	84.173	45717-008-PN01 18619-008-PN01 19619-008-PN01	- - -	22,918 29,051 114,327
Total - Special Education Preschool Grants				-	166,296
Total - Special Education Cluster (IDEA)				-	1,844,569
Adult Education - Basic Grants to States 2017-2018 Adult Basic Education 2018-2019 Adult Basic Education	Indiana Department of Education	84.002	AE7-34 AE8-34	- -	42,010 334,428
Total - Adult Education - Basic Grants to States				-	376,438
Title I Grants to Local Educational Agencies 2017-2018 Basic Grant 2018-2019 Basic Grant	Indiana Department of Education	84.010	S010A170014 S010A180014	- -	1,837,121 1,282,814
Total - Title I Grants to Local Educational Agencies				-	3,119,935
Title I State Agency Program for Neglected and Delinquent Children and Youth 2017-2018 Title Neg/Del - YOC 2018-2019 Title Neg/Del - YOC	Indiana Department of Education	84.013	S010A170014 S010A180014	- -	131,698 164,298
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	295,996

MUNCIE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Career and Technical Education - Basic Grants to States 2017-18 Perkins Grant 2018-19 Perkins Grant	Indiana Department of Education	84.048	V048A170014 V048A180014	- -	26,743 88,076
Total - Career and Technical Education - Basic Grants to States				-	114,819
Education for Homeless Children and Youth 2016-19 McKinney-Vento	Indiana Department of Education	84.196	S196A170015	-	6,000
Twenty-First Century Community Learning Centers	Ball State University	84.287	FY 2019	-	46,235
English Language Acquisition State Grants 2017-2018 Title III English Proficiency 2018-2019 Title III English Proficiency	Indiana Department of Education	84.365	S365A160014 S365A180014	- -	605 124
Total - English Language Acquisition State Grants				-	729
Supporting Effective Instruction State Grants 2016-2017 Title II Part A 2017-2018 Title II Part A 2018-2020 Title II Part A	Indiana Department of Education	84.367	S367A160013 S367A170013 S367A180013	- - -	70,851 196,740 7,580
Total - Supporting Effective Instruction State Grants				-	275,171
School Improvement Grants 2017-2018 School Improvement Grants 2018-2019 School Improvement Grants	Indiana Department of Education	84.377	S377A160015 S010A170014	- -	325,043 80,577
Total - School Improvement Grants				-	405,620
Student Support and Academic Enrichment Program 17/19 Title IV Part A 18/19 Title IV Part A	Indiana Department of Education	84.424	S424A170015 S424A180015	- -	20,215 52,820
Total - Student Support and Academic Enrichment Program				-	73,035
Total - Department of Education				-	6,558,547
<u>Department of Health and Human Services</u>					
Medicaid Cluster Medical Assistance Program Medicaid Administrative Claiming (MAC)	Indiana Department of Education	93.778	FY 2018-2019	-	113,331
Total - Medicaid Cluster				-	113,331
Total - Department of Health and Human Services				-	113,331
Total federal awards expended				\$ -	\$ 9,420,788

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

MUNCIE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the year ended June 30, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental Activities	Qualified
Each Major Fund	Unmodified
Aggregate Remaining Fund	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation did not have adequate control procedures in place over financial reporting and closing to ensure that information included in the report was materially accurate. The School Corporation maintains financial accounting records on a cash basis. The School Corporation hired a consultant to prepare GAAP basis financial statements, notes to the financial statements, required supplemental information, and supplemental information included in the report. There was a review process in place for the School Corporation to review the work of the consultant; however, the process was not effective. During our audit, numerous issues were found with the financial statements, notes to the financial statements, and required supplemental information. We recommended adjustments for material items, which the School Corporation accepted and the consultant made.

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls.

Effect

The failure to establish a proper system of internal controls could have enabled misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2019-002

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

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2018-002.

Condition and Context

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 failed to properly review the grant information prepared and submitted in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the SEFA. The officials prepared and reviewed the federal award information entered into Gateway; however, the review was ineffective.

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were overstated by \$414,608.
2. The Child and Adult Care Food Program expenditures were understated by \$207,719.
3. The Special Education Cluster (IDEA) expenditures were understated by \$545,041.
4. The Adult Education - Basic Grants to States expenditures were understated by \$160,254.
5. The Title I Grants to Local Educational Agencies expenditures were overstated by \$706,755.
6. The Title I State Agency Program for Neglected and Delinquent Children and Youth expenditures were understated by \$295,996.
7. The Career and Technical Education - Basic Grants to States expenditures were overstated by \$70,963.
8. The Education for Homeless Children and Youth program was omitted, resulting in an understatement of expenditures by \$6,000.
9. The Twenty-First Century Community Learning Centers grant expenditures were understated by \$46,235.
10. The English Language Acquisition State Grants expenditures were understated by \$605.
11. The Supporting Effective Instruction State Grants expenditures were understated by \$50,735.
12. The School Improvement Grants expenditures were understated by \$405,620.
13. The Student Support and Academic Enrichment Program expenditures were understated by \$20,214.
14. The Medicaid Cluster was omitted, resulting in an understatement of expenditures by \$113,331.

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

15. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule must:

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a 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

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

Effect

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

Views of Responsible Officials

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

Auditor's Response

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-003

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 Number and Year (or Other Identifying Number): FY 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2018-003, 2018-004, and 2018-006 from the immediately prior audit report.

Condition and Context

The following deficiencies in internal controls were identified:

Cash Management - There were no procedures in place to monitor that net cash resources did not exceed a three month average of School Lunch fund expenditures. The School Corporation's cash resources for the Child Nutrition Cluster programs exceeded the three month average of expenditures, so a spend-down plan was created and implemented. However, there were no procedures in place to perform calculations verifying that the School Corporation did not exceed the average; therefore, there were no procedures to review such calculations.

Eligibility - No procedures were in place to review or monitor the accuracy of the Child Nutrition Cluster eligibility determinations. Free and reduced price applications were processed by the management company's administrative assistant with no additional review or oversight over the determinations made.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) - Verifications of free and reduced price applications were performed by the management company's resident district manager; however, there was no documented review of the verified applications during the audit.

Special Tests and Provisions - School Food Accounts - The disbursement claims were prepared and submitted by the management company's resident district manager; however, there were no procedures in place to ensure that the reimbursement receipt was promptly and properly receipted into the School Lunch fund.

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Activities Allowed or Unallowed and Allowable Costs/Cost Principles - There were no procedures in place to monitor that expenditures were only for allowable activities and costs of the Child Nutrition Cluster. The School Corporation contracted with a company for the management of the School Corporation's food service operations. The company provided summarized invoices to the School Corporation without providing adequate detail of the amounts billed.

Program Income - The School Corporation contracted with a management company for food service operations. The School Corporation did not provide any additional review of the school lunch income or the detailed expenditures charged by the management company.

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with 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.

Views of Responsible Officials

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

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Auditor's Response

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

FINDING 2019-004

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, 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): 45717-008-PN01, 14217-008-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

Condition and Context

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, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

Disbursements were charged to the grant funds without adequate documentation to ensure compliance with the compliance requirements listed above. Expenditures originally paid from one special education grant were transferred to another special education grant without adequate documentation. These following expenditures were considered questioned costs:

There were two transfers that affected Federal Award Number 45717-008-PN01 (fund 5270) and Federal Award Number 14217-008-PN01 (fund 5271).

1. \$13,491 was transferred from fund 5270 to fund 101 without proper supporting documentation.
2. \$38,265 was transferred from fund 5271 to fund 100 without proper supporting documentation.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 300.202(a) states:

"*General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds."

34 CFR 300.208 states:

"(a) *Uses.* Notwithstanding §§ 300.202, 300.203(b), and 300.162(b), funds provided to an LEA under Part B of the Act may be used for the following activities:

- (1) *Services and aids that also benefit nondisabled children.* For the costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services.
- (2) *Early intervening services.* To develop and implement coordinated, early intervening educational services in accordance with § 300.226.
- (3) *High cost special education and related services.* To establish and implement cost or risk sharing funds, consortia, or cooperatives for the LEA itself, or for LEAs working in a consortium of which the LEA is a part, to pay for high cost special education and related services.

(b) *Administrative case management.* An LEA may use funds received under Part B of the Act to purchase appropriate technology for recordkeeping, data collection, and related case management activities of teachers and related services personnel providing services described in the IEP of children with disabilities, that is needed for the implementation of those case management activities."

34 CFR 300.800 states:

"The Secretary provides grants under section 619 of the Act to assist States to provide special education and related services in accordance with Part B of the Act—

- (a) To children with disabilities aged three through five years; and

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (b) At a State's discretion, to two year-old children with disabilities who will turn three during the school year."

2 CFR 200.403 states:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of this part."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

Effect

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

Questioned Costs

Known questioned costs of \$51,756 were identified, as detailed in the *Condition and Context*.

Views of Responsible Officials

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

FINDING 2019-005

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting
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): S010A170014, S010A180014
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-008.

Condition and Context

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, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Several expenditures were requested for reimbursement multiple times throughout fiscal year 2018-2019. In one instance, subsequently voided purchase orders were used as the basis for the disbursements on a reimbursement request and were then requested again when the actual purchase was made. Other instances were due to errors in compiling financial information for the preparation of the reimbursement request.

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. See also §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of this part."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . .

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

31 CFR 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
...

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Questioned Costs

Known questioned costs of \$157,181.81 were identified, as detailed in the *Condition and Context*.

Views of Responsible Officials

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

Auditor's Response

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: August 29, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-001 – Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Financial Transactions and Reporting.

Audit Finding: Significant Deficiency, lack of segregation of duties for activities related to receipts and cash, no oversight on Bank Reconcilements, no oversight on receipt postings. Lack of controls during the audit period. No established system of internal control.

Status of Audit Finding

Summary:

As a Business Office department, we met to discuss Financial Transactions & Reporting / Audit Findings (July 1, 2016- June 30, 2018). (CFO, A/P, Financial Specialist, and Payroll Coord.)

We have met to discuss these audit findings as it related to “Financial Transactions & Reporting”, as well as to discuss the action plans and steps to correct these issues.

We have established clear segregation of duties in the Business Office for Bank Reconciliation, processing of the mail, handling of receipts/ bank deposits, recording of receipts/ deposits, processing of invoices, purchase orders, and running of the month end Komputrol Reports, as well as the oversight and approval of Bank Recs and Month End reports, oversight and approval of payables.

The CFO/ Treasurer had implemented these new reconciliation steps, segregation of duties, and approval process of transactions, PO's, and payables by February 1, 2019 during the most recent audit as these items had been identified for improvement.

Summary Steps Taken-

Clearly Defined Split of Duties in the Business Office

Approval and Oversight process for the Monthly Bank Reconciliation that follows the SBOA template, plus uses the additional Daily Cash Report that was created by the CFO/Treasurer as a means to track daily cash.

Month End Reconciliation of the various Tax Supported Funds by the CFO/Treasurer, and approval and oversight of the Monthly Bank Reconciliation to assure Konmputrol Accounting Fund Balances match the Total " Check Book " Bank Balance.

CFO signs off / his approval of the Month End Bank Recs, plus the monthly recon and approval of monthly Payables/ claims.

Completion Date: Feb 1, 2019

_____ 

Bradley T. DeRome, Business Manager / Treasurer

Date 8-29-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

Date: August 29, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-002 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Fiscal year in which the finding initially occurred: FY 2011-13

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Audit Finding: Material Weakness, non compliance, repeat finding from prior audit.

Status of Audit Finding

Summary:

As a Business Office department, we met to discuss SEFA Audit Findings (July 1, 2016- June 30, 2018). (CFO, and Financial Specialist). We discussed our plan for this new SEFA report on August 8, 2019. I printed off the prior report (in Gateway) to see, review, and examine the prior year data that will be required for the new report year.

Lisa Evans and I discussed the prior report, to see what it would take to prepare the report and gather the data. Lisa printed off the June 2019 month end Fund Fiscal Report in Komputrol that summarizes the correct fiscal data for all these funds.

For the Child Nutrition “ Commodity “ amount received for the report, we received this data from Stephanie Fegan , Food Service Director Chartwells.

The current SBOA audit team had requested that we review, prepare, and upload the SEFA data as soon as possible before the August 29, 2019 deadline. Myself and Lisa Evans , Financial Specialist in the Business Office gathered, reviewed, set down, and entered the data together in the state Gateway portal on August 14, 2019. Thus, the report was uploaded on Aug 14, 2019.

Summary Steps Taken-

The SEFA data was gathered, reviewed, entered, and uploaded into the Gateway portal on August 14, 2019. This was 15 days before the state deadline.

Completion Date: August 14, 2019

Bradley T. DeRome

Lisa R. Evans

Bradley T. DeRome, Business Manager / Treasurer

Date 8-29-2019

8-29-19

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-003 – Child Nutrition Cluster –Activities Allowed / or Unallowed and Allowable Costs/Cost Principles

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Activities Allowed or Unallowed and Allowable costs/Cost principles, for School lunch programs.

Audit Finding: Material Weakness, Internal Controls not in place to assure compliance.

Status of Audit Finding

Summary:

We met on May 30, 2019 to discuss the audit findings, specifically, “ 2018-003” Child Nutrition Activities Allowed/Unallowed / Audit Findings (July 1, 2016- June 30, 2018). This meeting included Stephanie Fegan (Chartwells) and Lisa Evans (MCS Business Office) and Brad DeRome (MCS CFO).

The FSMC (Food Service Management Company) had provided summary invoices to the school district for payment, without adequate detail of amounts billed. The audit revealed student refunds were paid from School Lunch Fund (#800) , not the Food Service PrePaid Account Fund (# 8410).

On a periodic (monthly) basis when we meet with the reps from Chartwells (FSMC), the CFO will review the management reports, as well as the support documentation for the expense invoice detail to verify adequate assurance and verification as to the accuracy of the expenditure detail.

For any refunds for students, these refunds will be paid from the Food Service PrePaid Account Fund #8410.

Summary Steps Taken-

For the 2019-20 school year, the CFO or MCS designee will meet monthly with FSMC reps to review expenditure reports, expense detail from vendors, and summary reports. This review process will include testing for assurance of accuracy of payments to the FSMC as they are supported by detailed invoice records from food service suppliers.

The CFO or MCS designee will meet with the FSMC reps to review any requests and records that support for the student refunds to assure accuracy of payment from Fund # 8410.

The CFO, Brad DeRome, and the FSMC rep, Stephanie Fegan, Chartwells met on May 30, 2019, July 12, 2019 and August 20, 2019 to review status of these findings and plan for the upcoming school year to implement these action steps. It was agreed that we will meet monthly on these items during this 2019-20 school year to assure compliance.

Completion Date: May 30, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-004 – Child Nutrition Cluster –Cash Management, Eligibility, Verification, Free/Reduced Apps, and Special Tests.

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Cash Management, Eligibility, and Verification

Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

We met on May 30, 2019 to discuss the audit findings, specifically, “ 2018-004” Child Nutrition Cash Mgt, Eligibility, Verifications, Special Tests, Equity / Audit Findings (July 1, 2016- June 30, 2018). This meeting included Stephanie Fegan (Chartwells Food Service Director), Lisa Evans (MCS Business Office) and Brad DeRome (MCS CFO/ Treasurer).

The new Internal Control procedures that MCS will implement will address the areas identified as to improve the Cash Management compliance as to 3 Month limit, Eligibility requirements for students, Special Tests and Provisions, Lunch Apps, and verifications as to Reimbursements into School Lunch Fund # 800.

On a periodic (monthly) basis when we meet with the reps from Chartwells (FSMC), the CFO will review the management reports, and other calculations to verify compliance with the 3 Month limit on cash resources, and to review any proposed changes as to lunch prices and the supporting documentation.

On May 14, 2019, the MCS school board did agree to CEP (all students free) lunch program with Chartwells for the 2019-20 school year. By making this switch due to high overall Free/Reduced rate, MCS district qualifies for this program. This will certainly aid in the process

of verification of Free/Reduced Lunch Apps, since these forms will no longer be required for Lunch, but will be required for TBR.

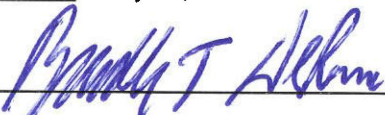
Summary Steps Taken-

The CFO or MCS designee will meet monthly with FSMC reps to review expenditure reports, expense detail from vendors, summary reports, revenues generated, income, and ending fund balance to assure compliance testing for the 3 month limit on funds to be held.

The CEP (all students free) lunch program for the 2019-20 school year will eliminate need to intake Free/Reduced lunch apps, since all students would be free. (The TBR process will still require the intake of these apps.) Thus, this will eliminate need for this verification of the apps, but the CFO or MCS designee will review with the FSMC reps the numbers of students eating for the month, and any other tests or provisions. The CFO or MCS designee will also provide each month to the FSMC the timely receipts copy of the Reimbursement properly receipted into the School Lunch Fund.

The CFO, Brad DeRome, and the FSMC rep, Stephanie Fegan, met on a May 30, 2019, July 12, 2019, and August 20, 2019 to review status of these findings and plan for the upcoming school year to implement these action steps. It was agreed that we will meet monthly on these items during this 2019-20 school year to assure compliance.

Completion Date: May 30, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-005 – Child Nutrition – Procurement , Suspension, Debarment of Suppliers.

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Procurement , Suspension, Debarment, of Suppliers - Compliance
Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

We met on May 29, 2019 to discuss the audit findings, specifically, “ 2018-005” Child Nutrition-Procurement, Suspension and Debarment of Supplier compliance as it related to the audit period of July 1, 2016- June 30, 2018. The meeting included Stephanie Fegan (Chartwells Food Service Director), Brad DeRome (MCS CFO/Treasurer), and Lisa Evans (MCS Business Office).

We have established that our procurement procedures must reflect applicable State, local, laws/regulations, and conform to applicable Federal law and standards. We have now established that the entities that we do business or intend to do business with under this federal program is not excluded or disqualified.

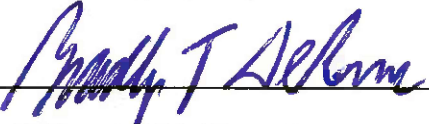
As part of new Internal Controls, the CFO will verify the Food Service Management company has provided evidence of compliance with this procurement procedure by meeting with the FSMC reps and : a) checking SAM exclusions or b) collecting a certification from that entity or c) adding a clause or condition to the covered transaction with that entity. This will be evidenced by supporting copy of this signed waiver, or statement of compliance as described above.

Summary Steps Taken-

The CFO did meet with the Chartwells (Food Service Management Company-FSMC) on May 29, 2019 regarding these audit findings as it related to the federal program of Child Nutrition. The FSMC did provide a signed certification that they or their personnel as lower tier participants were not presently suspended, debarred, ineligible, proposed for debarment, or voluntarily excluded from participation by any Federal department or agency. (See Attached)

The CFO, Brad DeRome, and the FSMC rep, Stephanie Fegan, met on May 30, 2019, July 12, 2019, and August 20, 2019 to review status of these findings and plan for the upcoming school year to implement these action steps. The CFO and FSMC reps will mutually establish this schedule of meetings to review these items of compliance, as well as the compliance verification for this purchase/procurement policy.

Completion Date: May 29, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019



Dr. Jennifer McCormick
Superintendent of Public Instruction

Working Together for Student Success

Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion-

Lower Tier Covered Transactions

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 2 CFR 200.213 and 2 CFR Part 417. Copies of the regulations may be obtained by contacting the Indiana Department of Education.

(BEFORE COMPLETING CERTIFICATION, READ INSTRUCTIONS ON REVERSE)

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Compass Group USA, Inc., by and through its Chartwells Division

Organization Name

Belinda Oakley, CEO, Chartwells K12

Names(s) and Title(s) of Authorized Representative(s) of the Vendor/FSMC



Signature(s)

8/21/2018

Date

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-006 – Child Nutrition – Program Income

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Program income

Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

We met on May 30, 2019 to discuss the audit findings, specifically, “2018-006” Child Nutrition Program Income as it related to the audit period of July 1, 2016- June 30, 2018. The meeting included Stephanie Fegan Chartwells (Food Service Director), Brad DeRome (MCS CFO/Treasurer), and Lisa Evans (MCS Business Office).

The new Internal Control procedures that MCS will implement will address the areas identified as to improve the verification of Program Income. This process will include verification of the deposits and program income that come to MCS for this federal program by the CFO or MCS designee.

On a periodic (monthly) basis when we meet with the reps from Chartwells (FSMC), the CFO will review the management reports, which includes such reporting as income, expenses, and ending income and fund balance.

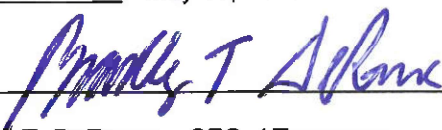
On May 14, 2019, the MCS school board did agree to CEP (all students free) lunch program with Chartwells for the 2019-20 school year. By making this switch to CEP, we are not anticipating a lowered revenue level.

Summary Steps Taken-

The CFO or MCS designee will meet monthly with FSMC reps to review expenditure reports, expense detail from vendors, summary reports, revenues generated, revenue type, program income, and ending fund balance.

The CFO, Brad DeRome, and FSMC rep, Stephanie Fegan, met on May 30, 2019, July 12, 2019, and August 20, 2019 to review status of these findings and plan for the upcoming school year to implement these action steps. The CFO and FSMC reps will mutually establish this schedule of meetings to review these items of compliance, as well as the compliance verification for this program income.

Completion Date: May 30, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-007 – Child Nutrition – Reporting

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Reporting
Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

We met on May 30, 2019 to discuss the audit findings, specifically, “2018-007” Child Nutrition Reporting as it related to the audit period of July 1, 2016- June 30, 2018. The meeting included Stephanie Fegan Chartwells (Food Service Director), Brad DeRome (MCS CFO/Treasurer), and Lisa Evans (MCS Business Office).

The new Internal Control procedures that MCS will implement will address the areas identified as to improve the verification of Reporting.

On a periodic (monthly) basis when we meet with the reps from Chartwells (FSMC), the CFO will review the management reports, which includes such reporting as income, expenses, and ending income and fund balance. This review will also include the verification of how the annual financial reports, reimbursement claims, and Verification Summary Reports were prepared. This process will also now include the sign off and review by the CFO or MCS designee for the annual financial reports, claims, and summary reports.

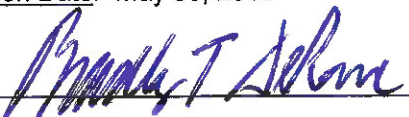
On May 14, 2019, the MCS school board did agree to CEP (all students free) lunch program with Chartwells for the 2019-20 school year. By making this switch to CEP, we are not anticipating a lowered revenue level.

Summary Steps Taken-

The CFO or MCS designee will meet monthly with FSMC reps to review expenditure reports, expense detail from vendors, summary reports, revenues generated, revenue type, program income, and ending fund balance.

The CFO, Brad DeRome, and FSMC rep, Stephanie Fegan, met on May 30, 2019, July 12, 2019, and August 20, 2019 to review status of these findings and plan for the upcoming school year to implement these action steps. The CFO and FSMC reps will mutually establish this schedule of meetings to review these items of compliance, as well as provide oversight for the reporting process of this federal program.

Completion Date: May 30, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-008 – Title I – Federal Grant Funds – Activities Allowed , Allowable Costs/ Unallowed Costs.

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Title I Federal Grant Funds – Allowable Costs / Unallowable Costs
Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

Meet to discuss Title I Federal Grant Funds/ Audit Findings (July 1, 2016- June 30, 2018)

We met on April 12, 2019 to discuss the upcoming Title I year, and discuss the audit findings as it related to “Title I Activities / Allowable Costs”, as well as to discuss the action plans and steps to correct these issues. We discussed the Federal Grant Title I list, plus the items for inclusion in the Title I grant. We discussed the process for submitting reimbursement from the state, plus the necessary support documents to aid in the grant administration, grant reimbursement, and grant tracking from the Business Office. At month end, the Business Office will provide appropriate Budget History reports, Appropriation Reports, and Fund Balance Reports with a clean cut off to the Grant Administrator. This will allow for tracking and use for State Reimbursable items. (Attendees- , Dr. Chuck Reynolds, Dr. Dea Moore-Young, Cassandra Schipp, and Brad DeRome. Additional Follow up meetings with Lisa Evans in Business Office and Dr Dea Moore-Young.)

We have established the list of Federal Grants and Awards that will be reported on the SEFA annual report on the State Gateway system. (SEFA / Annual report prepared and uploaded on August 12, 2019 in State Gateway portal.)

The Grant Administrator will be able to include only the appropriate items within the Federal Grant for reimbursements.

Summary Steps Taken-

Develop List of Federal Grants, included Title 1 Awards. Review allowable costs principles and allowable items for the grant reimbursement.

Meet with Grant Administrator and Business Office personnel to establish month end reports that are best suited to provide support for the State Title I reimbursements.

Meet with Grant Administrator and Business Office personnel to establish appropriate process for submitting State Title I reimbursements.

CFO signs off on Federal Grant Reimbursable claim for the State of Indiana as prepared by the Grant Administrator. Lisa Evans, in the MCS Business office, provides to the Federal Grant administrator each month end the proper Title I Komputrol reports for tracking purposes.

Completion Date: May 23, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-009 – Title I – LEA Earmarking , Matching, level of effort.

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Title I Federal Grant Funds – Earmarking,
Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

Meet to discuss Title I Federal Grant Funds/ Audit Findings (July 1, 2016- June 30, 2018)

We met on May 24, 2019 to discuss the Title I Grants for LEA and Earmarking Audit Findings identified in the audit. Those in attendance Brad DeRome, CFO, Lisa Evans- MCS Business Office, and Dr Dea Moore-Young, Title I Grant Administrator.

We have established the list of Federal Grants and Awards that will be reported on the SEFA annual report on the State Gateway system.

The Grant Administrator will only include the appropriate items within the Federal Grant for reimbursements. Any identified “ Earmarked “ , Matching, or level of effort spending items will be tracked and identified for the new Federal Title I grant cycle.

Summary Steps Taken-

Develop List of Federal Grants, included Title 1 Awards. Review any “ earmarked” or items for matching level of effort for compliance requirement.

Meet with Grant Administrator and Business Office personnel to establish month end reports that are best suited to provide support for the State Title I reimbursements and these “earmarked” or

specific items. Lisa Evans , MCS Business Office Financial Specialist provides these monthly Komputrol Reports to the Federal Title 1 Grant Administrator each month end (ongoing- January 2019 – August 2019).

Meet with Grant Administrator and Business Office personnel to establish appropriate process for submitting State Title I reimbursements.

CFO signs off on Federal Grant Reimbursable claim for the State of Indiana as prepared by the Grant Administrator.

Completion Date: May 24, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS
2500 N. ELGIN STREET, MUNCIE, IN 47303
Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-010 – Support Effective Instruction Grant, Activities Allowed/ Unallowed, Cash Management, level of effort, Title II.

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Support Effective Instruction Grant, Activities Allowed / Unallowed.
Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

We met on May 29, 2019 to discuss the audit findings, specifically, “ 2018-010” Support Effective Instruction Grant Funds as it related to the audit period of July 1, 2016- June 30, 2018. This meeting included Brad DeRome, MCS CFO/Treasurer, Lisa Evans, MCS Financial Specialist, and Dr. Chuck Reynolds, Associate Superintendent.

We have established the list of Federal Grants and Awards that will be reported on the SEFA annual report on the Gateway system which includes the Support Effective Instruction Grant. (The annual report / SEFA was submitted on August 14, 2019 into the State Gateway portal.)

The Grant Administrator will only include the appropriate items within the proper period for Support Effective Instruction Grant for reimbursements. The requests for the allowable Grant reimbursements will be based upon actual disbursements from the proper period as listed on appropriate Komputrol Budget History reports. The Grant Administrator will retain the appropriate support documentation for any claimed reimbursements. These reimbursement requests will be reviewed and approved by the CFO/Treasurer before submission to the State.

Summary Steps Taken-

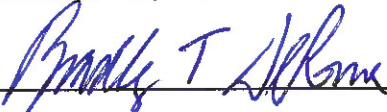
Develop List of Federal Grants, included Support Effective Instruction Grant Awards. Review any items within the grant for specific levels of effort requirements.

Met with Grant Administrator and Business Office personnel to establish month end reports that are best suited to provide documentation for the Support Effective Instruction Grant reimbursements on a timely basis. Use budget history reports by month to illustrate actual invoices / expenses against the grant. Lisa Evans, MCS Business Office, provides the appropriate month –end Komputrol reports to Dr. Chuck Reynolds at month end. The CFO will review the documentation for the monthly submission of reimbursements. Any items for change, disallowance, or revision will be noted by the CFO for correction before the submission to the state.

Met with Grant Administrator and Business Office personnel to establish appropriate process for submitting Support Effective Instruction Grant reimbursements.

CFO will sign off on Federal Grant Reimbursable claim each month for the State of Indiana as prepared by the Grant Administrator.

Completion Date: May 29, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

Date: September 3, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2018-011 – Support Effective Instruction Grant-Period of Performance

Fiscal year in which the finding initially occurred: FY 2016-2017, FY 2017-2018

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Support Effective Instruction Grant-Period of Performance

Audit Finding: Material Weakness, Internal Controls.

Status of Audit Finding

Summary:

We met on May 29, 2019 to discuss the audit findings, specifically, “ 2018-011” Support Effective Instruction Grant Funds Period of Performance as it related to the audit period of July 1, 2016- June 30, 2018. This meeting included Brad DeRome, MCS CFO/Treasurer, Lisa Evans, MCS Financial Specialist, and Dr. Chuck Reynolds, Associate Superintendent.

We have established the list of Federal Grants and Awards that will be reported on the SEFA annual report on the Gateway system which includes the Support Effective Instruction Grant. (The annual report / SEFA was submitted on August 14, 2019 into the State Gateway portal.)

The Grant Administrator will only include the appropriate items within the proper period for Support Effective Instruction Grant for reimbursements. The requests for the allowable Grant reimbursements will be based upon actual disbursements from the proper period as listed on appropriate Komputrol Budget History reports. The Grant Administrator will retain the appropriate support documentation for any claimed reimbursements. These reimbursement requests will be reviewed and approved by the CFO/Treasurer before submission to the State.

Summary Steps Taken-

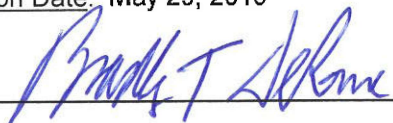
Develop List of Federal Grants, included Support Effective Instruction Grant Awards. Review any items within the grant for specific levels of effort requirements.

Met with Grant Administrator and Business Office personnel to establish month end reports that are best suited to provide documentation for the Support Effective Instruction Grant reimbursements on a timely basis. Use budget history reports by month to illustrate actual invoices / expenses against the grant. The Grant Administrator, Dr. Chuck Reynolds, will use the appropriate reports to apply for reimbursement of items within the proper period only. Lisa Evans, MCS Business Office, provides the appropriate month –end Komputrol reports to Dr. Chuck Reynolds at month end. The CFO will review the documentation for the monthly submission of reimbursements. Any items for change, disallowance, or revision will be noted by the CFO for correction before the submission to the state.

Met with Grant Administrator and Business Office personnel to establish appropriate process for submitting Support Effective Instruction Grant reimbursements.

CFO will sign off on Federal Grant Reimbursable claim each month for the State of Indiana as prepared by the Grant Administrator.

Completion Date: May 29, 2019



Bradley T. DeRome, CFO / Treasurer

Date 9-3-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

CORRECTIVE ACTION PLAN

Date: October 16, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

Finding 2019-001

Fiscal year in which the finding initially occurred: FY 2019

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Financial Statement Reporting (Conversion from "Cash Basis accounting to Accrual Accounting")

Audit Finding: Internal Controls for conversion to Accrual Accounting of ending Financial Reports

View of Responsible Official : I can certainly concur that adjustments were made to the financial notes and financial statements as they were prepared in a process that was required for the conversion of " Cash " basis financials to " Accrual" basis accounting as of June 30, 2018 and June 30, 2019. Changes and adjustments were made to the Notes and financial statements at the recommendations of the SBOA along the way as we tried to achieve the goal of timely prep for the GAAP Ball State University Audit of their financials, in which MCS was a component unit. Many times during the course of the audit from the SBOA I heard the term that we (MCS " were the first public school corporation in the state to go thru this conversion and this was a learning process".) Certainly, SBOA and MCS staff will be better informed and better prepared for next year's annual audit and financial statement conversion process after having gone thru this process this year. New direction for the Notes to the financials were still being given to MCS from SBOA as late as October 6th, on what was to be included or not included in the various reports and accompanying financials.

Description of Corrective Action Plan

The CFO will develop internal control procedures, review of adjustments and reports, and policies in order to allow MCS representatives and any subsequent consulting firm who may participate in this conversion process of Cash Basis to Accrual Accounting for this next audit year. This process will be documented as to also what items/ steps are needed for the next audit cycle for this accrual conversion process from the SBOA, consulting firm, and what items/ steps can be gathered ahead of time before we reach the June 30 fiscal year end time period.

The MCS Business Office Staff has always demonstrated a spirit of cooperation to make this process work, and to hit the necessary deadlines. We will continue the same for the implementation of these action item steps for the next year audit cycle for this Cash/ Accrual basis conversion process.

Completion Date: December 1, 2019.

Bradley T. DeRome, CFO / Treasurer

Date

Bradley T. DeRome
10-16-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

CORRECTIVE ACTION PLAN

Date: October 16, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

Finding 2019-002

Fiscal year in which the finding initially occurred: FY 2016-18

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: SEFA report

Audit Finding: Material Weakness, Internal Controls not in place to assure compliance.

View of Responsible Official : We concur with the findings.

Description of Corrective Action Plan

This was a “repeat” finding from the immediate prior audit that had just ended in March 2019. The School Corporation did have a system in place to accumulate, prepare, gather from the Komputrol reports, and input into the Gateway /SEFA report system as of August 2019. However, this process, while improved from the prior SEFA submission in August 2018, still resulted in errors on the SEFA 2019 report. This results in a finding of not having adequate system of internal controls in place to prevent , detect, or correct errors on the prep, entry, and uploading of data into the SEFA report in the Gateway state portal.

Each year the CFO will prepare a list of all federal awards with the assistance of the Business Office staff, Assistant Treasurer, Financial Specialist, Associate Supt., Special Ed Director, and the Food Service Director. Once this list of federal awards has been compiled, it will be reviewed for reasonableness and accuracy by the appropriate administrators. The CFO will document this review process and have sign off by the appropriate personnel. Once the federal awards have been identified, during the course of this next school year 2019-20, the Business Office Staff will use the SBOA template for tracking of these federal awards to better summarize and accumulate these federal awards in preparation to provide for the upload into the next SEFA report on August 2020.

The CFO and financial specialist will prepare the SEFA as required at fiscal year end, as of June 30, 2020. (August 2020) They will gather, prepare, document, review, and assemble the data to input into the Gateway system. The CFO will document the review process of this entry into the SEFA report in the Gateway system. The CFO and Financial Specialist will review the report for accuracy after a draft copy has been printed out, and before upload. The items will be reviewed to make sure that they agree with the Komputrol source documents for federal awards, the SBOA summary templates, as well as the federal Commodity information from the Child Nutrition system. This information will be reviewed and documented for final review by the CFO before final upload into the Gateway system for submission.

The next SEFA submission into the Gateway system will not be until August 2020. The CFO and Financial Specialist will continue working on this project of prepping, data gathering, and using the new SBOA summary template, to help assist with this project before August 2020.

Completion Date: November 1, 2019.

Bradley T. DeRome, CFO / Treasurer

Date _____




MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

CORRECTIVE ACTION PLAN

Date: October 14, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

Finding 2019-003

Fiscal year in which the finding initially occurred: FY 2016-18

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Activities Allowed or Unallowed and Allowable costs/Cost principles, for School lunch programs. Cash Management Eligibility, Special Tests/ Provisions, and Verification tests.

Audit Finding: Material Weakness, Internal Controls not in place to assure compliance.

View of Responsible Official : We concur with the findings.

Description of Corrective Action Plan

The CFO will develop internal control procedures and policies in order to allow MCS representatives to assure themselves that we are in compliance with Allowable Costs/ unallowable cost provisions, cash management, verification tests, and the various reporting requirements with the Chartwells Food Service company.

On a periodic (monthly) basis when we meet with the reps from Chartwells (FSMC), the CFO will review the management reports, as well as the support documentation for the revenues and expense invoice detail to verify adequate assurance and verification as to the accuracy of the report detail.

For any refunds for students, these refunds will be paid from the Food Service PrePaid Account Fund #8410.

Completion Date: December 1, 2019.

Bradley T. DeRome, CFO / Treasurer
Date _____

Bradley T. DeRome
10-16-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

CORRECTIVE ACTION PLAN

Date: October 14, 2019
To: State Board of Accounts
Audit Period: July 1, 2018 – June 30, 2019

Finding 2019-004

Fiscal year in which the finding initially occurred: N/A
Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Special Education – Activities Allowed or Unallowed and Allowable costs/Cost principles, period of performance.

Audit Finding: Material Weakness, Internal Controls not in place to assure compliance.

View of Responsible Official : We concur with the findings.

Description of Corrective Action Plan

The CFO will develop internal control procedures and policies in order to allow MCS representatives to assure themselves that we are in compliance with Allowable Costs/unallowable cost principles for the Special Ed federal funds program.

On a periodic basis, the CFO will meet with the appropriate Special Education employees and the Financial Specialist to assure compliance with the periodic grant reimbursements, and to assure that proper review of the expenditures are made within the federal fund guidelines.

For any grants that are completed with funds available, no transfers of unencumbered funds will occur into the General Fund, Education Fund, or other district funds.

Completion Date: December 1, 2019.

Bradley T. DeRome, CFO / Treasurer

Date _____

Bradley T. DeRome
10-16-2019

MUNCIE COMMUNITY SCHOOLS

2500 N. ELGIN STREET, MUNCIE, IN 47303

Phone: 765-747-5222

CORRECTIVE ACTION PLAN

Date: October 14, 2019

To: State Board of Accounts

Audit Period: July 1, 2018 – June 30, 2019

Finding 2019-005

Fiscal year in which the finding initially occurred: FY 2016-18

Contact Person Responsible for Corrective Action: Brad DeRome, CFO / Treasurer-

Contact Phone Number: 765-747-5222

Subject: Title I – Activities Allowed or Unallowed and Allowable costs/Cost principles, period of performance, reporting.

Audit Finding: Material Weakness, Internal Controls not in place to assure compliance.

View of Responsible Official : We concur with the findings.

Description of Corrective Action Plan

The CFO will develop internal control procedures and policies in order to allow MCS representatives to assure themselves that we are in compliance with Allowable Costs/ unallowable cost principles for the Title I federal funds program. This process will be documented and reviewed with all of the appropriate MCS Title I employees, such as the director, financial specialist, and the Assoc. Superintendent.

The CFO will compile this list of federal awards for Title 1 programs and review them periodically with the appropriate MCS employees. The CFO will also develop the process for submitting the reimbursements which will comply with the necessary and allowable costs, cost principles, and period of performance for these federal funds. This process of training the appropriate MCS personnel in this internal control procedures will be documented.

The financial specialist will provide the appropriate Komputrol Accounting reports to the federal grant administrator so requests for reimbursements for these federal programs will occur monthly, and requests will not be duplicated. The correct source documents for reimbursements will be used to remain in compliance with necessary Allowable Costs and Allowable Cost Principles, Cash Management and reporting.

Completion Date: December 1, 2019.

Bradley T. DeRome, CFO / Treasurer
Date _____

Bradley T. DeRome
10-16-2019

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.