

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE

MORGAN COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/26/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly LaRue Whitney Kuszmaul	07-01-17 to 11-15-17 11-16-17 to 12-31-20
Superintendent of Schools	Dr. Michele Moore Dr. Jay Arthur	07-01-17 to 06-30-19 07-01-19 to 06-30-20
President of the School Board	Tana Lobb Dave Rinehart Deborah Lipps Michelle Baugh	07-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN 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 statement of the Metropolitan School District of Martinsville (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 20, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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 statement 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT 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 statement is 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

February 20, 2020



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 METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Martinsville's (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 period of July 1, 2017 to 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.

Opinion on Each Major Federal Program

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 major federal programs for the period of July 1, 2017 to June 30, 2019.

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)

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 items 2019-002 and 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.

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 2019-001, 2019-002, 2019-003, and 2019-004, 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.

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)

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated February 20, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. 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 financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

February 20, 2020

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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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 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 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY2018	\$ -	\$ 370,005	\$ -	\$ -
School Breakfast Program			FY2019	-	-	-	354,004
Total - School Breakfast Program				-	370,005	-	354,004
National School Lunch Program							
National School Lunch	Indiana Department of Education	10.555					
National School Lunch			FY2018	-	1,081,158	-	-
National School Lunch - Commodities			FY2019	-	-	-	910,522
National School Lunch - Commodities			FY2018	-	229,692	-	-
National School Lunch - Commodities			FY2019	-	-	-	201,809
Total - National School Lunch Program				-	1,310,850	-	1,112,331
Special Milk Program for Children							
School Milk Program	Indiana Department of Education	10.556					
			FY2018	-	33	-	-
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Education	10.559					
Summer Food Service			FY2018	-	35,117	-	-
Summer Food Service			FY2019	-	-	-	34,816
Total - Summer Food Service Program for Children				-	35,117	-	34,816
Total - Child Nutrition Cluster				-	1,716,005	-	1,501,151
Total - Department of Agriculture				-	1,716,005	-	1,501,151
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
SPECIAL ED FY16 PART B SECTION 611			14216-037-PN01	-	9,687	-	-
SPECIAL ED FY17 PART B SECTION 611			14217-037-PN01	-	649,526	-	131,609
SPECIAL ED FY18 PART B SECTION 611			18611-037-PN01	-	441,829	-	689,498
SPECIAL ED FY19 PART B SECTION 611			19611-037-PN01	-	-	-	603,493
Total - Special Education Grants to States				-	1,101,042	-	1,424,600

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 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 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY16 PRESCHOOL PART B 619			45716-037-PN01	-	186	-	-
FY17 PRESCHOOL PART B 619			45717-037-PN01	-	32,293	-	1,031
FY18 PRESCHOOL PART B 619			18619-037-PN01	-	12,290	-	30,498
FY19 PRESCHOOL PART B 619			19619-037-PN01	-	-	-	7,209
Total - Special Education Preschool Grants				-	44,769	-	38,738
Total - Special Education Cluster (IDEA)				-	1,145,811	-	1,463,338
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
TITLE 1 FY 16/17			17-5925	-	168,794	-	-
TITLE 1 FY 17/18			18-5925	-	653,425	-	228,632
TITLE 1 FY 18/19			19-5925	-	-	-	591,032
Total - Title I Grants to Local Educational Agencies				-	822,219	-	819,664
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
FY16 MCKINNEY VENTO HOMELESS			FY2016	-	1,245	-	-
FY17 MCKINNEY VENTO HOMELESS			FY2017	-	34,289	-	1,708
FY18 MCKINNEY VENTO HOMELESS ASSISTANCE			FY2018	-	-	-	33,010
Total - Education for Homeless Children and Youth				-	35,534	-	34,718
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
TITLE II PART A FY16			FY2016	-	94,498	-	6,107
TITLE II PART A FY17			FY2017	-	57,554	-	87,753
TITLE II PART A FY18			FY2018	-	-	-	66,406
Total - Supporting Effective Instruction State Grants				-	152,052	-	160,266
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV FY17			FY2017	-	9,999	-	70,864
Title IV FY18			FY2018	-	-	-	10,502
Total - Student Support and Academic Enrichment Program				-	9,999	-	81,366
Total - Department of Education				-	2,165,615	-	2,559,352
Total federal awards expended				\$ -	\$ 3,881,620	\$ -	\$ 4,060,503

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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 years ended June 30, 2018 and 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

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 the 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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	Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: Child Nutrition Cluster - Internal Controls
 Federal Agency: Department of Agriculture
 Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
 CFDA Numbers: 10.533, 10.555, 10.556
 Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Eligibility
 Audit Finding: Material Weakness

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the determination of eligibility for free or reduced priced meals was proper. One employee entered the paper application information into the cafeteria software without a system of oversight, review, or approval process to determine the accuracy of eligibility determinations made.

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed or implemented a system of internal control to ensure compliance with the grant agreement and the compliance requirement 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 requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-002

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

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-037-PN01, 14217-037-PN01,
18611-037-PN01, 19611-037-PN01,
45716-037-PN01, 45717-037-PN01,
18619-037-PN01, 19619-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify vendors were not suspended or debarred prior to entering into covered transactions with the vendors.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-003

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

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-037-PN01, 14217-037-PN01,
18611-037-PN01, 18619-037-PN01,
45716-037-PN01, 45717-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-004.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement. One employee prepared the Maintenance of Effort calculation, using the School Corporation financial data from fiscal year 2017-2018, as a part of the FY2019 grant application without a system of oversight, review, or approval process.

The lack of controls was isolated to 2017-2018.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed a system of internal control to ensure compliance with the grant agreement and the compliance requirement listed above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-004

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security

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): 17-5925, 18-5925, 19-5925

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation did not have a process in place to ensure that all individuals involved in the testing process received the proper training and signed the required Indiana Testing Security and Integrity Agreement. The agreements for the high school were not retained for audit for fiscal year 2018-2019.

The lack of controls and noncompliance were isolated to the high school for 2018-2019.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The administrative regulation 511 IAC 5-5-5 states in part:

". . . (b) Any individual who administers, handles, or has access to secure test materials at the school or school corporation shall complete assessment training and sign a testing security and integrity agreement to remain on file in the appropriate building-level office each year."

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not established a system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the compliance requirement listed above. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

Metropolitan School District of Martinsville

*P.O. Box 1416
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Board of Education

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Debbie Lipps, Vice President
Dave Rinehart, Secretary
Steve Brock
Don Lipps*

Superintendent

*Dr. Jay Arthur
Assistant Superintendent
Craig Buckler
Treasurer
Whitney Kuszmaul
Director of Business Affairs
Jeremy Ogden*

Metropolitan School District of Martinsville Summary Schedule of Prior Audit Findings

Finding 2017-001

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Whitney Kuszmaul
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the finding on preparation of the Schedule of Expenditures of Federal Awards. The District Treasurer prepares the SEFA report and submits to the Director of Business Affairs and the Superintendent for review and approval.

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

Finding 2017-002

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Whitney Kuszmaul
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented pertaining to the finding over Child Nutrition Cluster. The Food Service Support Specialist verifies and prints the USDA Income Eligibility Guidelines for the program year entered into the software. The Food Service Director will review and sign the report

compiled by the Food Service Business Specialist. The Food Service Director will verify and sign the Verification of Free/Reduced Applications to establish evidence of review.

This portion of the finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Eligibility: Not corrected

Finding 2017-003

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Whitney Kuszmaul

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

Status of Audit Finding:

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

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

Finding 2017-004

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Whitney Kuszmaul

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

Status of Audit Finding:

Internal Controls have been implemented in regards to the Special Education Cluster and Improving Teacher Quality State Grants. The District Treasurer runs reports from the financial system that are used in the calculation for Maintenance of Effort for the Special Education Director. The Director tallies the reports based on object and enters them in the worksheet. The Special Education Director files all supporting documents for future audits. This finding was anticipated to be corrected in November 2017 after the completion of the 2013-2016 SBOA audit. This finding was not corrected as anticipated, as there was a new Special Education Director and the necessary reports were not retained.

Finding 2017-005

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Whitney Kuszmaul
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the Special Education Cluster. The District Treasurer prepares all federal grant reimbursements and includes all supporting documentation showing actual funds requested for reimbursement. The reimbursement request is signed by the grant director before being submitted for reimbursement.

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

Finding 2017-006

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Whitney Kuszmaul
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the Special Education Cluster and the Period of Performance. A list of all encumbrance deadlines for Special Education grants has been given to the Director of Special Education as well as the Secretary of Special Education. The District Treasurer works closely with the Special Education Secretary and Director to ensure that all items are encumbered by the deadline and that no items are liquidated after the deadline that were not previously encumbered. The Special Education Secretary also inputs all purchases into a spreadsheet for each grant account that includes the encumbrance and liquidation dates on it.

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

Finding 2017-007

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Whitney Kuszmaul
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented at Martinsville High School pertaining to the Special Tests & Provisions – Annual Report Card and High School Graduation Rate. There are monthly discussions between counselors and the High School Principal regarding mobility of students. Certified letters are sent to the home of students whose parent does not sign off on withdraw. All files and documentation are retained at the High School.

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

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Jeremy Ogden*

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Whitney Kuszmaul

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

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

The Food Service Support Specialist will verify and print the USDA Income Eligibility Guidelines for the Program Year that is entered into the software. In addition, starting with the 2019-2020 school year, the Food Service Director will manually calculate 3% of all submitted paper applications. The Food Service Support Specialist will process 100% of the applications submitted (paper and electronic). The Food Service Director will pull a random sample totaling 3% of all paper applications received. The Food Service Director will review each application for accuracy and then sign off.

Anticipated Completion Date: The finding was corrected in February 2020 after the 2017-2019 SBOA audit report was filed.

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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Whitney Kuszmaul

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Suspension and Debarment of vendors being paid with federal funds, the following steps will be followed for internal controls.

The District Treasurer will be responsible for running a report from the financial system, Skyward for vendors who have received \$25,000 or more in the course of a calendar year. The report will be detailed to show only payments from federal funds. Any vendors on this list will be checked to the SAMS.gov website to ensure they have not been suspended or debarred. A screenshot of the SAMS.gov vendor profile will be saved for audit purposes. The Treasurer and the Deputy Treasurer will both sign off on the report to show that all vendors have been checked back to the website.

Anticipated Completion Date: The finding was corrected in February 2020 after the 2017-2019 SBOA audit report was filed.

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CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Whitney Kuszmaul

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

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

The District Treasurer will pull the financial reports from Skyward that are used for calculating the Maintenance of Effort worksheet for the Special Education Director. The Director tallies the reports based on object and enters them in the worksheet. The Special Education Director will file all supporting documents for future audits.

Anticipated Completion Date: The finding was corrected in February 2020 after the 2017-2019 SBOA audit report was filed.

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CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Whitney Kuszmaul

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

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Assessment System Security on Title I Grant Special Tests and Provisions, the following steps will be followed for internal controls.

The schools individually administer and monitor the assessment testing. Once staff have completed the training they are required to sign an agreement. The signed agreement is given to the building Secretary who compares the completed agreements to a school staff roster. The staff roster is compared to the agreements by the Principal as well. Both the Principal and the school Secretary sign off on the roster showing that they have received a signed agreement for all staff listed. A copy of the agreements and roster are sent to the Assistant Superintendent for safe keeping for the audit. The originals are retained at the building level.

Anticipated Completion Date: The finding was corrected in December 2019 with the addition of new administration, the Assistant Superintendent.

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/>.