

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF  
MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
MORGAN COUNTY, INDIANA  
July 1, 2018 to June 30, 2020



**FILED**  
05/11/2021



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
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 <i>Government Auditing Standards</i> .....	3-4
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 .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-17
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	20-21
Corrective Action Plan .....	22-25
Other Reports.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rhondi Taylor Monica Houk	07-01-18 to 04-11-21 04-12-21 to 06-30-21
Superintendent of Schools	Randy Taylor	07-01-18 to 06-30-21
President of the School Board	Dr. William E. Roberson	07-01-18 to 06-30-21



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 MOORESVILLE CONSOLIDATED  
SCHOOL CORPORATION, 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 Mooresville Consolidated School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated April 28, 2021, 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, 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 item 2020-001, 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  
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 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 2020-001.

***Mooresville Consolidated School Corporation's 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 statement, 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*  
Paul D. Joyce, CPA  
State Examiner

April 28, 2021



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 MOORESVILLE CONSOLIDATED SCHOOL CORPORATION, MORGAN COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Mooresville Consolidated School Corporation'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, 2018 to June 30, 2020. 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, 2018 to June 30, 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  
(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 item 2020-002. 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 2020-002 and 2020-003, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated April 28, 2021, 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*  
Paul D. Joyce, CPA  
State Examiner

April 28, 2021

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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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program 2018-19			FY2018-19	\$ -	\$ 180,480	\$ -	\$ -
Breakfast 2020			FY2020	-	-	-	136,221
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
Breakfast 2020			FY2020	-	-	-	10,881
Total - School Breakfast Program				-	180,480	-	147,102
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch 2018-19			FY2018	-	913,852	-	-
School Snack Program 2018-19			FY2018-2019	-	8,428	-	-
Commodities			FY 2018-19	-	152,757	-	-
Lunch FY2020			FY2020	-	-	-	639,546
Snack Program 2020			FY2020	-	-	-	5,497
Commodities 2020			FY2020	-	-	-	128,499
Subtotal - National School Lunch Program				-	1,075,037	-	773,542
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
Lunch FY2020			FY2020	-	-	-	49,960
Total - National School Lunch Program				-	1,075,037	-	823,502
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service 2018-19			FY2018-19	-	28,697	-	-
Summer Food Program 2020			FY 2020	-	-	-	30,837
COVID-19 Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Program 2020			FY 2020	-	-	-	92,547
Total - Summer Food Service Program for Children				-	28,697	-	123,384
Total - Child Nutrition Cluster				-	1,284,214	-	1,093,988
Total - Department of Agriculture				-	1,284,214	-	1,093,988
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Ed. Part B 611 FY 2018			18611-123-PN01	-	449,740	-	28,639
SPEC.ED PART B 611 FY2019			H027A180084	-	593,516	-	-
Special; Ed. Part B 611 FY2019			19611-123-PN01	-	-	-	361,431
Special Ed.Part B 2020			20619-123-PN01	-	-	-	665,398
SPEC.ED PART B 611 FY 2017			FY 2017	-	27,654	-	-
Total - Special Education Grants to States				-	1,070,910	-	1,055,468
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Ed. Part B 619 Preschool 2019			19619-123-PN01	-	-	-	10,242
Special Ed. Part B 619 Preschool 2020			20619-123-PN01	-	-	-	18,974

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Special Ed. Part B 619 Preschool 2019			FY 2019	-	19,006	-	-
Special Ed. Part B 619 Preschool 2018			FY2018	-	17,630	-	-
Total - Special Education Preschool Grants				-	36,636	-	29,216
Total - Special Education Cluster (IDEA)				-	1,107,546	-	1,084,684
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2018			S010A170014	-	146,411	-	-
Title I 2020			S010A170014	-	-	-	295,799
Title I 2019			S010A190014	-	300,485	-	148,528
Total - Title I Grants to Local Educational Agencies				-	446,896	-	444,327
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
McKinney-Vento 2019			7000S196A170015	-	-	-	19,475
McKinney-Vento 2020			7000S196A190015	-	-	-	37,278
McKinney-Vento 2018			FY 2018	-	16,434	-	-
McKinney-Vento 2019			FY 2019	-	33,525	-	-
Total - Education for Homeless Children and Youth				-	49,959	-	56,753
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A Supporting Effective Inst. 2017-19			FY 2019	-	-	-	56,751
Title II Part A Supporting Effective Inst. 2021			FY 2021	-	-	-	3,000
Title II Part A Supporting Effective Inst. 2016- 2018			S367A160013	-	71,353	-	-
TITLE II PART A SUPPORTING EFFECTIVE IST. 2017-2019			S367A170013	-	27,369	-	-
TITLE II PART A SUPPORTING EFFECTIVE INST 2018-2020			S367A190013	-	1,920	-	35,420
Total - Supporting Effective Instruction State Grants				-	100,642	-	95,171
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
TITLE IV PART A 2018			S424180015	-	7,149	-	-
TITLE IV PART A-2019			S424A190015	-	-	-	13,101
TITLE IV PART A 2020			S424180015	-	-	-	1,648
Total - Student Support and Academic Enrichment Program				-	7,149	-	14,749
Total - Department of Education				-	1,712,192	-	1,695,684
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
MAC			FY2019	-	87,114	-	-
MAC			FY2020	-	-	-	53,554
Total - Medical Assistance Program				-	87,114	-	53,554
Total - Medicaid Cluster				-	87,114	-	53,554
Total - Department of Health and Human Services				-	87,114	-	53,554
Total federal awards expended				\$ -	\$ 3,083,520	\$ -	\$ 2,843,226

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
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, 2019 and 2020. 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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	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**

**FINDING 2020-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal controls or separated incompatible activities related to cash and investments, receipts, and other financing sources and uses.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash and Investments*

The School Corporation did not have an effective internal control system in place to ensure that combined bank reconciliations were completed that included all bank and investment accounts and all funds.

*Receipts*

The School Corporation did not have an effective internal control system in place to ensure that receipts were properly recorded, deposited, and reported in the financial statement.

*Other Financing Sources and Uses*

The School Corporation did not have an effective internal control system in place to ensure that transfers were properly recorded and reported in the financial statement. Most transfers between funds were recorded without supporting documentation, and without a review or approval process.

*Criteria*

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

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

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

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

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance documents provided by the respective depositories."

*Cause*

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

*Effect*

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2020-002**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2018-19, FY2018, FY2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-004.

*Condition and Context*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Lunch fund's net cash resources exceeded the three months average expenditures during 16 out of 24 months tested. As of June 30, 2019, the School Lunch fund balance exceeded three months average expenditures by \$326,363. The Food Service Director had a plan in place to use the excess cash balances, but the plan was not submitted to the Indiana Department of Education for approval until October 2019.

The lack of internal controls and noncompliance was a systemic issue that occurred until the plan was filed in October 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). . . ."

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

7 CFR 220.7(e) states in part:

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

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

*Cause*

Management had not established and implemented an effective internal control system to ensure compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance and to comply with the Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2020-003**

Subject: Title I Grants to Local Educational Agencies - 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, S010A190014  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

*Condition and Context*

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the reimbursement claims were accurate prior to submission. There was no evidence of a review by someone other than the preparer on two of the six claims tested.

The lack of properly designed and implemented internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not established and implemented an effective internal control system to ensure compliance with the Reporting compliance requirement.

*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. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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

# MOORESVILLE CONSOLIDATED SCHOOL CORPORATION

## EDUCATION CENTER

11 W. Carlisle Street, Mooresville, IN 46158

317.831.0950

Fax: 317.831.9202

[www.mooresvilleschools.org](http://www.mooresvilleschools.org)



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## Summary Schedule of Prior Audit Findings

### ***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: August, 2018

### ***FINDING 2018-002***

Fiscal year in which the finding initially occurred: 2014  
Status of Audit Finding: Corrective action was taken.  
Corrected: August, 2018

### ***FINDING 2018-003***

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: July 1, 2019

### ***FINDING 2018-004***

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: November 1, 2019

### ***FINDING 2018-005***

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: July 1, 2019

### ***FINDING 2018-006***

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: April 1, 2018

### ***FINDING 2018-007***

Fiscal year in which the finding originally occurred: 2014  
Status of Audit Finding: Corrective action was taken.  
Corrected: March 1, 2019

**FINDING 2018-008**

Fiscal year in which the finding originally occurred: 2018  
Status of Audit Finding: Corrective action was taken.  
Corrected: March 1, 2019

**FINDING 2018-009**

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: March 1, 2019

**FINDING 2018-010**

Fiscal year in which the finding initially occurred: 2014  
Status of Audit Finding: Corrective action was taken.  
Corrected: January 19, 2018

**FINDING 2018-011**

Fiscal year in which the finding initially occurred: 2016  
Status of Audit Finding: Corrective action was taken.  
Corrected: March 1, 2019

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### CORRECTIVE ACTION PLAN

#### **FINDING 2020-001**

Contact Person Responsible for Corrective Action: Dr. Jake Allen  
Contact Phone Number: 317-831-0950

Views of Responsible Official: We Concur with the finding.

Description of Corrective Action Plan:

#### *Cash and Investments*

The School Corporation will implement effective internal controls to ensure that combined bank reconciliations are completed, which includes all bank and investment accounts and all funds.

#### *Receipts*

The School Corporation will implement effective controls to ensure that receipts are properly recorded, deposited, and reported in the financial statement.

#### *Other Financing Sources and Uses*

The School Corporation will implement effective controls to ensure that transfers are properly recorded and reported in the financial statement.

Anticipated Completion Date: July 1, 2021

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### CORRECTIVE ACTION PLAN

#### ***FINDING 2020-002***

Contact Person Responsible for Corrective Action: Daniel Williams  
Contact Phone Number: 317-831-0950

Views of Responsible Official: We Concur with the finding.

#### Description of Corrective Action Plan:

The food service director documented that food service fund was in excess of the 3 months operating income. The food service director did note that the excess funds were being held in reserve for a large equipment purchase for the amount of the excess funds. Current procedures will remain in place and the DOE will be contacted with the "spend-down plan", at the conclusion of a school year by November 1st when balances are in excess of 3 months operating expenditures during the previous school year.

Anticipated Completion Date: November 1, 2019

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### CORRECTIVE ACTION PLAN

#### **FINDING 2020-003**

Subject: Title I Grants to Local Educational Agencies – Reporting  
Federal Agency: Department of Education  
Federal Programs: Title I Grants to Local Educational Agencies  
CFDA Numbers: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): SO10A170014, SO10A180014, SO10A190014  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters  
Contact Person Responsible for Corrective Action: Director of Title I, Casey Gibson ([casey.gibson@mooresvilleschools.org](mailto:casey.gibson@mooresvilleschools.org))  
Contact Phone Number: (317) 831-0950 ext. 2061

Views of Responsible Official: Mooresville Consolidated School Corporation concurs with the finding.

#### Description of Corrective Action Plan:

1. An effective internal control system with a segregation of duties and a review process will be put into place in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Reporting.
  - a. Title I Reimbursement Forms will be completed by the Treasurer. Once the Reimbursement Form is completed, the Treasurer will print the form. The Treasurer will then present the Reimbursement Form with all of the supporting documentation to the Director of Title I. The Director of Title I will review the Reimbursement Form and the supporting documentation. If the Director of Title I believes the Reimbursement Form is correct to the best of her knowledge, then the Director of Title I will sign and date the Reimbursement Form. The Treasurer will then sign and date the Reimbursement Form as well. Once both signatures are on the Reimbursement Form, the Treasurer will submit the completed Reimbursement Form.

Anticipated Completion Date: The required documentation for the above mentioned item will be corrected immediately and documentation will be available for future reference.

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## 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/>.