

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, 2019 to June 30, 2020



FILED

06/29/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brad DeRome	07-01-19 to 06-30-21
Superintendent of Schools	Dr. Lee Ann Kwiatkowski, Ed. D	07-01-18 to 07-31-19
President of the School Board	James Williams	07-01-19 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
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, 2020, 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 22, 2020. The opinion on governmental activities was qualified because the contribution from the State of Indiana as the non-employer contributing entity for the Pre-1996 Teachers' Retirement Fund and associated expense and associated Net Pension Liability in the notes were not audited and we were not engaged to audit the information.

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 2020-001 and 2020-002, 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 2020-002.

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 22, 2020, except for the Schedule of Expenditures
of Federal Awards, for which the date is May 27, 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 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, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2020-003 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 Special Tests and Provisions - School Food Accounts that are applicable to its Child Nutrition Cluster. 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 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster for the year ended June 30, 2020.

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, 2020.

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 item 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.

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)

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, 2020, 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 22, 2020, which contained a qualified opinion on governmental activities because the contribution from the State of Indiana as the non-employer contributing entity for the Pre-1996 Teachers' Retirement Fund and associated expense and associated Net Pension Liability in the notes were not audited and we were not engaged to audit the information. 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

May 27, 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.

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MUNCIE COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 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	Total Federal Awards Expended	Passed Through to Subrecipient
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	2019-2020	\$ 491,269	\$ -
School Breakfast Program				<u>491,269</u>	<u>-</u>
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553	2019-2020	41,303	-
COVID-19 - School Breakfast Program				<u>41,303</u>	<u>-</u>
Total School Breakfast Program				<u>532,572</u>	<u>-</u>
National School Lunch Program					
National School Lunch Program	Indiana Department of Education	10.555	2019-2020	1,608,833	-
Commodities			2019-2020	226,880	-
				<u>226,880</u>	<u>-</u>
Sub-Total National School Lunch Program				<u>1,835,713</u>	<u>-</u>
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555	2019-2020	122,751	-
COVID-19 - National School Lunch Program				<u>122,751</u>	<u>-</u>
Total National School Lunch Program				<u>1,958,464</u>	<u>-</u>
Summer Food Service Program for Children					
Summer Food Service Program for Children	Indiana Department of Education	10.559	2019-2020	71,991	-
				<u>71,991</u>	<u>-</u>
COVID-19 Summer Food Service Program for Children	Indiana Department of Education	10.559	2019-2020	1,178,825	-
COVID-19 - Summer Food Service Program for Children				<u>1,178,825</u>	<u>-</u>
Total Summer Food Service Program for Children				<u>1,250,816</u>	<u>-</u>
Total - Child Nutrition Cluster				<u>3,741,852</u>	<u>-</u>
Child and Adult Care Food Program					
Child and Adult Care Food Program	Indiana Department of Education	10.558	2019-2020	221,505	-
				<u>221,505</u>	<u>-</u>
Total - Department of Agriculture				<u>3,963,357</u>	<u>-</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027	H027A180084	26,207	-
			H027A180084	487,887	-
			H027A190084	934,789	-
				<u>934,789</u>	<u>-</u>
Total - Special Education Grants to States				<u>1,448,883</u>	<u>-</u>

MUNCIE COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 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	Total Federal Awards Expended	Passed Through to Subrecipient
Special Education Preschool Grants	Indiana Department of Education	84.173	H173A180104	9,589	-
			H173A190104	<u>65,960</u>	-
Total - Special Education Preschool Grants				<u>75,549</u>	-
Total - Special Education Cluster (IDEA)				<u>1,524,432</u>	-
Adult Education - Basic Grants to States	Indiana Department of Education	84.002	V002A180014	15,665	-
			V002A190014	<u>84,915</u>	-
Total - Adult Education - Basic Grants to States				<u>100,580</u>	-
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	S010A180014	2,216,099	-
			S010A180014	69,989	-
			S010A190014	167,023	-
			S010A190014	1,587,809	-
			S377A160015	149,330	-
			S010A190014	<u>68,036</u>	-
Total - Title I Grants to Local Educational Agencies				<u>4,258,286</u>	-
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048	19-4700-1970	63,599	-
			20-0512-A022	505	-
			20-4700-1970	<u>61,933</u>	-
Total - Career and Technical Education -- Basic Grants to States				<u>126,037</u>	-
Gaining Early Awareness and Readiness for Undergraduate Programs	Indiana Department of Education	84.334	FY20	<u>1,650</u>	-
English Language Acquisition State Grants	Indiana Department of Education	84.365	S365A180014	<u>2,853</u>	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A170013	<u>159,011</u>	-
School Improvement Grants	Indiana Department of Education	84.377	S377A140016	133,431	-
			S010A180014	<u>55,523</u>	-
Total - School Improvement Grants				<u>188,954</u>	-

MUNCIE COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 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	Total Federal Awards Expended	Passed Through to Subrecipient
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424		88,417	-
			S424A180015	31,772	-
			S424A190015	888	-
				<u>121,077</u>	<u>-</u>
Total - Student Support and Academic Enrichment Program				<u>121,077</u>	<u>-</u>
Total - Department of Education				<u>6,482,880</u>	<u>-</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program	Indiana Department of Education	93.778	FY20	185,447	-
Total - Medicaid Cluster				<u>185,447</u>	<u>-</u>
Total - Department of Health and Human Services				<u>185,447</u>	<u>-</u>
<u>Social Security Administration</u>					
Disability Insurance/SSI Cluster					
Social Security Disability Insurance	Social Security Administration	96.001	BOLP 736	1,456	-
Total - Disability Insurance/SSI Cluster				<u>1,456</u>	<u>-</u>
Total - Social Security Administration				<u>1,456</u>	<u>-</u>
Total federal awards expended				<u>\$ 10,633,140</u>	<u>\$ -</u>

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, 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.

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.

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 information	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
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Qualified Unmodified Unmodified

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 2020-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2019-001.

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

Condition and Context

The School Corporation did not have adequate internal 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 2020-002

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 2019-002.

Condition and Context

The School Corporation had not established internal controls over the federal information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

Due to the lack of internal controls, the SEFA presented for audit included the following errors:

1. The Special Education Cluster (IDEA) expenditures were overstated by \$621,394.
2. Several additional grants had individually immaterial errors that resulted in a combined misstatement of \$13,703.
3. 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 presented in this report.

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 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

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

2 CFR 200.62 states in part:

"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

(a) Transactions are properly recorded and account for in order to:

(1) Permit the preparation of reliable financial statements . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

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

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

Cause

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

Effect

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - School Food Accounts

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, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): 2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - School Food Accounts

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 2019-003.

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program costs were supported by proper documentation to ensure that the costs were allowable and for only the operation of the food service program. In addition, there were no internal controls to ensure that food service program sales were properly recorded in the School Lunch fund.

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

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Special Tests and Provisions - School Food Accounts*

The School Corporation entered into a cost-reimbursement contract, dated March 21, 2016, with a food service management company. Three invoices for payment to the food service management company, which totaled \$888,674, were selected for testing. Detailed supporting documentation could not be presented for audit. Additionally, the documentation presented could not be matched to the costs invoiced. Due to the lack of adequately detailed documentation that matched the costs invoiced, we were unable to determine if the costs paid were for activities allowed or even allowable expenditures, and, therefore, proper uses of program income for the federal programs. The costs that were not properly documented were considered questioned costs.

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.

Context

The lack of internal controls, noncompliance, and failure to maintain adequate supporting documentation of program costs 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). . . ."

7 CFR 210.21(f)(1) states in part:

". . . (ii)

(A) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

(B) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in manner suitable for contract cost determination and verification;

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

- (iii) The contractor's determination of its allowable costs must be made in compliance with the applicable Departmental and Program regulations and Office of Management and Budget cost circulars; . . .
- (vi) The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except *that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. . . .

(c) *Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section. . . .

(f) . . .

- (3) All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(1) . . .

(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance or that supporting documentation would have been maintained and made available for audit related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

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

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

Questioned Costs

Known questioned costs of \$888,674 were identified in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure that documentation will be maintained and made available for audit related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - School Food Accounts compliance requirements.

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

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. This included having internal controls over all applicable compliance requirements. It is our responsibility to express an opinion on the School Corporation's compliance with each major federal program as well as consider the School Corporation's internal controls over compliance with those types of requirements that could have a direct and material effect on each major federal program.

We acknowledge that during the past year alternative methods had to be utilized to deal with mandatory stay at home orders, school closures, and the impact of COVID 19; however, the months October 2019, November 2019, and January 2020, selected for testing, were prior to the national pandemic and the need for alternative measures.

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

4301 S Cowan Rd, MUNCIE, IN 47302

Phone: 765-747-5222

Date: May 27, 2021

To: State Board of Accounts

Audit Period: July 1, 2019 – June 30, 2020

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2019-001 – Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: 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: Material Weakness. The school corporation did not have adequate control procedures in place over financial reporting and closing for the GAAP financial report to ensure that the information was materially accurate. The school corporation maintains financial records on a cash basis and hires a consultant to prepare the GAAP basis financial statements, notes to the financials, required supplemental information, and additional information included in the GAAP reports. There was a review process in place for the school corporation to review the work of the consultant, however, the process was not effective.

Status of Audit Finding- This was a repeat Audit Finding for the 2019-20 fiscal GAAP financial statement audit. Progress has been made on this finding, but it has not yet been corrected.

Summary:

As a Business Office, it remains our goal to be able to provide all of the necessary data in a quick and expedient manner for our GAAP financial statements and related notes to the financials to be produced by the July 31, 2021 deadline without required adjustments or errors. This will be our 3rd year of this conversion and GAAP process.

For the 2020-21 school year GAAP Financial Statement conversion process, the CFO will develop processes to ensure the timely review of the presented data from the consultants to the school district. In this fashion, the GAAP Financial Statement package and the assorted notes and supplemental information will not have to be recommended for change or revision to correct any material errors or omissions during the financial audit. This process of review will certainly also include the Fixed Asset reporting and depreciation expense calculation, as well as the donated large real estate and property from IVTC for use as the Administration Office and Vocational School site (Muncie Area Career Center).

The goal is to have completed all GAAP Financial Statements and additional supplemental data and notes by the end of July 31, 2021 and uploaded into the state Gateway portal by that date.

Summary Steps Taken-

Meet with the Outside Consultant whom prepares the GAAP financials and related notes for the conversion of Cash Basis accounting records into the Accrual Based GAAP financials to review areas of required needed improvement for the June 30, 2021 report.

We have now received the appraisal report for the donated Administration Building at 4301 S Cowan Rd, Muncie, IN. This item had been estimated on the prior GAAP financial report, and was then subsequently removed from the financials since deed had not yet transferred as of June 30, 2020. This deed transfer has now occurred, and we have the appraisal value for this property. The appraisal report has also been forwarded to the SBOA. It is our expectation to place this donated asset for this property on the GAAP financials at this appraised value of \$ 490,000.

We have now completed the set up of the Fixed Asset tracking process, instead of relying on external software. This has been set up in Excel. (This was completed by December 2020.) This will allow us to have quicker produced Fixed Asset reports for our district and will recon easier for new additions and deletions. By bringing this process in house, we are more flexible and being able to produce the end of Fiscal Year depreciation reports and required data for the GAAP financials.

Completion Date: July 1, 2021

Bradley T. DeRome, CFO / Treasurer

Date: May 27, 2021

MUNCIE COMMUNITY SCHOOLS

4301 S Cowan Rd, MUNCIE, IN 47302

Phone: 765-747-5222

Date: May 27, 2021

To: State Board of Accounts

Audit Period: July 1, 2019 – June 30, 2020

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2019-002 –SEFA, Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: FY 2012-13

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 findings from prior audit.

Status of Audit Finding- This was a repeat Audit Finding for the 2019-20 audit. Progress has been made, but it has not yet been corrected.

Summary:

This was a “repeat” finding from the prior audit that had 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 2020. However, this process, while improved from the prior SEFA submission in August 2019, still resulted in errors on the SEFA 2020 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. As an additional source document to help verify the receipt of federal funds, we will also include our EFT notifications from the State of Indiana each month. 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 2020-21, 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 2021.

The CFO and financial specialist will prepare the SEFA as required at fiscal year end, as of June 30, 2021. (August 2021 deadline) 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 State EFT email transactions of deposits, 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 2021. 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 2021.

Summary Steps Taken- The SEFA data will be accumulated and reviewed as described above before the next required submission deadline in August 2021.

Completion Date: August 14, 2021

Bradley T. DeRome, CFO / Treasurer

Date: May 27, 2021

MUNCIE COMMUNITY SCHOOLS

4301 S Cowan Rd, MUNCIE, IN 47302

Phone: 765-747-5222

Date: May 27, 2021

To: State Board of Accounts

Audit Period: July 1, 2019 – June 30, 2020

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2019-003 - Child Nutrition Cluster – Internal Controls

Fiscal year in which the finding initially occurred: FY 2017-18

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

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Activities allowed or unallowed, allowable costs/ cost principals, special tests and provisions.

Audit Finding: Material Weakness, internal controls not in place to assure compliance.

Status of Audit Finding- This was a repeat Audit Finding for the 2019-20 audit. Progress has been made. The prior Audit Findings for Cash Management, Eligibility, Special Tests and Provisions, verifications of Free and Reduced Price applications (NSLP), and Program Income have all been corrected.

Summary:

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. The CFO will continue to work with the reps from the FSMC to be able to verify those items to become satisfied with the verification process of expenditures that are billed each month to MCS.

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. This review will also include a “signed “ review of the documentation that is provided from the FSMC to help us to assist in the verification of the various billings. The documentation that we will be seeking from the FSMC would include whatever is necessary to prove out the billings that we receive.

Completion Date: July 1, 2021.

Bradley T. DeRome, CFO / Treasurer

Date: May 27, 2021

MUNCIE COMMUNITY SCHOOLS

4301 S Cowan Rd, MUNCIE, IN 47302

Phone: 765-747-5222

Date: June 14, 2021

To: State Board of Accounts

Audit Period: July 1, 2019 – June 30, 2020

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2019-004 - Special Education, Period of Performance, Allowable / Unallowable costs, Activites Allowed or Unallowed.

Fiscal year in which the finding initially occurred: FY 2018-19

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

Contact Phone Number: 765-747-5222

Subject: Special Education, period of performance, allowable / unallowable costs, activites allowed or unallowed.

Audit Finding: Material Weakness, internal controls not in place to assure compliance.

Status of Audit Finding- All items corrected.

Summary:

Items corrected

Completion Date: June 30, 2020

Bradley T. DeRome, CFO / Treasurer

Date June 14, 2021 _____

MUNCIE COMMUNITY SCHOOLS

4301 S Cowan Rd, MUNCIE, IN 47302

Phone: 765-747-5222

Date: June 14, 2021

To: State Board of Accounts

Audit Period: July 1, 2019 – June 30, 2020

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Finding 2019-005 – Title I, Allowable / Unallowable costs, cost principles and Reporting.

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, and reporting.

Audit Finding: Material Weakness, internal controls not in place to assure compliance.

Status of Audit Finding- All items corrected.

Summary:

Items corrected

Completion Date: June 30, 2020

Bradley T. DeRome, CFO / Treasurer

Date: June 14, 2021 _____



Muncie Community Schools

4301 S. Cowan Rd.
Muncie, IN 47302
Phone: (765) 747-5211
www.muncie.k12.in.us

CORRECTIVE ACTION PLAN

Date: June 14, 2021
To: State Board of Accounts
Audit Period: July 1, 2019 – June 30, 2020

Finding 2020-001 - Financial Transactions and Reporting

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, 2019 and June 30, 2020. 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. 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 2nd year, especially in regard to the Fixed Asset process and the donation of the IVTC property. New direction for the Notes to the financials were still being given to MCS from SBOA as late as October 20th, 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 CFO will also move the Fixed Asset tracking system onto an internal Excel sheets from the prior outside software process for overall improved and timely calculation of depreciation expense.

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: July 1, 2021

Bradley T. DeRome, CFO / Treasurer

Date : 6-14-2021



Muncie Community Schools

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Muncie, IN 47302
Phone: (765) 747-5211
www.muncie.k12.in.us

CORRECTIVE ACTION PLAN

Date: June 14, 2021
To: State Board of Accounts
Audit Period: July 1, 2019 – June 30, 2020

Finding 2020-002 –Preparation of the Schedule of Expenditures of Federal Awards

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 prior audit that had 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 2020. However, this process, while improved from the prior SEFA submission in August 2019, still resulted in errors on the SEFA 2020 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. As an additional source document to help verify the receipt of federal funds, we will also include our EFT notifications from the State of Indiana each month. 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 2020-21, 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 2021.

The CFO and financial specialist will prepare the SEFA as required at fiscal year end, as of June 30, 2021. (August 2021 deadline) 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 State EFT email transactions of deposits, 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 2021. 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 2021.

Completion Date: July 1, 2021.

Bradley T. DeRome, CFO / Treasurer

Date _____



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CORRECTIVE ACTION PLAN

Date: June 14, 2021

To: State Board of Accounts

Audit Period: July 1, 2019 – June 30, 2020

Finding 2020-003 – Child Nutrition Cluster –Internal Controls

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

Contact Phone Number: 765-747-5222

Subject: Child Nutrition – Internal Controls

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

View of Responsible Official : We were aware of our responsibility to review with our Food Service Management Company our financial results each month to operate our program. We did review our financial results with our FSMC reps during the review period. Sometimes these reviews were via web ex since we were dealing with a mandatory stay at home orders, school closures, and the impact of COVID 19. We did pay the invoices that were given to MCS from the FSMC over the course of the audit review period.

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. The CFO will continue to work with the reps from the FSMC to be able to verify those items to become satisfied with the verification process of expenditures that are billed each month to MCS.

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. This review will also include a “signed “ review of the documentation that is provided from the FSMC to help us to assist in the verification of the various billings. The documentation that we will be seeking from the FSMC would include whatever is necessary to prove out the billings that we receive.

Completion Date: July 1, 2021.

Bradley T. DeRome, CFO / Treasurer
Date __June 14, 2021_____

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/>.