

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
WABASH COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
04/21/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dr. Brian K. Dawson Mike Keaffaber	07-01-13 to 06-30-15 07-01-15 to 06-30-16
Superintendent of Schools	Dr. Sandra Weaver	07-01-13 to 06-30-16
President of the School Board	Matthew P. Driscoll	01-08-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL
DISTRICT OF WABASH COUNTY, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Wabash County (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

February 9, 2016

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

- The Child Nutrition Cluster programs were not identified separately and commodities were not considered in reporting.
- Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants did not properly classify the programs.
- The Special Education Cluster (IDEA) programs were not properly reported.
- The School Corporation listed some grants that were not federal.

In total, the SEFA was under reported in FY 2014 by \$62,933 and over reported in FY 2015 by \$270,250. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

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

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2015-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and cash. There were no segregation of duties, such as an oversight, review, or approval process. We noted the following deficiencies:

1. One individual is responsible for preparing the bank reconciliation. The same individual issues receipts and prepares the bank deposit.
2. Bank reconciliations were not being reviewed and approved by someone other than the person performing the depository reconciliations.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approval take place and to have a separation of functions over financial transactions and reporting. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2015-003 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect to the programs: Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Cash Management

Federal regulations require schools to maintain a food service balance less than or equal to 3 months average operating expenses. The School Corporation did not establish a control to ensure that the food service balance is less than or equal to 3 months average operating expenses.

Eligibility

A parent must file an application for their child to qualify for free or reduced price meals unless the child qualifies through direct certification. For applications filed, the Building Secretaries individually determine whether a child qualifies for free or reduced priced meals. There was no control in place to ensure determinations made for free or reduced price meals were correct.

Program Income

The School Board approved meal prices; however, there was no control in place to ensure that the prices approved were being correctly charged by the individual schools.

Reporting

The School Corporation must submit an Annual Financial Report, Subrecipient Special Reporting - Claim for Reimbursement, and Subrecipient Special Reporting - Verification Summary Report as required by the Indiana Department of Education. The individual preparing the reports submits the reports without a control in place to determine whether the reports were accurate.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal regulations require that schools select and verify a sample of their approved free and reduced price meal applications on file as of October 1. The Building Secretaries performed the verifications; however, there was no control in place to determine whether the verifications performed were correct.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements noted above that have a direct and material effect on the programs.

FINDING 2015-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch
Program, Summer Food Service Program

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 13-14 and FY 14-15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation was required to maintain a listing of property purchased from the School Lunch fund. There was no control in place to ensure whether the property listing was prepared.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

The School Corporation did not maintain a listing of equipment purchased from the School Lunch fund. Equipment totaling \$257,774 purchased from the School Lunch fund was not recorded in the equipment and property records of the School Corporation. A physical inventory of the equipment was not taken.

7 CFR 3016.32(d) states:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, review, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to maintain detailed and accurate property records and to reconcile physical inventory could result in equipment being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, and comply with the grant agreement and the Equipment and Real Property Management compliance requirements.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.555, 10.553, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 13-14, FY 14-15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Federal regulations require that schools annually review their paid lunch revenue to assure compliance with the Paid Lunch Equity requirement. Schools must calculate their weighted average price to determine if it has appropriately priced paid lunches. The School Corporation Treasurer calculates the weighted average price for the School Corporation; however, there is no control to ensure that the calculation was correct.

The School Corporation calculated, but did not retain, the calculation for paid lunch equity for school year 2013-2014. As a result, the compliance requirement for could not be verified.

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

7 CFR 210.15(b) states in part:

"(b) *Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to:

(6) Records to document compliance with the requirements in §210.14(e)"

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, and to ensure compliance with the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

***FINDING 2015-006 - INTERNAL CONTROL OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): MSD 12/13, MSD 13/14,
MSD 14/15; White's 12/13, White's
13/14, White's 14/15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to the following compliance requirements that have a direct and material effect to the programs: Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements 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.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions for highly qualified teachers and paraprofessionals. The School Corporation has various employees responsible for ensuring that applicable staff were highly qualified; one for teachers and the other for paraprofessionals. An oversight, monitoring, or review process has not been established.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation operated two high schools during the audit period. When a student was removed from the graduation rate cohort (due to a transfer out, emigrating to another country, or death), the removal was performed at the building level. The School Corporation did not have internal controls in place to ensure that written documentation was retained to confirm that a student should be removed from the cohort.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements noted above that have a direct and material effect on the program.

FINDING 2015-007 - REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): MSD 12/13, MSD 13/14,
MSD 14/15; White's 12/13, White's
13/14, White's 14/15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements 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.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

The School Corporation submits Claims for Reimbursement and a Final Expenditure Report at the end of each grant to the Indiana Department of Education. There is no control in place to ensure that these reports are accurate. The Claims for Reimbursement tested did not agree with amounts disbursed per the financial records of the School Corporation. The Final Expenditure Reports were properly reported per the financial records of the School Corporation. The overall amount reimbursed for each award was in agreement with the total dollars expended.

34 CFR 80.20(b) states in part:

"The financial management system of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlay or expenditures, and income. . . .
- (4) *Budget control.* Actual expenditures or capital outlay must be compared with budgeted amounts for each grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, and ensure compliance with the grant agreement and Reporting compliance requirements.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2015-008 - CASH MANAGEMENT

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): MSD 12/13, MSD 13/14, MSD 14/15
White's 12/13, White's 13/14, White's
14/15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements 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.

The School Corporation submits Claims for Reimbursement to the Indiana Department of Education. There is no control in place to ensure that these reports are accurate. The Claims for Reimbursement tested did not agree with amounts disbursed per the financial records of the School Corporation. The overall amount reimbursed for each award was in agreement with the total dollars expended.

34 CFR 80.20(b) states in part:

"The financial management system of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlay or expenditures, and income. . . .
- (4) *Budget control.* Actual expenditures or capital outlay must be compared with budgeted amounts for each grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
FEDERAL FINDINGS
(Continued)

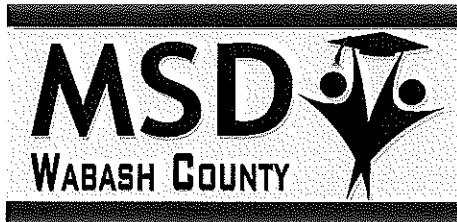
OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, to ensure compliance and comply with the grant agreement and Cash Management compliance requirements.

Dr. Sandra Weaver
Superintendent
Mike Keaffaber
Assistant Superintendent
Dr. Melissa Brisco
Assistant Superintendent



204 N 300 W
Wabash, IN 46992
260.563.8050 P
260.569.6836 F
www.msdbc.k12.in.us

Metropolitan School District of Wabash County

CORRECTIVE ACTION PLANS

FINDING 2015-001

Contact Person Responsible for Corrective Actions: Mike Keaffaber
Contact Phone Number: (260) 563-8050, Option 7

Description of Corrective Action Plan:

The Assistant Superintendent of Finance (District Treasurer) when preparing the annual report, will utilize the business office staff to ensure that errors will be prevented, detected, and/or corrected.

Anticipated Completion Date:

Ongoing – the findings will require review of the various errors. The anticipated completion will be the summer of 2016, prior to the completion of the annual report.

FINDING 2015-002

Description of Corrective Action Plan:

The Assistant Superintendent of Finance (District Treasurer) will direct the business office staff to have a second staff member as part of the segregation of duties review the receipting, disbursing, recording, and accounting for the financial activities.

Anticipated Completion Date:

The procedures will be in place by March 31, 2016.

FINDING 2015-003

Description of Corrective Action Plan:

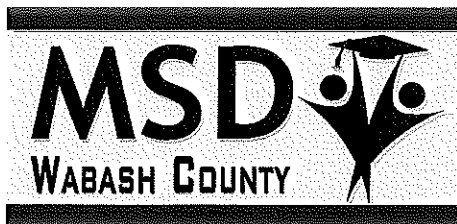
Cash Management

The Assistant Superintendent of Finance (District Treasurer) will direct the business office staff to ensure that the food service balance is less than or equal to three months average operating expenses by having a second staff member as part of the segregation of duties review the balance. Printed and signed.

Eligibility

The Assistant Superintendent of Finance (District Treasurer) will direct the school office staff to appoint a second person as part of the segregation of duties to ensure that a child qualifies for free or reduced meal prices. Printed and signed.

Dr. Sandra Weaver
Superintendent
Mike Keaffaber
Assistant Superintendent
Dr. Melissa Brisco
Assistant Superintendent



204 N 300 W
Wabash, IN 46992
260.563.8050 P
260.569.6836 F
www.msdbc.k12.in.us

Metropolitan School District of Wabash County

Program Income

The Assistant Superintendent of Finance (District Treasurer) will direct the school office staff and/or business office staff to ensure that the prices approved are correctly being charged by the individual schools as part of the segregation of duties. Printed and signed.

Reporting

The Assistant Superintendent of Finance (District Treasurer) will direct the business office staff completing the report to have another member of the staff as part of the segregation of duties to ensure that the reports are accurate. Printed and signed.

Special Tests and Provisions – Verification of Free and reduced Price Applications (NSLP)

The Assistant Superintendent of Finance (District Treasurer) will direct the business office staff to verify the building level treasurers' October 1 verifications as part of the segregation of duties for the free and reduced price applications. Printed and signed.

Anticipated Completion Date:

Ongoing – The findings will require continual internal controls to be implemented throughout the year. After meeting with all necessary staff members, the internal controls will be put in place by March 31, 2016.

FINDING 2015-004

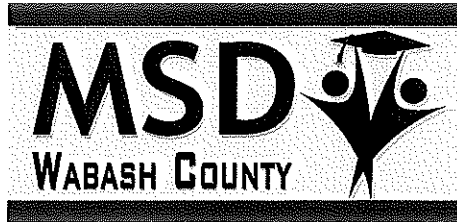
Description of Corrective Action Plan:

The Superintendent and Assistant Superintendent of Finance (District Treasurer) will review and/or propose a district policy for the equipment and real property management. After the policy has been reviewed and/or proposed to the School Board, a vendor and/or staff members will perform a physical inventory of the School Lunch Fund equipment. Printed and signed by two members of the staff or vendor as part of the segregation of duties.

Anticipated Completion Date:

Ongoing – The findings will require a continual inventory once the policy is put into practice. The policy will be in place by April 30 and the inventory completed by July 31, 2016.

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FINDING 2015-005

Description of Corrective Action Plan:

The Assistant Superintendent of Finance (District Treasurer) will direct the business office staff to appoint a second person as part of the segregation of duties to review the Paid Lunch Equity tool to ensure the compliance with the grant agreement. Printed and signed.

Anticipated Completion Date:

The segregation of duties will be put in place prior to the Paid Lunch Equity tool completion for the summer 2016.

FINDING 2015-006

Description of Corrective Action Plan:

Highly Qualified Teachers and Paraprofessionals

The Superintendent, Assistant Superintendent of Finance (District Treasurer), Assistant Superintendent of Curriculum and Instruction (Title I coordinator), and business office will review the current procedures to ensure that all staff are highly qualified for Title I as part of the internal controls. Principals and the Director of Special Education will verify the highly qualified status of new hires and the business office will also verify. Printed and signed.

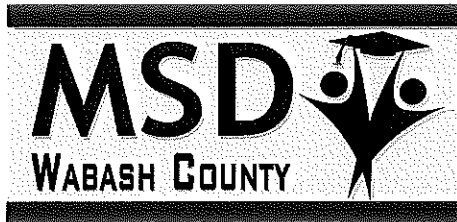
Annual Report Card, High School Graduation Rate

The Superintendent and Assistant Superintendent of Finance (District Treasurer) will direct the individual schools to review their procedures for the written documentation of students withdrawing from school and ensuring that two members of the staff verify the withdraw.

Anticipated Completion Date:

The procedures will be in place by March 31, 2016.

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Assistant Superintendent



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FINDING 2015-007

Description of Corrective Action Plan:

The Assistant Superintendent of Finance (District Treasurer) and Assistant Superintendent of Curriculum and Instruction (Title I coordinator) will direct the business office staff to have another staff member review the Claims for Reimbursement and Final Expenditure reports as part of a new procedure. The standards included are: financial reporting, accounting records, budget control, and source documentation.

Anticipated Completion Date:

The procedures will be in place by March 31, 2016.

FINDING 2015-008

Description of Corrective Action Plan:

The Assistant Superintendent of Finance (District Treasurer) and Assistant Superintendent of Curriculum and Instruction (Title I Coordinator) will direct the business office staff to have another staff member review the Cash Management as part of a new procedure. The standards included are: financial reporting, accounting records, budget control, and source documentation.

Anticipated Completion Date:

The procedures will be in place by March 31, 2016.


(Signature)

Assistant Superintendent of Finance (Treasurer)
(Title)

2/9/16
(Date)

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
AUDIT RESULTS AND COMMENTS

ACCOUNTING FOR PREPAID LUNCH RECEIPTS

Prepaid lunch receipts were not placed in Fund 8400 Prepaid Lunch, a clearing account, but were instead accounted for in each school building Extra-Curricular accounts. The subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis by officials as required.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Administrator, September 2008)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2015.

The enrollment count dates for 2015 were September 2014 and February 2015, respectively. The difference between the count reported on the ADM and the verified figures are shown below:

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

School Year	Grade	Count as Reported on Form Number 30A	Actual Enrollment Figures	Difference
September 2014	Kindergarten through 12	2,131.5	2,132.5	(1.0)
February 2015	Kindergarten through 12	2,109.0	2,110.0	(1.0)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at June 30, 2014 and June 30, 2015:

Fund	Amount Overdrawn June 30, 2014	Amount Overdrawn June 30, 2015
General	\$ 343,533	\$ -
Self-Insurance	1,036,199	1,702,993
Child Development	941,345	930,168

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL FEES

Approval

Textbook Rental fees assessed were not approved by the School Board during the audit period.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

Supporting Documentation of Rental Fees Charged

The School Corporation charges each student fees for the rental of textbooks and the purchase of various consumable items. Sufficient supporting documentation was not presented for audit to verify that the calculation of those fees was in compliance with statutory requirements.

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

During the audit period, Indiana Code 20-26-12-2 states:

"(a) A governing body may purchase from a publisher, any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is: (1) in compliance with the minimum certification standards of the state board; and (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been: (1) extended for usage by students under section 24(e) of this chapter; and (2) paid for through rental fees previously collected.

Purchases of Textbooks

During both audit years, disbursements were made from the corporation Textbook Rental Fund for the purchase of textbooks, however textbook rental fees are collected at the ECA level of the School Corporation.

During the audit period, Indiana Code 20-41-2-5(a) stated:

"A governing body in operating a curricular materials rental program under IC 20-26-5-4(12) may use either of the following accounting methods: (1) The governing body may supervise and control the program through the school corporation account, establishing a curricular materials rental fund. (2) If curricular materials have not been purchased and financial commitments or guarantees for the purchases have not been made by the school corporation, the governing body may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1."

Therefore, we are of the audit position if any school corporation funds have been used to purchase the textbooks or financial commitments or guarantees have been made by the school corporation, the textbook rental program must be operated through the textbook rental fund of the school corporation in the corporation records. (The School Administrator and Uniform Compliance Guidelines, September, 2012)

FINANCIAL ASSISTANCE FOR STUDENTS TEXTBOOK REIMBURSEMENTS

The School Corporation reports to the Indiana Department of Education for financial assistance for students textbook reimbursements. For the Fiscal year 2013-2014, 821 students were reported as eligible students, and for 2014-2015, 806 students were reported. The school lunch Verification Summary Report for Fiscal Year 2013-2014 reported 648 students and for 2014-2015, 754 students. The free and reduced lunch students are the same students that qualify for textbook assistance. The number of eligible students reported for student textbook assistance was over reported by 173 students in 2013-2014 and 52 students in 2014-2015.

Political subdivisions are required to comply with all grant agreements, rule, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of Management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSETS

The School Corporation did not properly maintain a complete inventory of capital assets owned.

Each governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

METROPOLITAN SCHOOL DISTRICT OF WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2016, with Dr. Sandra Weaver, Superintendent of Schools; Mike Keaffaber, Treasurer; and Dr. Brian K. Dawson, former Treasurer.