

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

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



FILED
08/18/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beverly J. Hindes	07-01-13 to 06-30-16
Superintendent of Schools	George H. Letz Dr. Nathan H. Kleefisch	07-01-13 to 08-31-14 09-01-14 to 06-30-16
President of the School Board	David J. Molchan	01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF BOONE TOWNSHIP, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Boone Township (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, incorporated within this report, was not verified for accuracy.

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

May 26, 2016

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS

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

Condition

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). One person was responsible for preparing and submitting the SEFA without oversight, review, or approval.

During the audit of the SEFA, there were the following errors:

1. Department of Agriculture federal expenditures were understated in 2013-2014 school year by \$16,816 and overstated in the 2014-2015 school year by \$224,283.
2. Commodities for the National School Lunch program totaling \$29,602 and \$30,575 were not included in the 2013-2014 and 2014-2015 school years, respectively.
3. Three state grants were reported in the 2013-2014 school year, overstating the SEFA by \$40,359.
4. Two federal grants totaling \$19,727 were not included on the 2014-2015 SEFA.
5. Program names were not correct.
6. CFDA numbers were not included.
7. Clusters were not properly identified.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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)

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."

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

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:

- (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. . . ."

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

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

Views of Responsible Officials

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

FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts, including School Lunch receipts and payroll disbursements. These deficiencies constitute material weaknesses.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Lack of Segregation of Duties:

The Treasurer recorded all receipts for the School Corporation; however, the receipts were not always recorded in the computerized accounting system at the time of collection. The School Corporation's financial system allowed the receipts to be backdated when recorded. There was no segregation of duties, such as an oversight, review, or approval process.

One food service employee was responsible for verifying the daily collections, preparing the deposit slips, remitting the collections to the depository, and generating any necessary adjustments to the school lunch software system. There was no segregation of duties, such as an oversight, review, or approval process.

The Treasurer was responsible for entering all certified staff's payroll information into the payroll software system. There was no segregation of duties, such as an oversight, review, or approval process.

Criteria

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)

Cause

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted a risk assessment related to the School Corporation's financial reporting and transactions.

Effect

The failure to establish controls would have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-003 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, ELIGIBILITY, REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013-2014, SY 2014-2015
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principals, Eligibility, and Reporting compliance requirements.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that payroll disbursements were only for food service operating and administrative costs. Three internal control related deviations were detected when testing payroll. In one case, the payroll trail journal was not reviewed for that particular pay period. In two cases, employees were overpaid and underpaid. Internal controls are deemed ineffective as there was a deviation in 37.5 percent of the tested pay periods. There was no segregation of duties, such as oversight, review, or approval process.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals was accurately determined. Applications were not subjected to review prior to the notification of eligibility. There was no segregation of duties, such as an oversight, review, or approval process.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that Sponsor Claim (reimbursement claim), the Annual Financial Reports, and the Verification Summary Reports were accurate prior to submission. One employee was responsible for preparing and submitting the Sponsor Claim (reimbursement claim) and the Verification Summary Reports. Another employee was responsible for preparing and submitting the Annual Financial Reports. There was no segregation of duties, such as an oversight, review, or approval process.

Context

Based on the initial assessment of the Child Nutrition Cluster, it was determined that these are systematic problems. Controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principals were not effective and there were no controls over Eligibility or Reporting; therefore, this is not an isolated incident.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system would have placed 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 would have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2015-004 - CASH MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013-2014, SY 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months. There was no segregation of duties, such as an oversight, review, or approval process.

The School Corporation maintained cash balances that exceeded the average expenditures for 3 months for 19 of 24 months during the audit period. The cash balance exceeded the average expenditures for 3 months by amounts ranging from \$3,404 to \$41,691 for the 2013-2014 school year. The cash balance exceeded the average expenditures for 3 months by amounts ranging from \$20,522 to \$68,009 for the 2014-2015 school year.

Context

This is a systematic problem as it was an issue in 19 of the 24 months tested.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

7 CFR section 210.14(b) states:

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

7 CFR 220.7(e)(1)(iv) states:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system would have placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and would have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

We also recommended that the School Corporation comply with the Cash Management requirements.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-005 - PROCUREMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013-2014, SY 2014-2015
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Procurement compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that services procured from a food service management were properly bid. No one ensured that bid documents were safeguarded and retained for audit. There was no segregation of duties, such as an oversight, review, or approval process.

The original agreement with the food service management vendor was an annual contract entered into in 2011. As part of the agreement, the School Corporation was given the option to extend the original contract annually for up to four years. The School Corporation failed to retain the original procurement documents that led to the selection of the food service management service.

Context

This is a systematic problem as it affects procurement of services for up to five years.

Criteria

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. . . ."

7 CFR 3016.36(b)(9) states:

"Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

Cause

Management had not developed a system of internal controls that segregated key functions.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system would have placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with compliance requirements and would have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

We also recommended that the School Corporation comply with the Procurement requirements.

Views of Responsible Officials

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

FINDING 2015-006 - PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013-2014, SY 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Program Income was properly recorded in the financial records. An oversight, review, or approval process had not been established.

The School Corporation recorded food service program income based on deposits made rather than actual collections received. The Treasurer recorded deposits into the Prepaid Food Clearing fund monthly. The Treasurer then transferred an amount from the Prepaid Food Clearing fund into the School Lunch fund based on cash collections rather than actual sales.

Context

This is a systematic problem as it is the common practice in all instances for the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

7 CFR 210.14(c) states:

"*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."

7 CFR 220.13(i) states in part:

"Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system would have placed 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 allowed noncompliance with compliance requirements and would have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

We also recommended that the School Corporation comply with the Program Income requirements.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

**FINDING 2015-007 - SPECIAL TESTS AND PROVISIONS - VERIFICATION
OF FREE AND REDUCED PRICE APPLICATIONS**

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013-2014, SY 2014-2015
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Verifications of Free and Reduced Price Applications compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the correct number of applications was chosen for the verification process or that the appropriate changes were made to the eligibility status of the applications. There was no segregation of duties, such as an oversight, review, or approval process.

The School Corporation failed to retain records determining the verification of free and reduced price applications for the 2013-2014 school year.

Context

This was an isolated instance as there were verified applications for the following two years.

Criteria

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. . . ."

7 CFR 245.6a(c) states:

"*Verification requirement—(1) General.* The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year."

7 CFR 210.15(b) states in part:

"*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: . . .

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title; . . ."

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system would have placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and would have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

We also recommended that the School Corporation comply with the Special Tests and Provisions - Verification of Free and Reduced Price Application requirements.

Views of Responsible Officials

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

FINDING 2015-008 - SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-050-PN01, 14213-050-PN01,
14214-050-PN01, 14215-050-PN01,
45714-050-PN01, 45715-050-PN01,
99914-050-TA01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Level of Effort - Maintenance of Effort, and Period of Availability compliance requirements.

Over 95 percent of the grant expenditures were for payroll and related benefit costs for special education personnel. One employee was responsible for the preparation, posting, and payment of the bi-weekly payroll and related benefit costs without evidence of a review process. Policies or procedures had not been designed or implemented to ensure required periodic certifications were prepared for all personnel paid solely from federal funds. In addition, for hourly employees, the timesheets that supported the payment of payroll did not indicate the program or fund from which the employee was paid.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
FEDERAL FINDINGS
(Continued)

The Maintenance of Effort calculation was determined and monitored solely by one individual. An oversight, review, or approval process had not been evidenced or established.

The School Corporation historically expended the available funds in advance of the end of the period of availability. However, evidence of a review process was not noted to ensure that grant funds were disbursed within the period of availability and that expenditures were not made from expired grant funds.

Context

These are systematic problems as they are pervasive throughout the grant.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system would have placed 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 would have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

Administration
Nathan H. Kleefisch, Ed.D.
Superintendent of Schools

Mark P. Lutze
Principal
Hebron High School

Jeffrey J. Brooks
Principal
Hebron Middle School

James R. Martin
Principal
Hebron Elementary School

**METROPOLITAN SCHOOL DISTRICT
of
BOONE TOWNSHIP**

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Website: www.hebronschools.k12.in.us

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David J. Molchan
President

Jerry P. Fieser, Jr.
Vice President

Peter J. Blank
Secretary

Stephanie B. Mathews
Member

Timothy J. Riese
Member

Finding 2015-001

Auditee Contact Person: Beverly Hindes

Contact Phone Number: 219-996-4771

Expected Completion Date: 2016

Corrective Action Plan

This was the first time completing the SEFA and without any guidance on how to pull the accurate data we concur with the finding.

We will use this Audit adjustment for the next reporting of the SEFA.

The SEFA will be reviewed by the Superintendent.



Beverly Hindes, Treasurer

May 26, 2016

Administration
Nathan H. Kleefisch, Ed.D.
Superintendent of Schools
Mark P. Lutze
Principal
Hebron High School
Jeffrey J. Brooks
Principal
Hebron Middle School
James R. Martin
Principal
Hebron Elementary School

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Jerry P. Fieser, Jr.
Vice President
Peter J. Blank
Secretary
Stephanie B. Mathews
Member
Timothy J. Riese
Member

Finding 2015-002

Auditee Contact Person: Beverly Hindes, Scott Howard

Contact Phone Number: 219-996-4771


Expected Completion Date: 2016

Corrective Action Plan

Segregation of Duties:

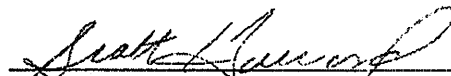
Corporation Receipts are reviewed and approved by Deputy Treasurer.

Certified Payroll. The Treasurer and the Superintendent's Secretary review and sign off on the annual certified salary spreadsheet. This procedure has proven to be effective.



Beverly Hindes, Treasurer

Food Service. The department leads will cross check and sign off on the daily deposits. The Food Service Director will be responsible for reviewing reports for meal counts vs. cash.



Scott Howard, Food Service Manager; Chartwell's

Administration
Nathan H. Kleefisch, Ed.D.
Superintendent of Schools

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Principal
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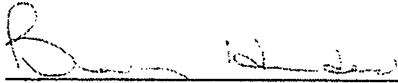
Finding 2015-003

Auditee Contact Person: Beverly Hindes, Scott Howard

Contact Phone Number: 219-996-4771

Corrective Action Plan

Payroll trial journals have always been cross checked. The Treasurer will be responsible for reviewing each payroll and approving with initials/signature.



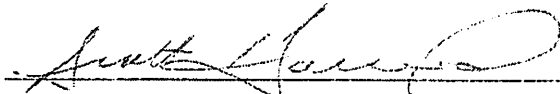
Beverly Hindes

May 26, 2016

Expected Completion Date: This plan was in place prior to the audit review but formal evidence began April 2016.


Food Service. Chartwell's will submit the Monthly Reimbursement Report and Verification Summary Reports to either the Superintendent or the Treasurer prior to submission. The Annual Financial Report that the Treasurer completes will be reviewed and approved by the Superintendent.

Parents are now entering data online for eligibility.



Scott Howard, Food Service Manager; Chartwell's

May 26, 2016



Beverly Hindes, Treasurer

May 26, 2016

Expected Completion Date: This plan is being implemented effective June 1, 2016.

Administration
Nathan H. Kleefisch, Ed.D.
Superintendent of Schools
Mark P. Lutze
Principal
Hebron High School
Jeffrey J. Brooks
Principal
Hebron Middle School
James R. Martin
Principal
Hebron Elementary School

METROPOLITAN SCHOOL DISTRICT
of
BOONE TOWNSHIP

307 South Main Street • Hebron, IN 46341
Phone: 219-996-4771 • Fax 219-996-5777
Website: www.hebronschools.k12.in.us

School Board
David J. Molchan
President
Jerry P. Fieser, Jr.
Vice President
Peter J. Blank
Secretary
Stephanie B. Mathews
Member
Timothy J. Riese
Member

Finding 2015-004

Auditee Contact Person: Beverly Hindes, Dr. Nathan Kleefisch

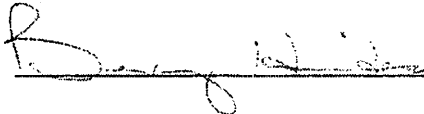
Contact Phone Number: 219-996-4771

Expected Completion Date: 2016

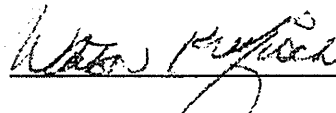
Corrective Action Plan

M. S. D. of Boone Township will be beginning an extensive remodeling project to our Elementary/Middle School Cafeteria. This project will use the cash balance that we had been saving to pay for the remodeling without use of other funding sources.

Monthly, during the bank reconciliation a review of the cash balance will be verified.



Beverly Hindes, Treasurer



Dr. Nathan Kleefisch, Superintendent

May 26, 2016

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Finding 2015-005

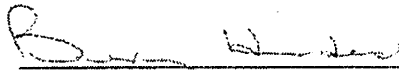
Auditee Contact Person: Beverly Hindes, Dr. Nathan Kleefisch

Contact Phone Number: 219-996-4771

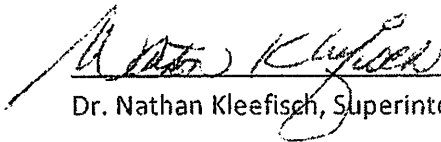
Expected Completion Date: 2016

Corrective Action Plan

M. S. D. of Boone Township concurs with the finding. We have entered into another procurement of service for the Food Service Department and will retain the original contract along with bid documents.



Beverly Hindes, Treasurer



Dr. Nathan Kleefisch, Superintendent

May 26, 2016

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Finding 2015-006

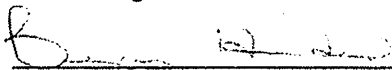
Auditee Contact Person: Beverly Hindes, Dr. Nathan Kleefisch

Contact Phone Number: 219-996-4771

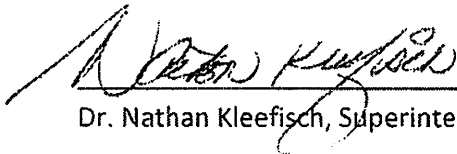
Expected Completion Date: 2016

Corrective Action Plan

The Treasurer will pull sales reports which will assist in crediting the 8400. They will be initialed after being reviewed.



Beverly Hindes, Treasurer



Dr. Nathan Kleefisch, Superintendent

May 26, 2016



MSD of Boone Township
HELPING STUDENTS SUCCEED

Administration
Nathan H. Kleefisch, Ed.D.
Superintendent of Schools
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Principal
Hebron High School
Jeffrey J. Brooks
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Hebron Middle School
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Finding 2015-007 – Special Tests and Provisions

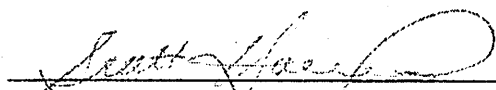
Auditee Contact Person: Scott Howard, Dr. Nathan Kleefisch

Contact Phone Number: 219-996-4771

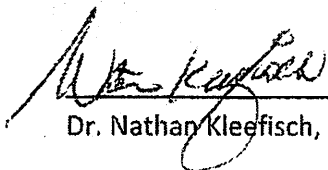
Expected Completion Date: This plan was in place prior to the audit review but formal evidence began July 2015 (FY2015).

Corrective Action Plan

Due to a change in Food Service Management the free and reduced price applications were not able to be found. This was an isolated incident and feel that we have the proper internal controls so this is not an issue.



Scott Howard, Food Service Manager; Chartwell's



Dr. Nathan Kleefisch, Superintendent

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Member

Finding 2015-008

Auditee Contact Person: Beverly Hindes, Treasurer MSD Boone Township
Quinn Van Rys, Chief Financial Officer, Porter County Education Services Cooperative

Contact Phone Number:

Beverly Hindes 219-996-4771

Quinn Van Rys 219-464-9607

Corrective Action Plan:

1. Activities Allowed, Allowable Costs and Period of Availability: PCES hourly employees' time sheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and time sheets will be reviewed to insure correct payment of personnel and such review evidenced by the PCES CFO (initial & date). The certified teaching staff hired by the PCES board specifically for special education is for grant eligible positions. Certified staff members and the account codes from which they are paid are also included with the payroll account code review process.

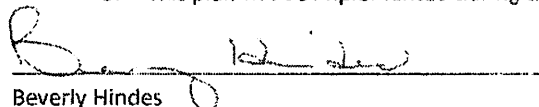
2. Period of Availability: Monthly, PCES personnel review the summary of receipts and expenditures for each grant fund. A comparison of YTD receipts, expenditures, and total approved budget amounts for each grant provides on-going monitoring to determine the amount of grant funds still available for expenditure. Once the budget amount has been expended, the grant fund accounts are closed (deactivated) so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such review will be evidenced by initial and date of the PCES reviewer.

3. Level of Effort – Maintenance of Effort (MOE): PCES personnel calculate the member school corporations' MOE each fiscal year. PCES will complete the calculation, summarize the underlying data, and provide that information to each member district for review/acknowledgement and evidence of such by the member district. PCES will maintain this evidenced documentation for audit review.

MSD of Boone Township School Corporation will request PCES to provide these items for MSD of Boone Township School Corporation personnel to review these processes for compliance. MSD of Boone Township personnel will evidence such review by signature and date of the corresponding documents.

Anticipated Completion Date:

1. This plan was implemented beginning with the 9-18-2015 payroll.
2. This plan was in place prior to the audit review but formal evidence began September 2015.
3. This plan will be implemented during the next calculation of MOE for state reporting.



Beverly Hindes

Treasurer

May 26, 2016

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The 2014-2015 electronic Annual Financial Report did not agree with the detail of capital assets maintained by the School Corporation as of June 30, 2013. The reporting errors resulted in the Schedule of Capital Assets presented for audit being overstated by \$52,166,796. The School Corporation's capital asset records have not been updated since June 30, 2013.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Every 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 two years 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)

CREDIT CARDS

The School Corporation paid credit card late fees for 40 percent of the claims tested. The School Corporation did not provide all of the detailed receipts for 70 percent of the claims tested.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
AUDIT RESULTS AND COMMENTS
(Continued)

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EDUCATIONAL FEES

Written guidance from the School Corporation's Attorney was not provided that determined whether or not the educational fees charged violated the Indiana Constitution.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2016, with Beverly J. Hindes, Treasurer; Dr. Nathan H. Kleefisch, Superintendent of Schools; and David J. Molchan, President of the School Board.