

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

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

FEDERAL COMPLIANCE AUDIT REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
WARREN COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED

03/14/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware Jodi Halsema	07-01-22 to 12-31-23 01-01-24 to 06-30-25
Superintendent of Schools	Dr. Ralph Shrader	07-01-22 to 06-30-25
President of the School Board	Dan Duchemin Dr. Brooke Max Shawn Allison Sharon K. Grady	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24 01-01-25 to 06-30-25



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of Warren County (School Corporation), for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated March 7, 2025, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001.

Metropolitan School District of Warren County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 7, 2025



Paul D. Joyce, CPA
State Examiner

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Metropolitan School District of Warren County's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2022 to June 30, 2024. The School Corporation's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2022 to June 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2022 to June 30, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster, as described in item 2024-003 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-002 and 2024-003, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2022 to June 30, 2024, and the related notes to the financial statement. We issued our report thereon dated March 7, 2025, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 7, 2025

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 23	\$ -	\$ 161,524	\$ -	\$ -
School Breakfast			FY 24	-	-	-	138,705
Total - School Breakfast Program				-	161,524	-	138,705
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 23	-	600,752	-	-
Commodities			FY 24	-	-	-	450,156
			FY 23 & FY 24	-	33,011	-	63,428
Total - National School Lunch Program				-	633,763	-	513,584
Summer Food Service Program for Children							
SUMMER FOOD SERVICE	Indiana Department of Education	10.559					
SUMMER FOOD SERVICE			FY 23	-	32,023	-	-
			FY 24	-	-	-	36,559
Total - Summer Food Service Program for Children				-	32,023	-	36,559
Total - Child Nutrition Cluster				-	827,310	-	688,848
Total - Department of Agriculture				-	827,310	-	688,848
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			23611-86-PN01	-	364,564	-	-
Special Education			24611-86-PN01	-	-	-	327,147
Subtotal - Special Education Grants to States				-	364,564	-	327,147
COVID-19 - Special Education Grants to States							
SPECIAL ED (ARP)	Indiana Department of Education	84.027					
			22611-086-ARP	-	56,964	-	14,313
Total - Special Education Grants to States				-	421,528	-	341,460
Special Education Preschool Grants							
Special Ed Preschool	Indiana Department of Education	84.173					
Special Ed Preschool			23619-86-PN01	-	11,745	-	-
			24619-86-PN01	-	-	-	12,118
Subtotal - Special Education Preschool Grants				-	11,745	-	12,118
COVID-19 - Special Education Preschool Grants							
SPECIAL ED PRESCHOOL	Indiana Department of Education	84.173					
			22619-086-ARP	-	5,321	-	-
Total - Special Education Preschool Grants				-	17,066	-	12,118
Total - Special Education Cluster (IDEA)				-	438,594	-	353,578
Adult Education - Basic Grants to States							
ADULT BASIC ED	Indiana Department of Education	84.002					
ADULT BASIC ED			AE22-129	-	32,838	-	7,000
			AE22-129	-	-	-	67,991
Total - Adult Education - Basic Grants to States				-	32,838	-	74,991

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2023 and 2024

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23	Passed Through to Subrecipient 06-30-24	Total Federal Awards Expended 06-30-24
Title I Grants to Local Educational Agencies TITLE I TITLE I	Indiana Department of Education	84.010	S010A220014 S010A230014	- -	180,339 -	- -	- 151,292
Total - Title I Grants to Local Educational Agencies				-	180,339	-	151,292
Urban Community Service	Greater Lafayette Commerce Community and Economic Development Foundation, Inc	84.252	A58-2-220T-8455 A58-2-220T-8455	- -	8,821 -	- -	- 50,022
Total - Urban Community Service				-	8,821	-	50,022
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) Title II Part A Title II Part A	Indiana Department of Education	84.367	S367A210013 S367A210013	- -	31,062 -	- -	- 22,738
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	31,062	-	22,738
Student Support and Academic Enrichment Program Title II Part A Title IV Part A TITLE IV PART A Title IV Part A	Indiana Department of Education	84.424	S424A210015 S424A220015 S424A220015 S424A230015	- - - -	13,369 4,620 - -	- - - -	- - 8,268 13,375
Total - Student Support and Academic Enrichment Program				-	17,989	-	21,643
COVID-19 - Education Stabilization Fund 3 E GRANT	Greater Lafayette Commerce Community and Economic Development Foundation, Inc	84.425U	S425U200013	-	5,500	-	3,500
COVID-19 - Education Stabilization Fund 3 T GRANT	Perry Central Community Schools	84.425U	S425U200013	-	38,836	-	37,665
COVID-19 - Education Stabilization Fund ESSER II ESSER III	Indiana Department of Education	84.425D 84.425U	S425D210013 S425U200013	- -	11,718 416,492	- -	- 167,603
Total - COVID-19 - Education Stabilization Fund				-	472,546	-	208,768
Total - Department of Education				-	1,182,189	-	883,032
Department of Health and Human Services							
Medicaid Cluster Medical Assistance Program MEDICAID MEDICAID	Indiana Department of Education	93.778	451DR-IN 451DR-IN	- -	38,580 -	- -	- 42,624
Total - Medical Assistance Program				-	38,580	-	42,624
Total - Medicaid Cluster				-	38,580	-	42,624
Total - Department of Health and Human Services				-	38,580	-	42,624
Total federal awards expended				\$ -	\$ 2,048,079	\$ -	\$ 1,614,504

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the School Corporation under programs of the federal government for the years ended June 30, 2023 and 2024. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2024-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-001.

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).

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

The School Corporation did not properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer prepared and entered the federal award information into Gateway, and the Superintendent of Schools reviewed and approved the information entered, the internal control was not effective in preventing, or detecting and correcting, errors in the data submitted.

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

- The National School Lunch Program expenditures were understated by \$71,490 for fiscal year 2022-2023.
- The Adult Education - Basic Grants to States activity was omitted from the SEFA, which resulted in expenditures being understated by \$32,838 for 2022-2023.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

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

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

2 CFR 200.510(b) states:

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

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

Cause

The School Corporation did not realize that the supply chain assistance portion of Child Nutrition Cluster funding should be included in the SEFA. Additionally, the School Corporation omitted adult education funding as it was partially state funded.

Effect

The lack of an effective internal control system enabled material misstatements of the SEFA to occur and remain undetected.

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 WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-002

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 23, FY 24
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Condition and Context

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

The Indiana Department of Education defines "Direct Certification" (DC) as follows: "(DC) is a method to automatically qualify students for free or reduced meals using data from Family and Social Services Administration (SNAP, TANF, and Medicaid) and Department of Child Services (Foster) and matching that with the Local Educational Agency's reported enrollment. Direct Certified households do not need to complete a meal application and will not be included in the verification process because their eligibility has already been verified."

Internal controls had not been properly designed and implemented over students receiving free/reduced price meal benefits via DC. The Assistant Food Service Director generated the DC reports on the School Nutrition Program Indiana web portal and entered resulting eligibility determinations into the point-of-sale system (Harmony) without a documented oversight, review or approval in process in place to ensure their accuracy.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

School Corporation officials were unaware they should document a review of the DC process by someone other than the Assistant Food Service Director.

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

Effect

The lack of an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement. Verifying the accuracy of students directly certified for benefits in the point-of-sale system will ensure that ineligible students do not receive free or reduced-price meals.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management strengthen its system of internal controls to ensure that directly certified students eligible for meal benefits are verified for accuracy in Harmony by someone other than the Assistant Food Service Director.

Views of Responsible Officials

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

FINDING 2024-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 23, FY 24
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2022-003.

Condition and Context

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

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

Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$150,000 per Indiana Code. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds: micro-purchases, typically for those purchases of \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that proper procurement procedures for small purchases were followed. The School Corporation did not obtain price or rate quotes from multiple vendors for its audit period contract with Coca-Cola. Documentation detailing the history of procurement, including rationale to limit competition at the time of purchase was not provided for audit.

Suspension and Debarment

Nonfederal entities and contractors are subject to nonprocurement debarment and suspension regulations. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or are ineligible for participation in federal assistance programs or activities. This is done by checking SAM Exclusions, collecting a certification from that entity, or adding a clause or condition to the covered transaction with that entity.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that applicable vendors who received federal funds over certain thresholds were not suspended or debarred from participating in federal awards programs.

There was one vendor (Coca-Cola) subject to suspension and debarment requirements during the audit period that was not procured through the School Corporation's affiliated Educational Services Center for cooperative purchasing. The School Corporation did not perform procedures to ensure the vendor was not suspended, debarred, or otherwise excluded from or eligible for participation in federal assistance programs or activities.

The lack of internal controls was a systemic issue throughout the audit period. Noncompliance was isolated to one vendor (and related purchases) for both procurement and suspension and debarment requirements.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of 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."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* —

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

Indiana Code 5-22-8-3 states in part:

"(a) This section applies only if the purchasing agent expects the purchase to be:

(1) at least fifty thousand dollars (\$50,000); and

(2) not more than one hundred fifty thousand dollars (\$150,000). . . .

(b) A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased.

(c) The purchasing agent shall mail an invitation to quote to the persons described in subsection (b) at least seven (7) days before the time fixed for receiving quotes.

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required."

2 CFR 180.300 states:

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

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

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

Cause

The Superintendent of Schools indicated that alternative vendor(s) had left the local geographical area and no longer attempted to submit quotes or bids for services as it had done in prior years. Additionally, School Corporation officials were unaware of the requirement to verify that all vendors over \$25,000 were not suspended or debarred from receiving federal grant funds.

Effect

The lack of an effective internal control system enabled material noncompliance to occur and remain undetected. Noncompliance with the Procurement and Suspension and Debarment compliance requirement could enable small purchases made by the School Corporation to be uncompetitive and could lead to contracting with vendors who are suspended or debarred from receiving federal grant funding.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management strengthen its system of internal controls over small purchase requirements to ensure that an adequate number price or rate quotes are obtained before purchase. Additionally, we recommended that vendors with a single or aggregate transaction amounts over \$25,000 per fiscal year are verified for suspension and debarment prior to entering into the transaction and/or contract.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

Metropolitan School District of Warren County

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001 and 2022-001

Fiscal year in which the finding initially occurred: 2020

Current Audit Period: 7/1/22 to 6/30/24

Finding Subject: Preparation of the schedule of Expenditures of Federal Awards

Summary of Finding:

Stronger internal controls needed for processing/submitted federal award information entered into the Gateway financial reporting system. Information entered incorrectly due to lack of internal controls.

Status of Audit Finding:

Partially corrected

Response Comments:

Changes were made to ensure that once the treasurer prepared the documents the Superintendent viewed and approved the report before uploading to Gateway.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-002

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 7/1/22 to 6/30/24

Finding Subject: Child Nutrition Cluster – Allowable Costs/Cost Principles

Summary of Finding:

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. A total of 25 food service program disbursements were selected for testing. Across 6 contracted vendors, 9 disbursements had items purchased that were not charged in accordance with contracted prices.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-003

Fiscal year in which the findings initially occurred: 2022

Current Audit Period: 7/1/22 to 6/30/24

Finding Subject: Child Nutrition Cluster – Procurement and Suspension and Debarment

Summary of Finding:

An effective internal control system was not designed, nor implemented at the School Corporation to ensure compliance with requirement related to the grant agreement and the Procurement and Suspension and debarment compliance requirement.

Status of Audit Finding:

Not Corrected

Response Comments:

Seeger Building Principal and Athletic Director will reach out at the end of the current contract to ensure that all potential bidders are not on the disbarment or suspension lists. They will attempt to get other vendors and the school board must approve.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-004

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 7/1/22 to 6/30/24

Finding Subject: Child Nutrition Cluster - Reporting

Summary of Finding:

An effective control system was not designed nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the reporting compliance requirement.

An effective internal control system was not designed nor implemented at the School Corporation to ensure the Monthly Sponsor Claims for Reimbursements were complete and accurately submitted.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-005

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 7/1/22 to 6/30/24

**Finding Subject: COVID-19 – Education Stabilization Fund – Allowable Costs/Cost Principles
Summary of Finding:**

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

Internal controls over vendor related disbursements were not effective at ensuring expenditures related to the Nurse's office and Administration building renovation construction projects were adequately documented prior to payment.

Forty accounts payable vouchers (APV) were selected for testing. Three APV's for one vendor did not include itemized invoices for payments related to the construction projects. The School Corporation obtained a combined quote for the two construction projects, in the amount of \$185,000, which was signed by both parties. The School Corporation did not advertise for bids, obtain sealed bids, or enter into a contract for the construction projects.

In addition, while the quote was for a total cost of \$185,000, total payments made to the vendor from ESSER II funds were \$275,170. Due to the lack of supporting documentation, we were unable to determine if the \$275,170 paid to the vendor was for the construction projects, or if other expenses had been paid. The total \$275,170 was considered questioned costs.

The lack of internal controls and noncompliance were isolated to the vendor and the renovation projects.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-006

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 7/1/22 to 6/30/24

Finding Subject: COVID-19 – Education Stabilization Fund – Reporting

Summary of Finding:

An effective internal control system was not designed nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The School Corporation had not designed nor implemented a system of internal controls to ensure that the annual Elementary and Secondary School Emergency Relief (ESSER) annual data reports (Reports) were complete and accurately submitted. The Reports were prepared by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

Additionally, for two of ten key line items tested, the School Corporation could not provide supporting documentation. The lack of supporting documentation for the full-time equivalent (FTE) key line item on the ESSER I, Year 1 annual data report prevented the determination of the accuracy of the line items.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance Note: Describe the audit finding and recommendations)

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-007

Fiscal year in which the finding initially occurred: 2022

Current Audit Period: 7/1/22 to 6/30/24

Finding Subject: COVID-19 – Education Stabilization Fund – Special

Summary of Finding:

An effective internal control system was not designed nor implemented at the School Corporation to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Construction contracts in excess of \$2,000 financed by federal assistance funds must pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) to their laborers and mechanics. Nonfederal entities are to include in their construction contracts subject to the Wage Rate Requirements a provision that the contractor or subcontractor comply with these requirements and the DOL regulations. This would include a requirement to submit a copy of the payroll and statement of compliance to the entity for each week in which contract work was performed.

A contract was not awarded for the renovation of the nurse's office and administration building paid. The School Corporation had a signed quote for \$185,000 with a construction company for the renovation project, which did not contain the required prevailing wage rate clause. Additionally, the required certified payrolls were not obtained by the School Corporation or presented for audit. The lack of internal controls and noncompliance were isolated to the vendor and the renovation projects.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented

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CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Jodi Halsema, Corporation Treasurer
Contact Phone Number and Email Address: (765) 762-3364 / jhalsema@msdwarco.k12.in.us

Views of Responsible Officials:

Option 1: We concur with the finding

Description of Corrective Action Plan:

All activity for commodities and supply chain distributions will be properly reported.

The Adult Basic Ed grant receipts and disbursement activity will all be reported.

Anticipated Completion Date: June 30, 2025

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CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: Child Nutrition Cluster - Eligibility

Contact Persons Responsible for Corrective Action: Lacey Sturgeon, Food Service Director & Melissa Bell, Assistant Food Service Director

Contact Phone Number and Email Addresses: (765) 893-4445 / lsturgeon@msdwarco.k12.in.us & mbell@msdwarco.k12.in.us

Views of Responsible Officials:

Option 1: We concur with the findings

Description of Corrective Action Plan:

Stronger internal controls are needed in regards to verification of Direct Certifications. We plan to make sure once the certifications are entered that the Food Service Director will check the work of the Assistant Food Service Director and show her approval by signing and dating each final report.

Anticipated Completion Date: Effective Immediately

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Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2024-003

Finding Subject: Childhood Nutrition Cluster – Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Ralph Shrader, Superintendent

Contact Phone Number and Email Address: (765) 762-3364 / rshrader@msdwarco.k12.in.us

Views of Responsible Officials:

Option 1: We concur with the finding

Description of Corrective Action Plan:

We will obtain quotes for any purchases that qualify under the small purchases requirement Any director responsible for corporation contracts, will be responsible for checking Sam.gov to ensure the vendor is not on the suspension and disbarment list. A secondary individual will verify the findings. In addition, the micro-purchase threshold will be raised to \$50,000.

Anticipated Completion Date: Effective Immediately

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.