

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY

ALLEN COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/26/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mark D. Snyder	07-01-21 to 06-30-24
Superintendent of Schools	Dr. Park D. Ginder	07-01-21 to 06-30-24
President of the School Board	Bradley Mills Jennifer Bennett	07-01-21 to 12-31-22 01-01-23 to 06-30-24



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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT OF
SOUTHWEST ALLEN COUNTY, ALLEN COUNTY, INDIANA

This report is supplemental to the audit report of the Metropolitan School District of Southwest Allen County (School Corporation), for the period from July 1, 2021 to June 30, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 20, 2024

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system.

The School Corporation filed its AFR as prescribed; however, the internal controls over the federal award information entered into the Gateway, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

The School Corporation did not effectively review the federal grant information prepared and submitted in the Gateway. Although the Deputy Treasurer prepared and entered the federal award information into the Gateway, and the Director of Business/Treasurer reviewed and approved the information entered, the internal control was not effective and did not prevent nor allow for detection and correction of errors prior to submission.

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

- The Child Nutrition Cluster expenditures were overstated by \$420,138 for fiscal year 2021-2022.
- Five grants had individually immaterial errors that resulted in misstatements of expenditures of \$265,313, in total, for 2021-2022.
- Eight grants had individually immaterial errors that resulted in misstatements of expenditures of \$331,195, in total, for 2022-2023.
- Various Assistance Listings Numbers (ALN) and program names were incorrect.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report of the School Corporation.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

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:

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

"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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly to the Indiana Gateway for Government Units (Gateway) financial reporting system include the bank statements and reconciliations, approved School Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end investment statements, detail of receipt activity, detail of disbursement activity, annual vendor history report, annual payroll history report, without social security numbers, and the annual funds ledger, summarizing year-to-date total receipts, year-to-date total disbursements, and beginning and ending balances by fund. Additionally, school corporations must provide the school lunch prepaid account balance report as of June 30 and approved salary schedule for noncertified employees and amendments.

The School Corporation did not comply with the State Examiner Directive and did not upload the following monthly and annual files to the Gateway:

1. October 2021 bank statements
2. February 2022 bank statements
3. 2022 Annual Vendor History Report
4. 2022 Annual Payroll History Report
5. 2022 School Lunch Prepaid Account Balance Report
6. 2022 Salary Schedule for Noncertified Employees and Amendments
7. 2023 Annual Vendor History Report
8. 2023 Annual Payroll History Report
9. 2023 School Lunch Prepaid Account Balance Report
10. 2023 Salary Schedule for Noncertified Employees and Amendments

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

Criteria

The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1st (August 29th for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

A similar comment also appeared in prior Report B59342, entitled *AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS*.

Condition and Context

The School Corporation had a *Proof of Residency Policy* (policy) that requires the parent to provide three documents to verify residency; one document from Group A listing, one document from Group B listing, and a government issued ID. Of the 28 non-virtual students tested, 11 did not have all three required records. Of the 27 virtual students tested, 18 did not have all three required records. Because the School Corporation did not follow its policy, we determined that the 29 students without all three required records were not properly enrolled. Additionally, 3 students could not be determined to be residents of Indiana based on supporting documentation provided for testing.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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

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

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

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

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2024, with Mark D. Snyder, Treasurer; Dr. Park D. Ginder, Superintendent of Schools; Jennifer Bennett, President of the School Board; Philip R. Menzie, Assistant Director of Business; and Scott Fitterling, Deputy Treasurer.