

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT OF
WASHINGTON TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2014



FILED

06/29/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2014-001 - Financial Transactions and Reporting	4
Finding 2014-002 - Schedule of Expenditures of Federal Awards.....	5-6
Finding 2014-003 - Activities Allowed; Allowable Costs/Cost Principles; Cash Management; Suspension and Debarment; Period of Availability; and Reporting	6-7
Finding 2014-004 - Level of Effort	8
Finding 2014-005 - Allowable Costs/Cost Principles.....	9-10
Finding 2014-006 - Activities Allowed, Allowable Costs/Cost Principles.....	10-11
Finding 2014-007 - Cash Management, Period of Availability, and Reporting	11-13
Finding 2014-008 - Special Tests and Provisions	13-15
Finding 2014-009 - Activities Allowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability; Reporting; and Level of Effort.....	15-16
Finding 2014-010 - Special Tests and Provisions	16-18
Finding 2014-011 - Eligibility, Reporting, and Special Tests and Provisions	18-19
Finding 2014-012 - Cash Management.....	19-20
Finding 2014-013 - Special Tests and Provisions - Verification.....	20-21
Finding 2014-014 - Special Tests and Provisions - Return of Title IV Funds	21-22
Corrective Action Plan.....	23-28
Audit Results and Comments:	
Collective Bargaining Agreement	29
Condition of Records - Negative Disbursements	30
Prepaid Meal Account	30
Credit Card Policy.....	31
Official Bond - Extra-Curricular Treasurers	32
Promotion Expenses	32
Official Response	33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joseph Licata	07-01-13 to 06-30-16
Superintendent of Schools	Dr. Nikki Woodson	07-01-13 to 06-30-16
President of the School Board	William Turner Dr. Jay Hill Anthony Dzwonar	07-01-13 to 06-30-14 07-01-14 to 06-30-15 07-01-15 to 06-30-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WASHINGTON TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Washington Township (School Corporation), for the period from July 1, 2013 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

March 18, 2016

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. Procedures were not in place to ensure the compiled information was reviewed for accuracy and completeness. The School Corporation should have proper controls in place over the preparation of the financial statement to ensure accurate reporting of all fund activity. Without a proper system of internal control in place that operates effectively, material misstatements of the financial statement could remain undetected.

The Federal PELL Grant Programs and Federal Direct Student Loan Programs, which make up the activity of the Student Financial Aid fund, were not included in the School Corporation's financial statement. These programs were administered at the J. Everett Light Career Center (JELCC). The grant monies were deposited directly from the federal government into separate bank accounts for the Federal PELL Grant Programs and Direct Student Loan Programs. Receipts and disbursements were not recorded in the financial records of the School Corporation to coincide with the activity of these bank accounts. Checks were written from the Federal PELL Grant Programs and Federal Direct Student Loan Programs bank accounts and deposited into the bank account of the JELCC; the money was receipted into the extra-curricular records of the JELCC at that time.

The School Corporation has the responsibility to account for all financial transactions related to federal grants and should reflect all grant activity and balances in their financial statement. A similar finding was reported in the prior Report B43470. Adjustments to the financial statement to include the activity and balances of the financial aid programs were proposed, accepted by the School Corporation, and made to the financial statement presented in this report.

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

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)

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

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 presented by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2014-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

- The National School Lunch Program (CFDA #10.555) expenditures were overstated by \$27,020 due to the inclusion of the state matching reimbursement.
- The Fresh Fruit and Vegetable Program (CFDA #10.582) was incorrectly included within the Child Nutrition Cluster.
- The Federal Pell Grant Program (CFDA #84.063) expenditures were understated by \$124,221 and not identified by individual project numbers.
- The Federal Direct Student Loans (CFDA 84.268) expenditures were understated by \$194,446 and not identified by individual project numbers.
- The Improving Teacher Quality State Grants (CFDA 84.367) expenditures were overstated by \$9,594 due to inclusion of expenditures reimbursed in subsequent fiscal year.
- The WIA Youth Activities (CFDA #17.259), Adult Education - Basic Grants to States (CFDA #84.002), Education for Homeless Children and Youth (CFDA #84.196), and Refugee and Entrant Assistance_Discretionary Grants (CFDA #93.576) presented project numbers that were incorrect.

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

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

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 WASHINGTON 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-003 - ACTIVITIES ALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; SUSPENSION AND DEBARMENT; PERIOD OF AVAILABILITY; AND REPORTING

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 14213-060-PN01, 14214-060-PN01,
45713-060-PN01, 45714-060-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed; Allowable Costs/Cost Principles; Cash Management; Suspension and Debarment; Period of Availability; and Reporting. The following items were identified in our audit as significant deficiencies.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

*Activities Allowed; Allowable Costs/Cost Principles; Cash Management;
Period of Availability; and Reporting*

The School Corporation has implemented a control procedure whereby the reimbursement request is prepared by someone in the business office and approved by a business office official. Both the preparer and the approver indicate their role with a signature or other mark of approval. For 60 percent of the reimbursement reports submitted after the implementation of the control, there was no documentation indicating an approval was performed. The control was not operating properly.

As a further control over Activities Allowed or Unallowed and Allowable Costs/Cost Principles, the School Corporation has implemented a system where grant specific transactions are approved by the Grant Manager. The exception for this is payroll expenses for School Corporation employees who spend all their time on grant activities. In these cases, time and effort certifications are done every six months rather than approved for each payroll expense. These controls were generally operating effectively, except that payments to part-time employees, who spent all of their time on grant activities (such as instructor assistants), were not approved by either method.

Suspension and Debarment

The Grant Administrator stated vendors were routinely verified on the federal System for Award Management (SAM) website, but was unable to document the inquiries.

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

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - LEVEL OF EFFORT

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies (Title I), Career and Technical Education-Basic Grants to States (CTE), Twenty-First Century Community Learning Centers (21st Century)

CFDA Number: 84.010, 84.048, 84.287

Federal Award Number and Year (or Other Identifying Number): 13-5370, 14-5370 (Title I), 12-4700-5370, 13-4700-5370 (CTE), Cohort IV Year 4, Cohort V Year 3, and Cohort V Year 4 (21st Century)

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

The School Corporation has not separated incompatible activities within the managing of the federal award programs over the Level of Effort requirement. This was identified in our audit as a material weakness.

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

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 14-5370
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements which allowed the following noncompliance to occur.

The School Corporation received grant reimbursement payments from the Indiana Department of Education (IDOE) for severance payments to three retiring teachers. The severance costs were reimbursed as direct costs of the Grant No. 14-5370. The retirement payments were made on June 20, 2014, and totaled \$20,777. The retiring teachers' benefits were paid as described in the Article VI of the teacher's contract and allowed for the retirees to receive \$57 per day for unused accumulated illness leave and unused personal business leave at the conclusion of the contract year in which the retirement is effective. Severance payments were not an allowable direct grant cost.

The severance payouts were paid as follows:

- Employee 1: Paid \$8,351 for 146.5 days sick leave at \$57 per day upon retirement.
- Employee 2: Paid \$6,583 for 115.5 days sick leave at \$57 per day upon retirement.
- Employee 3: Paid \$5,843 for 102.5 days sick leave at \$57 per day upon retirement.

Charging the severance payments as direct grant costs when the costs were only allowed as part of the indirect cost reimbursement, is deemed to not be an allowable cost of the grant. The \$20,777 reimbursed as a direct costs is considered a questioned cost. No other such payments were found during the audit period.

OMB Circular A-87, Attachment B, Part 8(g) states:

"Severance Pay.

- (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.
- (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.
- (3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency."

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

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

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

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

The failure to establish internal controls enabled material noncompliance to go undetected. The School Corporation did not comply with the requirements for Allowable Costs/Cost Principles requirements by charging severance pay directly to the program. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the above grant agreement and compliance requirements. Additionally, we recommended that the School Corporation's management contact the Department of Education regarding the resolution of the identified noncompliance.

FINDING 2014-006 - ACTIVITIES ALLOWED, ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Career and Technical Education- Basic Grants to States

CFDA Number: 84.048

Federal Award Number and Year (or Other Identifying Number): 12-4700-5370, 13-4700-5370

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed and Allowable Costs/Cost Principles. The following item was identified as a significant deficiency.

The School Corporation has implemented an internal control over Activities Allowed and Allowable Costs whereby individual transactions are approved by the Grant Manager. However, 22 percent of transactions tested had no such approval.

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

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

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

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

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

FINDING 2014-007 - CASH MANAGEMENT, PERIOD OF AVAILABILITY, AND REPORTING

Federal Agency: Department of Education

Federal Program: Career and Technical Education - Basic Grants to States

CFDA Number: 84.048

Federal Award Number and Year (or Other Identifying Number): 12-4700-5370, 13-4700-5370

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Period of Availability, and Reporting. Grant activities related to these requirements were not adequately monitored resulting in noncompliance and questioned costs related to some expenditures claimed outside of the grant period and errors in reporting and claiming of reimbursements. The lack of an effective internal control system over these requirements is identified as a material weakness.

In an effort to close out the Grant No. 12-4700-5370 (2012/2013 cohort) in a timely manner, the School Corporation claimed the grant's remaining unreimbursed amount of \$159,466 for the grant on the reimbursement request dated August 13, 2013, claiming reimbursements for expenses incurred in June and July of 2013. The reimbursement request was prepared and submitted incorrectly as it included the following errors: disbursements outside the period specified on the request; disbursements pending payment; and misrepresented disbursement classification amounts. Additionally, adjustment entries were made moving disbursements posted to the 2012/2013 cohort to the Grant No. 13-4700-5370 (2013/2014 cohort) in an effort to not exceed the total grant award amount for the 2012/2013 cohort.

The following Cash Management and Reporting errors were observed for the 2012/2013 cohort:

- The requested amount included obligated expenses of \$6,583 that were paid after July 2013 but before the August 13, 2013 reimbursement request date but were not properly classified on the reimbursement request.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

- The requested amount included obligated expenses totaling \$45,771 that were paid after the August 13, 2013 request date but before the reimbursement was received on August 30, 2013.
- The requested amount included obligated expenses totaling \$9,175 that were paid after the reimbursement was received but prior to the liquidation end date of September 30, 2013.
- The reimbursement request budget classification amounts were misrepresented for the following classifications:
 - Salary - reported YTD was \$392,013 versus actual of \$409,133 for an understatement of \$17,120.
 - Fringes - reported YTD was \$112,870 versus actual of \$117,710 for an understatement of \$4,840.
 - Travel - reported YTD was \$13,910 versus actual of \$12,993 for an overstatement of \$917.
 - Equipment - reported YTD was \$335,869 versus actual of \$314,826 for an overstatement of \$21,043.

The following expense adjustments that were moved from the 2012/2013 cohort to the 2013/2014 cohort were noted as Period of Availability errors for the 2013/2014 cohort:

- Equipment expenses of \$3,775 charged to the School Corporation's credit card on April 22, 2013.
- Equipment expenses of \$15,281 that were paid on September 27, 2013, but obligated on May 7, 2013.
- Equipment expenses of \$6,138 that were paid on September 27, 2013, but obligated on June 12, 2013.

As these expenses were all obligated prior to the 2013/2014 cohort's period of availability of July 1, 2013 to June 30, 2014, these are all considered to be questioned costs for a total of \$25,194 for the 2013/2014 cohort. Expense adjustments from 2012/2013 cohort to the 2013/2014 totaled \$39,454.

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

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

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

34 CFR 80.21(b) states: "*Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

31 CFR 205.12(b)5 states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

Furthermore, condition 20 of the Notification of Grant Award states in part: "Submission of reimbursement form payments will be made on the 1st and 15th of each month. These requests are for money actually spent."

The School Corporation claiming expenditures outside of the grant period in the amount of \$25,194 has been considered a questioned cost.

The failure to establish internal controls enabled material noncompliance to go undetected. The School Corporation did not comply with the Cash Management, Period of Availability, or Reporting requirements. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation. Additionally, failure to comply with grant requirements could cause the grant to be suspended or terminated or cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above and establish procedures to ensure future compliance with the above requirements for this grant. Additionally, we recommended the School Corporation's management contact the IDOE regarding the resolution of the identified noncompliance and questioned costs.

FINDING 2014-008 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Number and Year (or Other Identifying Number): Cohort IV Year 4, Cohort V Year 3,
Cohort V Year 4

Pass-Through Entity: Indiana Department of Education

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement. The School Corporation has not separated incompatible activities within the managing of the federal award programs over these areas. This was identified in our audit as a material weakness.

One of the provisions for the Participation of Private School Children of the Twenty-First Century Community Learning Centers grant is that the School Corporation, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Eligible private school children are those who reside in a participating public school attendance area and have educational needs.

The School Corporation personnel could not provide information regarding consultation with private school officials. The current program Administrators began in December 2013 when the former Administrator left the school system. Program personnel were not familiar with activities that took place when the grant was initially awarded. The grant files did not contained written evidence that private school officials were contacted, but no such evidence was included or provided elsewhere.

Partially caused by a lack of knowledgeable, continuing grant administration over this compliance requirement, and failure of management to establish sufficient internal controls over special tests and provisions, the School Corporation did not comply with the Special Tests and Provisions - Participation for the Private School Children requirements.

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

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

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

34 CFR 76.652 states in part:

"(a) An applicant for a subgrant shall consult with appropriate representatives of students enrolled in private schools during all phases of the development and design of the project covered by the application, including consideration of:

- (1) Which children will receive benefits under the project;
- (2) How the children's needs will be identified;
- (3) What benefits will be provided;

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

(4) How the benefits will be provided; and

(5) How the project will be evaluated.

(b) A subgrantee shall consult with appropriate representatives of students enrolled in private schools before the subgrantee makes any decision that affects the opportunities of those students to participate in the project.

(c) The applicant or subgrantee shall give the appropriate representatives a genuine opportunity to express their views regarding each matter subject to the consultation requirements in this section."

The failure to comply with these requirements could cause the grant to be suspended or terminated or cause the School Corporation to be ineligible to receive future federal awards. Additionally, the failure to establish internal controls enabled material noncompliance to go undetected.

We recommended that the School Corporation's management provide oversight to ensure that sufficient procedures are established regarding Participation of Private School Children. We further recommended that these procedures begin with establishing controls, including segregation of duties, related to the grant agreement and the compliance requirement.

FINDING 2014-009 - ACTIVITIES ALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; PERIOD OF AVAILABILITY; REPORTING; AND LEVEL OF EFFORT

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnership

CFDA Number: 84.366

Federal Award Number and Year (or Other Identifying Number): A58-1-11CI-271, A58-1-11CI-272,
A58-3-13CI-1267

Pass-Through Entity: Indiana Department of Education

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 following compliance requirements: Activities Allowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability; Reporting; and Level of Effort. An effective internal control system reduces the risk of noncompliance with the grant agreement and the compliance requirements.

Activities Allowed, Allowable Costs/Cost Principals, Cash Management, Period of Availability, and Reporting

Proper monitoring of Activities Allowed or Unallowed and Allowable Costs/Cost Principles were not operating consistently. The Grant Manager approved grant specific expenses, but 19 percent of transactions tested did not have an approval. This control was adequately designed, but was not properly implemented.

During December 2013, an internal control was instituted and was found to be operating effectively.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Level of Effort

The School Corporation has not separated incompatible activities within the managing of the federal award program regarding the Level of Effort requirement.

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

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

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

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

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

FINDING 2014-010 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education
Federal Program: Mathematics and Science Partnership
CFDA Number: 84.366
Federal Award Number and Year (or Other Identifying Number): A58-3-13CI-1267
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirements which allowed the following noncompliance to occur.

As part of the Mathematics and Science Partnership grant agreement, the School Corporation was required to contact non-public schools in the School Corporation area and give them the opportunity to participate in grant activities. The grant application listed schools that had been contacted, but there was no documentation of the contact for 67 percent of schools tested. The grant application required signatures from the schools indicating that they had opted out, but there were no signatures from any of the schools.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

34 CFR 76.652 states in part:

"(a) An applicant for a subgrant shall consult with appropriate representatives of students enrolled in private schools during all phases of the development and design of the project covered by the application, including consideration of:

- (1) Which children will receive benefits under the project;
- (2) How the children's needs will be identified;
- (3) What benefits will be provided;
- (4) How the benefits will be provided; and
- (5) How the project will be evaluated.

(b) A subgrantee shall consult with appropriate representatives of students enrolled in private schools before the subgrantee makes any decision that affects the opportunities of those students to participate in the project.

(c) The applicant or subgrantee shall give the appropriate representatives a genuine opportunity to express their views regarding each matter subject to the consultation requirements in this section."

The Grant Director stated the practice was to contact the private schools by telephone; then, based on the response to follow up with additional contact. Because some private schools did not reply, no further contact was made with the unresponsive private schools. This practice contributed to noncompliance since there was no written documentation of the contact with the private schools' representatives.

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

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

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

The failure to establish internal controls enabled material noncompliance to go undetected. The School Corporation did not comply with the requirements for Special Test and Provisions requirements by not contacting non-public schools in the corporation area and give them the opportunity to participate in grant activities. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. Additionally, we recommended the School Corporation establish procedures to ensure future compliance with the participation of private school children requirement.

FINDING 2014-011 - ELIGIBILITY, REPORTING, AND SPECIAL TEST AND PROVISIONS

Federal Agency: Department of Education

Federal Program: Federal Pell Grant Program, Federal Direct Loan Program

CFDA Number: 84.063, 84.268

Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146,
P063P134146, P063Q134146,
P268K134146, P268K144146

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Eligibility; Reporting; and Special Test and Provisions (Disbursements To or On Behalf of Students, Enrollment Reporting, and Borrower Data Transmission and Reconciliation).

Eligibility

The Student Financial Aid (SFA) Administrator determines eligibility and amounts of aid awarded to eligible student using the software from the SFA Management Company. There was no documented evidence of a review or other control to ensure that the eligibility was determined correctly and the aid awarded was the correct amounts.

Reporting

The SFA Management Company prepares and completes the Pell Payment Data report through the Common Origination and Disbursement Report. There was no documented evidence of a review or any other control that would ensure the required reports were submitted timely and accurately.

Special Tests and Provisions - Disbursements To or On Behalf of Students

The SFA Administrator brings the Institutional Student Information Record (ISIR) and the promissory notes into the files; there is no review or control established that ensures the promissory notes or the ISIR's have been completed prior to disbursing aid. The SFA Administrator also confirms that first time borrowers are not paid prior to 30 days after the start of the term; there is no review or control established to ensure that first time borrowers are not being paid prior to the 30 days.

Special Tests and Provisions - Enrollment Reporting

The SFA Management Company prepares and completes the Enrollment Report once every three months. The SFA Management Company then submits the report to the Indiana Department of Education. There was no documented evidence of a review or any other control that would ensure the enrollment reports were submitted timely and accurately.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Borrower Data Transmission and Reconciliation

The SFA Management Company prepares and completes the Loan Disbursement Data from the Common Origination and Disbursement Report and a monthly reconciliation. There was no documented evidence of a review or any other control that would ensure the Common Origination and Disbursements Reports were submitted timely and accurately and the Direct Loan reconciliations were completed accurately and monthly.

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

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

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

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

FINDING 2014-012 - CASH MANAGEMENT

Federal Agency: Department of Education

Federal Program: Federal Pell Grant Program, Federal Direct Loan Program

CFDA Number: 84.063, 84.268

Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146,
P063P134146, P063Q134146,
P268K134146, P268K144146

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Cash Management compliance requirements which allowed the following noncompliance to occur.

The School Corporation was required to disburse all funds received from drawdowns from the G5 system to the students for tuition and refunds within three days. For our sample of five drawdowns, no documentation was provided that could be used to verify that the funds were disbursed within three days of receipt for any of the selected drawdowns.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

34 CFR Section 668.162(b) states in part:

"Under the advance payment method-(1) An institution submits a request for funds to the Secretary. The institution's request for funds may not exceed the amount of funds the institution needs immediately for disbursements the institution has made or will make to eligible students and parents;

- (2) If the Secretary accepts that request, the Secretary initiates an electronic funds transfer (EFT) of that amount to a bank account designated by the institution; and (3) The institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds. . . ."

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

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

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

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and Cash Management compliance requirement. We also recommended that the School Corporation establish procedures to ensure future compliance in disbursing grant funds within the time frame established under the Cash Management requirements.

FINDING 2014-013 - SPECIAL TESTS AND PROVISIONS - VERIFICATION

Federal Agency: Department of Education

Federal Program: Federal Pell Grant Program, Federal Direct Loan Program

CFDA Number: 84.063, 84.268

Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146,
P063P134146, P063Q134146,
P268K134146, P268K144146

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Verification compliance requirement which allowed the following noncompliance to occur:

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

The School Corporation personnel could not provide documentation showing verification of the Free Application for Federal Student Aid (FAFSA) information for the four students tested from the population of fifteen students selected by the Secretary which represents a 27 percent error rate.

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

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

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

34 CFR 668.54(a) states in part: "(1) . . . an institution must require an applicant whose FAFSA information is selected for verification by the Secretary, to verify the information specified by the Secretary . . ."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above and establish procedures to ensure future compliance of the above requirement including the retaining of all verification documentation.

FINDING 2014-014 - SPECIAL TESTS AND PROVISIONS - RETURN OF TITLE IV FUNDS

Federal Agency: Department of Education

Federal Program: Federal Pell Grant Program, Federal Direct Loan Program

CFDA Number: 84.063, 84.268

Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146,
P063P134146, P063Q134146,
P268K134146, P268K144146

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

The School Corporation had incorrectly reported the term start and end dates for the winter and spring terms on three of the four (75 percent) Return of Title IV fund calculations for FY 14. The error in term dates caused the School Corporation to incorrectly calculate the Return of Title IV Funds. The School Corporation should return an additional \$317 to the Indiana Department of Education.

34 CFR Section 668.22 (f)(2)(i) states:

"The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period"

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

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

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

The failure to establish internal controls enabled material noncompliance to go undetected. The School Corporation did not comply with the Special Tests and Provisions requirement for Return of IV Funds. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Special Test and Provision - Return of Title IV Funds compliance requirement and establish procedures to ensure future compliance in completing the Return of Title IV Funds calculations.



Metropolitan School District of
WASHINGTON TOWNSHIP
"Superior Schools in a Supportive Community"

Nikki C. Woodson, Ph.D., Superintendent

January 30, 2016

Amended – March 17, 2016

**CORRECTIVE ACTION PLAN – RESPONSE TO FINDINGS
FEDERAL AWARDS
JULY 1, 2013 TO JUNE 30, 2014**

Section II - Financial Statement Findings

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

A proper system of internal control is now in place. It will prevent the omission of any federal program dollars from the financial statements.

The two programs, PELL Grant and Direct Student Loans, were associated with a program MSD Washington Township (MSDWT) no longer offers and the majority of that activity ceased as of June 30, 2014. The record keeping for those programs was done at the J. Everett Light Career Center. There are no longer any programs in operation that are not part of the MSDWT financial records (excluding extracurricular accounts).

The State board of Accounts has confirmed that while a weakness in internal control did allow for the omission of these two programs from the financial statements, the amounts were not material.

FINDING 2014-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A proper system of internal control is now in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The procedures in place will ensure that the SEFA is reviewed for accuracy and completeness. This will include a review of revenue/expense classification, clusters, project numbers and insuring that all sources of federal funding are reported.

Section III – Federal Award Findings and Questioned Costs

FINDING 2014-003 - ACTIVITIES ALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; SUSPENSION AND DEBARMENT; PERIOD OF AVAILABILITY; AND REPORTING

-23-

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 14213-060-PN01, 14214-060-PN01, 45713-060-PN01, and 45714-060-PN01

Pass-Through Entity: Indiana Department of Education

Activities Allowed; Allowable Costs/ Cost Principles; Cash Management; Period of Availability; and Reporting

- (1) The School Corporation has implemented a control procedure whereby the reimbursement request submitted to IDOE is prepared by the Coordinator of Grant Accounting and approved by the Controller. Both parties will document their respective roles by signing and dating the reimbursement request.
- (2) Payments to part-time employees who spend all of their time on grant activities (such as instructor assistants) will also complete bi-annual time and effort certifications similar to full time employees.

Suspension and Debarment

Our vendors have been compared to the Suspension and Debarment list from the federal System for Award Management (SAM) website. None of the vendors MSDWT uses are on the list. This comparison has been performed within the Business Office and will not be left to Grant Administrators. All new vendors will be checked as they are added to our Financial Management System and the entire list will be checked on a quarterly basis.

FINDING 2014-004 – LEVEL OF EFFORT

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies (Title I); Career and Technical Education- Basic Grants to States (CTE); Twenty-First Century Community Learning Centers (21st Century)

CFDA Number: 84.010, 84.048, 84.287

Federal Award Number and Year (or Other Identifying Number): 13-5370, 14-5370 (Title I); 12-4700-5370, 13-4700-5370 (CTE); Cohort IV Year 4, Cohort V Year 3, and Cohort V Year 4 (21st Century)

MSDWT will implement a system for documenting our awareness and tracking of information relevant to the Level of Effort compliance requirement. This will be done by a person knowledgeable of this requirement and the documentation will also show that it has been reviewed by another knowledgeable individual.

FINDING 2014-005 – ALLOWABLE COSTS/ COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 14-5370
Pass-Through Entity: Indiana Department of Education

MSDWT will no longer charge severance payments for retiring teachers directly to the Title I Grant. We will seek advice from IDOE with regard to resolving the identified noncompliance.

FINDING 2014-006 - ACTIVITIES ALLOWED, ALLOWABLE COSTS/ COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Career and Technical Education- Basic Grants to States
CFDA Number: 84.048
Federal Award Number and Year (or Other Identifying Number): 12-4700-5370, 13-4700-5370
Pass-Through Entity: Indiana Department of Education

MSDWT will establish a more effective internal control system including segregation of duties, related to the grant agreement. We will review our current system of internal control over activities allowed and allowable costs to insure that all transactions are approved by the grant manager.

FINDING 2014-007 - CASH MANAGEMENT, PERIOD OF AVAILABILITY, AND REPORTING

Federal Agency: Department of Education
Federal Program: Career and Technical Education - Basic Grants to States
CFDA Number: 84.048
Federal Award Number and Year (or Other Identifying Number): 12-4700-5370, 13-4700-5370
Pass-Through Entity: Indiana Department of Education

MSDWT is revising its system of internal control. These revisions are being designed to prevent expenditures from occurring outside of the grant period and to eliminate any errors in reporting and claiming of reimbursements. Compliance with Cash Management, Reporting and dates dealing with Period of Availability and seeking reimbursement only for actual expenses will be strictly adhered to. In addition, we will seek advice from IDOE with regard to resolving the identified noncompliance.

FINDING 2014-008 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Number and Year (or Other Identifying Number): Cohort IV Year 4, Cohort V Year 3, and Cohort V Year 4
Pass-Through Entity: Indiana Department of Education

Should MSDWT again be the recipient of a Twenty-First Century grant, we will provide oversight to insure that sufficient procedures are established regarding the Participation of Private School Children, so as to comply with this requirement.

FINDING 2014-009 - ACTIVITIES ALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; PERIOD OF AVAILABILITY; REPORTING; AND LEVEL OF EFFORT

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnership

CFDA Number: 84.366

Federal Award Number and Year (or Other Identifying Number): A58-1-11CI-271, A58-1-11CI-272, A58-3-13CI-1267

Pass-Through Entity: Indiana Department of Education

Activities Allowed, Allowable Costs/Cost Principals, Cash Management, Period of Availability, and Reporting

“In December 2013, an internal control was instituted that required a knowledgeable second person participating overseeing these compliance requirements. Once this control was implemented, it was found to be operating effectively.”

No corrective action required per the above comment.

Level of Effort

MSDWT will implement a system for documenting our awareness and tracking of information relevant to the Level of Effort compliance requirement. This will be done by a person knowledgeable of this requirement and the documentation will also show that it has been reviewed by another knowledgeable individual.

FINDING 2014-010 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnership

CFDA Number: 84.366

Federal Award Number and Year (or Other Identifying Number): A58-3-13CI-1267

Pass-Through Entity: Indiana Department of Education

MSDWT will put procedures in place that document all efforts made to contact and communicate with private schools. Email communications will be printed and placed in the grant file. A telephone log documenting attempts to communicate with private schools will also be kept so that evidence exists that every effort is being made to offer private schools an opportunity to participate. We will seek out signatures from schools indicating they wish to opt out with the understanding that they may not be obtainable.

AMENDED CORECTIVE ACTION PLAN – MARCH 17, 2016

SUPPLEMENTAL FINDINGS ON FINANCILA AID PROGRAMS

FINDINGS 2014-11, 12, 13 & 14 are related to the Federal Pell Grant Program and the Federal Direct Student Loan Program. MSDWT is a public K-12 school district and not a post-secondary institution. MSDWT/JEL was offering only one post-secondary program, Licensed Practical Nursing (LPN).

MSDWT/JEL has phased out the LPN program as of June 30, 2014, and voluntarily withdrew from participation in all Federal Student Aid programs. Therefore, no corrective action plan can be developed or implemented since MSDWT/JEL no longer offers any qualifying post-secondary programs and no longer participates in any Federal Student Aid program.

FINDING 2014-011 - ELIGIBILITY; REPORTING; AND SPECIAL TEST AND PROVISIONS

Federal Agency: Department of Education
Federal Program: Federal Pell Grant Program, Federal Direct Loan Program
CFDA Number: 84.063, 84.268
Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146, P063P134146, P063Q134146, P268K134146, P268K144146

FINDING 2014-012 - CASH MANAGEMENT

Federal Agency: Department of Education
Federal Program: Federal Pell Grant Program, Federal Direct Loan Program
CFDA Number: 84.063, 84.268
Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146, P063P134146, P063Q134146, P268K134146, P268K144146

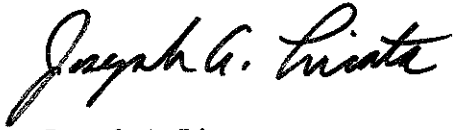
FINDING 2014-013 - SPECIAL TESTS AND PROVISIONS - VERIFICATION

Federal Agency: Department of Education
Federal Program: Federal Pell Grant Program, Federal Direct Loan Program
CFDA Number: 84.063, 84.268
Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146, P063P134146, P063Q134146, P268K134146, P268K144146

FINDING 2014-014 - SPECIAL TESTS AND PROVISIONS- RETURN OF TITLE IV FUNDS

Federal Agency: Department of Education
Federal Program: Federal Pell Grant Program, Federal Direct Loan Program
CFDA Number: 84.063, 84.268
Federal Award Number and Year (or Other Identifying Number): P063P124146, P063Q124146, P063P134146, P063Q134146, P268K134146, P268K144146

Respectfully,

A handwritten signature in black ink that reads "Joseph A. Licata". The signature is written in a cursive, flowing style.

Joseph A. Licata
Chief Business Officer

CC: Dr. Nikki Woodson, Superintendent
Mr. Anthony Dzwonar, President, Board of Education

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
AUDIT RESULTS AND COMMENTS

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement presented for audit contained the following prohibited items:

- States the reimbursement for mileage.
- States the types of unpaid leave.

A similar comment regarding the collective bargaining agreement appeared in prior Report B43470.

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

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

CONDITION OF RECORDS - NEGATIVE DISBURSEMENTS

The School Corporation used negative disbursements in numerous instances to make corrections in the financial records. These corrections were primarily to reallocate receipts or disbursements to different line items or funds that were not within the same reporting period.

A similar comment appeared in prior audit reports, most recently Report B43470.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

PREPAID MEAL ACCOUNT

The School Corporation established a control ledger account for the Prepaid Meal Account and receipts through the Prepaid Meal Account System were posted to this account, but the disbursements related to the purchasing of meals (usage) through this same System were not posted. As a result:

- The control ledger account could not be reconciled to the Prepaid Meal Account System's Account Balance Report.
- The School Lunch fund was shorted local revenue collections used to purchase meals in the amount of \$919,569, as these revenues were still included in the Prepaid Meal Account.

In addition to this, no bad debt policy approved by the School Board was presented for audit. Since no policy was presented, it could not be determined when or how negative prepaid accounts would be written or disbursed for collection; or when or how positive balances would be returned to students.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

CREDIT CARD POLICY

The School Board's credit card policy was not passed by resolution with all the required elements specified in the paragraph below. The School Corporation used credit cards to purchase various items on a regular basis. The School Board authorized the use of credit cards and directed the Superintendent of Schools to develop administrative guidelines that specify those authorized to use School Corporation credit cards, the types of expense which can be paid, and proper supervision regarding their use. Credit cards were in the custody of and used by a number of School Corporation employees to make an extensive amount of purchases each month. One of the monthly credit card statements indicated the School Corporation had 40 different credit cards. During the audit period, credit card purchases totaled \$6,168,416, which represents approximately 6 percent of the vendor disbursements.

A similar comment appeared in prior reports, most recently Report B43470.

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.
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)

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

OFFICIAL BOND - EXTRA-CURRICULAR TREASURERS

The School Corporation purchased a position bond for Extra-Curricular Treasurers beginning July 1, 2010, which was subsequently renewed by issuance of continuation certificates. The continuation certificate for 2013-2014 school year was not recorded.

Indiana Code 20-41-1-6(a) states in part:

"The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. Bonds shall be filed with the trustee or board of school trustees. The surety on the bonds must be a surety company authorized to do business in Indiana."

Indiana Code 20-41-1-6(b) states: "The requirements of this chapter may be fulfilled by providing a comprehensive bonding instrument, including a single blanket position bond, for all extracurricular treasurers. A comprehensive bonding instrument is acceptable instead of individual separate personal position bonds.

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PROMOTION EXPENSES

Pursuant to Indiana Code 20-26-5-4, and based on the September 2013 ADM count, the School Corporation was subjected to a limit of \$10,993 appropriation in their "Promotion Expense" classification. Including items that were classified as "Promotion Expense," and other that should have been classified as such, the School Corporation spent \$22,708, which exceeded their appropriation limit by \$11,715.

Indiana Code 20-26-5-4(a) states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . .

- (3) to appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based on the school corporation's ADM of the previous year (as defined in IC 20-43-1-7) to promote the best interests of the school corporation . . ."



Metropolitan School District of
WASHINGTON TOWNSHIP
"Superior Schools in a Supportive Community"

Nikki C. Woodson, Ph.D., *Superintendent*

OFFICAL RESPONSE- UPDATED

June 6, 2016

State Board of Accounts
Room E 418
302 West Washington Street
Indianapolis, IN 46307-2765

Dear Mr. Joyce,

This is the Official Response to become a part of the audit report of the Metropolitan School District of Washington Township, for the year ending June 30, 2014.

With the exception of the first Audit Result and Comment (ARC), Collective Bargaining Agreement, we concur with the Audit Results and Comments presented at the exit conference. We will make every effort to have the issues corrected as quickly as possible.

The field staff, led by Ms. Kathy Kemp, that performed our audit was extremely professional and helpful. Thank you very much.

Respectfully,

Joseph A. Licata
Chief Business Officer

Cc: Dr. Nikki Woodson, Superintendent
Mr. Anthony Dzwonar, President, Board of Education

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2016, with Joseph Licata, Treasurer; Dr. Nikki Woodson, Superintendent of Schools; and Anthony Dzwonar, President of the School Board.