

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, 2013 to June 30, 2015



FILED
07/01/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James W. Coplen	01-01-13 to 12-31-16
Superintendent of Schools	Dr. Steven L. Yager Dr. Philip G. Downs	07-01-13 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	John F. Blum Meagan K. Milne	01-01-13 to 12-31-15 01-01-16 to 12-31-16



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

This report is supplemental to our audit report of the Metropolitan School District of Southwest Allen County (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Result and Comment 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 Result and Comment 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 Result and Comment contained herein describes 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

April 12, 2016

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
FEDERAL FINDINGS

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

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

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

- The Child Nutrition Cluster program commodities were not considered in reporting.
- The Special Education Cluster (IDEA) and Career and Technical Education - Basic Grants to States programs were not properly reported.
- In total, the SEFA was over reported in FY 2014 by \$1,105,481 and in FY 2015 by \$163,037.

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

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

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2015-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, ELIGIBILITY, AND PROGRAM INCOME

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2013-2014, FY 2014-2015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to the following compliance requirements that have a direct and material effect to the programs: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Program Income. 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.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Lunch vendor expenditures were not approved by the School Board. There was no control in place to ensure that the School Lunch vendor expenditures were for Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation had a lack of internal control over its food service balance. The School Corporation did not establish a control to ensure that the food service balance was less than or equal to average expenditures for three months operating expenses.

Eligibility

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

Program Income

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

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

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



SACS

SOUTHWEST ALLEN COUNTY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Jim Coplen
Contact Phone Number: 260-431-2030

Views of Responsible Official: Concur with the finding

Description of Corrective Action Plan: Deputy Treasurer will include all commodities in the SEFA reporting. The Treasurer will review these and all other SEFA reporting to ensure their applicable and accurate nature.

Anticipated Completion Date: July 1, 2016

FINDING 2016-002

Contact Person Responsible for Corrective Action: Jim Coplen
Contact Phone Number: 260-431-2030

Views of Responsible Official: Concur with the finding

Description of Corrective Action Plan:

- School Lunch expenditures will be submitted for school board approval
- We will monitor the cash balance to ensure it does not exceed the average 3 months operating expenses
- A review of free and reduced lunch applications by the food service director will be done for all such applications
- We will implement an internal control procedure to ensure each school is charging the correct meal prices. We will examine our current revenue collection procedure to safeguard against potential misstatements of revenue and to control the number of employees handled food service collections

Anticipated Completion Date: July 1, 2016


(Signature)

BUS. MGR. / TREASURER
(Title)

4.12.16
(Date)

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METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
AUDIT RESULT AND COMMENT

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership (ADM) claimed was accurate for the February 2014 and the February 2015 counts.

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

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



SACS

SOUTHWEST ALLEN COUNTY SCHOOLS

April 12, 2016

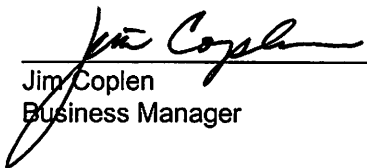
Indiana State Board of Accounts
Mr. Paul Joyce, CPA
302 West Washington St.
4th Floor, Room E418
Indianapolis, IN 46204-2738

Dear Mr. Joyce,


The following is a response to the preliminary draft of the Audit Results and Comments that were presented as a part of the M.S.D. of Southwest Allen County audit report for the period of July 1, 2013 to June 30, 2015.

AVERAGE DAILY MEMBERSHIP (ADM) – LACK OF REPORTING

M.S.D. of Southwest Allen County has garnered proper documentation and written certification for all September ADM counts. We have not requested this same documentation for the February counts that started in 2014. We will gather proper written certification for the February ADM counts beginning with the 2015-16 school year.



Jim Coplen
Business Manager



Dr. Philip G. Downs
Superintendent

Preparing today's learners for tomorrow's opportunities.

Jim Coplen ♦ Business Manager
4824 Homestead Road ♦ Fort Wayne, Indiana 46814 ♦ (260) 431-2030 ♦ jcoplen@sacs.k12.in.us

METROPOLITAN SCHOOL DISTRICT OF SOUTHWEST ALLEN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2016, with James W. Coplen, Treasurer; Mary A. McCrory, Deputy Treasurer; Dr. Philip G. Downs, Superintendent of Schools; and Meagan K. Milne, President of the School Board.