

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
12/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda J. Searles	07-01-13 to 12-31-16
Superintendent of Schools	Nathaniel Jones	07-01-13 to 06-30-17
President of the School Board	Regina Randolph Larry Metzler Regina Randolph	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Metropolitan School District of Pike Township (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

Any Corrective Action Plan for the Federal Findings 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

November 15, 2016

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS

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

Condition

The School Corporation had a system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA); however, no documentation of the procedures performed was presented for audit.

Criteria

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

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

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

Views of Responsible Officials

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

FINDING 2015-002 - CASH MANAGEMENT

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. There were no procedures established to ensure that the School Lunch fund cash balances were maintained in compliance with the Cash Management requirements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

The School Corporation Food Service department maintained a cash balance in excess of federal regulations. The School Corporation's average expenditures for three months in the School Lunch fund for FY 2014 and FY 2015 were \$1,462,017 and \$1,653,506, respectively. The month-end cash balances in FY 2014 ranged from \$2,260,614 to \$2,638,495. The month-end cash balances in FY 2015 ranged from \$2,284,009 to \$2,830,576.

Context

All month-end cash balances in FY 2014 and FY 2015 were examined and all 24 months' balances exceeded the School Corporation's average expenditures for 3 months.

Criteria

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

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

7 CFR 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with §210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

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

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Cash Management requirements.

Effect

The failure to establish an effective internal control system allowed material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2015-003 - REPORTING

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Number): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. There were no procedures established to ensure that the necessary reports were prepared in compliance with the Reporting requirements.

The School Corporation retained the services of an outside vendor to manage its Child Nutrition Programs. The vendor was responsible for preparing and submitting the necessary reports for compliance, including the Annual Financial Report, with no oversight from the School Corporation. The Annual Financial Reports submitted for the audit period were found to be incorrectly prepared by the vendor and did not accurately reflect the activity in the School Corporation's School Lunch fund.

Context

Two Annual Financial Reports were submitted during the audit period. Both reports were tested and were found to be incorrectly prepared by the vendor and did not accurately reflect the activity in the School Corporation's School Lunch fund.

Criteria

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

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

7 CFR 210.15(a) states in part: "*Reporting Summary*. Participating school food authorities are required to submit forms and reports to the State agency or the distributing agency, as appropriate, to demonstrate compliance with Program Requirements. . . ."

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . . "

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Reporting requirements.

Effect

The failure to establish an effective internal control system allowed material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2015-004 - PROGRAM INCOME

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement. There were no procedures established to ensure that the receipts of the Child Nutrition Programs were handled properly in accordance with the Program Income compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

The School Corporation established a single fund, the School Lunch fund, for all the activity of the food service programs.

The School Corporation also maintained prepaid accounts for students. When prepaid funds were received, they were receipted with the program income into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the food service programs.

Context

The School Corporation's procedures for recording revenues in the School Lunch fund prevented us from determining whether meal payments were properly recorded. As a result, we were not able to identify a proper population to test the Program Income requirements.

Criteria

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

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

7 CFR 3016.20(b) states in part:

". . . (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that records were retained and available for audit.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with Program Income requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and procedures to ensure that records were retained and available for audit.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

The School Corporation retained the services of an outside vendor to manage its Food Service program; the vendor was responsible for verifying the free and reduced price applications.

The sample size for verification was 77 applications for the 2013-2014 school year and 65 applications for the 2014-2015 school year. However, the School Corporation verified 146 applications for the 2013-2014 school year and 60 applications for the 2014-2015 school year, resulting in noncompliance with the requirements.

Context

There were ineffective controls in place at the School Corporation to ensure that free and reduced price applications were properly verified. The incorrect number of applications were verified for both school years during the audit period.

Criteria

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

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

7 CFR 245.6a(c) states in part:

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

- (3) *Standard sample size.* Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

- (i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or
- (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year.
- (iii) Local educational agencies shall not exceed the standard sample size in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable, and, unless eligible for one of the alternative sample sizes provided in paragraph (c)(4) of this section, the local educational agency shall not use a smaller sample size than those in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements.

Effect

The failure to develop an effective internal control system allowed material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Special Tests and Provisions - Verification for Free and Reduced Price Applications (NSLP) requirements.

Views of Responsible Officials

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

FINDING 2015-006 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Labor

Federal Program: YouthBuild

CFDA Number: 17.274

Federal Award Number and Year (or Other Identifying Number): 25415-14-60-A

Pass-Through Entity: Direct Grant

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement. No documentation was maintained by the School Corporation verifying that vendors were not suspended or debarred. Therefore, we were unable to verify this procedure occurred.

Context

Only one contract related to this Federal award was entered into during the audit period that required the School Corporation to ensure the vendor was not suspended or debarred. No documentation was provided for audit to substantiate that the School Corporation verified the vendor was not suspended or debarred.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that records were retained and available for audit.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with Program Income requirements.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure that records were retained and available for audit.

Views of Responsible Officials

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

FINDING 2015-007 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Program: Fund for the Improvement of Education

CFDA Number: 84.215

Federal Award Number and Year (or Other Identifying Number): Q215F110312

Pass-Through Entity: Direct Grant

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement. Equipment purchased with grant funds during the audit period was not properly recorded on the equipment inventory listing. Additionally, the School Corporation's procedure was to conduct a physical inventory every year; however, no documentation was provided for audit to verify the physical inventory was conducted.

Context

The equipment purchased during the audit period was not properly recorded on the equipment inventory listing for two of the four invoices tested. Both of these invoices were for the purchase of multiple equipment items.

Criteria

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

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

34 CFR 80.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

1. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposition and sale price of the property.

2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
3. A control system must be developed to ensure adequate safeguards to prevent lost, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
..."

Cause

Management had not developed an adequate system of internal controls that would have ensured that the School Corporation complied with the Equipment and Real Property Management requirements.

Effect

The failure to develop an effective internal control system allowed material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Equipment and Real Property Management requirements.

Views of Responsible Officials

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

FINDING 2015-008 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Education

Federal Program: Fund for the Improvement of Education

CFDA Number: 84.215

Federal Award Number and Year (or Other Identifying Number): S215L080741, S215E120159,
Q215F110312

Pass-Through Entity: Direct Grant

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement. No documentation was maintained by the School Corporation verifying that vendors were not suspended or debarred. Therefore, we were unable to verify this procedure occurred.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Context

All contracts related to this Federal award that were entered into during the audit period that required the School Corporation to ensure the vendor was not suspended or debarred were with the same vendor. No documentation was provided for audit to substantiate that the School Corporation verified that vendor was not suspended or debarred.

Criteria

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

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with Suspension and Debarment requirements.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with Program Income requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that records were retained and available for audit.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-009 - CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Program: Fund for the Improvement of Education

CFDA Number: 84.215

Federal Award Number and Year (or Other Identifying Number): S215L080741, S215E120159,
Q215F110312

Pass-Through Entity: Direct Grant

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. The Business Office Grant Accountant prepared and submitted the payment requests. No controls were in place at the School Corporation to ensure that the payment requests were for expenses already incurred.

Context

The School Corporation had not established a control system for July 2013 to 2014.

Criteria

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

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

Cause

Management had not developed a system of controls for July 2013 to March 2014.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Cash Management requirements.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

***FINDING 2015-010 - SPECIAL TESTS AND PROVISIONS -
PARTICIPATION OF PRIVATE SCHOOL CHILDREN***

Federal Agency: U.S. Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014,
2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement. Timely communication with officials of eligible private schools did occur; however, no procedures were in place to ensure this communication occurred.

Context

Surveys were sent to all officials of eligible private schools to obtain an understanding of the services needed at each eligible private school. The surveys returned by the eligible private schools were subjected to a review procedure at the School Corporation; however, there was no procedure in place to ensure that eligible private schools were contacted and provided a survey to complete.

Criteria

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

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

Cause

Management had not developed a system of internal control that would have ensured that the School Corporation complied with the Special Tests and Provisions - Participation of Private School Children requirements.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Special Tests and Provisions - Participation of Private School Children requirements.

Views of Responsible Officials

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



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

Administrative Service Center

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Linda J. Searles, RSBO
Chief Financial Officer

Darlene Eberhardt,
Secretary

CORRECTIVE ACTION PLAN

FINDING 2015-001 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: The MSD of Pike Township Assistant CFO and Accounts Payable Supervisor have always reviewed the Schedule of Expenditure of Federal Awards (SEFA) as prepared by the Fiscal Grant Supervisor and we understand there were no omissions or errors.

Description of Corrective Action Plan: Now in addition to the above review, the Assistant CFO and/or Accounts Payable Supervisor will initial and date the file copy as proof of review.

Anticipated Completion Date: With the preparation of the next SEFA

FINDING 2015-002 Cash Management – National School Lunch Program

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: The MSD of Pike Township through its efficient Food Service Program has accumulated and earmarked funds in the Food Service Fund for the kitchen and cafeteria renovation at Guion Creek Middle School. The Renovation is planned to occur over summer break 2017 and has been a part of the district's approved long-term Blue Ribbon Facilities Needs Plan.

When the State Board of Accounts auditors raised the question of excess cash in this fund, we contacted Ms. Dani Powers, Financial Specialist with IDOE School and Community Nutrition (August 22, 2016) to determine the proper steps to justify excess cash earmarked for pending renovation and equipment purchases. Ms. Powers replied via email "The USDA only allows school corporations to retain an average of 3 months expenses in their food service account. Any funds over that amount need approval from our office. Usually when either Tina or I review the Annual Financial Report, we will look at the funds available and see if it is over the allowed amount. We then send an error message to the school corporation asking for justification for excess funds. Some examples of justification could be for pending kitchen renovations, building a new school and need new equipment, and various other issues." Since the MSD of Pike Township had not been notified by their department of excess cash and asked for a justification, we asked Ms. Powers if we should wait to hear from them or is there anything we should do right now. Ms. Powers replied via email "You can email me now with a rough estimate of plans, costs, and timeline. I will put a note in your AFR and retain the email for our records." I replied with the requested information on August 22, 2016 at 3:02 PM via email.

Description of Corrective Action Plan: In the future, when the MSD of Pike Township is planning to hold excess cash in the Food Service Fund for pending improvements or equipment purchases, we will notify the Financial Specialist at IDOE School and Community Nutrition in advance via email and retain the email for audit purposes.

Anticipated Completion Date: August 22, 2016

FINDING 2015-003 Reporting – National School Lunch Program

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: The MSD of Pike Township agrees with this finding.

Description of Corrective Action Plan: Effective with the most recent AFR submitted in October 2016, the MSD of Pike Township Assistant CFO and the Food Service Provider prepare the AFR together and supporting documentation and signature documents are retained with a copy of the AFR.

Anticipated Completion Date: October 2016

FINDING 2015-004 Program Income – National School Lunch Program

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: This item was corrected subsequent to June 20, 2015, once the district learned in a seminar that a clearing fund was required for handling of prepaid accounts.

Description of Corrective Action Plan: Utilize the required clearing fund process for prepaid student accounts.

Anticipated Completion Date: Subsequent to June 30, 2015.

FINDING 2015-005 Special Tests and Provisions Verification of Free and Reduced Price Applications – National School Lunch Program

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: Verification samples are selected electronically by the software and we experienced issues with the software that was being utilized. A new software system "Mosaic" was implemented in the summer of 2016 and should address sample selection issues.

Description of Corrective Action Plan: In addition to the new software system, the MSD of Pike Township will work in conjunction with the Food Service Provider to develop procedures to assure that the sample size of the verification requirement is met and not exceeded.

Anticipated Completion Date: November 30, 2016

FINDING 2015-006 Suspension and Debarment – Pep Grant

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: The normal procedure is for the MSD of Pike Township program staff to check all contracts against SAM, print the supporting documentation and file in the grant file. There was only one contract relative to this grant. Program staff indicated that they checked

for this contract on SAM Exclusions and printed the supporting documentation and filed in the grant file. While the contractor was not suspended or debarred, unfortunately the required printed document could not be located at the time of the audit.

Description of Corrective Action Plan: The MSD of Pike has printed the supporting documentation from SAM for this contractor and placed a copy in the grant folder in the program office and the Business Office. The MSD of Pike Township will explore adding a clause to future contracts as a condition to the covered transaction with the person.

Anticipated Completion Date: 10/11/16

FINDING 2015-007 Equipment and Real Property Management - Pep Grant, SLC, Counseling Grant

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: The MSD of Pike Township requires program grant staff to keep an equipment inventory of equipment purchased with grant funds. While the equipment worksheet has been prepared and detailed invoices are included with the vouchers, the State Board of Accounts found some items in their sample testing were that were on the invoices but omitted from the inventory worksheet.

Description of Corrective Action Plan: The MSD of Pike Township will flag all equipment invoices/vouchers purchased on federal grants. The Fiscal Grant Manager will make a copy of the equipment invoices/vouchers and include in the grant folder. Once a year the Fiscal Grant Manager and the program grant staff will compare records to assure that all items are on the inventory worksheet. The Fiscal Grant Supervisor will require the Grant Program Manager to sign off that an equipment inventory has been performed on an annual basis. The Fiscal Grant Manager will include this signed affirmation in the grant file.

Anticipated Completion Date: 01/31/17

FINDING 2015-008 Suspension and Debarment – YCC Grant

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: This item was corrected subsequent to the audit period. The normal procedure is for the MSD of Pike Township program staff to check all contracts against SAM, print the supporting documentation and file in the grant file. There was only one contract relative to this grant. Program staff indicated that they checked for this contract on SAM Exclusions and printed the supporting documentation and filed in the grant file. While the contractor was not suspended or debarred, unfortunately the required printed document could not be located at the time of the audit.

Description of Corrective Action Plan: The MSD of Pike has printed the supporting documentation from SAM for this contractor and placed a copy in the grant folder in the program office and the Business Office. The MSD of Pike Township will explore adding a clause to future contracts as a condition to the covered transaction with the person.

Anticipated Completion Date: 10/11/16

FINDING 2015-009 Cash Management – Grants

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO
Contact Phone Number: 317-387-2206

Views of Responsible Official: The MSD of Pike Township has always requested reimbursement through the G5-Payments module based on actual expenditures. The Fiscal Grant Manager will

continue to submit requests based on actual expenditures as recorded in the district's automated general ledger for the grant. In addition the Fiscal Grant Supervisor meets with the Grant Manager quarterly to discuss various items including the requested reimbursement and the Grant Manager has access to run "read only" automated general ledger reports relative to their grant at any time. In addition in March 2014, the MSD of Pike Township established an additional control requiring the Grant Manager to sign off on the requested reimbursement.

Description of Corrective Action Plan: The MSD of Pike continues to request reimbursement based on actual expenditures through the G5-Payments module and in March 2014 established additional controls.

Anticipated Completion Date: March 2014

FINDING 2015-010 Special Test and Provisions – Participation of Private School Children Title I

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: The Director of Curriculum's secretary communicates through email to private schools in the district and copies the Director of Curriculum. The State Board of Accounts affirmed that timely communication with private schools within the School Corporation's district did occur, but indicated that no procedures were in place to ensure the communication occurred.

Description of Corrective Action Plan: The Curriculum secretary will continue to contact the private school in the district via email and copy the Director of Curriculum, but in addition the Director of Curriculum will respond back via email or print and sign the email as proof of review.

Anticipated Completion Date: Next required notification of private schools



(Signature)

LFO

(Title)

10-28-16

(Date)

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report for the School Corporation included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn June 30, 2014	Amount Overdrawn June 30, 2015
School Bus Replacement	\$ 658,975	\$ 736,690
ECES Construction - Phase 1	726,951	-
ECES Construction - Phase 2	-	884,011

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9)

PREPAID SCHOOL LUNCH ACCOUNTS

Prepaid Lunch Receipts were not placed into a Prepaid Lunch fund, but were instead accounted for within the School Lunch fund. Additionally, the School Lunch fund was not maintained in a way that would allow determination of which receipts were related to prepaid amounts.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for pre-paid items. (The School Administrator, September 2008)



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

Administrative Service Center

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Linda J. Searles, RSBO
Chief Financial Officer

November 15, 2016

Indiana State Board of Accounts
Indiana Government Center South
302 West Washington Street, Room E418
Indianapolis, IN 46204-2738

Re: **Official Response** - Audit of the MSD of Pike Township for the period of 7/1/13-6/30/15

To whom it may concern:

We are submitting this official response to the audit conducted by the Indiana State Board of Accounts for the time period July 1, 2013 through June 30, 2015. Below is the response of the MSD of Pike Township (the "School Corporation") to the final draft of the "Audit Results and Comments" provided to the School Corporation on November 11, 2016.

1. **Overdrawn Cash Balance:** The Bus Replacement Fund was overdrawn by \$658,975 at 6/30/2014 and \$736,690 at 6/30/15 due to buses being purchased in June of each year and approved revenue for the budget year not being fully distributed to the School Corporation until December. The School Corporation never exceeded the approved budget appropriation and did not feel it was prudent to incur additional borrowing and interest expense in the form of Tax Anticipation Warrants when total cash in bank across all funds exceeded \$51 million and was more than sufficient to temporarily cover the shortfall until approved revenues were distributed to the School Corporation. To temporarily transfer money from another fund to make this fund appear to have a positive balance, would give an unfair picture of the status of the revenue in this fund.

The next three (2) funds listed for overdrawn balances are all construction, bond financed funds in which expenditures are submitted monthly to the trustee for reimbursement as expenditures are incurred. These funds did not exceed the appropriated/financed revenue and again total cash in the bank across all funds exceeded \$51 million.

2. **Prepaid School Lunch Accounts:** The School Corporation has already added and is utilized the required clearing fund based on the previous audit, but it was subsequent to the beginning of this audit period.

Respectfully,

Linda J. Searles
Chief Financial Officer
MSD of Pike Township

Cc: *Nathanial Jones, Superintendent*

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2016, with Nathaniel Jones, Superintendent of Schools; Regina Randolph, President of the School Board; Linda J. Searles, Treasurer; and Karen Cartmell, Assistant Chief Financial Officer.