

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL
DISTRICT OF WAYNE TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
08/28/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001 - Allowable Costs/Cost Principles.....	4-5
Finding 2015-002 - Procurement and Suspension and Debarment.....	5-7
Finding 2015-003 - Program Income.....	8-9
Finding 2015-004 - Reporting.....	9-10
Finding 2015-005 - Special Tests and Provisions.....	10-11
Finding 2015-006 - Activities Allowed or Unallowed	11-13
Finding 2015-007 - Allowable Costs/Cost Principles.....	14-16
Finding 2015-008 - Earmarking	17-19
Finding 2015-009 - Period of Availability.....	19-20
Corrective Action Plan.....	21-29
Audit Results and Comments:	
Average Daily Membership - Lack of Records	30
Overdrawn Cash Balances	30
Credit Cards.....	30-32
Exit Conference.....	33

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dennis Tackitt (Vacant)	07-01-13 to 08-11-17 08-12-17 to 06-30-18
Superintendent of Schools	Dr. Jeffrey Butts	07-01-13 to 06-30-18
President of the School Board	Stanley Ellis Michael Nance Michael Morrow	07-01-13 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 12-31-17



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 WAYNE TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Wayne 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, incorporated within this report, were not verified for accuracy.

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

August 7, 2017

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
FEDERAL FINDINGS

FINDING 2015-001 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: 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): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications were not maintained by the School Corporation.

Context

The School Corporation's management indicated that timesheets were reviewed and signed by the employees' direct supervisor and submitted to the Food Service office where they were reviewed and approved prior to submission to the Business office for processing and payment. During our test of internal controls, we found 2 out of 40 timesheets selected had not been signed by a direct supervisor. This would indicate that no one with knowledge of the employee's time worked, reviewed or approved the hours for payment.

Additionally, the School Corporation's management had not established an effective internal control system for vendor type payments. Based on our inquiry with School Corporation officials, the Food Service Director was to review and approve invoices and claims prior to payment. However, during our review of the control, we observed no tangible evidence of the Food Service Director's review and approval of invoices and claims prior to submission to the Business office for payment. The Food Service Director signed and dated the accounts payable vouchers after the payments were made.

Lastly, during our test of compliance, we found that Semi-Annual Certifications were not maintained by the School Corporation for food service employees who worked solely on the Child Nutrition programs for the 2013-2014 and 2014-2015 school years.

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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls over the Allowable Costs/Cost Principles compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance of the grant agreement or 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, including segregation of duties, and comply with the grant agreement and the Allowable Costs/Cost Principles 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 2015-002 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Testing revealed that the School Corporation had not followed the State's procurement policy and School Corporation officials had not verified, when required, that vendors were not suspended or debarred.

Context

Procurement testing completed included conducting a sample of 40 transactions for goods or services. We found that the School Corporation had not obtained proper bids and/or quotes for two vendors in our sample, resulting in 11 of the 40 transactions that were not procured appropriately.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Additionally, we tested 100 percent of the covered transactions entered into during the audit period for Suspension and Debarment. Testing revealed that School Corporation officials had not verified that each vendor was not suspended or debarred prior to conducting business with them. Contracts and/or bid documentation had not included the proper clause nor had School Corporation officials verified independently that the 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. . . ."

7 CFR 3016.36(b) states:

"Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2 states:

"(a) A purchasing agent shall issue an invitation for bids.

(b) An invitation for bids must include the following:

- (1) A purchase description.
- (2) All contractual terms and conditions that apply to the purchase.
- (3) A statement of the evaluation criteria that will be used, including any of the following:
 - (A) Inspection.
 - (B) Testing.
 - (C) Quality.
 - (D) Workmanship.
 - (E) Delivery.
 - (F) Suitability for a particular purpose.
 - (G) The requirement imposed under IC 5-22-3-5.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) The time and place for opening the bids.
- (5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body.
- (6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in part as specified under IC 5-22-18-2."

2 CFR 180.300 states:

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

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

Cause

Management had not develop a system of internal controls over the Procurement and Suspension and Debarment compliance requirement that would have ensured the School Corporation was following the state's procurement policies and procedures were in place to prevent them from doing business with a vendor that is suspended or debarred.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance of the grant agreement or 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, including segregation of duties, and comply with grant agreement and the Procurement and Suspension and Debarment compliance requirement.

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 WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2015-003 - PROGRAM INCOME

Federal Agency: 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): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Program Income compliance requirement.

Individual schools' cafeteria receipts were deposited daily, but were not reconciled with the Point of Sale (POS) system to verify accuracy or completeness. Credit card receipts posted to the Food Service checking account from the online payment system were also not compared or reconciled with online activity reports. The Central Office staff were recording cafeteria deposits monthly based on information reported on the bank statement without any separate review or supporting documentation from the Food Service Department.

Context

The lack of internal controls was a systemic problem throughout 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. . . ."

Cause

Management had not developed a system of internal controls over the Program Income compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

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 programs.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Program Income 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 - REPORTING

Federal Agency: 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): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement.

Context

The School Corporation is required to submit a monthly Sponsor Claim (claims for reimbursement), Annual Financial Report, and School Food Authority (SFA) Verification Collection Reports for the Child Nutrition programs. Based on the testing completed for these required reports, there was no control process in place to ensure the accuracy of the reports, such as a secondary review, oversight, or approval, or other compensating control.

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 controls over the Reporting compliance requirement.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, 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 2015-005 - SPECIAL TESTS AND PROVISIONS

Federal Agency: 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): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Test and Provisions - Verification of Free and Reduced Lunch Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Context

Special Tests and Provisions - Verification of Free and Reduced Lunch Applications (NSLP)

Management of the School Corporation completed the required verification process for free and reduced lunch applications and submitted appropriate reports during the audit period. However, the School Corporation had not implemented an effective internal control system to ensure the accuracy of the verification process and required report, such as proper oversight, review, or approval, or other compensating control.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

Management of the School Corporation materially complied with the Special Tests and Provisions - Paid Lunch Equity requirements for the Child Nutrition federal grant. However, the School Corporation had not implemented an effective internal control system to ensure the accuracy of the paid lunch equity calculations, such as proper oversight, review, or approval process, or other compensating control.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 controls over the Special Tests and Provisions - Verification of Free and Reduced Lunch Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements, which would have prevented, or detected and corrected, material noncompliance.

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 requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Special Test and Provisions - Verification of Free and Reduced Lunch Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance 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 - ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 1412-063-PN01, 1413-063-PN01,
14214-063-PN01, 14214-063-PN01,
A58-3-13DL-1376, 99914-063-TA01,
45712-063-PN01, 45713-063-PN01,
45714-063-PN01, 45715-063-PN01

Pass-Through Entity: Indiana Department of Education

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. Controls designed and implemented to prevent, detect, or correct noncompliance over this compliance requirement were ineffective at ensuring expenditures charge to the programs were for allowable activities under the Special Education federal grant.

Context

We selected a sample of 40 payroll transactions paid with Special Education grant funds during the audit period. During our testing, we identified 2 transactions where two assistant principals' wages were charged to the Special Education federal grant. Further review of payroll transactions associated to these two individuals identified an additional 69 transactions where the assistant principals' wages were inappropriately charged to the Special Education federal grant.

Additionally, we identified expenditures for wages being transferred from the General fund to the Special Education federal grant for an assistant principal and a dean which totaled \$136,027, as well as, the transfer of the costs associated to the purchase of external hard drives which totaled \$2,671. While payroll and benefits were allowable activities for the Special Education federal grant, the wages noted above were not allowable activities because they were not excess costs of providing Special Education and related services to children with disabilities. Technology equipment purchased with Special Education grant funds must be associated to the Special Education services provided to the eligible school children and not be general in nature.

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 300.202 states:

"(a) *General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds.

(b) *Excess cost requirement—*

(1) *General.*

- (i) The excess cost requirement prevents an LEA from using funds provided under Part B of the Act to pay for all of the costs directly attributable to the education of a child with a disability, subject to paragraph (b)(1)(ii) of this section.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(ii) The excess cost requirement does not prevent an LEA from using Part B funds to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages 3, 4, 5, 18, 19, 20, or 21, if no local or State funds are available for nondisabled children of these ages. However, the LEA must comply with the non-supplanting and other requirements of this part in providing the education and services for these children.

(2) (i) An LEA meets the excess cost requirement if it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.

(ii) The amount described in paragraph (b)(2)(i) of this section is determined in accordance with the definition of excess costs in §300.16. That amount may not include capital outlay or debt service.

(3) If two or more LEAs jointly establish eligibility in accordance with §300.223, the minimum average amount is the average of the combined minimum average amounts determined in accordance with the definition of excess costs in §300.16 in those agencies for elementary or secondary school students, as the case may be."

Cause

Management had not developed a system of internal controls over the Activities Allowed or Unallowed compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were \$138,698 of questioned costs identified. These questioned costs also relate to the noncompliance identified in Finding 2015-007 - Allowable Costs/Cost Principles and Finding 2015-008 - Earmarking.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and Activities Allowed or Unallowed compliance requirement. We also recommended that the School Corporation only use Special Education federal grant funds for allowable activities.

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 WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2015-007 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 1412-063-PN01, 1413-063-PN01,
14214-063-PN01, 14214-063-PN01,
A58-3-13DL-1376, 99914-063-TA01,
45712-063-PN01, 45713-063-PN01,
45714-063-PN01, 45715-063-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Cost/Cost Principles compliance requirement.

Context

Of the payroll transactions charged to the Special Education federal grant, we found that monthly and Semi-Annual Certifications were not completed by the School Corporation for employees who worked on the Special Education federal program for the 2013-2014 school year. Additionally, our testing identified that Semi-Annual Certifications presented for the 2014-2015 school year were not signed by the employee or supervisor.

Secondly, in our sample of vendor and payroll transactions tested, we identified two instances where an assistant principal or dean's wages and benefits were charged to the federal program for Coordinating Early Intervening Services (CEIS), which were not allowable costs under the Special Education federal grant. Upon further investigation, we identified additional wages and benefits for deans and assistant principals charged or transferred to the Special Education federal grant numerous times during our audit period and totaled \$126,027. We also identified expenditures for external hard drives that were inappropriately charged to CEIS and totaled \$2,671.

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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 300.202 states:

"(a) *General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds.

(b) *Excess cost requirement—*

(1) *General.*

(i) The excess cost requirement prevents an LEA from using funds provided under Part B of the Act to pay for all of the costs directly attributable to the education of a child with a disability, subject to paragraph (b)(1)(ii) of this section.

(ii) The excess cost requirement does not prevent an LEA from using Part B funds to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages 3, 4, 5, 18, 19, 20, or 21, if no local or State funds are available for nondisabled children of these ages. However, the LEA must comply with the non-supplanting and other requirements of this part in providing the education and services for these children.

(2) (i) An LEA meets the excess cost requirement if it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.

(ii) The amount described in paragraph (b)(2)(i) of this section is determined in accordance with the definition of *excess costs* in §300.16. That amount may not include capital outlay or debt service.

(3) If two or more LEAs jointly establish eligibility in accordance with §300.223, the minimum average amount is the average of the combined minimum average amounts determined in accordance with the definition of *excess costs* in §300.16 in those agencies for elementary or secondary school students, as the case may be."

OMB Circular A-87, Attachment A, C. Basic Guidelines, states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented. . . ."

Cause

Management had not developed a system of internal controls over the Allowable Costs/Cost Principles compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were \$138,698 of questioned costs identified. These questioned costs also relate to the noncompliance identified in Finding 2015-006 - Activities Allowed or Unallowed and Finding 2015-008 - Earmarking.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and Allowable Costs/Cost Principles compliance requirement to ensure that only allowable costs are charged to the federal programs.

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 WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2015-008 - EARMARKING

Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 1412-063-PN01, 1413-063-PN01
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Earmarking requirements. Expenditures used to meet the Earmarking requirement were unallowable causing the School Corporation to fall short of the required 15 percent Earmarking for Coordinating Early Intervening Services.

Context

The Indiana Department of Education identified significant disproportionality based on specified criteria within the School Corporation during the audit period. Therefore, the School Corporation was required to use the maximum amount of 15 percent of Special Education federal grant funds for Coordinating Early Intervening Services (CEIS) from the 2013 federal grant award. During our compliance testing completed, we identified multiple instances, totaling \$136,027, where an assistant principal or dean's wages and/or benefits were included in expenses charged to CEIS. These expenditures were not allowable for CEIS and therefore reduced the total percentage of CEIS expenditures from the 2013 federal award to 11.29 percent. Therefore, the School Corporation did not meet the Earmarking requirement in relation to coordinated early intervening services for the 2013 grant award.

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. . . ."

U.S. Department of Education Memorandum, Subject: Coordinated Early Intervening Services (CEIS) Under Part B of the Individuals with Disabilities Education Act (IDEA), states in part:

". . . 3. When is provision of CEIS required?

Under 34 CFR §300.646(b)(2), if a State identifies significant disproportionality based on race or ethnicity in an LEA with respect to the identification of children as children with disabilities, the identification of children in specific disability categories, the placement of children with disabilities in particular educational settings, or the taking of disciplinary actions, the LEA must use the maximum amount (15 percent) of funds allowable for comprehensive CEIS for children in the LEA, particularly, but not exclusively, for children in those groups that were 'significantly overidentified. . . ."

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 300.646 states:

"(a) *General.* Each State that receives assistance under Part B of the Act, and the Secretary of the Interior, must provide for the collection and examination of data to determine if significant disproportionality based on race and ethnicity is occurring in the State and the LEAs of the State with respect to –

- (1) The identification of children as children with disabilities, including the identification of children as children with disabilities in accordance with a particular impairment described in section 602(3) of the Act;
- (2) The placement in particular educational settings of these children; and
- (3) The incidence, duration, and type of disciplinary removals from placement, including suspensions and expulsions. . . .

(c) *Review and revision of policies, practices, and procedures.* In the case of a determination of significant disproportionality with respect to the identification of children as children with disabilities or the placement in particular educational settings, including disciplinary removals of such children, in accordance with paragraphs (a) of this section, the State or the Secretary of the Interior must –

- (1) Provide for the annual review and, if appropriate, revision of the policies, practices, and procedures used in identification or placement in particular education settings, including disciplinary removals, to ensure that the policies, practices, and procedures comply with the requirements of the Act.
- (2) Require any LEA identified under paragraph (a) of this section to reserve the maximum amount of funds under section 613(f) of the Act to provide comprehensive coordinated early intervening services to serve children in the LEA, particularly, but not exclusively, children in those groups that were significantly overidentified under paragraph (a) of this section; and
- (3) Require the LEA to publicly report on the revision of policies, practices, and procedures described under paragraph (b)(1) of this section."

Cause

Management had not developed a system of internal controls over the Earmarking requirements for Coordinating Early Intervening Services, which would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were \$136,027 of questioned costs identified. These questioned costs also relate to the noncompliance identified in Finding 2015-006 - Activities Allowed or Unallowed and Finding 2015-007 - Allowable Costs/Cost Principles.

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-009 - PERIOD OF AVAILABILITY

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 1412-063-PN01, 1413-063-PN01,
14214-063-PN01, 14214-063-PN01,
A58-3-13DL-1376, 99914-063-TA01,
45712-063-PN01, 45713-063-PN01,
45714-063-PN01, 45715-063-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Period of Availability compliance requirement.

Context

The School Corporation indicated that employee timesheets or leave reports, if applicable, were reviewed and signed by the supervisor and for those employees that timesheets or leave reports were not applicable, the payroll claims were approved by the School Corporation Board. The School Corporation also indicated that accounts payable vouchers or purchase orders in relation to vendor and transfer transactions were reviewed or approved by management who were separate from the person initiating the transaction.

The controls documented for Period of Availability were identical to the controls identified for Allowable Costs/Cost Principles for the Special Education federal grant. Due to the number of compliance errors found in the Allowable Costs/Cost Principles testing, the controls identified were determined to not be effective at preventing or detecting material noncompliance. Because the same internal controls were in place for the Period of Availability requirement, the controls for this compliance requirement were not properly designed or implemented.

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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls over the Period of Availability compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

The Metropolitan School District of Wayne Township

Phone: 317.988.8600

Fax: 317.988.8659

Education Center

1220 South High School Road

Indianapolis, Indiana 46241



GREAT SCHOOLS
GREAT COMMUNITY

CORRECTIVE ACTION PLAN

FINDING 2015-001 Allowable Costs (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Sara Gasiorowski

Contact Phone Number: 317-988-7960

Views of Responsible Official:

Time Sheets: Time sheets of CN employees are reviewed by the kitchen manager at each school and they sign off on each time sheet. The CN Director signs off on the manager time sheets and CN office staff time sheets. All time sheets are reviewed by the CN Director. Occasionally, a time sheet will missed being signed off on. The payroll clerk at the Ed Center usually returns those time sheets for me to sign off on.

Vendor payments: CN managers review each invoice at delivery and sign off on the invoices. The invoices are entered in to payment by the secretary in the CN office. The CN director reviews all non-food invoices prior to payment and initials each invoice for approval for payment. The secretary enters in those payments. After the invoices are entered and the AP voucher prepared, the CN director signs the AP voucher. This has not been done prior to the checks being issued. All Purchase orders are reviewed by the CN Director, but did not have the initials to indicate that they were reviewed.


Description of Corrective Action Plan:

Time Sheets; We will continue to review time sheets in the manner above, and double check that all time sheets are signed off prior to submission to payroll.

Vendor Payments; We have already implemented the change for the CN director to review and sign off on AP vouchers prior to checks being cut. CN secretary will stamp AP voucher as paid and enter date and check number on each AP voucher. CN Director will initial Purchase Orders after being prepared.

Anticipated Completion Date:

August 31, 2017



(Signature)

C.F.O.

(Title)

August 7, 2017

(Date)

WE ARE WAYNE

The Metropolitan School District of Wayne Township

Phone: 317.988.8600
Fax: 317.988.8659

Education Center
1220 South High School Road
Indianapolis, Indiana 46241



GREAT SCHOOLS
GREAT COMMUNITY

CORRECTIVE ACTION PLAN

FINDING 2015-002 Suspension-Debarment

Contact Person Responsible for Corrective Action: Sara Gasiorowski
Contact Phone Number: 317-988-7960

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The CN department has contacted all vendors for suspension-debarment forms and they will be on file in each vendor file. As of July 1, 2016 all bids and quotes sent out for pricing include the suspension/debarment forms in accordance with USDA procurement guidelines.

As per USDA guidelines, we have formal bid openings, the bids are analyzed by a bid administrator, then approved by the MSD Wayne Board of Education.

Anticipated Completion Date:

September 15, 2017

Amy Eaton

(Signature)

DIRECTOR OF FINANCE

(Title)

8/14/17

(Date)

WE ARE WAYNE

The Metropolitan School District of Wayne Township

Phone: 317.988.8600
Fax: 317.988.8659

Education Center
1220 South High School Road
Indianapolis, Indiana 46241



GREAT SCHOOLS
GREAT COMMUNITY

CORRECTIVE ACTION PLAN

FINDING 2015-003 Program Income Response

Contact Person Responsible for Corrective Action: Sara Gasiorowski
Contact Phone Number: 317-988-7960

Views of Responsible Official:

Cash handling at the school level follows a specific procedure. All cash drawers are counted down by the cashier with no knowledge of what the ending balance is. The money is turned in to the manager's office and the manager closes out the point of sale session and reconciles the session. If the session is over or short, the manager must enter a comment. The money is recounted and combined in to one deposit by a minimum of two employees. Once the deposit is counted, the manager and another CN employee complete the bank deposit ticket and money bag. the deposit ticket and money bag are both initialed by each employee prior to be taken to the bank.


The bank deposit slips are picked up weekly at the bank and turned in to the CN office. The deposits were not reconciled with the Point of Sale and bank statements on a regular basis due to limited time and lack of resources to complete this task.

Description of Corrective Action Plan:

The CN office support person has begun reviewing the deposit slips, bank statements and point of sale deposit information each month. Any discrepancies are reviewed and corrected so all three items match. We will communicate to the Business Office the results of the review.

Anticipated Completion Date:

September 1, 2017



(Signature)

C. F. O.

(Title)

August 7, 2017

(Date)

WE ARE WAYNE

The Metropolitan School District of Wayne Township

Phone: 317.988.8600
Fax: 317.988.8659

Education Center
1220 South High School Road
Indianapolis, Indiana 46241



GREAT SCHOOLS
GREAT COMMUNITY

CORRECTIVE ACTION PLAN

FINDING 2015-004 Reporting

Contact Person Responsible for Corrective Action: Sara Gasiorowski
Contact Phone Number: 317-988-7960

Views of Responsible Official:

All meals are entered into the point of sale system. Managers are responsible for reviewing all meals for accuracy each day and making any adjustments for duplicate meals.

At the end of each month, the CN Director prints out the meal count form and reviews it for accuracy. If data is missing or there is a question, the CN director contacts the school manager to resolve the discrepancy. Once all data is correct, the CN director enters the participation data into CNWeb program through DOE. Before the CNWeb program accepts the information, all numbers must balance. After submission, DOE sends an EFT to the district. The CN Director is contacted by the Business Office for the amount of money that is to be applied to each federal program.

The annual financial report is complete each year by the CN Director. Using the data from the monthly financial reports, the director completes the AFR and submits to DOE. The director is responsible for making sure the financial information submitted to DOE matches exactly to the financial reports.


Description of Corrective Action Plan:

The CN Director will work with the CN office support staff to set a system to review all meal counts prior to submission of the reimbursement claim and AFR.

The office support will review the meal counts each month for each school and contact the CN manager regarding any discrepancies. After all counts are verified, the CN director will enter the claim information into CNWeb.

The office support staff will assist with the preparation of the AFR. They will review the information entered in and compare it to the district financial information. After the information is verified, the CN Director will do the final submission to DOE.

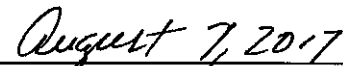
Anticipated Completion Date: August 31, 2017



(Signature)

C.F.O.

(Title)



(Date)

WE ARE WAYNE

The Metropolitan School District of Wayne Township

Phone: 317.988.8600

Fax: 317.988.8659

Education Center

1220 South High School Road

Indianapolis, Indiana 46241



GREAT SCHOOLS
GREAT COMMUNITY

CORRECTIVE ACTION PLAN

FINDING 2015-005 Special Tests and Provisions

Contact Person Responsible for Corrective Action: Sara Gasiorowski

Contact Phone Number: 317-988-7960

Views of Responsible Official:

The process of managing the free and reduced meal applications is separated out in the CN office. The CN secretary is responsible for the approval and notification of all free/reduced applications. Applications may also be processed by the Assistant CN Director and Site Supervisor. The CN Director may occasionally process applications - but, this is a very rare instance because the CN Director is the hearing official and also responsible for the Verification process.

The Paid Lunch Equity process has been carried out as required by USDA requirements and DOE. The PLE was submitted to DOE as requested and reviewed/approved by DOE. PLE during the first year of the audit period was completed by DOE, and during the second year of the audit period the PLE was submitted, reviewed, and approved through DOE.

Description of Corrective Action Plan:

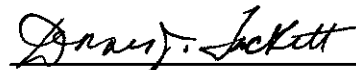
With our expanded office staff, the segregation of duties for processing free/reduced meal applications will improve. The CN Secretary reviews and approves the applications and sends out the notifications. Verification will be completed by the CN Office Support employee. The CN Director is the hearing official.

The Paid Lunch Equity report will be completed annually by the CN Director and submitted to the DOE. Prior to submission, the CN Director and Assistant CN Director will review the report for accuracy.

Anticipated Completion Date:

Meal Applications: August 31, 2017

PLE: February 2018



(Signature)

C.F.O.

(Title)

August 7, 2017

(Date)

WE ARE WAYNE



Metropolitan School District of Wayne Township Office of Special Services

1220 S. High School Road, Indianapolis, IN 46241

PH. 317-988-8600 FAX 317-988-8705

CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Dr. Tara Rinehart

Contact Phone Number: 317-988-8605

Views of Responsible Official: The use of CEIS funds to pay for portions of the Assistant Principals' salaries was understood to be allowable due to a conversation with IDOE Special Education staff whereas they recommended that the Assistant Principals were the staff who provided the counseling and planning once a student returned from a suspension and therefore were providing the allowable supports. Funds were then transferred per this recommendation and allowance of this activity.

Description of Corrective Action Plan: The School Corporation only utilizes special education grant funds for allowable grant activities per written documentation from the IDOE Office of Special Education to pay excess costs for Special Education. This will not be done verbally only, if verbal agreement is received, a follow up email for written documentation will be requested.

Segregation of duties include: Office of Special Services Administrative Assistant and Director of Special Services jointly prepares financials within the grant scope. Grants Manager reviews, revises and verifies allowable costs and expenditures. Deputy Treasurer provides oversight and guidance in cost expenditures and payroll transactions. Chief Financial Officer also provides oversight and guidance in cost expenditures and payroll transactions. Superintendent signs off on any grant before submission to IDOE.

Anticipated Completion Date: 8/2/17

Tara Rinehart
(Signature)

Director of Special Services
(Title)

Aug 3, 2017
(Date)



WE ARE WAYNE!

317-988-8600 • 317-988-8705



Metropolitan School District of Wayne Township Office of Special Services

1220 S. High School Road, Indianapolis, IN 46241

PH. 317-988-8600 FAX 317-988-8705

CORRECTIVE ACTION PLAN

FINDING 2015-007

Contact Person Responsible for Corrective Action: Dr. Tara Rinehart
Contact Phone Number: 317-988-8605

Views of Responsible Official: The use of semi-annual certifications have been put in place recently and will continue to be utilized.

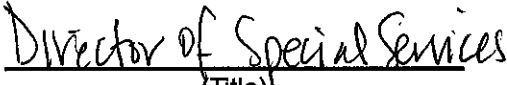
Description of Corrective Action Plan: The use of semi-annual certifications have been put in place recently and will continue to be utilized. The School Corporation only utilizes special education grant funds for allowable grant activities per written documentation from the IDOE Office of Special Education to pay excess costs for Special Education.. This will not be done verbally only, if verbal agreement is received, a follow up email for written documentation will be requested.

Segregation of duties include: Office of Special Services Administrative Assistant and Director of Special Services jointly prepares financials within the grant scope. Grants Manager reviews, revises and verifies allowable costs and expenditures. Deputy Treasurer provides oversight and guidance in cost expenditures and payroll transactions. Chief Financial Officer also provides oversight and guidance in cost expenditures and payroll transactions. Superintendent signs off on any grant before submission to IDOE.

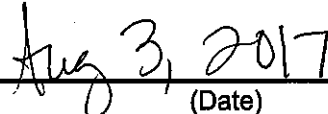
Anticipated Completion Date: 8/2/17



(Signature)



(Title)



(Date)



WE ARE WAYNE!

GREAT PEOPLE :: GREAT COMMUNITY



Metropolitan School District of Wayne Township Office of Special Services

1220 S. High School Road, Indianapolis, IN 46241

PH. 317-988-8600 FAX 317-988-8705

CORRECTIVE ACTION PLAN

FINDING 2015-008

Contact Person Responsible for Corrective Action: Dr. Tara Rinehart
Contact Phone Number: 317-988-8605


Views of Responsible Official: The use of CEIS funds to pay for portions of the Assistant Principals' salaries was understood to be allowable due to a conversation with IDOE Special Education staff whereas they recommended that the Assistant Principals were the staff who provided the counseling and planning once a student returned from a suspension and therefore were providing the allowable supports. The 15% requirement was calculated to have been met due to this allowable expense per IDOE staff.

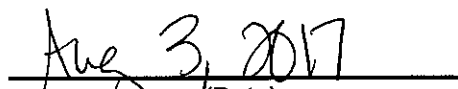
Description of Corrective Action Plan: The School Corporation only utilizes special education grant funds for allowable grant activities per written documentation from the IDOE Office of Special Education. This will not be done verbally only, if verbal agreement is received, a follow up email for written documentation will be requested.

Segregation of duties include: Office of Special Services Administrative Assistant and Director of Special Services jointly prepares financials within the grant scope. Grants Manager reviews, revises and verifies allowable costs and expenditures. Deputy Treasurer provides oversight and guidance in cost expenditures and payroll transactions. Chief Financial Officer also provides oversight and guidance in cost expenditures and payroll transactions. Superintendent signs off on any grant before submission to IDOE.

Anticipated Completion Date: 8/2/17


(Signature)


(Title)


(Date)



WE ARE WAYNE!

WAYNE TOWNSHIP :: WAYNE COMMUNITY



Metropolitan School District of Wayne Township Office of Special Services

1220 S. High School Road, Indianapolis, IN 46241

PH. 317-988-8600 FAX 317-988-8705

CORRECTIVE ACTION PLAN

FINDING 2015-009

Contact Person Responsible for Corrective Action: Dr. Tara Rinehart
Contact Phone Number: 317-988-8605

Views of Responsible Official: The use of semi-annual certifications have been put in place recently and will continue to be utilized.

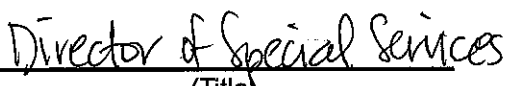
Description of Corrective Action Plan:

Segregation of duties include: Office of Special Services Administrative Assistant and Director of Special Services jointly prepares financials within the grant scope. Grants Manager reviews, revises and verifies allowable costs and expenditures. Deputy Treasurer provides oversight and guidance in cost expenditures and payroll transactions. Chief Financial Officer also provides oversight and guidance in cost expenditures and payroll transactions. Superintendent signs off on any grant before submission to IDOE. Credit Card usage as well as timesheet certification will be signed off by the supervisor of the administrator.

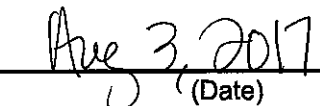
Anticipated Completion Date: 8/2/17



(Signature)



(Title)



(Date)



WE ARE WAYNE!

BEING INVOLVED :: BETTER COMMUNITIES

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP - LACK OF RECORDS

The designated building level personnel did not provide written certification of the detailed student records maintained to support the Average Daily Membership (ADM) claimed.

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 9)

OVERDRAWN CASH BALANCES

The financial statement included in the Financial Statement and Federal Single Audit Report noted the following funds with overdrawn cash balances at the end of each fiscal year:

Fund	Amount Overdrawn	
	06-30-14	06-30-15
Retirement/Severance Bond Debt Service	\$ -	\$ 295,876
Capital Projects	42,024	1,130,347
Textbook Rental	267,102	934,192
Extra-Curricular Activities	47,582	91,022
Chase ECA Charges	34,762	222,087
Scholastic/Read 180 Grant	50,000	50,000
Performance Grant 2013-14	-	4,792

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CREDIT CARDS

Management of the School Corporation had not established an effective internal control system related to the usage of credit cards. The lack of an effective internal control system resulted in errors in credit card disbursements including the inability to provide supporting documentation for audit of all credit card transactions.

Credit cards were used by administrators and staff at the School Corporation office and school building levels for each month in the audit period. Four months of credit card statements were selected for testing. Five different employees were chosen from each of the four months' statements for a total of twenty unique employees. Credit card usage reports maintained for each transaction by each tested cardholder were examined and determined to be used incorrectly. For seventeen of the twenty cardholders tested, credit card transactions were regularly made without a documented signature by a supervisor approving the nature of

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

the purchase or certifying that adequate funds were available to be spent. Furthermore, a uniform credit card usage report containing the same criteria was not utilized for all cardholders which resulted in inconsistent documentation. Finally, nine individual credit card transactions totaling \$750 paid from 4 of the 20 individual cards tested could not be supported by documentation maintained by the School Corporation.

The monthly credit card statements, which included charges for School Corporation and Extra-curricular Account (ECA) purposes, were paid in total by School Corporation funds during the audit period. ECA accounts reimbursed the School Corporation for all monthly charges at the conclusion of each month. The School Corporation did not implement a documented reconciliation process which compared the balances owed by each ECA account to the amounts collected at the conclusion of each month's credit card activity.

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

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

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

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

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/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 must 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.

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

6. Credit cards must 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 body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must 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 may be the personal obligation of the responsible 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 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2017, with Dennis Tackitt, former Treasurer; Dr. Jeffrey Butts, Superintendent of Schools; Michael Morrow, President of the School Board; and Amy Eaton, Assistant Treasurer.