

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

INDIANAPOLIS PUBLIC SCHOOLS

MARION COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/15/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Paul Carpenter-Wilson Weston Young	07-01-14 to 07-29-15 07-30-15 to 12-31-17
Superintendent of Schools	Dr. Lewis D. Ferebee	07-01-14 to 06-30-18
President of the School Board	Andrea Roof Diane Arnold Mary Ann Sullivan	07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17



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TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Indianapolis Public Schools (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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

July 18, 2017

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS

**FINDING 2016-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). One employee was solely responsible for preparing the SEFA without an oversight, review, or approval process.

Due to the lack of controls, the following errors occurred on the SEFA:

The SEFA presented for audit showed several grants as passed through to subrecipients in error. The total dollar value for items listed in error for the 2014-2015 school year was \$3,337,082. The total dollar value for items listed in error for the 2015-2016 school year was \$1,387,251.

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

Criteria

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. . . ."

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

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

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

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

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

Cause

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

Effect

Because a proper system of internal control was not in place, material misstatements of the SEFA 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 2016-002 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants,
Title I_Grants to Local Educational Agencies, Supporting Effective Instruction
State Grant

CFDA Numbers: 84.027, 84.173, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-030-PN01, 14213-030-PN01,
14214-030-PN01, 45712-030-PN01,
S010A130014, S010A140014,
S367A120013, S367A130015

Pass-Through Entity: Indiana Department of Education

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the submission and accuracy of the cash reimbursement request reports. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Cash Management and Reporting compliance requirements. In many instances, we were not able to completely substantiate the amount requested for reimbursement.

Nine of sixteen reimbursement requests reviewed for the Special Education grants did not show evidence of a review. For seven of these sixteen reimbursement requests, the supporting documentation did not match the total amount requested for reimbursement.

Thirteen of thirteen reimbursement requests reviewed for the Title I grants did not show evidence of a review. For five of these thirteen reimbursement requests, the supporting documentation did not match the total amount requested for reimbursement.

Three of seven reimbursement requests reviewed for the Supporting Effective Instruction grants did not show evidence of a review. For all seven of these reimbursement requests, the supporting documentation did not match the total amount requested for reimbursement.

Context

The lack of supervisory approval review and matching supporting documentation issues were more prevalent during the earlier part of the audit period. During the latter part of the audit period, the School Corporation made improvements in internal controls and procedures.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

34 CFR 80.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) 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.
- (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. . . ."

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

Management had not established effective internal control processes and procedures to ensure that reimbursement request vouchers were approved and supporting documentation for the amount requested was available to support the reimbursement requested.

Effect

The failure to establish an effective internal control system resulted in the School Corporation's noncompliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and requirements related to requesting reimbursements to ensure compliance with those requirements.

Views of Responsible Officials

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

FINDING 2016-003 - 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): 14213-030-PN01, 14214-030-PN01,
14215-030-PN01, 99914-030-TA01,
45712-030-PN01, 45713-030-PN01,
45714-030-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to its grant agreement and the Allowable Cost/Cost Principles compliance requirement. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Cost/Cost Principles compliance requirement.

The School Corporation was required to maintain Semi-Annual Certifications in order to comply with the time and effort requirements applicable to employees who worked solely on Special Education. Semi-Annual Certifications for employees who were compensated solely through the Special Education program were not provided for the 2015-2016 school year.

Context

Semi-Annual Certifications from the 2014-2015 school year were completed and presented for audit. The School Corporation also maintained time and reporting sheets for those teachers that were funded partially through the Special Education program for the entire audit period. However as stated above, the Semi-Annual Certifications for the 2015-2016 school year were not presented for audit.

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. . . ."

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, item 8(h)(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 firsthand knowledge of the work performed by the employee."

34 CFR 80.42 states in part:

". . . (b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period—*

- (1) *General.* When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due. . . ."

Cause

Management had not developed an effective system of internal controls to ensure that required Semi-Annual Certifications were completed and maintained for audit.

Effect

The failure to establish an effective internal control system resulted in the School Corporation's 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 requirements related to Semi-Annual Certifications to ensure compliance with those requirements.

Views of Responsible Officials

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

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-004 - 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): PY 2015, PY2016
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to its grant agreement and the Program Income compliance requirement. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Program Income compliance requirement.

All receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in a separate fund; therefore, we were not able to identify a proper population to test program income.

Context

The lack of controls and recordkeeping was a systemic problem during the period audited.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

7 CFR 3016.20(b) states in part:

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

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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. . . ."

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

Management had not developed an effective system of internal controls to ensure that all requirements related to program income were met.

Effect

The failure to establish an effective internal control system resulted in the School Corporation's 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 requirements related to program income to ensure compliance with those requirements.

Views of Responsible Officials

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

FINDING 2016-005 - CASH MANAGEMENT

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): PY 2015, PY2016

Pass-Through Entity: Indiana Department of Education

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to its grant agreement and the Cash Management compliance requirement. No audit evidence was presented that indicated the School Corporation had monitored the School Lunch fund to ensure the cash balance of the fund (Net Cash Resources) was not more than the three months average expenditures.

Context

The lack of controls was a systemic problem during the period audited.

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 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Cash Management 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 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 the Cash Management compliance requirement.

INDIANAPOLIS PUBLIC SCHOOLS
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 2016-006 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education

Federal Program: Title I_Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A130014, S010A140014,
S010A150014

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to Special Tests and Provisions - Cohort Removal compliance requirement. The School Corporation's procedures related to the oversight and review of the process of removing a student from the Graduation Cohort was not properly implemented.

Documentation was not consistently maintained for the students whom were removed from their Graduation Cohort.

Context

We examined 25 students who were removed from their Graduation Cohort. For 19 of the students examined, evidence of oversight and review was not provided. For 12 of the students examined, supporting documentation for the reason the student was removed from the Cohort was not provided.

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 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award . . ."

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

34 CFR 200.19(b)(ii)(B) states in part:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

Cause

Management had not developed an effective system of internal controls to ensure that all requirements and documentation related to removal of students from the Cohort were met and maintained.

Effect

The failure to establish an effective internal control system resulted in the School Corporation's 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 and ensure compliance with the Special Tests and Provisions - Cohort Removal 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 2016-007 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Education

Federal Program: Title I_Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A130014, S010A140014,
S010A150014

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 Test and Provision - Schoolwide Programs requirements.

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Each individual school participating in a schoolwide program must submit an individual improvement plan that includes specific core elements and specific components. The individual improvement plans for thirteen schools were reviewed. Only 2 of the 13 improvement plans showed evidence of oversight and review, at the time that the improvement plans were submitted, to ensure that the specific core elements and specific components were included.

Context

The lack of controls was a systemic problem during the period audited.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

Cause

Management had not established internal controls designed to ensure oversight and review of the individual school's improvement plans in relation to the Special Tests and Provisions - Schoolwide Programs 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 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 the Special Tests and Provisions - Schoolwide Programs compliance requirement.

INDIANAPOLIS PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN

Finding Number 2016-001

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

Following the completion of the 2012-2014 audit in January 2016, Indianapolis Public Schools coordinated conversations with the State Board of Accounts to better understand the data requirement needed for the Schedule of Expenditures of Federal Awards (SEFA). Following those conversations, we have entered more data for awards within our financial system in order to better gather the information needed for the completion of the SEFA. The SEFA is completed by the Grant Accounting Coordinator and approved by the Accounting Officer.

View of Responsible Official

IPS concurs with finding.

Finding Number 2016-002

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

Following the completion of the 2012-2014 audit in January 2016, Indianapolis Public Schools has implemented procedures for federal reporting whereby reimbursement requests are completed by Grant Accounting and then verified by the appropriate program personnel prior to submission of the request for reimbursement.

View of Responsible Official

IPS concurs with finding.

CORRECTIVE ACTION PLAN
(CONTINUED)

Finding Number 2016-003

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

Indianapolis Public Schools has established procedures to ensure that all semi-annual certifications are completed, signed, and maintained. All semi-annual certifications were completed and signed as of July 1, 2016.

View of Responsible Official

IPS concurs with finding.

Finding Number 2016-004

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

Indianapolis Public Schools has created Fund 8400 to be our "Prepaid Food Fund" and will start using object 209080 to account for Unearned Revenue. When prepaid meal monies are received, account 8400-108001 will be debited to reflect cash received, and account 8400-209080 will be credited to reflect the accompanying liability. At the end of each month a transfer will be posted in MUNIS to reduce 8400-108001 and 8400-209080 and increase 0800-108001 (and appropriate revenue accounts) by the total amount of prepaid monies used (earned) during the month.

Indianapolis Public Schools is currently implementing a new Point of Sale system and will be using it to maintain our prepaid accounts. This implementation should be completed by September 30, 2017 and will directly relate to the completion of this corrective action plan.

View of Responsible Official

IPS concurs with finding.

(CONTINUED)

Finding Number 2016-005

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

Following the completion of the 2012-2014 audit in January 2016, Indianapolis Public Schools has implemented plans to create and monitor a strategic short-term spending plan, while at the same time sustaining the long-term annual cash needs for Foodservice initiatives.

Under new leadership (October 2016), the Foodservice Department is committed to spending excess funds for the improvement of meals and meal services to the students of IPS. Current initiatives implemented fiscal year 2017 included the purchase of: vegetable bars for most schools; cafeteria table replacements; new POS software; and a food truck. These purchases have resulted in a \$3.9 million reduction of the School Lunch Fund. Future initiatives and purchases planned for the 2018 fiscal year include: multiple capital expenditures; employee compensation; and food quality upgrades. These initiatives are projected to reduce the School Lunch Fund balance by an additional \$4 million. Several initiatives with both past and future implementation dates will have a lasting financial impact, and continue to reduce the School Lunch Fund balance into future fiscal years.

View of Responsible Official

IPS concurs with finding.

Finding Number 2016-006

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

The following practices and procedures have been implemented to ensure that proper cohort withdrawal documentation is maintained for students leaving the Indianapolis Public School system as outlined by the Indiana Department of Education.

District Level

Developed a written Entry / Withdrawal Manual that includes the documentation requirements

INDIANAPOLIS PUBLIC SCHOOLS

CORRECTIVE ACTION PLAN

(CONTINUED)

- outlined by the Indiana Department of Education.
- Provided mandatory documentation training for administrators, registrars, graduation coaches, and special program staff provided by an Accountability Specialist from the IDOE.
- Provided a district wide training for all k-12 registrars and school secretaries responsible for withdrawing students and maintaining student records.
- Ongoing training for individual high school registrars responsible for maintaining cohort documentation.
- Required Cohort Withdrawal Documentation Notebooks for all high schools.
- Hired Graduation Coaches who will check the documentation notebooks weekly and assist with follow-up to obtain documentation as needed.
- Implemented monthly Cohort Withdrawal Documentation Notebook audits.
- Monthly reviews of Cohort Monitoring Reports.

School-Based

- Create and maintain Cohort Documentation Notebooks for each cohort year.
- Follow up within a minimum of two weeks of a student withdrawing to obtain any documentation that has not been received.
- School Graduation Coach will cross reference the state cohort report with documentation on file monthly and follow up on any missing documentation and/or needed corrections.
- Submit monthly Cohort Monitoring Reports to the Office of Graduation and Alternative Services.
- Administrator will check and verify the graduating Cohort’s documentation and submit a Verification Form.

View of Responsible Official

IPS concurs with finding.

Finding Number 2016-007

Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Corrective Action

Indianapolis Public Schools will make certain, beginning immediately, that all schoolwide plans (SWPs) are reviewed and approved by district administration. The district has created a user guide and a roll-out deck as a resource for school leaders. As a guide, the district will use the SWP Title I Plan Summary Page to ensure that all components are met in the School Improvement Plan (SIP). Upon review of the schoolwide plan, the district will ensure that all SWPs include the necessary characteristics, required under the schoolwide reform. The characteristics of this document will include:

- A clear detailed focus;
- High measurable expectation for students and staff;

INDIANAPOLIS PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
(CONTINUED)

- An environment conducive to learning;
- Strong educational leadership;
- Standard based, curriculum based instruction along with assessments aligned to standards
- High-quality professional development; ensuring teacher are using best practices
- A Collaborative spirit and collaborative structure;
- Meaningful parent involvement; and engagement including trainings
- A commitment to continuous review and improvement

View of Responsible Official

IPS concurs with finding.

Respectfully submitted,

Paul Carpenter-Wilson
Financial Manager
Indianapolis Public Schools

INDIANAPOLIS PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS

SCHOOL PREPAID MEAL ACCOUNTS

The entire amount of adult and student prepaid food advance deposits were recognized in the School Lunch Fund, Fund 800, at the end of each month.

The School Corporation had not established Fund 8400 - Prepaid Food to account for advance deposits made to individual student and adult prepaid food accounts.

Fund 8400 - Prepaid Food is essentially a trust account where monies are initially deposited on behalf of individual students and adults. Monies are intended to remain in the trust account until they are spent on food purchases.

Monies are to be transferred from Fund 8400 - Prepaid Food to Fund 800 - School Lunch Fund at the end of each month for actual monies spent by students and adults on food purchases during the month.

As a result, revenue was recognized in advance of being earned as the deposits were always recognized in the same month in which the monies were received and there was not an overall grand total cash balance maintained for adult and student prepaid meal deposits.

Individual adult and student balances were tracked at the individual schools and at the end of each school year the remaining balances in the student and adult prepaid accounts were returned.

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, Vol. 211)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at June 30, 2014 and 2015:

Fund	June 30, 2015 Amount Overdrawn	June 30, 2016 Amount Overdrawn
Textbook Rental	\$ 1,628,385	\$ 861,612
Self Insurance	-	1,927,412
SAFE School Haven	20,000	345
Sallie Mae Foundation	56,524	56,524
M.A. Rooney Foundation	123,725	155,554
New Teacher Project, Inc.	199	199
Health Foundation Family Center	34,603	18,194

INDIANAPOLIS PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	June 30, 2015 Amount Overdrawn	June 30, 2016 Amount Overdrawn
IEA President's Fund	18,485	18,558
Formative Assessment	-	76,389
High School Graduation Coaches	113,570	113,570
Drug Free Communities	6,189	3,744
Welfare Activities	66,993	66,993
Performance Based Awards	235,094	43,563

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)

PAYROLL CLEARING ACCOUNT

The School Corporation established seven separate Payroll Clearing Funds in the 8000 series of fund accounts. These funds were primarily established to account for payroll withholding liabilities. The balances in the individual funds could not be identified to specific payroll withholding liabilities.

A similar comment appeared in prior reports, most recently Report B45688.

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements and balances of funds of the school corporation in accordance IC 5-11-1-2. The accounts are defined within each classification dependent on the purpose they serve. These purposes are detailed herein and include Petty Cash, Central Stores, Prepaid Insurance, Investments, Loans and Payroll Deductions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

WAREHOUSE CLEARING FUNDS

The School Corporation has established several Warehouse Clearing Funds in the 9000 series of fund accounts. These funds were established primarily to record the initial bulk purchase of supplies with the cost of these supplies later allocated to the operating funds based on usage. Unlike a clearing fund, the Warehouse Clearing Funds were used for making purchases and selling inventory.

Purchases made directly by the Warehouse Clearing Funds were not posted directly to any operating fund as disbursements. The purchases from vendors were posted directly to the Central Stores expense in the Warehouse Clearing Funds accounts, rather than being paid from fund appropriations. The expenses would eventually be posted to the individual appropriations within budgeted or non-budgeted operating funds when the individual school or location requested the supplies. At that time, the cost of the supplies would be charged as expenses to appropriations of the individual schools or locations and receipts entered into the Warehouse Clearing Funds. Included in that cost was a fee or mark up of 1 percent to 3 percent of based on the cost of the supplies. This inflated the disbursement posted to the appropriations in the operating fund above the actual purchase price. These fees were posted to the Sale of Supplies or similar revenue account in the Warehouse Clearing Funds.

INDIANAPOLIS PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment appeared in several prior reports, most recently Report B45688.

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements and balances of funds of the school corporation in accordance IC 5-11-1-2. The accounts are defined within each classification dependent on the purpose they serve. These purposes are detailed herein and include Petty Cash, Central Stores, Prepaid Insurance, Investments, Loans and Payroll Deductions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)



August 4, 2017

Indiana State Board of Accounts
302 W. Washington Street
Room E418
Indianapolis, IN 46204-2765

Dear Sir or Madam:

Please find attached the responses to the Audit Results and Comments of the State Board Accounts regarding the audit of Indianapolis Public Schools for the period July 1, 2014 through June 30, 2016.

Sincerely,

A handwritten signature in blue ink that reads "Weston R. Young".

Weston R. Young
Chief Financial Manager

Weston Young, Chief Financial Manager

o 317.226.4428 f 317.226.3419 e youngw@myips.org | Indianapolis Public Schools | 120 E. Walnut Street, Indianapolis, IN 46204

www.myIPS.org

**Indianapolis Public Schools
State Board of Accounts Audit Results and Comments
IPS Response to Corporation Audit Results and Comments
Audit Period: July 1, 2014 through June 30, 2016**

IPS Response to State Board of Accounts Comment – School Prepaid Meal Accounts

IPS has established Fund 8400 “Prepaid Food Fund” in accordance with SBOA guidance. When prepaid meal monies are received, account 8400-108001 will be debited to reflect cash received, and account 8400-209080 “Unearned Revenue” will be credited to reflect the accompanying liability. At the end of each month a transfer will be posted in Munis to reduce 8400-108001 and 8400-209080 and increase 0800-108001 (and appropriate revenue accounts) by the total amount of prepaid monies used (earned) during the month.

Completion Date: IPS is currently implementing a Point of Sale system which will maintain prepaid accounts. This implementation should be completed by September 30, 2017.

IPS Response to State Board of Accounts Comment – Overdrawn Fund Balances

Each of the 13 funds cited has a particular set of circumstances that either created, or resulted in, a negative cash position. Four of these have already been resolved; IPS will take appropriate action to resolve the others to a zero balance.

IPS Response to State Board of Accounts Comment – Payroll Clearing Account

IPS has multiple clearing accounts that were established years ago to represent various payroll deductions. A plan will be formulated and executed within the current fiscal year to identify existing needs and seek to combine them into a single fund, closing out the others. On a periodic basis IPS will review this fund to ensure it reflects only temporary liabilities arising from ongoing payroll functions and will reconcile it to funds reported to the DOE on the Form 9.

IPS Response to State Board of Accounts Comment – Warehouse Clearing Fund

IPS will formulate and execute a revised business practice involving the inventory purchased and held by the warehouse until issued to individual schools and departments. This revised strategy will mirror the inventory accounting utilized by the Foodservice Department. To present on a cash basis, changes in inventory will be reported on the Form 9 as debit or credit adjustments to appropriate supply accounts.

INDIANAPOLIS PUBLIC SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2017, with Dr. Lewis D. Ferebee, Superintendent of Schools; Weston Young, Treasurer; Mary Ann Sullivan, President of the School Board; Paul Carpenter-Wilson, Financial Officer; John Niland, Accounting Officer; Ericka Mason, Accounting and Finance; Bridgette Robinson, Federal and Special Programs Director; and Brent Freeman, Special Education Director.