

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PERRY TOWNSHIP SCHOOLS

MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED

09/26/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	J. Michael Bagley	07-01-13 to 12-31-17
Superintendent of Schools	Dr. Thomas Little, Jr. Patrick W. Mapes (interim) Patrick W. Mapes	07-01-13 to 05-08-17 05-09-17 to 06-30-17 07-01-17 to 06-30-20
President of the School Board	Edward T. Denning Jon P. Morris Gwen E. Freeman Charles R. Mercer, Jr. Kenneth J. Mertz	07-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



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TO: THE OFFICIALS OF THE PERRY TOWNSHIP SCHOOLS, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Perry Township Schools (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 Result and Comment as described below.

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

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

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

August 28, 2017

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001

Subject: Internal Controls over Payroll Disbursements
Audit Finding: Material Weakness

Condition

For each pay period, service records were completed for all employees and signed by an appropriate supervisor. Service records were then sent to the Payroll Department for processing. Once processed, payroll reports were sent to the Business office, where they were reviewed and approved by the Chief Financial Officer (CFO) prior to payment; however, evidence was not presented for audit to document the review and approval by the CFO.

Context

The lack of evidence of the review and approval was a systemic problem during the audit period.

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. . . ."

Cause

Management had not established an effective system of documenting the review and approval of payroll transactions.

Effect

The failure to properly document the review and approval of payroll transactions prevented the determination of whether the control procedures were operating effectively.

Recommendation

We recommended that the School Corporation's management properly document the review and approval of payroll transactions.

PERRY TOWNSHIP 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 2015-002

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed, Allowable Costs/Cost Principles,
Cash Management, Eligibility, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weaknesses

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Each pay period, service records were completed for all employees and signed by an appropriate supervisor. Service records were then sent to the Payroll Department for processing. Once processed, payroll reports were sent to the Business office, where they were reviewed and approved by the CFO prior to payment; however, documentation of this review and approval was not presented for audit.

Cash Management

Each month, the Director of Food Services completed a monthly expenditure and balance report, which was checked against the three month average expenditure limit; however, no documentation of a control procedure over this process was presented for audit.

Eligibility

Applications for Free and Reduced Price Meals were submitted online or through a paper application process, which were manually entered into the PCS Computer system; however, there was no documented control procedure that would have ensured the accuracy of the information entered into the system.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

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

The Free and Reduced Price Meals verification information was entered into the PCS computer system by a member of Food Service management; however, there was no documentation of a control procedure that would have ensured the accuracy of the information entered into the system.

Context

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

Criteria

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

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

Cause

Management had not developed an effective system of internal controls that would have ensured that all requirements noted above were met.

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.

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 compliance requirements listed above.

Views of Responsible Officials

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

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-003

Subject: School Breakfast Program and National School Lunch Program - 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
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

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 noncompliance.

All receipts from sales, as well as prepayments, were recorded directly into the School Lunch fund. Prepayments were not recorded in a separate Prepaid Food Fund; therefore, a proper population to test program income could not be identified.

Context

The lack of controls was a systemic problem during the period audited. Due to the method of recordkeeping, program income could not be tested.

Criteria

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

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

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured that all requirements related to Program Income were met.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system and properly maintain accounting records prevented the testing of the School Corporation's compliance with the grant agreement and the Program Income 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 all requirements.

Views of Responsible Officials

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

FINDING 2015-004

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, School Breakfast Program, Special Milk Program for Children, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.556, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to Reporting.

All financial and special reports, which included Monthly Claims for Reimbursement, Annual Financial Reports, and Verification Summary Reports, were prepared and submitted solely by one member of the food services management. There was no documented evidence to show that control procedures were in place to ensure the accuracy of reports prior to submission.

Verification Summary Reports were not adequately supported by the School Corporation's records. The number of students reported as verified for free, reduced, and paid meals was not supported by documentation provided. The School Corporation did not retain all correspondence attempts with families and did not implement procedures to ensure that the information provided was properly verified.

Context

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

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(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. . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured that all requirements related to Reporting 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 Reporting 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.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-005

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system related to Special Tests and Provisions - Paid Lunch Equity. The School Corporation did not have procedures in place to ensure that the Special Tests and Provisions - Paid Lunch Equity requirements were properly calculated and considered. Documentation of Paid Lunch Equity calculations were not retained for audit to demonstrate compliance with program requirements. Per the Director of Food Services, an exemption was filed for the school year 2014-2015; however, documentation of the exemption request was not retained.

Context

The lack of controls and noncompliance was a systemic problem during the audit period.

Criteria

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

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

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e) . . ."

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e) (1) (i) of this section to the difference between reimbursement rates under paragraph (e) (1) (ii) of this section. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured that all requirements related to Special Tests and Provisions - Paid Lunch Equity 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 and ensure compliance related to the grant agreement and compliance requirement for Special Tests and Provisions - Paid Lunch Equity.

Views of Responsible Officials

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

FINDING 2015-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.556, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

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 Procurement and Suspension and Debarment compliance requirement.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation did not obtain bids for produce vendors. Total purchases for produce exceeded \$150,000, which under Indiana Code requires that a formal bidding process be followed. Produce purchases from one vendor totaled \$385,238 for the year 2014 and \$447,270 for the year 2015 and were not procured in accordance with state policies and procedures. Additionally, no documentation was maintained that indicated the School Corporation verified that these vendors were not suspended or debarred.

Context

There was only one instance where the School Corporation did not follow procurement requirements during the audit period. This was related to the purchase of produce. No documentation was provided to substantiate that the School Corporation verified that vendors from whom produce was purchased during the audit period were not suspended or debarred. No issues were noted with the School Corporation verifying that other vendors were not suspended or debarred during the audit period.

Criteria

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

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

7 CFR 3016.36(b) states in part:

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

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."

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with Procurement and Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 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.

Finding 2015-007

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): 13-5340, 14-5340, 15-5340

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Special Tests and Provisions - Comparability

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Special Tests and Provisions - Comparability compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

Each pay period, service records were completed for all employees and signed by an appropriate supervisor. Service records were then sent to the Payroll Department for processing. Once processed, payroll reports were sent to the Business office where they were reviewed and approved by the Chief Financial Officer prior to payment; however, documentation of this review and approval was not presented for audit.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Comparability

Comparability reports were completed and submitted by a single member of Title I management. No control procedures were identified to ensure the accuracy of the report submitted.

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the compliance requirements noted above.

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.

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 compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2015-008

Subject: Title I Grants to Local Educational Agencies - Cash Management and Reporting

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): 13-5340, 14-5340, 15-5340

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Other Matters

PERRY TOWNSHIP 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 and Reporting compliance requirements. Requests for Reimbursement were prepared and submitted by the Chief Financial Officer, with copies sent to the Fiscal Coordinator for review; however, there was no tangible evidence of the review of the Requests for Reimbursement.

Requests for Reimbursement were prepared using year-to-date expenditures less the amount previously requested for reimbursement, instead of actual expenditures for the period of the request. Of the four Requests for Reimbursement tested, management was able to provide expenditure reports to accurately substantiate two of the amounts requested. The remaining two requests contained variances that could not be reconciled. Therefore, it could not be determined whether amounts requested for reimbursement were paid by the School Corporation prior to requesting reimbursement.

Context

The lack of controls and noncompliance were systemic problems 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. . . ."

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. . . ."

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

Management had not established an effective internal control system or maintained supporting documentation 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.

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 2015-009

Subject: English Language Acquisition State Grants - Internal Controls

Federal Agency: Department of Education

Federal Program: English Language Acquisition State Grants

CFDA Number: 84.365

Federal Award Numbers and Years (or Other Identifying Numbers): 01113-062-PN01, 01113-059-FLUX,
01113-358-PN01, 01114-045-PN01,
01114-003-FLUX, 01115-066-PN01,
01115-002-FLUX,
A58-4-14OT-2051

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Period of Availability

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Period of Availability compliance requirements.

Each pay period, service records were completed for all employees and signed by an appropriate supervisor. Service records were then sent to the Payroll Department for processing. Once processed, payroll reports were sent to the Business office where they were reviewed and approved by the Chief Financial Officer prior to payment; however, documentation of this review and approval was not presented for audit.

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the compliance requirements noted above.

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.

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 compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2015-010

Subject: English Language Acquisition State Grants - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: English Language Acquisition State Grants

CFDA Number: 84.365

Federal Award Numbers and Years (or Other Identifying Numbers): 01113-062-PN01, 01113-059-FLUX,
01113-358-PN01, 01114-045-PN01,
01114-003-FLUX, 01115-066-PN01,
01115-002-FLUX,
A58-4-14OT-2051

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

PERRY TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with the grant agreement and requirements related to the Allowable Costs/Cost Principles compliance requirement.

Each pay period, service records were completed for all employees and signed by an appropriate supervisor. Service records were then sent to the Payroll Department for processing. Once processed, payroll reports were sent to the Business office where they were reviewed and approved by the Chief Financial Officer prior to payment; however, documentation of this review and approval was not presented for audit.

In addition, there were no control procedures identified related to the preparation of Semi-Annual Certifications. Semi-Annual Certifications for employees who worked solely on the English Language Acquisition State Grants were not presented for audit.

Context

The lack of controls and noncompliance 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. . . ."

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 first hand knowledge of the work performed by the employee."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Cost/Cost Principles compliance requirement.

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.

PERRY TOWNSHIP 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.



Perry Township Schools

6548 Orinoco Avenue
Indianapolis, IN 46227-4820

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Contact Phone Number: (317) 789-3761

Views of Responsible Official: The district concurs that during the 2013-2015 audit period proper officials did review payroll records but did not initial the documents reviewed.

Description of Corrective Action Plan:

The Payroll Supervisor, Payroll Clerk, Chief Financial Officer and Business Office Specialist began initialing the reviewed payroll documents in July of 2016. This Internal Control practice is ongoing.

Anticipated Completion Date: July, 2016

FINDING 2015-002

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Foodservice Director, Chyrie Thompson

Contact Phone Number: (317) 789-3761
(317) 789-3745

Views of Responsible Official: The district concurs that during the 2013-2015 audit period, food service management reviewed payroll records, performed monthly comparisons of expenditure and balance to three-month average expenditures, periodically reviewed manual applications and reviewed verified application input and information, but did not have adequate Internal Controls in place to ensure compliance with requirements.

Description of Corrective Action Plan:

The Food Service Managers or Site Supervisors, Food Service Secretary or Catering Manager and the Food Service Director began approving the reviewed payroll documents in July of 2016. This Internal Control practice is ongoing.

Cash Management: The Director of Food Services completes a monthly expenditure and balance report and checks it against the previous three month's average expenditures. Beginning in July of 2017 the report is signed by the Director of Food Services and reviewed and signed by the Food Service Bookkeeper or Assistant Food Service Director. This Internal Control practice is ongoing.

Eligibility: Paper applications are manually entered into Skyward by either the Food Service Secretary or the Food Service Family Financial Coordinator. Beginning August 2017, three percent of manual applications will be selected from the applications processed each month and checked for input accuracy by the Food Service Director or the Assistant Food Service Director and documented with their initial and date on the applications. A list of reviewed applications will be signed by the Director or Assistant Director of Food Services. The Food Service Secretary will sign the list make corrections as needed and retain the list. This Internal Control is ongoing.

Special Tests and Provisions- Verification: The Food Service Secretary will enter the information from the documentation for verification provided by the parents into Skyward. By Nov 15, 2017, entrees will be checked for accuracy by the Director or Assistant Director of Food Services and the applications will be dated and initialed as documentation.

Anticipated Completion Date: These Internal Controls procedures will be completed by the dates specified above for each condition.

FINDING 2015-003

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Foodservice Director, Chyrie Thompson

Contact Phone Number: (317) 789-3761
(317) 789-3745

View of Responsible Official: The district agrees that during the 2013-2015 audit period all receipts were recorded into the School Lunch Fund; prepayments were not recorded in a separate Prepaid Food Fund.

Description of Corrective Action Plan: As of July, 2016 all receipts from prepayments are receipted into the Prepaid Food Account 08400 by the Food Service Bookkeeper, or School District Treasurer. This Internal Control is ongoing.

Anticipated Completion Date: Completion of developing this procedure was July of 2016.

FINDING 2015-004

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Foodservice Director, Chyrie Thompson

Contact Phone Number: (317) 789-3761
(317) 789-3745

Views of Responsible Official: The district concurs that during the 2013-2015 audit period the Monthly Claims for Reimbursement, the Annual Financial Report and the Verification Summary Report were prepared by only one member of Food Services without documented evidence showing Internal Control procedures were in place for accuracy. The district further concurs that Verification Summary Reports were not well documented to indicate the number of students verified as free, reduced, or paid and a copy of correspondence attempts were not retained with a copy of the submitted report.

Description of Corrective Action Plan:

Beginning July 2017, all Department of Education Financial Reports, Claims for Reimbursement, Verification Reports and Other Special Reports are prepared by the Director or Assistant Director of Food Services and is reviewed for accuracy by the Director, Assistant Director of Food Services or the Food Service Bookkeeper requiring two separate signatures for documentation. The reports will be printed, dated, and signed first by person completing the report and then by the designated person reviewing the report for accuracy. All reports will be retained. These Internal Controls are ongoing.

The Skyward food service program selects the required number of applications to be verified based on the criteria outlined by USDA. A letter of selection for verification and if necessary a second letter of selection and an eligibility letter are sent to the household that are selected for verifications. Beginning October 1, 2017, a copy of all correspondence to selected households will be filed with a copy of their application and all income documentation submitted for verification. The documentation and applications will be filed in an orderly manner to match the list of selected applications. This is an ongoing Internal Control.

Anticipated Completion Date: These Internal Control procedures will be completed by the dates indicated above for each condition.

FINDING 2015-005

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Foodservice Director, Chyrie Thompson

Contact Phone Number: (317) 789-3761
(317) 789-3745

View of Responsible Official: The districts concurs that a copy of the Paid Lunch Equity calculations and documentation for a waiver were not retained for audit.

Description of Corrective Action Plan: Beginning July 2016, a copy of all Paid Lunch Equity documentations is retained in the food service office and if a waiver is necessary, a copy of the request and approval for waivers will be sent to the CFO and the Associate Superintendent. This procedure is ongoing.

FINDING 2015-006

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Foodservice Director, Chyrie Thompson

Contact Phone Number: (317) 789-3761
(317) 789-3745

Views of Responsible Official: The district concurs that during the 2013-2015 audit period, a formal Bid or Request for Proposal was not obtained for produce purchases over \$150,000 and the district's Food Purchasing Group did not verify that all vendors contracted were not suspended or debarred.

Description of Corrective Action Plan:

A Request for Proposal was submitted for Produce in May 2016 by the CIESC Region 9 School Food Purchasing Group for our district and a signed certification from the participating produce company was provided stating that the company had not been suspended or debarred. The produce company is currently working on being registered with the SAM search site.

FINDING 2015-007

Contact Person Responsible for Corrective Action: Title I Administrator, Andrea Lakin
Fiscal Coordinator, Lisa Harrison

Contact Phone Number: (317) 789-3798
(317) 789-3725

Views of Responsible Official:

The district concurs that the Comparability Report was completed and submitted by a single member of Title I Management and that corrective action is required.

Description of Corrective Action Plan:

Effective with the Fall 2017 submission, the Title I Administrator will continue to complete and submit the Comparability Report. Prior to submission, the report will be reviewed by the Fiscal Coordinator and initialed in agreement. Future submissions will contain the signature of the Title I Administrator and initials of the Fiscal Coordinator.

FINDING 2015-008

Contact Person Responsible for Corrective Action: Chief Financial Officer, J. Michael Bagley
Fiscal Coordinator, Lisa Harrison

Contact Phone Number: (317) 789-3761
(317) 789-3725

Views of Responsible Official:

The district concurs that requests for reimbursement were prepared and submitted by the CFO with copies sent to the Fiscal Coordinator for review. We also concur that no evidence was presented acknowledging review of the reimbursement requests.

The district concurs that during the period of audit review 2013-14 and 2014-15, reimbursement requests were prepared using category year-to date expenditures less the amount previously requested. This method of calculation had previously been discussed with SBOA auditors during the performance of the district's previous audit (December 2013) and was determined to be an acceptable method of calculation.

In 2016, the district's Chief Financial Officer learned of audit findings of surrounding districts due to use of this calculation method. It was further discovered that only actual expenditure reports are deemed adequate documentation of support for reimbursement requests.

Description of Corrective Action Plan:

While review of reimbursement requests has been a consistent practice, the CFO and Fiscal Coordinator began initialing the printed reimbursement request documentation in October 2016, effective with the first reimbursement request for Fiscal Year 2017. Initialing by these two individuals assures review by both parties and agreement to the accuracy of the submission. This process is ongoing.

In 2016, the Chief Financial Officer was advised that only financial expenditure reports are accepted as adequate documentation of support for reimbursement requests, district staff reviewed each previously submitted reimbursement request of all open grants and attached an appropriate financial expenditure report. In addition, a reconciliation report was created and attached as supporting documentation for any variances. From that point forward, reimbursement requests have been prepared using financial expenditure reports as supporting documentation. This process is ongoing.

Anticipated Completion Date: September, 2016

FINDING 2015-009

Contact Person Responsible for Corrective Action: Title I Administrator, Andrea Lakin
Fiscal Coordinator, Lisa Harrison

Contact Phone Number: (317) 789-3798
(317) 789-3725

Views of Responsible Official:

The district concurs that during the 2013-15 audit period proper officials did review payroll records but did not initial the documentation reviewed.

Description of Corrective Action Plan:

The Payroll Supervisor, Payroll Clerk, Chief Financial Officer and Business Office Specialist began initialing the reviewed payroll documents in July 2016. This Internal Control practice is ongoing.

Anticipated Completion Date: July 2016

FINDING 2015-010

Contact Person Responsible for Corrective Action: Title III Administrator, Jane Pollard
Fiscal Coordinator, Lisa Harrison

Contact Phone Number: (317) 789-3777
(317) 789-3725

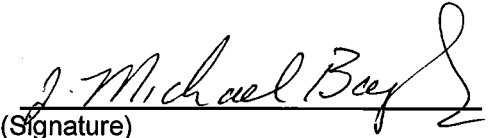
Views of Responsible Official:

The district concurs that Semi-Annual Certification forms for the review period of 2013-14 were unable to be presented for audit. Semi-Annual Certification forms for the review period of 2014-15 were presented for audit and deemed acceptable.

Description of Corrective Action Plan:

The Title III Administrator has verified that Semi-Annual Certification forms for future audit review periods have been completed and located. In an effort to assure that forms can be located and presented by EL program administration for future audits in a timely manner, the Title III Administrator has created a specific file location where such documents will be stored for audit purposes. All Semi-Annual Certification forms that will be part of future audit periods have been moved to this location. Future forms will be stored in this same location as well.

Anticipated Completion Date: August 2017



(Signature)

Chief Financial Officer

(Title)

August 28, 2017

(Date)

PERRY TOWNSHIP SCHOOLS
AUDIT RESULT AND COMMENT

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. 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.

Our opinion is that money a student puts into their individual meal account 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 Bulletin and Uniform Compliance Guidelines, September 2015)

PERRY TOWNSHIP SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2017, with J. Michael Bagley, Treasurer; Patrick W. Mapes, Superintendent of Schools; and Kenneth J. Mertz, President of the School Board.