

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF LAWRENCE TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robin L. Phelps	07-01-13 to 11-20-14
	Marin Ward (interim)	11-21-14 to 04-30-15
	Michael D. Shreves	05-01-15 to 06-30-18
Superintendent of Schools	Dr. Concetta A. Raimondi	07-01-13 to 12-31-13
	Dr. Shawn A. Smith	01-01-14 to 06-30-18
President of the School Board	Carol Helmus	07-01-13 to 12-31-13
	Kathy Varie	01-01-14 to 12-31-14
	Carol Helmus	01-01-15 to 12-31-16
	Reginald McGregor	01-01-17 to 12-31-18



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

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

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

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

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 8, 2017

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Internal control procedures were not in place to ensure the cash and investment balances and receipt activity were accurate and complete.

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 of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish proper controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

FINDING 2015-002 - ACTIVITIES ALLOWED AND UNALLOWED

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed and Unallowed compliance requirement.

The School Corporation indicated that their control was that timesheets were reviewed and signed by the employee's direct supervisor, then submitted to the Food and Nutrition Service office where it was reviewed and approved prior to submission to the Business Service office for processing and payment. However, two timesheets had not been signed by the direct supervisor and no evidence of the review from the Food and Nutrition Services office prior to submission to the Business Service office was documented.

In addition, controls had not been fully implemented or established regarding vendor transactions. The Food and Nutrition Services Director was to review vendor transactions prior to submission to the Business Services office for processing. Twenty-five out of forty vendor transactions tested had no tangible evidence that they were reviewed or approved by the Food and Nutrition Services Director before submission to the Business Services office for processing.

Context

The lack of documentation of controls over Activities Allowed and Unallowed was a systemic issue throughout the audit period.

Criteria

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

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

Cause

Management of the School Corporation had not properly developed or fully implemented a system of internal controls.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management fully implement and document controls in place related to the grant agreement and the Activities Allowed and Unallowed compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2015-003 - 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): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. The procedures established to ensure that the School Lunch fund cash balances were maintained in compliance with the Cash Management compliance requirement were not effective. In addition, there were no procedures established to ensure the amounts being entered for federal reimbursement were accurate prior to submission.

The School Lunch fund balances (Net Cash Resources) for the School Corporation exceeded its 3 months average expenditures in all 24 months of the audit period. The 3 months averages of expenditures of the School Lunch fund for the fiscal year 2014 and for the fiscal year 2015 were \$2,252,177 and \$2,042,334, respectively. Cash balances (Net Cash Resources) in the School Lunch fund ranged from \$4,175,137 to \$6,480,248 for the 24 month audit period.

Context

All month-end cash balances (Net Cash Resources) for the fiscal year 2014 and for the fiscal year 2015 were examined and all 24 months' balances exceeded the School Corporation's 3 months average expenditures. A plan to spend a portion of the excess balance was not established until after the end of 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 section 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

7 CFR 220.7(e) states in part:

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-004 - ELIGIBILITY

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

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 Eligibility compliance requirement.

The School Corporation used a computer-based system to determine a household's eligibility based on information provided by the parent or guardian. However, there were no controls in place to ensure that the system parameters had been accurately defined to match the Federal Income Guidelines, nor that the system had calculated and determined the benefits correctly.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

In addition, the School Corporation processed some paper Free and Reduced Applications. The applications were entered into their computer-based system with no control to ensure the information was entered correctly.

Context

The system which determined eligibility of Free and Reduced Applications was not verified to ensure it followed the Federal Income Guidelines. Paper applications entered into the system were not reviewed to ensure they were entered accurately.

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 that the School Corporation complied with the Eligibility 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 Eligibility 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 Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2015-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation did not maintain equipment or property records for equipment purchased with monies from the Child Nutrition programs.

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. . . ."

7 CFR 3016.32 states in part:

". . . (b) . . . Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . ."

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Equipment and Real Property Management compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-006 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

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.

The School Corporation did not obtain bids for produce vendors. Total purchases for produce exceeded \$150,000, an amount for which Indiana Code requires that a formal bidding process be followed. Produce purchases from one vendor totaled \$744,496 and were not procured in accordance with state policies and procedures.

No documentation was maintained that indicated that the School Corporation verified that vendors with whom the School Corporation entered into contracts were not suspended or debarred.

Context

The above-mentioned purchase of produce for \$744,496 was the only instance where the School Corporation did not follow procurement requirements during the audit period. Contracts initiated through the School Corporation did not contain documentation to substantiate that the School Corporation verified the vendor was not suspended or debarred.

Criteria

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

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

7 CFR 3016.36(b)(1) states: "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 5-22-7-2(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."

Cause

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

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 and ensure compliance related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2015-007 - REPORTING

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The School Corporation indicated that their control was that reports were reviewed prior to submission by someone other than the person preparing the reports. There was no audit evidence to document that the control was properly implemented or effective.

Context

There was no audit evidence to document that required reports submitted by the School Corporation were reviewed for accuracy prior to submission.

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 of the School Corporation had not properly developed or implemented a system of internal controls.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

**FINDING 2015-008 - SPECIAL TESTS AND PROVISIONS - VERIFICATION
OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)**

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education

Condition

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

Three of the thirty-nine households tested contained instances in which an error in the frequency of pay used led to income being calculated incorrectly, causing an inappropriate change to eligibility status.

Context

The lack of controls and noncompliance were systemic issues during the audit period.

Criteria

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

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

7 CFR 245.6(f)(7) states in part: "*Eligibility changes*. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. . . ."

Cause

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

Effect

The School Corporation's failure to establish an effective internal control system enabled non-compliance to go undetected. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-009 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

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

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The School Corporation did not meet the requirements for compliance with Paid Lunch Equity for the 2013-2014 and 2014-2015 school years. The School Corporation did not correctly increase school lunch prices to ensure that the average weighted paid price met the required weighted average paid price for paid lunch equity.

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. . . ."

7 CFR 210.14(e)(3) states in part:

". . . When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

- (i) 2 percent; and
- (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Paid Lunch Equity requirement.

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 Special Tests and Provisions - Paid Lunch Equity 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 2015-010 - 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): 14212-036-PN01, 14213-036-PN01,
14214-036-PN01, 14215-036-PN01,
A58-3-13DL-1414, 99914-036-TA01,
45712-036-PN01, 45713-036-PN01,
45714-036-PN01, 45715-036-PN01

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 relating to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications were not maintained by the School Corporation for employees who worked solely on Special Education programs for the 2013-2014 and 2014-2015 school years.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance were systemic problems throughout the audit period.

Criteria

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

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

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

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

Cause

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

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-011 - MATCHING, LEVEL OF EFFORT, EARMARKING

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-036-PN01, 14213-036-PN01,
14214-036-PN01, 14215-036-PN01,
A58-3-13DL-1414, 99914-036-TA01,
45712-036-PN01, 45713-036-PN01,
45714-036-PN01, 45715-036-PN01

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the level of effort and earmarking requirements.

Maintenance of effort calculations for the School Corporation were documented within the Special Education grant applications; however, the School Corporation could not provide supporting documentation for their calculations. Additionally, the child count totals reported on the applications did not always agree to the child count reports provided by the School Corporation.

Earmarking requirements were not met by the School Corporation during the audit period. The School Corporation exceeded the maximum 15 percent of federal funds in combination with other funds for early intervening services. During fiscal year 2014, the School Corporation exceeded the budget for early intervening services by \$3,101. The School Corporation paid two employees from early intervening service monies for the period of January 3, 2014 to May 30, 2014; however, neither of these employees had performed activities related to early intervening services.

Context

There were no controls in place at the School Corporation to ensure the level of effort and earmarking requirements were met.

Criteria

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

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

34 CFR 300.203 states in part:

"(b) *Standard.* (1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
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(Continued)

- (i) Local funds only.
- (ii) The combination of State and local funds.

(2) An LEA that relies on paragraph (b)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in the most recent fiscal year for which information is available and the standard in paragraph (b)(1)(i) of this section was used to establish its compliance with this section. . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

34 CFR 300.226 states in part:

"(a) *General.* An LEA may not use more than 15 percent of the amount the LEA receives under Part B of the Act for any fiscal year, less any amount reduced by the LEA pursuant to §300.205, if any, in combination with other amounts (which may include amounts other than education funds), to develop and implement coordinated, early intervening services, which may include interagency financing structures, for students in kindergarten through grade 12 (with a particular emphasis on students in kindergarten through grade three) who are not currently identified as needing special education or related services, but who need additional academic and behavioral support to succeed in a general education environment. . . ."

Cause

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

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the level of effort and earmarking requirements.

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 the level of effort and earmarking requirements.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-012 - PROCUREMENT AND SUSPENSION AND DEBARMENT

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): 14212-036-PN01, 14213-036-PN01,
14214-036-PN01, 14215-036-PN01,
A58-3-13DL-1414, 99914-036-TA01,
45712-036-PN01, 45713-036-PN01,
45714-036-PN01, 45715-036-PN01

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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have any internal control procedures in place to ensure that procurement procedures were followed when selecting vendors. In addition, the School Corporation did not have any procedures in place to verify that vendors were not suspended or debarred. The School Corporation entered into one contract related to the federal award during the audit period. No documentation was provided for audit to substantiate that the School Corporation verified that the vendor was not suspended or debarred.

Context

The lack of controls was a systemic problem during the audit period. Only one contract related to the federal award was entered into during the audit period that required the School Corporation to ensure the vendor was not suspended or debarred.

Criteria

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

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

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."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Procurement and Suspension and Debarment 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 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 and ensure compliance related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2015-013 - REPORTING

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): 14212-036-PN01, 14213-036-PN01,
14214-036-PN01, 14215-036-PN01,
A58-3-13DL-1414, 99914-036-TA01,
45712-036-PN01, 45713-036-PN01,
45714-036-PN01, 45715-036-PN01

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The School Corporation's internal control was that the reports were to be reviewed by the Director of Special Education prior to submission to Indiana Department of Education. During the audit period, the originally reviewed and signed Quarterly Monitoring Reports for Coordinated Early Intervening Services (CEIS) and Non-Public Schools were not properly retained and eliminated any evidence of the internal control review process. In addition, not all of the quarterly reports for audit period were available to review. Of the quarterly reports required during the audit period, two Quarterly Monitoring Reports for CEIS and two Quarterly Proportionate Share Monitoring Reports were selected for testing. One of the Quarterly Monitoring Reports for CEIS selected did not have evidence of being reviewed by the Director of Special Education and supporting documentation for the report was not available, and the other report selected

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

was not properly retained and unable to be reviewed. Of the two Quarterly Proportionate Share Monitoring Reports for Non-Public Schools reviewed, one of the did not contain any evidence of being reviewed by the Director of Special Education, and the other did not have the IDEA, Part B and IDEA Preschool sections completed.

Additionally, the School Corporation indicated that the Annual Child Count and Data Collection Reports were reviewed and approved by the Superintendent of School prior to submission. Although copies of the reports were available, the originally reviewed and signed Child Count Reports were not properly retained and eliminated any evidence of the internal control review process. Two of the Child Count Reports filed during the audit period were reviewed for audit, neither of which contained any evidence of being reviewed by the Superintendent of Schools, nor was the supporting Data Collection Report for each provided by the unit.

Context

Reports were not always reviewed for accuracy and supporting documentation was not retained.

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(b) states in part:

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

Cause

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

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-014 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Condition

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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation indicated that their control was that timesheets were reviewed and signed by the employee's direct supervisor, then submitted to the Food and Nutrition Service office where it was reviewed and approved prior to submission to the Business Service office for processing and payment. However, two timesheets had not been signed by the direct supervisor and no evidence of the review from the Food and Nutrition Services office prior to submission to the Business Service office was documented.

Semi-Annual Certifications were not maintained by the School Corporation for employees who worked solely on the Child Nutrition programs for the 2013-2014 and 2014-2015 school years.

In addition, controls had not been fully implemented or established regarding vendor transactions. The Food and Nutrition Services Director was to review vendor transactions prior to submission to the Business Services office for processing. Twenty-five out of forty vendor transactions tested had no tangible evidence that they were reviewed or approved by the Food and Nutrition Services Director before submission to the Business Services office for processing.

Context

Internal controls over Allowable Costs/Cost Principles were not fully implemented or effective during the audit period and resulted in the noncompliance noted above.

Criteria

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

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

2 CFR 225, Attachment B, Paragraph 8(a) states:

"General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- (3) Is determined and supported as provided in subsection h."

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

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

Cause

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

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Allowable Costs/Cost Principles 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 the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Michael D. Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-001 indicates deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The area in question is the proper approval of bank reconciliations and claim reports. While these were being reviewed by the appropriate personnel, no signatures were obtained documenting such review. Moving forward, proper signatures documenting the review process will be obtained.

Description of Corrective Action Plan:

Effective June 1, 2017, proper signatures will be obtained to document the review process.

FINDING 2015-002 - ACTIVITIES ALLOWED AND UNALLOWED

Contact Person Responsible for Corrective Action: Michael D. Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-002 indicates that timesheets in the Food Services department were not being reviewed or signed by appropriate personnel. It also indicates that vendor payments were not being correctly reviewed or approved prior to submission to the Business Services Office for processing. These were being reviewed, but no formal documentation was being done to indicate such.

Description of Corrective Action Plan:

Effective with the beginning of the 2016-17 school year, all Food Services employees clocked in and out via an electronic time clock system. A supervisor must review all of the entries in the time clock system and digitally approve them before it can be submitted to the Payroll office for processing. Finally, effective June 1, 2017, all vendor payments will be formally documented that they have been reviewed prior to forwarding them to the Business Services Office for processing.



FINDING 2015-003 - CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-003 indicates that no procedures were in place to ensure amounts being entered for federal reimbursement were accurate prior to submission. Amounts entered for federal reimbursement were being reviewed prior to submission, however, they were not being documented by way of a signature. It also indicates that the School Lunch Fund balance exceeded the three-month average expenditures as allowed with no formal plan to spend the excess balance during the audit period. A plan has been established, but it was not established during the audit period.

Description of Corrective Action Plan:

Effective with the 2017-18 school year, signatures will be obtained documenting the verification of the amounts being submitted for federal reimbursement. A formal plan was established in the summer of 2015 that outlines how the District plans to spend the excess cash balance in the School Lunch Fund.

FINDING 2015-004 - ELIGIBILITY

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-004 indicates that there were no controls in place to ensure compliance with the Federal Income Guidelines when approving Free or Reduced Lunch Applications that were filed electronically. It also indicates that paper applications that were filed did not get reviewed for accuracy when entered into the electronic system. Controls were in place to ensure compliance with the electronic system, however they were not formally documented.

Description of Corrective Action Plan:

Effective with the 2017-18 school year, a formal sign-off process will be utilized to verify that the proper parameters were accurately defined in the electronic system to ensure they match the Federal Income Guidelines and that the system had calculated and determined the benefits correctly. Furthermore, if a paper application is input, a person other than the person who input the data will verify its accuracy and sign off accordingly.



FINDING 2015-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-15 indicates that proper records were not kept for equipment purchased with Child Nutrition program funds. Property records were maintained and fixed asset audits are conducted every 2 years. However, in the records, the property was not identified as being purchased with the Child Nutrition Funds.

Description of Corrective Action Plan:

Effective with the fixed asset audit that will be completed as of June 30, 2017, items purchased with Child Nutrition program funds will be identified as such.

FINDING 2015-006 - PROCUREMENT, SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-006 indicates that no documentation was maintained to indicate that the School Corporation verified that vendors, who the School Corporation entered into contracts with, were not suspended or debarred.

Description of Corrective Action Plan:

Effective July 1, 2017, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them.



FINDING 2015-007 - REPORTING

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-007 indicates that controls were not in place to ensure compliance with Reporting and compliance requirements on submitted reports. A review process was in place, but it was not documented by the person conducting the reviews signature.

Description of Corrective Action Plan:

Effective with the 2017-18 school year, all reports submitted will be reviewed and signed off on by a person other than the person preparing the report.

FINDING 2015-008 - SPECIAL TESTS AND PROVISION: VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-008 indicates that an internal control system was not in place regarding the verification of Free and Reduced Price Applications.

Description of Corrective Action Plan:

Effective with the 2017-18 school year, the School Corporation will have controls in place to ensure compliance related to the grant agreement and Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) requirements.



FINDING 2015-009 - SPECIAL TESTS AND PROVISION - PAID LUNCH EQUITY

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-009 indicates that the school did not comply with the Paid Lunch Equity provisions by not increasing school lunch prices based on the average weighted price method.

Description of Corrective Action Plan:

Effective with the 2015-16 school year and beyond, the School Corporation has complied with the Paid Lunch Equity provisions.

FINDING 2015-010 - ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-010 indicates that semi-annual certifications were not maintained by the School Corporation for employees who worked solely on Special Education Programs.

Description of Corrective Action Plan:

Effective with the 2017-18 school year, semi-annual certifications will be completed for employees who work solely on Special Education Programs.

FINDING 2015-011 - LEVEL OF EFFORT, EARMARKING

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-011 indicates that the School Corporation did not document the Maintenance of Effort calculation. It also indicates that the School Corporation exceeded the 15% limit for early intervening services.

Description of Corrective Action Plan:

Effective with the 2015-16 school year, documentation exists indicating the School Corporation is calculating Maintenance of Effort.



FINDING 2015-012 - PROCUREMENT, SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-012 indicates that no documentation was maintained to indicate that the School Corporation verified that vendors, who the School Corporation entered into contracts with, were not suspended or debarred.

Description of Corrective Action Plan:

Effective July 1, 2017, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them.

FINDING 2015-013 - REPORTING

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-013 indicates that the Quarterly Monitoring Reports for Coordinated Early Learning Services were not reviewed by the Director of Special Education. These reports were reviewed by the Director of Special Education prior to submission, however, it was not documented that the review took place. Additionally, the finding indicates that the Annual Child Count and Data Collection Reports copies were not properly retained indicating the Superintendent's review and approval. Copies of the report were saved electronically, however, the media they were saved on was damaged.

Description of Corrective Action Plan:

Effective with the 2017-18 school year, all reports required will be properly approved and documented by the appropriate personnel as well as them being secured for safekeeping.



FINDING 2015-014 - ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Michael D. Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2015-014 indicates that timesheets in the Food Services department were not being reviewed or signed by appropriate personnel. It also indicates that the Semi-Annual Certifications were not maintained for workers who worked solely on Child Nutrition Programs. It finally indicates that vendor payments were not being correctly reviewed or approved prior to submission to the Business Services Office for processing. These were being reviewed, but no formal documentation was being done to indicate such.

Description of Corrective Action Plan:

Effective with the beginning of the 2016-17 school year, all Food Services employees clocked in and out via an electronic time clock system. A supervisor must review all of the entries in the time clock system and digitally approve them before it can be submitted to the Payroll office for processing. Effective with the 2017-18 school year, the Semi-Annual Certifications will be maintained by the School Corporation for employees who worked solely on the Child Nutrition Programs. Finally, effective June 1, 2017, all vendor payments will be formally documented that they have been reviewed prior to forwarding them to the Business Services Office for processing.

Anticipated Completion Date:

No later than the beginning of the 2017-18 school year.

Michael D. Shreves

(Signature)

CFO

(Title)

7-28-17

(Date)

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statements in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at the end of the audit period:

Fund	Amount Overdrawn
Adult and Continuing Education	\$ 406,151
Employee Criminal History	1,213

A similar comment appeared in prior Report B43351.

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 Schools Corporations, Chapter 1)

PREPAID SCHOOL LUNCH ACCOUNTS

The entire amount of student prepaid food advance deposits were recognized in the School Lunch fund, Fund 800. The School Corporation had not established Fund 8400 - Prepaid Food to account for advance deposits made to individual student and adult prepaid food accounts.

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. We will update the chart of accounts to reflect these suggestions when the School Manual is updated. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2017, with Reginald McGregor, President of the School Board; Dr. Shawn A. Smith, Superintendent of Schools; Michael D. Shreves, Treasurer; and Renae Hull, Supervisor of Business Services.