

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WARREN TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/ Treasurer	David Holt	07-01-13 to 12-31-17
Superintendent of Schools	Dr. Dena Cushenberry	07-01-13 to 06-30-18
President of the School Board	Julie French Anthony R. Mendez Susan Switzer Julie French Anthony R. Mendez	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 METROPOLITAN SCHOOL DISTRICT
OF WARREN TOWNSHIP, MARION COUNTY, INDIANA

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

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

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

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

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

September 26, 2017

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS

FINDING 2015-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation over cash and investments. The bank reconciliations between bank balances and the School Corporation's records contained evidence of a review and approval process taking place; however, the control was determined not be effective due to the unreconciled immaterial variances for all 24 months of the audit period.

Context

The control was ineffective for the audit period. All 24 bank reconcilements completed during the audit period had immaterial variances.

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 an effective system of internal control over cash and investments.

Effect

The failure to establish 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.

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Material Noncompliance

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

- The Child Nutrition Cluster, CFDA 10.553, 10.555, and 10.559, amounts reported for fiscal year 2014 were understated by \$104,066.
- The Child and Adult Care Food Program, CFDA 10.558, was understated by \$6,039 for fiscal year 2014.
- The Title I Grants to Local Educational Agencies, CFDA 84.010, was overstated in fiscal year 2014 by \$51,875.
- The Medical Assistance Program, CFDA 93.778, fiscal year 2014 amount of \$213,837 was omitted. Additionally, the grant was not presented with the correct name per the Catalog of Federal Domestic Assistance (CFDA) website.
- Grant numbers were either not provided or were incorrect for the following grants:
 - The Special Education Cluster (IDEA), CFDA 84.027 and 84.173.
 - The Title I Grants to Local Education Agencies, CFDA 84.010.
 - The Medical Assistance Program, CFDA 93.778.

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

Context

The lack of controls and noncompliance were systemic issues for 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:

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

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

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

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

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

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

Views of Responsible Officials

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

Auditor's Response

The officials of the School Corporation did not agree that the Title I Grants to Local Educational Agencies grant was overstated in fiscal year 2014 by the amount received from other local school corporations for nonpublic students attending the School Corporation. The originating school would be requesting a reimbursement for the amount transferred and reporting it on their SEFA; therefore, it should not be reported on the SEFA for the School Corporation.

FINDING 2015-003

Subject: Title I Grants to Local Educational Agencies - Eligibility, Period of Availability of Federal Funds, Suspension and Debarment, and Special Tests and Provisions - Comparability

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 Number): 13-5360, 14-5360, Title I Distinguished School -, FY14 SIG ST, FY14 SIG PR

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility, Period of Availability of Federal Funds, Suspension and Debarment, and Special Tests and Provisions - Comparability

Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and Eligibility, Period of Availability of Federal Funds, Suspension and Debarment, and Special Tests and Provisions - Comparability compliance requirements.

Context

Eligibility

Eligibility determination sheets were completed for each grade level in each of the nonpublic schools that the School Corporation served; however, there was no tangible evidence on any of the eligibility determination sheets that they had been reviewed and approved by the School Corporation's Grant Administrator.

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

Period of Availability of Federal Funds

Two of the twenty-five adjusting journal entries had an obligation before the grant period of availability began. The two adjusting journal entries included amounts for Title I employee salary and benefits. The immaterial obligation for the pay period started June 15, 2014, with a payment date in July of 2014, and was originally charged to the fiscal year 2014 Title I grant. Adjusting journal entries were made to transfer the employees pay to the fiscal year 2015 Title I grant for which the period did not begin till July 1, 2014. The adjusting journal entries were reviewed and approved by the School Corporation's management; however, it did not prevent the errors from occurring.

Suspension and Debarment

The School Corporation had not established proper controls to ensure compliance with the Suspension and Debarment compliance requirements. The lack of controls was a systemic issue during the audit period.

Special Tests and Provisions - Comparability

Management stated that the Comparability Reports were reviewed for accuracy by a member of management other the preparer of the report; however, there was no tangible evidence of the review for our audit period.

Criteria

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

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

Cause

Management had not developed a system of internal controls that would have prevented, or detected and corrected, potential material noncompliance.

Effect

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

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, Period of Availability of Federal Funds, Suspension and Debarment, and Special Tests and Provisions - Comparability compliance requirements.

METROPOLITAN SCHOOL DISTRICT OF WARREN 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.

Auditor's Response

The officials of the School Corporation did not agree with the finding over Period of Availability of Federal Funds. Two adjusting journal entries included payroll that was obligated before the grant period began. Personal services of an employee are obligated when the services are performed; therefore, since the services started in June 2014 and the grant period did not open until July 2014, the items were not within the Period of Availability. As a result, the controls over this compliance requirement were not effective.

FINDING 2015-004

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

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 Number): 13-5360, 14-5360, Title I Distinguished School -, FY14 SIG ST, FY14 SIG PR

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

Audit Findings: Material Weakness, Modified Opinion

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the requirement for the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals.

Context

The School Corporation's control for verifying that individuals were highly qualified teachers and paraprofessionals did not operate effectively. Employee personnel files did not contain the proper documentation supporting the employee as being a highly qualified teacher or paraprofessional; therefore, we could not verify the School Corporation's compliance with the requirement. These were systemic issues for 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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

34 CFR 80.42 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 from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period—*

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

Cause

Management of the School Corporation had not developed a system of internal controls or maintained records to support compliance over the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement.

Effect

The failure to maintain records prevented the determination of the School Corporation's compliance with the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and maintain records related to the grant agreement and the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2015-005

Subject: Special Education Cluster (IDEA) - 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): 14212-059-PN01, 14213-059-PN01,
14214-059-PN01, 14215-059-PN01,
99914-059-TA-01, 45713-059-PN01,
45714-059-PN01, 45715-059-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications and Personnel Activity Reports were not retained and made available for audit by the School Corporation.

Context

The School Corporation did not retain Semi-Annual Certifications completed for employees working solely with Special Education programs. Management stated that Semi-Annual Certifications were completed for applicable employees; however, the proper documentation was not retained and was not available to be reviewed for the audit period.

In addition, the School Corporation did not retain periodic Personnel Activity Reports for employees who partially worked with Special Education programs. Management stated that periodic Personnel Activity Reports were completed for applicable employees; however, the proper documentation was not retained and was not available to be reviewed for 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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

34 CFR 80.42 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 from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period—*

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that documentation was retained and made available for audit relating to the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with 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 that documentation was retained and made available for audit relating to the Allowable Costs/Cost Principles compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WARREN 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 2015-006

Subject: Special Education Cluster (IDEA) - Level of Effort

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): 14212-059-PN01, 14213-059-PN01,
14214-059-PN01, 14215-059-PN01,
99914-059-TA-01, 45713-059-PN01,
45714-059-PN01, 45715-059-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Level of Effort

Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Level of Effort compliance requirement. There were no controls in place to ensure that accurate supporting data for the maintenance of effort (MOE) calculations were maintained by the School Corporation.

Context

The MOE calculations documented on the grant applications for the audit period did not agree to the supporting documentation provided by the School Corporation. There was evidence of a review and approval process, but the control failed to ensure that the supporting documentation maintained by the School Corporation was accurate.

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: . . ."

- (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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls over the Level of Effort compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

Auditor's Response

The officials of the School Corporation did not agree with the finding. We inquired with the School Corporation's management about what documentation they would be able to provide to support the state and local expenditures reported on the MOE application. They provided reports that did not agree with the state and local expenditures reported on the MOE application.

FINDING 2015-007

Subject: Race to the Top - District Grants - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Race to the Top - District Grants

CFDA Number: 84.416

Federal Award Number and Year (or Other Identifying Number): B416A130156

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not have procedures in place to ensure the State's procurement policy was followed, or to verify that vendors were not suspended or debarred from participating in federal programs.

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

Context

The internal control system in place for procurement was not operating effectively. There was a lack of complete quote/bid documentation being retained by the School Corporation to support vendors that entered into covered transactions. The School Corporation provided supporting evidence that quote/bid procedures were being performed; however, they were not able to provide complete quote/bid packets documenting that an appropriate cost or price analysis was performed and used for selecting vendors.

Suspension and debarment compliance testing could not be performed due to a lack of tangible documentation being retained by the School Corporation of their verification process.

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 80.42 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 from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period—*

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

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that documentation was maintained and made available for audit relating to the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to maintain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with 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 that documentation was maintained and made available for audit relating to 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.



The Future Begins Here

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP

CORRECTIVE ACTION PLAN

FINDING 2015-001 Internal Controls over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School District concurs with the finding that unreconciled immaterial differences existed during the audit period. The differences were immaterial and due to timing issues within Payroll adjustments or other accounting adjustments identified after the reconciliation had been completed.

Description of Corrective Action Plan:

The School District will continue to look at the timing of processing correcting entries to attempt to have all identified corrections completed within 30 days. The School District will also work with their current financial software provider to make sure all current processes and procedures are working effectively and efficiently within the parameters of the software updates.

FINDING 2015-002 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School District concurs that the SEFA for 2014 did not include CFDA numbers for the Special Education Cluster, Title I - Part A, and the Medical Assistance Program. The School District also concurs that the original amounts reported for the Child Nutrition programs were under reported due to only including eleven months of revenue versus the entire year. The School District does not agree that the Title I, Part A Cluster, for FY14 was overstated by \$51,875. The School District included revenues transferred from other local school districts for Non-Public students attending MSD Warren Township. The transferred revenues were included into the amended allocation from the Department of Education.

Description of Corrective Action Plan:

The School District will ensure that the Grant Administrator along with the Treasurer and Deputy Treasurer will correctly prepare the annual Schedule of Expenditures of Federal Awards.

FINDING 2015-003 Title I Grants to Local Education Agencies - Eligibility, Period of Availability, Suspension and Debarment, and Special Tests and Provisions - Comparability

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School District concurs that verification was not documented for student eligibility and comparability. The Grant Administrator and Program Administrator for Title I reviewed the information for accuracy before it was submitted to the DOE. The School District does not agree that the Period of Availability finding was accurate. The correction identified was completed to adjust for the pay of a District Administrator whose contract ran from July 1 - June 30. The School District concurs that verification of Suspension and Debarment was performed but not documented.

Description of Corrective Action Plan:

Proper documentation for student eligibility, comparability and Suspension and Debarment will be created and maintained.

FINDING 2015-004 Title I Grants to Local Agencies - Special Test and Provisions - Highly Qualified Teachers and Paraprofessionals

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School District concurs that proper documentation was not available to verify the test for Highly Qualified Teachers and Paraprofessionals.

Description of Corrective Action Plan:

The School District will ensure that the Human Resource department maintains all necessary documentation in the personnel files.

FINDING 2015-005 Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School District concurs with the finding.

Description of Corrective Action Plan:

The School District implemented new procedures after the audit period to ensure proper documentation is kept for Allowable costs.

FINDING 2015-006 Special Education Cluster (IDEA) - Level of Effort

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School Corporation was not asked to present all necessary documentation needed to verify the MOE calculation. The School Corporation provided expenditure reports that substantiated MOE.

Description of Corrective Action Plan:

FINDING 2015-007 Race to the Top - Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: David Holt, Treasurer
Contact Phone Number: 317-869-4300

Views of Responsible Official:

The School District concurs that proper documentation for all bids received could not be located for one transaction due to a corrupt database where the documents were being stored. The School District concurs that verification of Suspension and Debarment was performed but not documented.

Description of Corrective Action Plan:

The School District will ensure that all documentation will not only be available electronically but also in paper format. The Board of Education did approve the transaction noted and were properly advised by the Director of Technology as to the specifics of the bid information received. Proper documentation for Suspension and Debarment will be created and maintained.

Anticipated Completion Date: September 25, 2017

David Holt
(Signature)

Chief Financial Officer
(Title)

9/25/17
(Date)

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement included the Financial Statement and Federal Single Audit Report contained the following funds with overdrawn cash balances at June 30, 2015:

Fund	Amount Overdrawn
Debt Service	\$ 139,216
Chartwell's Donations	1,000
Warren Central High School Funds	142,315
Transportation - Pepsi Fund	17
WCC Mobile Media Production Fund	61,111
Technology Repair Fund (District)	21,358
WCC-Building Trades	33,896

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

Prepaid lunch receipts were not placed into a Prepaid Lunch fund, fund 8400, but were instead accounted for within the School Lunch fund, fund 800. In addition, the School Lunch fund, fund 800, was not maintained in such a way that would have allowed the determination of which receipts were related to prepaid lunch amounts.

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)

METROPOLITAN SCHOOL DISTRICT OF WARREN TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2017, with David Holt, Chief Financial Officer/Treasurer; Dr. Dena Cushenberry, Superintendent of Schools; and Anthony R. Mendez, President of the School Board.