

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WASHINGTON TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2014 to June 30, 2015



FILED
04/03/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joseph Licata	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Nikki Woodson	07-01-14 to 06-30-18
President of the School Board	Dr. Jay Hill Anthony Dzwonar William Turner Donald B. Kite, Sr.	07-01-14 to 06-30-15 07-01-15 to 06-30-16 07-01-16 to 06-30-17 07-01-17 to 06-30-18



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

This report is supplemental to our audit report of the Metropolitan School District of Washington Township (School Corporation), for the period from July 1, 2014 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

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

March 1, 2018

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS

FINDING 2015-001

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): 14214-060-PN01, 14215-060-PN01,
45714-060-PN01, 99914-060-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications and Personnel Activity Reports were not accurately maintained for all employees paid from grant funds. Additionally, the system of internal control relating to vendor disbursements was not effective.

Context

The lack of controls and noncompliance were systemic problems during the period audited.

Three of the eight employees tested who were paid entirely from Special Education funds did not have the required Semi-Annual Certifications completed certifying they worked solely on Special Education activities. One of the twenty-five employees who was paid from multiple funds did not have the required monthly Personnel Activity Reports.

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 states in part:

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have prevented, or detected and corrected, material noncompliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in 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 the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2015-002

Subject: Special Education Cluster (IDEA) - 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): 14214-060-PN01, 14215-060-PN01,
45714-060-PN01, 99914-060-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

Condition

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

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred. The School Corporation entered into multiple contracts related to the federal award during the audit period; however, the School Corporation had not verified that the vendors were not suspended or debarred.

Context

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

Criteria

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

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

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's management had not developed a system of internal controls to ensure compliance with the Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON 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 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 2015-003

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Cash Management, Period of Availability, and 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): 14214-060-PN01, 14215-060-PN01,
45714-060-PN01, 99914-060-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management,
Period of Availability, Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Cash Management, Period of Availability, and Reporting compliance requirements.

Activities Allowed or Unallowed and Period of Availability

Disbursements from the grant were reviewed and approved by the Special Education Director; however, documentation of these approvals was found to be inconsistently applied.

Cash Management

Requests for Reimbursement were prepared and reviewed by separate employees in the business office prior to submission; however, of the eleven Requests for Reimbursement submitted, six contained signatures of only one employee.

Reporting

Final Expenditure Reports were not reviewed by an individual other than the preparer prior to submission, nor was any other control in place to ensure the accuracy of the reports. Each year, Child Count data was sent to teachers for verification. Once finalized, the data was entered into the Skyward system. Documentation of the verification of the Child Count data was not presented for audit.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Context

The lack of controls over the Activities Allowed or Unallowed, Cash Management, Period of Availability, and Reporting compliance requirements was a systemic problem 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. . . ."

Cause

The School Corporation's 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 Activities Allowed or Unallowed, Cash Management, Period of Availability, and Reporting 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 Activities Allowed or Unallowed, Cash Management, Period of Availability, and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2015-004

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5370, 15-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-005.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation charged severance payouts in the amount of \$13,766 directly to the Title I grant fund. Severance payments should not have been charged as a direct cost.

Context

The internal controls were found to not be effective in this isolated incident related to severance pay.

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, paragraph 8g(2) states: "Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as indirect cost."

Cause

The School Corporation's management had not developed an effective system of controls that would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish internal controls placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

The severance payouts in the amount of \$13,766 were considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls related to the above 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.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-005

Subject: Title I Grants to Local Educational Agencies - Suspension and Debarment
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5370, 15-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation did not verify that vendors with whom the School Corporation entered into covered transactions were not suspended or debarred.

Context

The lack of controls were a systemic problem for the audit period. The two vendors that fell under the Suspension and Debarment requirements were not verified to ensure they were 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."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Suspension and Debarment compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the 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 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 2015-006

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5370, 15-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Significant Deficiency

Condition

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

The Final Expenditure Report was prepared and submitted without a documented oversight, approval, or other internal control process to ensure the accuracy of the information.

Context

Of the four reports audited, only the Final Expenditure Report lacked internal controls.

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 WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed a system of internal controls that would have prevented, or detected and corrected, potential 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 Reporting 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 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 2015-007

Subject: Title I Grants to Local Educational Agencies - 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 Numbers): 14-5370, 15-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Findings: Material Weakness, Other Matters

Condition

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

The Comparability Report was required to be submitted to the Indiana Department of Education (IDOE) by the School Corporation during the odd years, so during the audit period, it was not required to be submitted to the IDOE. When the report was required to be submitted to the IDOE, the School Corporation had controls in place to ensure accuracy. However, since it was not required to be submitted, these controls were not documented. The Comparability Report detailed the number of students enrolled at the Title I schools along with the Full-Time Equivalent (FTE) for staff numbers and calculated an average of student per staff ratio, but the student enrollment and FTE staff numbers were not from the correct year per the instructions of the report.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Context

The lack of internal controls over the Special Tests and Provisions - Comparability compliance requirement was a systemic problem for the audit period.

The difference in the student enrollment numbers ranged from an understatement of 9 students to an overstatement of 102 students. The difference in the FTE staff numbers ranged from an overstatement of 16.5 to 51 FTE staff.

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. . . ."

Section 1120A(c)(2)(A) of ESEA states in part:

"EQUIVALENCE - A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented -- . . . (ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; . . ."

According to the IDOE's *Comparability of Services - Title I* guidance document:

"Current year data must be used to complete the district's comparability report. Typically, data are used based on fall counts (enrollments and staff). In any case, two criteria must apply: 1) the date used by the LEA may be no later than October 1 of the comparability reporting year; and 2) all data that an LEA uses in the comparability report must reflect conditions as they currently exist on the date from which the LEA bases comparability."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Comparability compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Comparability 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 Special Tests and Provisions - Comparability compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON 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 2015-008

Subject: Career and Technical Education -- Basic Grants to States - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Career and Technical Education -- Basic Grants to States
CFDA Number: 84.048
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4700-5370, 15-4700-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation's identified control over Allowable Costs/Cost Principles for payroll transactions was that a supervisory official certified that the employees charged to the grant fund worked solely on the grant. However, the second semester Semi-Annual Certifications were not verified by a supervisory official.

One of the four employees tested had time charged to more than one fund and should have had a monthly Personnel Activity Report, but was included on the Semi-Annual Certification. Additionally, salaries of two employees during the first semester were charged to the grant fund, but the employees were not included on the Semi-Annual Certifications. Lastly, the second semester Semi-Annual Certifications were maintained; however, they were not verified by a supervisory official having firsthand knowledge of the work performed by the employee as required.

Context

The lack of internal controls over the Allowable Costs/Cost Principles compliance requirements was a systemic problem 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 WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system placed the School Corporation in 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.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-009

Subject: Career and Technical Education -- Basic Grants to States - Period of Availability
Federal Agency: Department of Education
Federal Program: Career and Technical Education -- Basic Grants to States
CFDA Number: 84.048
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4700-5370, 15-4700-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Availability
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-007.

Condition

An effective internal control system was not in place at the School Corporation that would have ensured compliance with the grant agreement and the Period of Availability compliance requirement.

For the transactions that were charged subsequent to the Period of Availability to the grant, the obligations did not all occur within the Period of Availability and one was not liquidated within 90 days of the end of the Period of Availability.

Context

The lack of internal control over the Period of Availability compliance requirement was a systemic problem for the audit period. Of the 18 subsequent transactions tested, 11 were for obligations occurring after the Period of Availability for the 14-4700-5370 award. In one instance, a payment was not liquidated within 90 days of the end of the Period of Availability.

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. . . ."

20 USC 2353(b)(1) states:

"In any academic year that an eligible recipient does not expend all of the amounts the eligible recipient is allocated for such year under section 2351 or 2352 of this title, such eligible recipient shall return any unexpended amounts to the eligible agency to be reallocated under section 2351 or 2352 of this title, as appropriate."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Period of Availability compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Period of Availability 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 Period of Availability compliance requirement.

Views of Responsible Officials

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

FINDING 2015-010

Subject: Career and Technical Education -- Basic Grants to States -
Activities Allowed or Unallowed and Procurement
Federal Agency: Department of Education
Federal Program: Career and Technical Education -- Basic Grants to States
CFDA Number: 84.048
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4700-5370, 15-4700-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Procurement
and Suspension and Debarment
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Activities Allowed or Unallowed. The prior audit finding number was 2014-006.

Condition

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

Activities Allowed or Unallowed

The Grant Director reviewed goods and services provided by grant funds for allowability; however, there were instances in which there was no documentation of the Grant Director's approval. Also, there was no review of payroll transactions charged to the grant funds for allowability.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Procurement

Management of the School Corporation indicated that purchase requisitions were to be reviewed and approved by the Grant Director before submission to the purchasing coordinator. Multiple vouchers did not include a requisition and/or have a documented review by the Grant Director.

Context

The lack of internal control over the Activities Allowed or Unallowed and Procurement compliance requirements was a systemic problem 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. . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Activities Allowed or Unallowed and Procurement compliance requirements.

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 or Unallowed and Procurement 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 Activities Allowed or Unallowed and Procurement compliance 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 WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2015-011

Subject: Improving Teacher Quality State Grants - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting
Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number and Year (or Other Identifying Number): 12-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting compliance requirements.

When the final request for reimbursement was prepared and submitted on October 16, 2014, in addition to the actual expenditures incurred, management requested the entire grant award that remained unused for reimbursement. When the Final Report was submitted on December 31, 2014, total expenditures were reported to be \$294,384, and matched the total amount of reimbursements received. However, the supporting documentation and the School Corporation's expenditure activity, actual expenditures from the 12-5370 grant totaled \$272,283, which was \$22,102 short of the total reimbursements received. Based on the grant folder, it appeared that the School Corporation intended to transfer some expenditures from the General fund to the grant fund. However, these transfers never occurred, so we could not determine whether the costs would have been allowable.

Context

The reimbursement of the remaining grant award occurred as the period of availability of funds for the 12-5370 grant was closing. No other grant periods closed 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. . . ."

34 CFR 80.23 states:

"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee."

34 CFR 80.20(b) states in part:

"The financial management system 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 with 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. . . .
- (5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

34 CFR 80.21(d) states in part: ". . . Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

Cause

The School Corporation's management had not established effective internal control processes and procedures to ensure that amounts requested for reimbursement were expended prior to reimbursement.

Effect

The failure to establish an effective internal control system resulted in the School Corporation's noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting compliance requirements.

Questioned Costs

The total of known questioned costs was \$22,102.

Recommendation

We recommended that the School Corporation's management establish controls to provide reasonable assurance that material noncompliance with the grant agreement and the compliance requirements of a federal program would have been prevented, or detected and corrected, on a timely basis.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON 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 2015-012

Subject: Improving Teacher Quality State Grants - Activities Allowed
or Unallowed and Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 12-5370, 13-5370

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Grant management indicated that prior to a purchase being made, the purchaser would obtain approval from the Grants office to ensure compliance and correct usage of account codes. However, several claim vouchers reviewed found that approval from the Grants office was inconsistently documented. Upon further inquiry, it was found that the consultation and approval from the Grants office was often done verbally, where no documentation would have been made.

Context

The lack of documentation of controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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

The School Corporation's management had not established an effective internal control process and procedures to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

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 or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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 or Unallowed and Allowable Costs/Cost Principles compliance 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
WASHINGTON TOWNSHIP
"Superior Schools in a Supportive Community"

Nikki C. Woodson, Ph.D., *Superintendent*

February 26, 2018

**CORRECTIVE ACTION PLAN – RESPONSE TO FINDINGS
FEDERAL AWARDS
JULY 1, 2014 TO JUNE 30, 2015**

FINDING 2015-001

Contact Person responsible for Corrective Action: Mrs. Mary Lowe, Director of Special Services
Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit finding.

Description of Corrective Action Plan: The Director will review and sign the semi-annual certifications for those employees paid from the grant. In addition, should there be any split-funded staff, those staff members will complete the Personnel Activity Report monthly. It will then be reviewed and signed by the Director.

Anticipated completion Date: March 2018

FINDING 2015-002

Contact Person responsible for Corrective Action: Joe Licata, CBO
Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit finding.

Description of Corrective Action Plan: All vendors we pay during a calendar quarter are compared to the Suspension and Debarment list from the federal System for Award Management (SAM) website. This comparison is performed by the Business Office. All vendors who appear on the Vendor Expenditure Summary Report checked on a quarterly basis.

Anticipated completion Date: This has been ongoing since January 2016.

FINDING 2015-003

Contact Person responsible for Corrective Action: Mrs. Mary Lowe, Director of Special Services, and Joe Licata, CBO

Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan:

- 1) *Activities Allowed or Unallowed and Period of Availability* – The expenditure review and approval procedure within the Special Services Department and the Business Office has been modified and should remedy this situation.
- 2) *Cash Management* – Procedures are now in place within the Business Office so that both the individual preparing the report and the person reviewing the report sign off prior to submittal.
- 3) *Reporting* -
 - a) Final Expenditure Reports - The Business Office will prepare the Final Expenditure Report and personnel from the Director's office will review the report. Both parties will sign off on the final report to document this process.
 - b) Child Count Data – The Director's office will reconcile the child count data from the Skyward system with the data from the State IIEP system to ensure proper verification.

Anticipated completion Date: January 2018

FINDING 2015-004

Contact Person responsible for Corrective Action: Joe Licata, CBO

Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: MSDWT ceased paying severance from all federal grant programs including Title 1.

Anticipated completion Date: Complete as of October 2015.

FINDING 2015-005

Contact Person responsible for Corrective Action: Joe Licata, CBO
Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit finding.

Description of Corrective Action Plan: All vendors we pay during a calendar quarter are compared to the Suspension and Debarment list from the federal System for Award Management (SAM) website. This comparison is performed by the Business Office. All vendors who appear on the Vendor Expenditure Summary Report checked on a quarterly basis.

Anticipated completion Date: this has been ongoing since January 2016.

FINDING 2015-006

Contact Person responsible for Corrective Action: Joe Licata, CBO, and Dr. Michalek,
Grants/Assessments Coordinator
Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: The Business Office will prepare the Final Expenditure Report and personnel from the Grant/Assessment office will review the report. Both parties will sign off on the final report to document this process.

Anticipated completion Date: January 2018

FINDING 2015-007

Contact Person responsible for Corrective Action: Dr. Michalek, Grants/Assessments Coordinator

Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: Title I Comparability will be calculated and documented annually by the IDOE deadline using a September same day count of student enrollment and number of instructional staff.

Anticipated completion Date: February 2018

FINDING 2015-008

Contact Person responsible for Corrective Action: Mrs. Wright-Browner, Director CTE
Contact Phone Number: 317-259-5265

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: The Director will review and sign the semi-annual certifications for those employees paid from the grant. In addition, should there be any split-funded staff, those staff members will complete the PAR monthly. It will then be reviewed and signed by the Director.

Anticipated completion Date: February 2018.

FINDING 2015-009

Contact Person responsible for Corrective Action: Joe Licata, CBO, Mrs. Wright-Browner, Director CTE
Contact Phone Number: 317-259-5265

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: MSDWT revised its system of internal control. These revisions were designed to prevent expenditures from occurring outside of the grant period and to eliminate any errors in reporting and claiming of reimbursements. Compliance with Cash Management, Reporting and dates dealing with Period of Availability and seeking reimbursement only for actual expenses are strictly adhered to.

Anticipated completion Date: October 2016

FINDING 2015-010

Contact Person responsible for Corrective Action: Mrs. Wright-Browner, Director CTE
Contact Phone Number: 317-259-5265

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: The Director has put procedures in place where the Director's approval of requested expenditures are approved. If the approval is done by electronic means, a copy of the approval will be printed and kept with the documentation.

Anticipated completion Date: February 2018

FINDING 2015-011

Contact Person responsible for Corrective Action: Joe Licata, CBO
Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: We have implemented a system of internal control whereby only expenditure transactions already posted to the grant fund may be considered when determining the amount for a reimbursement request. Reimbursement requests will not include anticipated expenses or anticipated transfers of expenses to the grant fund.

Anticipated completion Date: January 2017

FINDING 2015-012

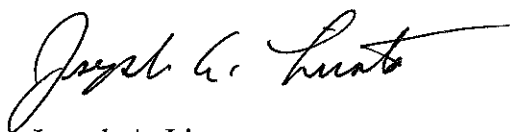
Contact Person responsible for Corrective Action: Joe Licata, CBO, and Dr. Michalek,
Grants/Assessments Coordinator
Contact Phone Number: 317-205-3332

Views of Responsible Official: We concur with the audit findings.

Description of Corrective Action Plan: MSDWT established a more effective internal control system including segregation of duties, related to the grant agreement. We will review our current system of internal control over activities allowed and allowable costs to insure that all transactions are approved by the grant manager.

Anticipated completion Date: January 2018

Respectfully,



Joseph A. Licata
Chief Business Officer

CC: Dr. Nikki Woodson, Superintendent
Mr. Donald B. Kite, President, Board of Education

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2018, with Joseph Licata, Treasurer; Dr. Nikki Woodson, Superintendent of Schools; and Donald B. Kite, Sr., President of the School Board.