

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
WARREN COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
05/17/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2016-001	
Financial Transactions and Reporting	4-5
Finding 2016-002	
Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management	5-7
Finding 2016-003	
Child Nutrition Cluster - Eligibility	7-9
Finding 2016-004	
Child Nutrition Cluster - Procurement and Suspension and Debarment	9-12
Finding 2016-005	
Child Nutrition Cluster - Program Income	12-14
Finding 2016-006	
Child Nutrition Cluster - Reporting	14-16
Finding 2016-007	
Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity	16-17
Finding 2016-008	
Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Annual Report Card, High School Graduation Rate	18-19
Finding 2016-009	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability	19-21
Finding 2016-010	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security	21-22
Corrective Action Plan.....	23-32
Audit Result and Comment:	
Transportation Fund Expenditures	33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware	07-01-14 to 06-30-18
Superintendent of Schools	Ralph Shrader	07-01-14 to 06-30-18
President of the School Board	Steve Magner Sharon Grady Dr. Gary Greenwood Dan Duchemin	07-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WARREN COUNTY, WARREN COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Warren County (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

May 15, 2018

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to receipts. The School Corporation also had not properly implemented an effective system of internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Receipts

The Treasurer issued receipts, recorded receipts, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

Schedule of Expenditures of Federal Awards

The School Corporation did not have an adequate control system in place to ensure the accuracy of the SEFA prior to submission. Federal grant information was prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source for the SEFA, without an oversight or review process.

Context

The lack of adequate internal controls was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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

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

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that Financial Transactions are properly recorded and reported and that federal expenditures are properly reported in the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, 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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/
Cost Principles, Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Cash Management. The prior audit finding number was 2014-001.

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 or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate internal controls to ensure that disbursements from program funds had proper oversight or review prior to payment.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with Cash Management requirements. There was no oversight, review, or monitoring of the cash balances.

Context

The lack of effective controls 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management 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 compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management 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 2016-003

Subject: Child Nutrition Cluster - Eligibility
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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not established effective controls to ensure that criteria for determining the eligibility of children for free and reduced price meals was publicly announced as required.

The School Corporation was unable to provide evidence that they complied with the Eligibility requirements regarding the public announcement of eligibility criteria. Policy statements used for public announcement of eligibility criteria and other eligibility information were not presented for audit.

Context

The lack of controls and lack of documentation regarding compliance were systemic issues 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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of the school year or, if notice of approval is given thereafter, within 10 days after the notice is received. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that documentation was maintained and made available for audit related to compliance with the Eligibility compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation will be maintained and made available for audit related to 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 2016-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

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.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

A local Procurement policy was not implemented by the School Corporation for the audit period.

The School Corporation awarded bids and entered into contracts with vendors for food products, materials, and supplies. Those contracts were not approved by the School Board.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Suspension and Debarment

The School Corporation did not have adequate policies or procedures in place to ensure that vendors were not suspended or debarred from participation in federal award programs.

The School Corporation did not comply with the suspension and debarment requirements that they perform procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of adequate controls and the noncompliance were systemic issues 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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.36(b) states in part: "*Procurement standards.* (1) Grantees and sub-grantees 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."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

Indiana Code 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

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 the 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 WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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 to ensure compliance and comply with 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 2016-005

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not properly designed or implemented adequate controls to ensure that the correct price was charged for meals served or other items sold. There was no comparison of total daily, weekly, or monthly program income to meals served from the software system.

The School Corporation did not comply with program income requirements. They did not transfer the correct amount of sales from the prepaid food account. The transfer from the Prepaid Lunch fund to the School Lunch fund was the difference between the beginning balance in the prepaid account and the ending positive prepaid balance per the food service software system. The actual program income generated from the food service program was not transferred or recorded.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and the noncompliance were systemic issues 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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(c) states: "*Financial assurances*. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

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

2 CFR 200.302(b)(3) states: "Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Program Income compliance requirement.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Child Nutrition Cluster - Reporting

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): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

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 Annual Financial Reports (AFR), Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

The AFRs submitted did not agree with the School Corporation's underlying financial records. Income and expenses for fiscal year 2014-2015 were overstated by \$11,459 and \$362, respectively. Income and expenses for fiscal year 2015-2016 were overstated by \$28,610 and \$22,085, respectively.

Context

The lack of controls was a systemic issue that affected all reports submitted during the audit period. Both of the AFRs submitted during the audit period did not agree with the underlying financial records.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b) states in part:

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

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

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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 to ensure compliance and comply with 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 2016-007

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and Special Tests and Provisions - Paid Lunch Equity

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): FY 2014-15, FY 2015-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements.

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

The Food Service Director performed the verifications of free and reduced price meal applications without a proper system of oversight or review to ensure their accuracy.

Special Tests and Provisions - Paid Lunch Equity - National School Lunch Program Only

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Context

The lack of internal controls 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity 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 WARREN COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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): 15-8115, 16-8115
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Finding: Material Weakness

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, Eligibility, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

Allowable Costs/Cost Principles

The School Corporation had not properly designed or implemented adequate internal controls to ensure that monthly time and effort reporting logs were accurate during the audit period. There was no review or approval of the monthly time and effort reporting logs.

Eligibility

The School Corporation had not designed or implemented adequate internal controls to ensure the accuracy of the individual students' determinations of eligibility to receive Title I benefits. Testing was performed at the building level and students were ranked based upon their test scores. There was no review of the individual student determinations after the student ranks had been made.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation did not have controls to ensure that documentation regarding the reason for a student leaving the high school cohort graduation rate for mobility reasons was reviewed.

Context

The lack of internal controls 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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2016-009

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): 15-8115, 16-8115

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Comparability

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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 Special Tests and Provisions - Comparability compliance requirement.

One employee prepared and submitted the Comparability Report without evidence of a proper system of oversight or review. Additionally, the School Corporation did not comply with the comparability requirement that it adopt policies to ensure equivalence among schools. No such equivalency policies were presented for audit.

Context

The lack of controls and noncompliance were systemic issues 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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Elementary and Secondary Education Act, Part A, Subpart 1, Section 1120A states in part:

"(c) COMPARABILITY OF SERVICES- . . .

(2) WRITTEN ASSURANCE-

(A) 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--

- (i) a local educational agency-wide salary schedule;
- (ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
- (iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies."

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls that that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

Views of Responsible Officials

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

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security
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): 15-8115, 16-8115
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation was required to properly implement policies and procedures regarding the security of tests. The School Corporation did not maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

Context

The lack of controls was a systemic issue during the audit period. The noncompliance was related to the 2016 fiscal year. Agreements were not retained or presented for audit for the 2016 fiscal year.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part: ". . . Ensure all applicable school and corporation staff review and sign the *Indiana Testing Security and Integrity Agreement* annually by the end of September as described in the Code of Ethical Practices and Procedures . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement was maintained and made available for audit.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement is maintained.

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 County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person(s) Responsible for Corrective Action: Nanette Ware
Contact Phone Number(s): (765)762-3364

Description of Correction Action Plan: Management of M.S.D. of Warren County will correct deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The observed lack of segregation of duties of incompatible activities related to receipts is currently checked by the Payroll Clerk after being prepared by the Treasurer. The Payroll Clerk will begin initialing receipts and deposits to indicate review. If the Payroll Clerk is unavailable, the Superintendent or As. Superintendent will review receipts.

Gateway submissions will be reviewed by the Payroll Clerk or a central office administrator prior to final submission. Reports will be printed and initialed indicating review and approval.

Anticipated Completion Date: This process has already begun.

Nanette Ware
(signature)

Treasurer
(title)

May 15, 2018
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person(s) Responsible for Corrective Action: Kim Swaney, Ralph Shrader
Contact Phone Number(s): (765)893-4445, (765)762-3364

Description of Correction Action Plan: M.S.D. of Warren County will document the use of a review/oversight of disbursements from program funds prior to payment. Head cooks will approve claims for payment which will be submitted to the Hot Lunch Secretary for payment. Claims will be prepared by the Hot Lunch Secretary and then processed by the School Treasurer. Each individual will initial or sign showing approval of disbursements. Building principals will serve as the third layer of oversight if buildings do not have a secretary responsible for hot lunch.

M.S.D. of Warren County will monitor lunch fund monthly cash balances (net cash resources) to assure that three months' average expenditures are in compliance with Cash Management requirements. Monthly balances are currently reviewed by the Superintendent of Schools and will be tracked using a spreadsheet. This spreadsheet will be shared with head cooks and the Hot Lunch Secretary to verify accuracy which will be indicated by the initialing of the financial documentation on a quarterly basis.

Anticipated Completion Date: Ongoing: A training of all school secretaries and building administrators will take place at the conclusion of the 2017-2018 school year. The financial tracking has already begun.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5-15-18

(date)

Ralph Shrader
(signature)

Superintendent
(title)

5/15/18

(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will establish effective controls to ensure that criteria for determining the eligibility of children for free and reduced price meals was publicly announced as required. Criteria is currently listed on the school website, provided at school registration, and shared during student/parent orientation prior to school. Documentation of these events will be maintained and initialed by individuals involved in the process. This documentation will be maintained until proper audits are completed.

Anticipated Completion Date: 2018-2019 school year: documentation will be initialed and saved for orientation for the upcoming school year.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5-15-18
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will assure that internal controls are in place to ensure that the purchasing methods used comply with procurement procedures or with applicable state and local requirements. The School Corporation will award bids and enter contracts as approved by the School Board. The School Corporation will maintain documentation of any procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

The School Corporation will obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500 and document the rationale for the method of procurement.

Anticipated Completion Date: 2018-2019 school year: The procedures will begin immediately.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5-15-18
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-005

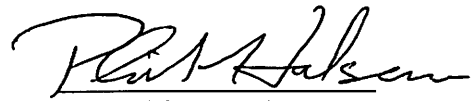
Contact Person(s) Responsible for Corrective Action: Kim Swaney, Phil Halsema
Contact Phone Number(s): (765)893-4445, (765)762-3364

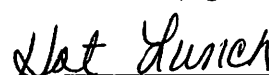
Description of Correction Action Plan: M.S.D. of Warren County will establish adequate controls to ensure that the correct price is charged for meals served or other items sold. A report generated from our cafeteria software will be used monthly to assure program income matches meals served.


All deposits of prepaid lunch funds will be made into the Prepaid Lunch fund and transferred into the School Lunch fund only after goods are purchased. The actual program income generated from the food service program will be recorded.

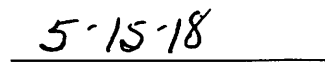
Anticipated Completion Date: 2018-2019 school year: Training will take place at the conclusion of the 2017-2018 school year.

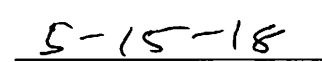

(signature)


(signature)


(title)


(title)


(date)


(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

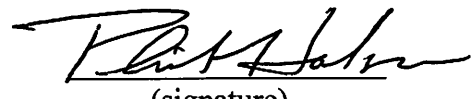
FINDING 2016-006

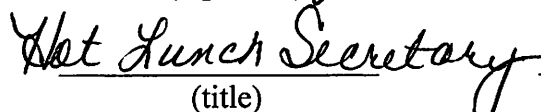
Contact Person(s) Responsible for Corrective Action: Kim Swaney, Phil Halsema
Contact Phone Number(s): (765)893-4445, (765)762-3364

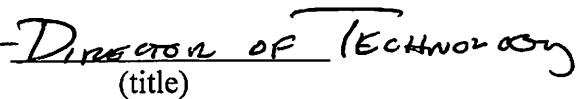
Description of Correction Action Plan: M.S.D. of Warren County will establish an effective internal control system to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports, Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports will be prepared and submitted by one individual with a documented oversight, review, and approval process. Monthly reports generated by the school lunch software along with an annual spreadsheet produced by the technology director will be used to prepare reports. All reports will be initialed as reviewed and approved.

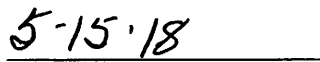
Anticipated Completion Date: July 1, 2018: Training will take place at the conclusion of the 2017-2018 school year.

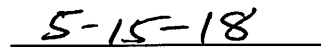

(signature)


(signature)


(title)


(title)


(date)


(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will document the effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. The Hot Lunch Secretary currently completes the verifications of free and reduced price applications and performs the calculations for paid lunch equity. These calculations are reviewed by the Building Treasurer and Building Principal who approves the applications and ensures their accuracy. Individuals will initial or sign to indicate review and approval.

Anticipated Completion Date: Immediate: Process has been in place, initialing of applications will begin immediately.

Kim Swaney
(signature)

Hot Lunch Secretary
(title)

5/15/18

(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person(s) Responsible for Corrective Action: Pam Larson, Rob Beckett
Contact Phone Number(s): (765)893-4525, (765)893-4445

Description of Correction Action Plan: M.S.D. of Warren County will document the effective internal control system that is in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

The School Corporation will ensure that monthly time and effort reporting logs are accurate through review by the Title I Coordinator and Building Principal both of which will initial the logs. Both individuals have first-hand knowledge of the work performed with the Building Principal serving as supervisor for the building.

Current review of individual students' determinations of eligibility to receive Title I benefits is based on testing conducted by classroom teachers. Testing was performed at the building level and students were ranked based upon their test scores. This ranking is then reviewed by the Title 1 Coordinator, Corporation Curriculum Specialists, Building Principal, and classroom teacher. Each individual will now initial the ranking to indicate review and approval.

The School Corporation has developed a method of documentation regarding the reason for a student leaving the high school cohort and will review at the building level. Members of the guidance department along with building administrators will sign to indicate approval and knowledge of the withdrawal.

Anticipated Completion Date: Immediate; Documentation of review has started.

Pam Larson
(signature)

Rob Beckett
(signature)

Title I Coordinator
(title)

Principal SHS
(title)

5/14/18
(date)

5-14-18
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-009

Contact Person(s) Responsible for Corrective Action: Pam Larson, Ralph Shrader
Contact Phone Number(s): (765)893-4525, (765)762-3364

Description of Correction Action Plan: M.S.D. of Warren County will document the effective internal control system in place at the School Corporation in order to demonstrate compliance with requirements related to the grant agreement and Special Tests and Provisions - Comparability compliance requirement. The Title 1 Coordinator prepares and submits the Comparability report which is reviewed by the Corporation Curriculum Specialists and Building Administrators. Individuals will initial reports to acknowledge review and approval.

M.S.D. of Warren County adopted a policy to ensure equivalence among schools on May 8, 2018.

Anticipated Completion Date: Immediate: Documentation of review has started.

Pam Larson
(signature)

Title 1 Coordinator
(title)

5/14/18
(date)

Ralph Shrader
(signature)

Superintendent
(title)

5/15/18
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

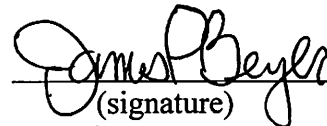
CORRECTIVE ACTION PLAN

FINDING 2016-010

Contact Person(s) Responsible for Corrective Action: James Beyer
Contact Phone Number(s): (765)762-3364

Description of Correction Action Plan: M.S.D. of Warren County developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Assessment System Security compliance requirement. A policy was adopted on May 8, 2018. The School Corporation will maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

Anticipated Completion Date: Immediate.


(signature)

Assistant Superintendent
(title)

05/15/2018
(date)

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
AUDIT RESULT AND COMMENT

TRANSPORTATION FUND EXPENDITURES

The School Corporation purchased a Dodge Caravan in 2016, which was paid from the Transportation fund. Inquiry of officials noted that the van had been purchased for the transport of adults.

The Assistant Superintendent of Schools' contract stated that he was both the Assistant Superintendent of Schools' and the Transportation Director. However, his compensation was paid entirely from the Transportation fund for both the 2014-2015 and 2015-2016 school years.

Indiana Code 20-40-6-1 states: "As used in this chapter, 'costs attributable to transportation' refers to costs listed in section 6 of this chapter that are attributable to transportation, as authorized by this title, of school children during the school year ending in the calendar year."

Indiana Code 20-40-6-6 states:

"(a) The following costs are payable from the fund:

- (1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation related employees.
- (2) Contracted transportation service.
- (3) Wages of independent contractors.
- (4) Contracts with common carriers.
- (5) Student fares.
- (6) Transportation related insurance.
- (7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses.

(b) Percentages or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the fund.

(c) Costs for a calendar year are those costs attributable to transportation for students during the school year ending in the calendar year."

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2018, with Nanette Ware, Treasurer; Ralph Shrader, Superintendent of Schools; and Dan Duchemin, President of the School Board.