

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, 2015 to June 30, 2017



FILED
05/23/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joseph Licata	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Nikki Woodson	07-01-15 to 06-30-18
President of the School Board	Anthony Dzwonar William Turner Donald B. Kite, Sr.	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, 2015 to June 30, 2017. 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

April 11, 2018

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Condition

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which was the source of the School Corporation's SEFA.

Context

The SEFA presented for audit contained the following errors:

1. The Non-cash assistance for the Child Nutrition Cluster in the amount of \$324,953 was not reported for fiscal year 2016.
2. The Child Nutrition Cluster expenditures were overstated by \$380,945 for fiscal year 2017.
3. The Title I Grants to Local Educational Agencies expenditures were overstated by \$1,684,125 for fiscal year 2017.
4. The Title I School Improvement Grant for Title I Grants to Local Educational Agencies in the amount of \$21,345 was not reported for fiscal year 2017.
5. The Title I Grants to Local Educational Agencies had an incorrect program name.
6. The Refugee and Entrant Assistance Discretionary_Grants had an incorrect program name and incorrect federal CFDA number.

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

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. . . .

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of 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 2017-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Significant Deficiency, Other Matters

Condition

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

Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personnel expenses were not accurately maintained for all employees paid from grant funds. Various employees in the Business Services division had a percentage of their salaries charged to the School Lunch fund; however, no documentation supporting the percentages charged was presented for audit.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred through the audit period.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Criteria

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 200.430(h)(8)(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance 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 2017-003

Subject: Child Nutrition Cluster - Equipment and Real Property Management

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, and 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

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

The School Corporation did not have proper controls in place to ensure that adequate records for equipment purchases with grant funds were maintained. Equipment purchased under federal awards was unable to be identified in the property records.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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 200.313(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance within the grant agreement and the Equipment and Real Property Management 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 Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Child Nutrition Cluster - Cash Management, 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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Special Tests and
Provisions - Paid Lunch Equity
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 Cash Management and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Cash Management

The School Corporation was required to limit its net cash resources to an amount that does not exceed three months average expenditures for its nonprofit school food service. There was no documented oversight, approval, or other internal control process that indicated the cash management requirements were being monitored.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity

The annual Paid Lunch Equity calculations were prepared and submitted without a documented oversight, approval, or other internal control process to ensure the accuracy of the information.

Context

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

Criteria

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 that would have ensured compliance with the Cash Management and Special Tests and Provisions - Paid Lunch Equity 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 Cash Management and Special Tests and Provisions - Paid Lunch Equity compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the Cash Management and Special Tests and Provisions - Paid Lunch Equity 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 compliance requirements listed above.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2017-005

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed

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): 14215-060-PN01, 14216-058-PN01,
14217-058-PN01, 99914-060-TA01,
45714-060-PN01, 45715-060-PN01,
45716-058-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 compliance requirement.

Payroll disbursements did not have a proper review and approval process. Some procedures were put into place during 2017 for payroll, but were found to be inconsistently applied. Proper internal control procedures had not been developed and implemented for the review and approval of payroll disbursements charged to the grant.

Context

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

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 that would have ensured compliance with the Activities Allowed or Unallowed 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 at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the Activities Allowed or Unallowed compliance requirement 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 Activities Allowed or Unallowed 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 2017-006

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): 14215-060-PN01, 14216-058-PN01,
14217-058-PN01, 99914-060-TA01,
45714-060-PN01, 45715-060-PN01,
45716-058-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

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 Allowable Costs/Cost Principles compliance requirement.

Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personnel expenses were not maintained for employees paid from grant funds.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

For the fiscal year 2015 grant award, no Semi-Annual Certifications or Personnel Activity Reports were presented for audit. Nor was documentation supporting the distribution of the salaries or wages of employees presented for audit for the fiscal year 2016 and fiscal year 2017 grant awards.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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). . . ."

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 200.430(h)(8)(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and
. . .

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

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

Effect

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2017-007

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

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-060-PN01, 14216-058-PN01,
14217-058-PN01, 99914-060-TA01,
45714-060-PN01, 45715-060-PN01,
45716-058-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 requirements related to the grant agreement and the Level of Effort and Earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Level of Effort

In calculating the state and local expenditures for special education to meet the Maintenance of Effort requirement of Level of Effort, the School Corporation did not use consistent categories of expenditure accounts from year to year and acceptable documentation or explanations of the changes in categories were not provided. Expenditure accounts, which would not be considered disbursements for providing special education services and thus unallowable, were also included in the calculations.

In addition, the amounts used to calculate the Maintenance of Effort in fiscal year 2016 were not derived from the records from which the audited financial statements were prepared. The amounts used for state and local expenditures during the 2015 fiscal year were obtained from a report generated June 26, 2015, which was prior to the June 30, 2015 date of the financial statements and, therefore, did not include all expenditures.

Earmarking

The School Corporation did not expend a sufficient level of grant funds for providing special education services to students in non-public schools to meet the Proportionate Share earmarking requirement. Grant awards which were closed out during the period audited were tested. In the fiscal year 2014 grant, the School Corporation spent \$179,346 of the required \$276,000 award allocation on non-public schools. In the fiscal year 2015 grant, the School Corporation spent \$244,804 of the required \$364,279 award allocation on non-public schools.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Criteria

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 200.328(a) states in part:

"Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. . . ."

34 CFR 300.203(b)(1) states:

"Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year."

34 CFR 300.133(a) states in part:

"Formula. To meet the requirement of § 300.132(a), each LEA must spend the following on providing special education and related services (including direct services) to parentally-placed private school children with disabilities:

(1) For children aged 3 through 21, an amount that is the same proportion of the LEA's total subgrant under section 611(f) of the Act as the number of private school children with disabilities aged 3 through 21 who are enrolled by their parents in private, including religious, elementary schools and secondary schools located in the school district served by the LEA, is to the total number of children with disabilities in its jurisdiction aged 3 through 21.

(2)

(i) For children aged three through five, an amount that is the same proportion of the LEA's total subgrant under section 619(g) of the Act as the number of parentally-placed private school children with disabilities aged three through five who are enrolled by their parents in a private, including religious, elementary school located in the school district served by the LEA, is to the total number of children with disabilities in its jurisdiction aged three through five.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

(ii) As described in paragraph (a)(2)(i) of this section, children aged three through five are considered to be parentally-placed private school children with disabilities enrolled by their parents in private, including religious, elementary schools, if they are enrolled in a private school that meets the definition of elementary school in § 300.13. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Level of Effort and Earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Level of Effort and Earmarking requirements of the Matching, Level of Effort, Earmarking 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 Matching, Level of Effort, Earmarking 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 2017-008

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14215-060-PN01,
45714-060-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 Period of Performance compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Disbursements from the grant were reviewed and approved by the Special Education Director; however, documentation of these approvals was found to be inconsistently applied. Transactions charged subsequent to the period of performance were found to have been obligated after the period of performance.

Eight of the twelve transactions tested that were charged subsequent to the period of performance were not obligated within the period of performance for the applicable grants.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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 200.309 states in part:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance . . . and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Period of Performance 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 Period of Performance 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 2017-009

Subject: Special Education Cluster (IDEA) - 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): 14215-060-PN01, 14216-058-PN01,
14217-058-PN01, 45715-060-PN01,
45716-058-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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.

Of the five Final Financial Reports submitted during the period audited, two were not supported by the School Corporation's records and one was not completed with correct expenditure amounts. In addition, a total of nine Proportionate Share Monitoring Reports and nine CEIS Quarterly Monitoring Reports were not submitted by the appropriate due dates within the period audited. The School Corporation received correspondence from the Indiana Department of Education (IDOE) in December 2017, notifying them of the missing reports. The IDOE required both the Proportionate Share Monitoring Reports and the CEIS Quarterly Monitoring reports to be submitted on a quarterly basis no later than the last day of the month following the end of each calendar quarter.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Criteria

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 200.328(b)(1) states in part:

"The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. . . . Annual reports must be due 90 calendar days after the reporting period; quarterly or semiannual reports must be due 30 calendar days after the reporting period. . . ."

34 CFR 300.226(d) states:

"*Reporting.* Each LEA that develops and maintains coordinated, early intervening services under this section must annually report to the SEA on —

- (1) The number of children served under this section who received early intervening services; and
- (2) The number of children served under this section who received early intervening services and subsequently receive special education and related services under Part B of the Act during the preceding two year period."

Cause

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

Effect

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

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 2017-010

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed
Federal Agency: Indiana 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): 15-5370, 16-5370, 17-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Activities Allowed or Unallowed
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 Activities Allowed or Unallowed compliance requirement.

The School Corporation approved Time and Effort documentation and timesheets for stipends for employees paid from Title I; however, there were seven instances where an employee paid out of Title I did not have proper documentation that authorized the pay out of Title I funds.

Context

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

Criteria

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 that segregated key functions.

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 compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2017-011

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): 15-5370, 16-5370, 17-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Costs Principles
Audit Findings: Material Weakness, Other Matters

Condition

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

Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personnel expenses was not accurately maintained for all employees paid from grant funds.

A sample of six payroll periods were selected to verify Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personnel expenses were maintained for employees paid from Title I. For eight employees tested, documentation supporting time worked on the Title I grant was not presented for audit.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Criteria

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 200.430(h)(8)(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2017-012

Subject: Title I Grants to Local Educational Agencies - Equipment and Real Property Management
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): 15-5370, 16-5370, 17-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

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

Equipment transactions during the period audited were not consistently updated into the property records of each school building purchasing equipment. One school building was found to have not updated its property records in three years.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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 section 200.328(a) states in part:

"Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. . . ."

2 CFR 200.313(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Equipment and Real Property Management 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 Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-013

Subject: Title I Grants to Local Educational Agencies - 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 Numbers: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-5370, 16-5370, 17-5370

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

In a test of students reported as mobile on the October Real Time reports in fiscal years 2015 and 2016, documentation to support the students' removal from the cohort was unable to be provided for 4 of the 40 students sampled.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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). . . ."

34 CFR 200.19(b) states in part:

"*High schools*—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

- (i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

- (ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

- (A) The term "students who transfer into the cohort" means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

- (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 - Annual Report Card, High School Graduation Rate 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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2017-014

Subject: Title I Grants to Local Educational Agencies - Reporting,
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): 15-5370, 16-5370, 17-5370
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Comparability
Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2015-006 and 2015-007.

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 and Special Tests and Provisions - Comparability compliance requirements.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
FEDERAL FINDINGS
(Continued)

Reporting

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

Special Tests and Provisions - Comparability

The annual comparability reports were prepared and submitted without a documented oversight, approval, or other internal control process to ensure the accuracy of the information.

Context

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

Criteria

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 that would have ensured compliance with the Reporting and Special Tests and Provisions - Comparability 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 Reporting and Special Tests and Provisions - Comparability compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the Reporting and Special Tests and Provisions - Comparability 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 related to the grant agreement and the compliance requirements listed above.

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.



Metropolitan School District of
WASHINGTON TOWNSHIP
"Superior Schools in a Supportive Community"

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

April 11, 2018

**CORRECTIVE ACTION PLAN – RESPONSE TO FINDINGS
FEDERAL AWARDS
JULY 1, 2015 TO JUNE 30, 2017**

FINDING 2017-001

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

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

Description of Corrective Action Plan: The Chief Business Officer (CBO) and staff will develop a system of internal controls to detect and correct any errors on the Schedule of Expenditures of Federal Awards (SEFA)

Anticipated completion Date: April 2018

FINDING 2017-002

Contact Person responsible for Corrective Action: Mrs. Annette Gunther, Supervisor of Child Nutrition, and Joe Licata, Chief Business Officer
Contact Phone Number: 317-205-3332

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

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

Anticipated completion Date: April 2018

FINDING 2017-003

Contact Person responsible for Corrective Action: Mrs. Annette Gunther, Supervisor of Child Nutrition, and Joe Licata, Chief Business Officer
Contact Phone Number: 317-205-3332

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

Description of Corrective Action Plan: The CBO will work with the Child Nutrition Supervisor to put the proper controls in place that will ensure a proper equipment inventory is maintained.

Anticipated completion Date: May 2018

FINDING 2017-004

Contact Person responsible for Corrective Action: Mrs. Annette Gunther, Supervisor of Child Nutrition, and Joe Licata, Chief Business Officer
Contact Phone Number: 317-205-3332

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

Description of Corrective Action Plan: The CBO will work with the Child Nutrition Supervisor to develop a plan that will reduce the net cash resources and comply with the Cash Management and Special Tests and Provisions. Cafeteria/Kitchen Equipment will be purchased for the new and renovated schools throughout the district as our facility projects are completed.

Anticipated completion Date: Will begin in 2018 and continue as projects near completion.

FINDING 2017-005

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: Controls are in place to ensure that the expenditure review and approval procedures within the Special Services Department and the Business Office have remedied this situation.

Anticipated completion Date: April 2018

FINDING 2017-006

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 2017-007

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 finding.

Description of Corrective Action Plan: Effective internal controls will be put in place to ensure compliance with the requirements related to the Level of Effort and Earmarking compliance requirements in the grant agreement.

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

FINDING 2017-008

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: An effective internal control system will be developed and put in place that will ensure compliance with the grant agreement and the Period of Performance requirement.

Anticipated completion Date: May 2018

FINDING 2017-009

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: The Business Office will work with the Special Services Department to ensure an internal control system is put in place to comply with the Reporting requirements in the grant agreement. This control system will include Final Financial Reports, Proportionate Share Monitoring Reports and CEIS Quarterly Monitoring Reports.

Anticipated completion Date: May 2018

FINDING 2017-010

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 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. When stipend payments are owed to employees, the Director or designee will sign all claims prior to the payroll office processing them for payment.

Anticipated completion Date: May 2018.

FINDING 2017-011

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 Title I office and the Business Services/Payroll Dept. will jointly develop internal controls to address the issues of noncompliance in this finding. Time and Effort documentation will be completed and retained.

Anticipated completion Date: April 2018

FINDING 2017-012

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: The Title I office will continue to require each school to track their inventory and submit their inventory to the Title I office annually. In addition, the one school that fell behind in their inventory will be required to update and locate the items.

Anticipated completion Date: May 2018

FINDING 2017-013

Contact Person responsible for Corrective Action: Dr. Michalek, Grants/Assessments Coordinator and the Secondary Education Office
Contact Phone Number: 317-205-3332

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

Description of Corrective Action Plan: The Title I office and the Secondary Education Department will collaborate with the High School to develop a system of internal control that will ensure compliance with the Special Tests and Provisions – Annual Report Card, High School Graduation Rate requirements.

Anticipated completion Date: May 2018

FINDING 2017-014

Contact Person responsible for Corrective Action: Joe Licata, CBO, and Dr. Michalek, Grants/Assessments Coordinator

Contact Phone Number: 317-205-3332

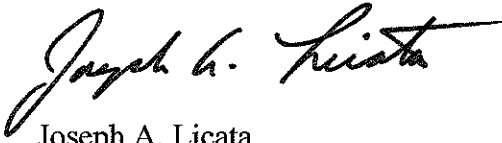
Views of Responsible Official: We concur with the audit findings.

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.

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: May 2018

Respectfully,

A handwritten signature in black ink that reads "Joseph A. Licata". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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 April 11, 2018, with Joseph Licata, Treasurer; Dr. Nikki Woodson, Superintendent of Schools; and Donald B. Kite, Sr., President of the School Board.