

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

INDIANAPOLIS PUBLIC SCHOOLS

MARION COUNTY, INDIANA

July 1, 2016 to June 30, 2017



**FILED**  
05/29/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Weston Young	07-01-16 to 12-31-18
Superintendent of Schools	Dr. Lewis D. Ferebee	07-01-16 to 06-30-18
President of the School Board	Mary Ann Sullivan Michael O'Connor	07-01-16 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Indianapolis Public Schools (School Corporation), for the year ended June 30, 2017. 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/](http://www.in.gov/sboa/).

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

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

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

May 18, 2018

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants, and Special Education Grants to States - Cash Management and Reporting

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants, Special Education Grants to States

CFDA Numbers: 84.010, 84.367, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014, S367A140013, S367A150013, 14215-030-PN01, 14216-028-PN01, 14217-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-002.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Cash Management and Reporting compliance requirements. There were many instances in which the amounts requested for reimbursement were not completely substantiated.

The cash reimbursement request reports for the Supporting Effective Instruction State Grants were not adequately supported. The supporting documentation provided did not agree with the total amount requested for reimbursement for each of the four reimbursement requests reviewed.

The cash reimbursement request reports for the Title I Grants to Local Educational Agencies were not adequately supported. The supporting documentation provided did not agree with the total amount requested for reimbursement for three of the four reimbursement requests reviewed.

The cash reimbursement request reports for the Special Education Grants to States were not adequately supported. The supporting documentation provided did not agree with the total amount requested for reimbursement for two of the four reimbursement requests reviewed.

*Context*

The lack of controls was a systemic problem throughout the audit period, but with improvement in compliance toward the latter part of the audit period. The supporting documentation agreed to the cash reimbursement requests reports during the latter part of the audit period.

INDIANAPOLIS PUBLIC SCHOOLS  
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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: . . .

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) 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(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Cash Management and Reporting compliance requirements.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Cash Management and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants - Allowable Costs/Cost Principles

Federal Agencies: Department of Agriculture, Department of Education

Federal Programs: School Breakfast Program, National School Lunch Program, Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants

CFDA Numbers: 10.553, 10.555, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, S010A150014, S367A140013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

Management of the School Corporation had not established an effective internal control system related to the application of the indirect cost rate. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs/Cost Principles compliance requirement. The indirect cost rate assigned by the Indiana Department of Education for the 2015-2016 school year was applied during the 2016-2017 school year. The 2015-2016 indirect cost rate applied to all of the major programs was larger than the 2016-2017 indirect cost rate that should have been applied during the school year. The following table indicates the indirect costs that were overcharged for each program:

Major Program	Indirect Costs Overcharged
Title I Grants to Local Educational Agencies	\$ 204,116
Supporting Effective Instruction State Grants	21,909
Child Nutrition Cluster	248,800

*Context*

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

*Criteria*

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

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

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-87, Attachment A, section C.1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal Awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Indiana Department of Education's *Frequently Asked Questions Related to Indirect Cost Rates* states:

"The Indirect Cost Rate calculated by the Office of School Finance sets the maximum rate a Local Education Agency can use. A Local Education Agency, however, is allowed to use any amount below the rate calculated by the Office of School Finance to the extent the funds are available."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

*Questioned Costs*

We consider the amount of overcharged indirect costs identified above to be questioned costs.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance 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.

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-003***

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 Number and Year (or Other Identifying Number): FY 2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Modified Opinion, Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-004.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation established a single fund, the School Lunch fund, to record all activity of the food service programs. All receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund. Prepayments were not recorded in a separate fund; therefore, program income was overcharged to the program.

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period. The School Corporation established a separate fund for prepayments subsequent to 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). . . ."

7 CFR 3016.20(b) states in part:

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

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

(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(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Program Income compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance the grant agreement and 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 2017-004**

Subject: Special Education Grants to States - Period of Performance  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 14215-030-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Other Matters

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Period of Performance compliance requirement.

Grant expenses eligible to be charged to Special Education grant 14SEO were required to have been obligated by September 30, 2016, and spent by December 15, 2016. Five disbursements charged to the grant after September 30, 2016, but before December 15, 2016, were examined. Two of the five disbursements were not obligated prior to September 30, 2016. There were purchase orders associated with the two exceptions but the purchase orders did not constitute a valid obligation as defined by the federal grantors.

*Context*

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

*Criteria*

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

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

34 CFR 80.23(a) states:

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

34 CFR 80.3 states in part:

". . . *Obligations* means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

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

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Period of Performance 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 2017-005**

Subject: Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants, Title I Grants to Local Educational Agencies, Supporting Effective Instruction

CFDA Numbers: 84.027, 84.173, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-030-PN01, 14216-028-PN01, 14217-028-PN01, 45716-028-PN01, 45717-028-PN01, S010A150014, S010A160014, S367A140013, S367A150013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-007.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Each individual school participating in a schoolwide program must submit an individual improvement plan that includes specific core elements and specific components. Four of the nine plans tested did not include all necessary components, and the control in place did not detect the missing components.

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period. Subsequent to the audit period, the School Corporation has implemented internal control policies and procedures designed to ensure that the schoolwide plans include all the required elements.

*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). . . ."

34 CFR 200.28 states in part:

"A schoolwide program must include the following components: . . . ."

(b) *Instruction by highly qualified teachers.* A schoolwide program must ensure instruction by highly qualified teachers and provide ongoing professional development. The schoolwide program must—

- (1) Include strategies to attract highly qualified teachers, as defined in § 200.56;
- (2)(i) Provide high-quality and ongoing professional development in accordance with sections 1119 and 9101(34) of the ESEA for teachers, principals, paraprofessionals and, if appropriate, pupil services personnel, parents, and other staff, to enable all students in the school to meet the State's student academic standards; and
- (ii) Align professional development with the State's academic standards;
- (3) Devote sufficient resources to carry out effectively the professional development activities described in paragraph (b)(2) of this section; and
- (4) Include teachers in professional development activities regarding the use of academic assessments described in § 200.2 to enable them to provide information on, and to improve, the achievement of individual students and the overall instructional program.

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

(c) *Parental involvement.* (1) A schoolwide program must involve parents in the planning, review, and improvement of the schoolwide program plan.

(2) A schoolwide program must have a parental involvement policy, consistent with section 1118(b) of the ESEA, that—

(i) Includes strategies, such as family literacy services, to increase parental involvement in accordance with sections 1118(c) through (f) and 9101(32) of the ESEA; and

(ii) Describes how the school will provide individual student academic assessment results, including an interpretation of those results, to the parents of students who participate in the academic assessments required by § 200.2. . . .

(e) *Transition.* A schoolwide program in an elementary school must include plans for assisting preschool students in the successful transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a preschool program under IDEA or a State-run preschool program, to the schoolwide program."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

The School Corporation did not include all necessary schoolwide plan components, despite a checklist being included in the schoolwide plan. The review and maintenance of the schoolwide plan did not detect this noncompliance.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Views of Responsible Officials*

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

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-006***

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 Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014  
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

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-006.

*Condition*

The School Corporation had not established and implemented an effective internal control system 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. The School Corporation's procedures related to oversight and review of the process of removing a student from the graduation cohort were not properly implemented.

Supporting documentation was not consistently maintained for the students who were removed from their graduation cohort.

For 20 of the 40 students selected to be examined who were removed from their graduation cohort, evidence of oversight and review was not provided. For 12 students examined, supporting documentation for the reason the student was removed from the cohort was not provided.

*Context*

The lack of controls and noncompliance were systemic problems 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 Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

34 CFR 200.19(b)(ii)(B) states in part:

"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. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system 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 and implement 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 and implement an internal control system to ensure compliance with 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 2017-007**

Subject: Special Education Grants to States - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 14215-030-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-003.

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs/Cost Principles compliance requirement.

The School Corporation was required to maintain Semi-Annual Certifications in order to comply with the time and effort requirements applicable to employees who worked solely on Special Education under the Special Education grant awarded under the requirements of OMB Circular A-133.

Special Education Grants to States award 14215-030-PN01 (14SEO), which was effective July 1, 2014 through September 30, 2016, was administered prior to the Uniform Guidance. Semi-Annual Certifications for employees who were paid from project 14215-030-PN01 were not completed by the School Corporation.

*Context*

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

*Criteria*

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

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

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

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

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with 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 2017-008**

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): 14215-030-PN01, 14216-028-PN01,  
45715-030-PN01, 45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Reporting compliance requirement. No audit evidence was presented that indicated the School Corporation had monitored the submission of the required reports.

The Indiana Department of Education (IDOE) required the submission of Quarterly Monitoring Reports for Proportionate Shares for Non Public Schools. The IDOE also required the submission of a Final Expenditure Report at the completion of each grant.

*Context*

The lack of controls and noncompliance were systemic problems throughout the period audited. No Quarterly Monitoring Reports for Proportionate Shares for Non Public Schools were prepared during the audit period. The Final Expenditure Report for the FY 2015 grant was submitted as a standard reimbursement request report and not in the format outlined by the IDOE.

*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. . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
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). . . ."

34 CFR 80.20(b) states in part:

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

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

(2) 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. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Reporting compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-009***

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): S010A150014, S010A160014  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation's procedures related to oversight and review of the process of implementing required assessment system security was not effective. Supporting documentation was not consistently maintained for the test administrators who received the required education and the testing policies at the school building level.

Of the six schools tested, one did not provide any documentation to support the employees who received the required training or a testing policy in place at the school building level. Two of the remaining five schools did not provide a testing policy at the school building level to prove the requirements related to Assessment System Security were implemented.

*Context*

The lack of controls and noncompliance were systemic problems 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 Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

20 USC 6311(b)(3)(C) states in part:

"Such assessments shall- . . .

(iii) be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards; . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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 established and implemented an effective internal control system that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement. Documentation of the implementation of the required testing policies and procedures was not provided. The required sign in sheets of the employees' attendance of the required training was not provided for all schools.

*Effect*

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

*Views of Responsible Officials*

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



## CORRECTIVE ACTION PLAN

**FINDING 2017-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: John Patrick Niland  
Contact Phone Number: (317) 226-3602

Views of Responsible Official:

We agree with the finding. While the supporting documentation over the entirety of the 2016-2017 fiscal year did support the claims for reimbursement in the aggregate, and the claims at the end of the year did exactly match the data in our financial accounting system, the expenditure reports by discreet date ranges which supported individual semimonthly claims during the earlier periods of the 2016-2017 fiscal year could not be reproduced by the auditors at the time their tests were performed. This shortcoming was noted by the auditors in the spring of 2017 during their audit of the 2014-2015 and 2015-2016 fiscal years. The cause was found to be an idiosyncrasy of our financial accounting system related to invoice batch processing. Specifically, the effective dates of transactions are determined not by the date the invoices are actually posted to the general ledger but by the header date for the entire batch, which defaults to the day the batch is created. As a result, the cutoff date can be unreliable. Invoices posted from a batch created and dated before the mid-month cutoff will continue to post back to the first part of the month, so an expense report run on MM/30/YY for dates MM/01/YY though MM/15/YY will likely produce a greater total than the same report run on MM/16/YY.

Description of Corrective Action Plan:

As noted above, cutoff by ending dates can be unreliable, but cutoff by period is reliable. Accordingly, we have changed our methodology to prepare a claim for reimbursement for a complete accounting period once the period has ended and been closed, rather than preparing semimonthly claims. (We do not permit invoices for any federal programs to be posted back to a prior period once the associated calendar month has ended.) The move from semimonthly claiming to monthly claiming also allows more adequate time for a thorough review of the underlying data and appropriate approval of all claims prior to their submission by the fifteenth of the following month.

Anticipated Completion Date: Corrective action was implemented before the end of fiscal year 2017.

  
\_\_\_\_\_  
(Signature)

Accounting Officer  
\_\_\_\_\_  
(Title)

May 1, 2018  
\_\_\_\_\_  
(Date)



**CORRECTIVE ACTION PLAN**

**FINDING 2017-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: John Patrick Niland / Brandon Weems  
Contact Phone Number: (317) 226-3602 / (317) 226-3277

Views of Responsible Official:

We concur with the finding. The indirect cost rate assigned by the Indiana Department of Education for the 2015-2016 school year was incorrectly applied to 2016-2017 costs. Though staff acted in good faith while applying the indirect cost rate for Title I grants, the regulation for allowable costs was not reviewed, thus resulting in a material weakness in the School Corporation’s internal controls. The indirect cost expense charged to the School Lunch Fund for 2016-2017 was calculated by applying the rate established for the 2015-2016 school year. This occurred because the documentation for the 2016-2017 rate was posted to a different website than had ever been used before, so we mistakenly thought that the 2016-2017 rate was not available at the time the indirect cost expense was calculated and transferred.

Description of Corrective Action Plan:

The School Corporation has implemented controls to provide assurance that federal and state regulations are being followed. It is the responsibility of the Grant Accounting office staff to keep record of the active indirect cost rate and provide to Corporation staff upon request. Grant Accounting staff asked for and received documentation from SBOA audit staff related to the proper calculation and application of the indirect cost rate. That documentation was added to a departmental procedures manual in order to be readily available and to ensure all staff are adhering to federal and state internal controls regulations. An internal review of the preparation of the Foodservice indirect cost calculation will be performed by Grant Accounting before the transfer is made in the General Ledger to confirm that the correct rate is used. To correct the previous overcharge to the School Lunch Fund, a credit of \$248,800.13 (see schedule) will be applied to the FY2018 indirect cost transfer.

Anticipated Completion Date: Process corrective action was implemented before the end of fiscal year 2017; credit of prior overcharge to be completed by 07/10/2018, effective date 06/30/2018.

  
\_\_\_\_\_  
(Signature)

Accounting Officer  
\_\_\_\_\_  
(Title)

May 2, 2018  
\_\_\_\_\_  
(Date)

**Calculation of Indirect Cost Credit Needed Due to Prior Year Incorrect Rate Application**

**Program Year 2016-2017**

July 1, 2016 – June 30, 2017

*Prepared by: J P Niland*

	Cash Basis Net Cost Base	Rate Applied 19.24%	Correct Rate 16.60%	Variance 2.64%
Semiannual Period Ending 12/31/2016	4,840,514.28	931,314.95	803,525.37	127,789.58
Semiannual Period Ending 06/30/2017	4,583,733.07	881,910.24	760,899.69	121,010.55
<b>Total</b>	<b>9,424,247.35</b>	<b>1,813,225.19</b>	<b>1,564,425.06</b>	<b>248,800.13</b>

**Total Credit Needed\***

**248,800.13**

*\* to be applied to indirect cost chargeback for semiannual period ending 06/30/2018*



CORRECTIVE ACTION PLAN

**FINDING 2017-003** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Janice Hale and Dena Bond  
Contact Phone Number: (317) 226-4772


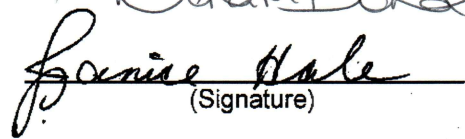
Views of Responsible Official:

We agree with the finding. While we had the documentation to support our prepaids monies it was not broken out into a separate fund. Effective with the current program year we have established a separate Fund for the Prepaid Food monies.

Description of Corrective Action Plan:

Effective with the 2017-2018 program year, IPS has created Fund 8400 to be the "Prepaid Food Fund". Within the "Prepaid Food Fund", the Unearned Revenue account will reflect the current unearned balance. At the end of each month a transfer will be posted in Munis to adjust the total prepaid monies used and (earned) during the month

Anticipated Completion Date: Corrective action was implemented during the 2017- 2018 program year.

  
  
(Signature)

Accounting Coordinator  
(Title)

May 7, 2018  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2017-004** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Brandon Weems *Brent Freeman*  
Contact Phone Number: (317)226-3277 *317-226-4575*

Views of Responsible Official:

We concur with the finding. A material weakness in internal controls existed due to a lack of subject-matter expertise within the School Corporation, and grant funds were expended subsequent to the obligation date of the grant. The grant department provided guidance to the Special Education administrator that was inconsistent with regulations set forth by the Federal Grantors with respect to the definition of a valid obligation.

Description of Corrective Action Plan:

The School Corporation has implemented controls to provide assurance that federal and state regulations are being followed. It is the responsibility of both the grant accounting office and special education administration to be aware of and follow federal and state regulations defining a valid obligation. Documentation providing the definition of the term obligation as it applies to grant expenses and grant performance period compliance has been added to the grant accounting office procedure manual. The purpose of this manual is to assist School Corporation staff in establishing and maintaining effective internal controls.

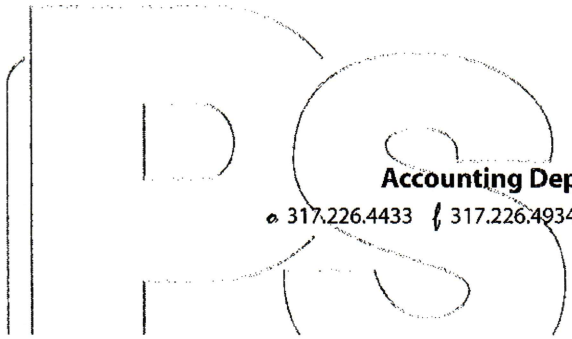
Anticipated Completion Date:

Corrective action was implemented prior to the end of calendar year 2017

*[Signature]*  
\_\_\_\_\_  
(Signature)

*Accounting Coordinator SPED OFFICER*  
\_\_\_\_\_  
(Title)

*5/8/2018* *5/16/18*  
\_\_\_\_\_  
(Date)





CORRECTIVE ACTION PLAN

**FINDING 2017-005**

Contact Person Responsible for Corrective Action: Bridgette Robinson  
Contact Phone Number: (317) 226-4520

Views of Responsible Official:  
We concur with the findings.

Description of Corrective Action Plan:

Indianapolis Public Schools will make certain, beginning immediately, that all schoolwide plans (SWPs) are reviewed and approved by district administration. The district has created a user guide and a roll-out deck as a resource for school leaders. As a guide, the district will use the SWP Title I Plan Summary Page to ensure that all components are met in the School Improvement Plan (SIP). Upon review of the schoolwide plan, the district will ensure that all SWPs include the necessary characteristics, required under the schoolwide reform. We now have a statement of assurance in which all schools and district level staff are required to sign off showing that all components are present in the plan.

Anticipated Completion Date: Corrective action was implemented during the 2017-18SY.



(Signature)

Director of Federal & Special Programs

(Title)

**Federal and Special Programs: Indianapolis Public Schools**

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[www.myIPS.org](http://www.myIPS.org)



CORRECTIVE ACTION PLAN

**FINDING 2017-006** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Lisa Brenner, MSW  
Contact Phone Number: (317) 226-3433

**Views of Responsible Official:**

We agree with the finding. While supporting documentation was not consistently maintained for the graduation cohorts that were audited, it should be noted that a cohort embodies four years of processes and procedures. The district has established and implemented the processes and procedures identified in our previous corrective plan to ensure that state and federal requirements are met. Schools are currently implementing these processes and procedures.

**Description of Corrective Action Plan:**

The following practices and procedures have been implemented to ensure that proper cohort withdrawal documentation is maintained for students leaving the Indianapolis Public School system as outlined by the Indiana Department of Education.

District Level

- Update the Entry / Withdrawal Manual that includes the documentation requirements outlined by the Indiana Department of Education.
- Provided a district wide training for all registrars and school secretaries responsible for withdrawing students and maintaining student records.
- Required Cohort Withdrawal Documentation Notebooks for all high schools.
- Implemented random district Cohort Withdrawal Documentation Notebook checks.

School-Based

- Create and maintain Cohort Documentation Notebooks for each cohort year.
- Follow up within a minimum of two weeks of a student withdrawing to obtain any documentation that has not been received.
- School based staff will cross reference the state cohort report with documentation on file monthly and follow up on any missing documentation and/or needed corrections.
- Submit monthly Cohort Monitoring Reports to the Student Services Office.
- Administrator will check and verify the graduating Cohort’s documentation and submit a Verification Form.

**Anticipated Completion Date:** Corrective action was implemented during the 2017-18 school year.

\_\_\_\_\_  
Signature  
Student Services Officer  
\_\_\_\_\_  
Title  
May 8, 2018  
\_\_\_\_\_  
Date

**Lisa A. Brenner, MSW | Student Services Officer**

o 317.226.3433 | f317.226.3777 | Indianapolis Public Schools | 4501 E. 32nd Street | Indianapolis, IN 46218  
[www.myips.org](http://www.myips.org)



CORRECTIVE ACTION PLAN

**FINDING 2017-007**

Contact Person Responsible for Corrective Action: Brent Freeman  
Contact Phone Number: 317-226-4575

Views of Responsible Official:

We agree with the repeat finding identified. The Semi-Annual Certifications documenting time and effort for employees who worked solely on Special Education initiatives was not completed.

Description of Corrective Action Plan:

Create and maintain Semi-Annual Certifications.

Anticipated Completion Date:

This has been corrected as of July 1, 2016 starting with the FY 2017 grants.

(Signature)

(Title)

(Date)





CORRECTIVE ACTION PLAN

**FINDING 2017-008** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Brandon Weems *Brent Freeman*  
Contact Phone Number: (317)226-3277 *317-226-4575*

Views of Responsible Official:

We concur with the finding. A material weakness in internal controls existed due to a lack of subject-matter expertise within the School Corporation. Special education and grant accounting staff were responsible for coordinating and submitting final expenditure reports and that process was not followed due to a lack of accountability and procedural documentation. Staff turnover, lack of communication from previous staff and IDOE contributed to both the missing final report and Quarterly Monitoring Reports for Proportionate share.

Description of Corrective Action Plan:

The grant accounting office staff will create and maintain a signoff checklist for each grant with respect to due dates of reports, in order to ensure timely filing of reports to maintain proper internal controls and adherence to federal and state regulations. The grant accounting office staff member responsible for filing the final expenditure report will be required to attach a completed checklist that indicates all monthly reimbursements and the final reimbursement have each been completed. Special Education now has a checklist to ensure all Quarterly Monitoring Reports for Proportionate Share are completed.

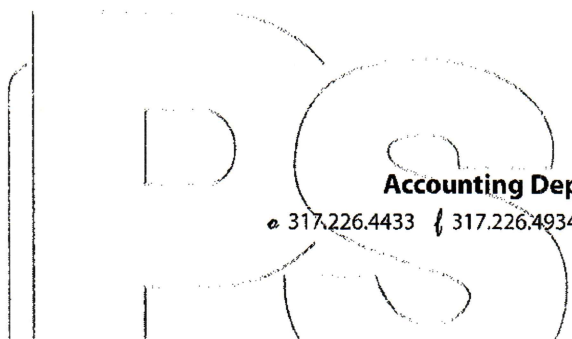
Anticipated Completion Date:

Corrective action will be implemented prior to the end of fiscal year 2018

*[Signature]*  
\_\_\_\_\_  
(Signature)

*Accounting Coordinator SPECIAL ED OFFICER*  
\_\_\_\_\_  
(Title)

*5/8/2018* *5/16/18*  
\_\_\_\_\_  
(Date)



Accounting Department | Indianapolis Public Schools

• 317.226.4433 | 317.226.4934 | 120 E. Walnut Street, Room B-05, Indianapolis, IN 46204

www.myIPS.org



***FINDING 2017-009 – Title I Assessment System Security***

Contact Person Responsible for Corrective Action: Eric Lewis

Contact Phone Number: 317-226-4126

Views of Responsible Official:

Description of Corrective Action Plan:

This Corrective Action Plan addresses the following:

- A. The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.
- B. The School Corporation's procedures related to oversight and review of the process of implementing required assessment system security was not effective. Supporting documentation was not consistently maintained for the test administrators who received the required education and the testing policies at the school building level.
- C. Of the six schools tested, one did not provide any documentation to support the employees who received the required training or a testing policy in place at the school building level. Two of the remaining five schools did not provide a testing policy at the school building level to prove the requirements related to Assessment System Security were implemented.

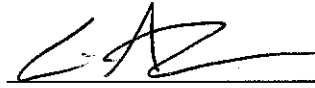
Following the Indiana Department of Education required district level Fall Test Security and Integrity Training the Office of Research, Evaluation, and Assessment (REA) staff collected sign-in sheets for the school level Test Security and Integrity Training that was conducted by principals and/or school test coordinators who attended the district level Training. During the 2018-2019 school year, we will emphasize that all training materials from the required Fall training and all other test security and integrity trainings at the building level, including sign-in sheets from the school level training, must be kept on file at the building level for no less than three years. During the Spring of the 2017-2018 school year REA staff began conducting formal on-site monitoring visits of schools. Review of the building level test security policy is part of this formal visit. In the 2018-2019 school year, we will expand this review to include documentation at the school level of required school trainings having been continually documented and available.

During the Indiana Department of Education required Fall Test Security and Integrity Training, school principals and/or test coordinators were notified that they must create a building test security policy and keep it on file at the school. REA staff provided a template upon request from staff at the school level. These test security policies though were not collected by REA following the Fall Test Security and integrity Training. For the remainder of the 2017-2018 school year, REA staff will work with school leaders to create building level test security plans if they do not exist. Furthermore, we will place a greater emphasis on this during our Fall training during the 2018-2019 school year. We will require submission of these policies to REA with enforcement assistance from other district leaders.

IPS concurs with the finding.

Anticipated Completion Date:

1. Collection/creation if need be of building/school test security polices for the 2017-2018 school year (June 1).
2. Collection of 2018-2019 building/school test security policies (immediately following the 2018-2019 district Fall Test Security and Integrity Training).
3. Review of test security training materials on file at the building level (begins immediately upon on-site monitoring visits and will continue into the 2018-2019 school year).



(Signature)

Assessment Coordinator

(Title)

5/18/18

(Date)

INDIANAPOLIS PUBLIC SCHOOLS  
AUDIT RESULTS AND COMMENTS

**PREPAID SCHOOL MEAL ACCOUNTS**

The same comment also appeared in prior Report B48696.

The entire amount of adult and student prepaid food advance deposits were recognized in the School Lunch fund, Fund 800, at the end of each month.

The School Corporation had not established Fund 8400 - Prepaid Food to account for advance deposits made to individual student and adult prepaid food accounts.

Fund 8400 - Prepaid Food is essentially a trust account where monies are initially deposited on behalf of individual students and adults. Monies are intended to remain in the trust account until they are spent on food purchases.

Monies are to be transferred from Fund 8400 - Prepaid Food to Fund 800 - School Lunch fund at the end of each month for actual monies spent by students and adults on food purchases during the month.

As a result, revenue was recognized in advance of being earned, as the deposits were always recognized in the same month in which the monies were received and there was not an overall grand total cash balance maintained for adult and student prepaid meal deposits.

Individual adult and student balances were tracked at the individual schools and, at the end of each school year, the remaining balances in the student and adult prepaid accounts were returned.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

INDIANAPOLIS PUBLIC SCHOOLS  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B48696.

The cash balances of the following funds were overdrawn at June 30, 2017:

Fund	Amount Overdrawn
SAFE School Haven	\$ 30,090
Sallie Mae Foundation	56,524
M.A .Rooney Foundation	200,076
New Teacher Project, Inc.	199
Indiana Family Health Council	50,141
IEA President's Fund	34,424
High School Graduation Coaches	113,570
Drug Free Communities	20,441
Welfare Activities	66,993
Safe Routes to School Grant	4,333
IPIC - Adult Basic Education	64
Project Peace	12,244

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

INDIANAPOLIS PUBLIC SCHOOLS  
OFFICIAL RESPONSE

INDIANAPOLIS PUBLIC SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2018, with Dr. Lewis D. Ferebee, Superintendent of Schools; Weston Young, Treasurer; Michael O'Connor, President of the School Board; Venita Moore, Vice President of the School Board; Pat Niland, Deputy Financial Manager; Bridgette Robinson, Director of Federal and Special Programs; Dena Bond, Food Service Director; Cathy Wisner, Special Education Budget Analyst; Brandon Weems, Accounting Coordinator; Valerie Hunt, Director of Financial Operations; and Eric Lewis, Assessment Coordinator.