

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK

GREENE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela Jerrells Jennifer Barcus	07-01-14 to 06-30-16 07-01-16 to 06-30-19
Superintendent of Schools	Mike Mogan Daniel A. Noel	07-01-14 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Jeffery B. Miller	01-01-14 to 12-31-18



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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF SHAKAMAK, GREENE COUNTY, INDIANA

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

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

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

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

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

September 4, 2018

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit related to cash reconcilements and receipts. The prior audit finding number was 2014-001.

Condition

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

Receipts

One employee was responsible for issuing, recording, and reconciling receipts and disbursements for the School Lunch fund maintained in an Extracurricular Account fund. There was no segregation of duties, including oversight, review, or an approval process over the cash reconcilements and the recording of receipt transactions.

Schedule of Expenditures of Federal Awards

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

Context

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

Criteria

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

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

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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. . . ."

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that financial transactions are properly recorded and reported and that federal expenditures are properly reported on the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Mathematics and Science Partnerships - Reporting

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnerships

CFDA Number: 84.366

Federal Award Numbers and Years (or Other Identifying Numbers): A58-4-14CI-1865,
A58-5-15CI-2288,
A58-6-16CI-3292

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

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 Reporting compliance requirement.

The School Corporation did not design or implement adequate controls, policies, and procedures to ensure that the required reports were accurately prepared. One employee prepared and submitted the required reports for the program. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information submitted was complete and accurate.

Context

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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). . . ."

Cause

The School Corporation's management had not developed a system of internal controls that segregated key functions.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

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 Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-002.

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 Program Income compliance requirement.

There were no procedures established to ensure that the receipts of the Child Nutrition Cluster programs were handled properly in accordance with the Program Income compliance requirement.

The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service programs. The School Corporation also maintained individual accounts for students who prepaid for meals. When prepaid funds were received, they were receipted into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the food service programs.

Context

The lack of controls was a systemic problem throughout the audit period. The School Corporation's procedures for recording revenues in the School Lunch fund prevented the ability to determine whether the School Corporation was in compliance with the Program Income compliance requirement.

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:

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

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

7 CFR 210.14(c) states:

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

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . ."

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured program income was properly identified.

Effect

The failure to establish an effective internal control that would have ensured that program income was properly identified prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure program income will be properly identified.

Views of Responsible Officials

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

FINDING 2016-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.533, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 14/15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not designed or implemented an effective internal control system to ensure that appropriate certifications or other documentation of personal expenses for time worked on the School Breakfast Program and National School Lunch Program were in compliance with program requirements. Required Semi-Annual Certifications were not presented for audit.

Context

The lack of controls and noncompliance were systemic issues for fiscal year 2014-2015.

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 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."

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the 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 2016-005

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 99914-24-PN01,
14216-24-PN01, 45714-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member school corporation of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not keep the necessary documentation related to time and effort reporting. For those employees that were paid entirely from the special education program, the School Corporation did not complete Semi-Annual Certifications.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Context

There were no Semi-Annual Certifications completed during the audit period.

Criteria

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

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

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 B, Section 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."

2 CFR 200.430(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); . . .
- (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. . . ."

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement related to time and effort reporting.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with 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 2016-006

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 14216-24-PN01,
99914-24-PN01, 45714-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member school corporation of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred, or otherwise excluded from or ineligible to participate in a federal assistance program prior to entering into a contract with them.

Context

The Cooperative did not verify that vendors were not suspended or debarred prior to awarding the contracts with all applicable vendors for the entire 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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the suspension and debarment requirements.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the suspension and debarment requirements.

Views of Responsible Officials

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

FINDING 2016-007

Subject: School Breakfast Program and National School Lunch Program - Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), National School Lunch Program - 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 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This was a repeat finding from the immediately prior audit regarding Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding numbers were 2014-002 and 2014-003.

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 following compliance requirements: Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

The School Corporation had not designed or implemented an adequate internal control system to ensure that the School Lunch fund monthly cash balances (net cash resources) did not exceed the three months average. There was no oversight, review, or monitoring of the cash balances (net cash resources).

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Reporting

Monthly Sponsor Claims (claims for reimbursement) and Annual Financial Reports were completed by one individual without the oversight or review by another individual.

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

The verification of free and reduced price applications was completed by one individual without the oversight or review by another individual.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

An effective internal control system, such as a review or approval process, was not in place to ensure the completion and accuracy of the Paid Lunch Equity calculation.

Context

The lack of properly designed and implemented controls occurred throughout the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management has not developed and implemented an effective system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

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.

FINDING 2016-008

Subject: Mathematics and Science Partnerships - Special Tests and Provisions - Participation of Private School Children

Federal Agency: Department of Education

Federal Program: Mathematics and Science Partnerships

CFDA Number: 84.366

Federal Award Numbers and Years (or Other Identifying Numbers): A58-4-14CI-1865,
A58-5-15CI-2288,
A58-6-16CI-3292

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Participation of Private School Children

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 - Participation of Private School Children compliance requirement.

The School Corporation had not designed or implemented adequate controls, policies, and procedures to ensure that Special Tests and Provisions - Participation of Private School Children requirements were followed. The School Corporation did not offer the private school in the district the opportunity to participate in the grant.

Context

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

Criteria

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

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
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 299.6 states in part:

"(a) *General.* An agency or consortium of agencies receiving funds under an applicable program listed in paragraph (b) of this section, after timely and meaningful consultation with appropriate private school officials (in accordance with statute), shall provide special educational services or other benefits under this subpart on an equitable basis to eligible children who are enrolled in private elementary and secondary schools, and to their teachers and other educational personnel.

(b) *Applicable programs.* This subpart is applicable to the following programs:

- (1) Part C of title I (Migrant Education).
- (2) Title II (Professional Development) . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children requirements.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

FINDING 2016-009

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

Repeat Finding

This is a repeat finding from the immediately prior audit related to suspension and debarment. The prior audit finding number was 2014-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Procedures were not established to ensure that the School Corporation followed procurement guidelines or verified whether vendors were suspended or debarred.

Procurement

The School Corporation did not have a procurement policy that complied with 2 CFR 200.320. Bids or quotes for small purchases were not obtained.

Suspension and Debarment

There were no procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

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:

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(Continued)

(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 200.318 states in part:

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

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

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

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

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

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

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Cause

The School Corporation had not established and implemented effective internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-2960, 15-2960, 16-2960
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 an effective internal control system to ensure compliance related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation Assessment System Security Policy did not specify that testing materials should not be delivered to school buildings more than one week in advance of test administration, nor did it state that teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration. In addition, the School Corporation did not keep the sign-in sheets from the training or maintain Indiana Testing Security and Integrity Agreements for any individuals who administered, handled, or had access to secure test materials.

Context

This was a systemic issue, which occurred throughout the entire audit period.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 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. . . ."

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

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

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FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with 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.

DANIEL NOEL, SUPERINTENDENT
JENNIFER E. BARCUS, TREASURER
BRENDA E. CULLER, PAYROLL-DEPUTY TREASURER
VICKI MCCRACKEN, SECRETARY



BOARD OF SCHOOL TRUSTEES
JEFFREY B. MILLER, PRESIDENT
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TROY FOUGEROUSSE, MEMBER
ROBERT WISE, MEMBER

CORRECTIVE ACTION PLAN

Finding 2016-001

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent; Tammy Street, Cafeteria Supervisor
Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Segregation of Duties): The cafeteria supervisor and another cafeteria employee review and approve both cash register totals. The cafeteria supervisor prepares and makes deposits, and another cafeteria employee reviews and approves the deposits. The cafeteria supervisor prepares disbursements. The high school principal approves all disbursements. The cafeteria supervisor reconciles the monthly bank statement, and the corporation treasurer reviews and approves. The cafeteria supervisor prepares bi-annual financial reports, and the corporation treasurer, as well as the president of the board of trustees, reviews and approves. The cafeteria supervisor prepares year-end financial reports, which the corporation treasurer reviews, and the board of trustees approve.
2. (Lack of Internal Controls): The corporation treasurer prepares the Schedule of Expenditures of Federal Awards (SEFA). The superintendent reviews and approves the SEFA, prior to submission.

Anticipated Date of Completion:

1. In July 2016, the corporation Treasurer began reviewing and approving the monthly bank reconcilements. The review and approval for cash register totals by the cafeteria supervisor and another cafeteria employee began in May 2015.
2. In August 2016, the superintendent began reviewing and approving the SEFA prepared by the corporation treasurer.

Finding 2016-002

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. This grant has been completed.

Anticipated Date of Completion:

1. This grant was completed in September 2016.

Finding 2016-003

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street, Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of procedures): The cafeteria supervisor will use a prepaid food clearing account for transfers in and out. This transfer will be done on a daily basis.

Anticipated Date of Completion:

1. The corporation treasurer and the cafeteria supervisor implemented the prepaid food clearing account in August 2017.
2. Reconciliations of the prepaid food clearing account will be done on a monthly basis, beginning August 2018.

Finding 2016-004

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street, Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls): Semi-annual certifications will be completed for the program, by cafeteria supervisor and reviewed by corporation treasurer.

Anticipated Date of Completion:

1. Semi-annual certifications will be completed for the program, beginning with the June-December 2018 reporting period.

Finding 2016-005

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls - Semi-Annual Certifications): The corporation treasurer will obtain semi-annual certifications from the cooperative. The corporation treasurer and the superintendent will review.

Anticipated Date of Completion:

1. The cooperative began completing semi-annual certifications in June 2017.

Finding 2016-006

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of internal controls): The school corporation will work with the cooperative, to verify the vendors using the SAM website, to ensure that there is no suspension or debarment.

Anticipated Date of Completion:

1. The cooperative began verifying vendors on the SAM website in June 2017.

Finding 2016-007

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street – Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls – Cash Management): The cafeteria supervisor and the corporation treasurer will review the monthly cash balances in the School Lunch Fund, noting if the amount exceeds three months average expenditures.
2. (Lack of Internal Controls – Reporting): The cafeteria supervisor will prepare the monthly claim for reimbursement, and the corporation treasurer will review and approve. The cafeteria supervisor will prepare the annual financial report, and the corporation treasurer will review and approve.
3. (Lack of Internal Controls – Special Tests/Verification of Applications): The cafeteria supervisor will complete the verification of free and reduced applications, with another cafeteria employee reviewing the verifications.
4. (Lack of Internal Controls – Paid Lunch Equity): The cafeteria supervisor will complete the paid lunch equity calculation, and the corporation treasurer will review and approve.

Anticipated Date of Completion:

1. The cafeteria supervisor and the corporation treasurer began reviewing the monthly cash balance in School Lunch Fund, in August 2018.
2. The corporation treasurer began reviewing and approving the monthly claim reimbursements and the annual financial report, prepared by the cafeteria supervisor, in August 2018.
3. The cafeteria supervisor and another cafeteria employee began reviewing the verification of free and reduced applications, in August 2016.
4. The corporation treasurer began reviewing and approving the paid lunch equity calculation, prepared by the cafeteria supervisor, in June 2018.

Finding 2016-008

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Daniel Noel, Superintendent

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. This grant has been completed.

Anticipated Date of Completion:

1. This grant was completed in September 2016.

Finding 2016-009

Contact person responsible for corrective action plan: Jennifer Barcus, Corporation Treasurer; Tammy Street, Cafeteria Supervisor

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls – Procurement): A procurement policy will be implemented, in order to meet procurement compliance requirements.
2. (Lack of Procedures – Suspension and Debarment): Procedures will be implemented to verify that vendors were not suspended or debarred from participation in federal programs, before entering into a contract.

Anticipated Date of Completion:

1. A procurement policy was implemented in September 2017, in order to meet procurement compliance requirements.
2. Suspension and debarment procedures were implemented in June 2018.

Finding 2016-010

Contact person responsible for corrective action plan: Jennifer Barcus, Treasurer; Daniel Noel, Superintendent; Jeff Gambill, Elementary Principal/Title I Director

Contact Phone Number: 812-665-3550

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. (Lack of Internal Controls): The school corporation will update the Assessment System Security Policy to specify that testing materials should not be delivered to school buildings more than one week in advance of test administration. It will also state that teachers and other school staff members are not allowed access to secure materials more than 24 hours in advance of test administration.
2. The school corporation will keep sign in sheets from the training or maintain Indiana Testing Security and Integrity Agreements for any individuals who administered, handled, or had access to secure test materials.

Anticipated Date of Completion:

1. The school corporation will begin updating the Assessment System Policy immediately.
2. The school corporation will begin keeping sign in sheets immediately.

Jennifer Barcus, Treasurer
Signature, Title

8/23/18
Date

David A. Noel Supt.
Signature, Title

8/27/2018
Date

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B46021, entitled *PREPAID SCHOOL LUNCH ACCOUNT*.

The School Corporation accounted for the prepaid meal activity within the School Lunch Fund, which is an extracurricular account. A separate clearing account for the prepaid meals was not established as prescribed.

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

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2018, with Daniel A. Noel, Superintendent of Schools; Jennifer Barcus, Treasurer; Brenda Culler, Deputy Treasurer; and James H. Yeryar, School Board member.