

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

FRANKLIN TOWNSHIP COMMUNITY
SCHOOL CORPORATION
MARION COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
11/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Chad Blacklock	07-01-14 to 07-07-17
	Kaitlin Porter (interim)	07-08-17 to 07-31-17
	Fred McWhorter II	08-01-17 to 06-30-19
Superintendent of Schools	Dr. Flora Reichanadter	07-01-14 to 06-30-17
	Dr. Bruce Hibbard	07-01-17 to 06-30-19
President of the School Board	C. Scott Veerkamp	07-01-14 to 08-12-16
	Carlos O. Garner	08-13-16 to 12-31-16
	Scott T. Sullivan	01-01-17 to 12-31-18



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TO: THE OFFICIALS OF THE FRANKLIN TOWNSHIP COMMUNITY
SCHOOL CORPORATION, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Franklin Township Community School Corporation (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 that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

October 25, 2018

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

The School Corporation had not separated incompatible activities related to financial transactions and reporting. There was a lack of adequate segregation of duties as the School Corporation had not separated incompatible activities related to financial close and reporting. One employee prepared and submitted the financial information to the Indiana Department of Education with no additional review or approval.

Context

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

Criteria

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal control that would ensure proper financial reporting.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Recommendation

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

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: School Breakfast Program, National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
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 to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The monthly cash balances (net cash resources) of the School Lunch fund exceeded 3 months average expenditures for all 24 months during the audit period.

Context

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected.

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 Cash Management compliance requirement.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-003

Subject: School Breakfast Program, National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Condition

The School Corporation had not designed or implemented adequate procedures to ensure compliance with eligibility requirements. Determination of eligibility was made by one individual without the oversight or review of another individual.

Context

The lack of controls was a systemic issue, 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that segregated key functions to ensure compliance with the compliance requirement listed above.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2016-004

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. One employee was responsible for completing and submitting required reports, including the monthly reimbursement requests and Annual Financial Reports. There was no oversight, review, or approval by anyone else at the School Corporation to ensure the accuracy of the reports.

Context

The lack of controls was a systemic issue, 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. . . ."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2016-005

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5310, 15-5310, 16-5310
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

During a sample testing of employees for the required time and effort documentation, Semi-Annual Certifications and time and effort logs were not provided by the School Corporation for 83 percent of the employees sampled.

Context

The lack of controls and the 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. . . ."

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 8h(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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states:

- **TAS Programs:**

"Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- **School wide programs:**

"If a school-wide program consolidates funds in a single account, an employee paid with funds from the single account is not required to file a semi-annual certification. If a schoolwide program does not consolidate funds, employees working solely on a single Federal program must complete semi-annual certifications.

If a school-wide program does not consolidate funds, employees working on multiple programs must maintain a time and effort log at least once a month."

Cause

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

Effect

The failure to establish an effective internal control system, which would include segregation of duties, enabled noncompliance with the grant agreement and the compliance requirement listed above.

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 compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): 14-5310, 15-5310, 16-5310

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management; Matching, Level of Effort, Earmarking;
Period of Performance; 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 cash management, earmarking, period of performance, and reporting requirements.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

One employee was primarily responsible for preparing reimbursement requests, which documented that expenses were incurred prior to requesting reimbursement. An oversight or review process, or other compensating control, had not been established to ensure that the cash management requirements were followed.

Earmarking

One employee was primarily responsible for preparing reimbursement requests, which documented the earmarking expenses for which the School Corporation was requesting reimbursement. An oversight or review process, or other compensating control, had not been established to ensure that the calculated earmarking expenses being requested for reimbursement were correct.

Period of Performance

One employee was primarily responsible for preparing reimbursement requests, which documented the period of performance for which the School Corporation was requesting reimbursement. An oversight or review process, or other compensating control, had not been established to ensure that the expenses being requested for reimbursement were within the allowable period of performance.

Reporting

One employee was primarily responsible for preparing reimbursement requests, Final Expenditure Reports, and State Per Pupil Expenditure (SPPE) Reports. An oversight or review process, or other compensating control, had not been established to ensure that the required reports were accurate.

Context

The lack of controls was a systemic problem, 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. . . ."

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the compliance requirements listed above.

Effect

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

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 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 2016-007

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): 14213-053-PN01, 14214-053-PN01,
14215-053-PN01, 14216-053-PN01,
45714-053-PN01, 45715-053-PN01,
45716-053-PN01, 99914-053-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

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

The School Corporation was a member of Southside Special Services of Marion County (Cooperative). The Cooperative operated the special education program and managed the special education grant funds for the School Corporation. The School Corporation also requested reimbursement from the Cooperative for some employees paid through the School Corporation.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Semi-Annual Certifications and time and effort records were being maintained by the Cooperative or the School Corporation in compliance with program requirements.

The School Corporation did not ensure that proper Semi-Annual Certifications and time and effort records were maintained on all full- and part-time employees paid from the special education funds for the audit period.

Testing at the Cooperative level for fiscal year 2014-2015 indicated the Cooperative did not comply with the time and effort requirements for some employees tested.

Testing was also performed at the School Corporation level for employees paid by the School Corporation. During fiscal year 2014-2015, the School Corporation provided computer-generated Semi-Annual Certifications for the three employees selected for testing; however, they were not signed by the supervisor. During fiscal year 2015-2016, the School Corporation started using Personnel Activity Reports (PARs) as their time and effort logs. The one PAR selected for testing for fiscal year 2015-2016 was completed and signed by the employee; however, there was no evidence of review or approval by a supervisor with direct knowledge of time charged. In further review of the time and effort files provided for the audit period, it was determined that the files were incomplete and most of the employees paid from special education funds at the local level did not have supporting documentation for time and effort in the files.

Context

The lack of controls and the 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. . . ."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
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). . . ."

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

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

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

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

Cause

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

Effect

The failure to establish an internal control system enabled noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Special Education Cluster (IDEA) - Cash Management and Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers (or Other Identifying Numbers): 14213-053-PN01, 14214-053-PN01,
14215-053-PN01, 14216-053-PN01,
45714-053-PN01, 45715-053-PN01,
45716-053-PN01, 99914-053-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 of finding from the immediately prior audit report. The prior audit finding number was 2014-004.

Condition

The School Corporation was a member of the Southside Special Services of Marion County (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education and each member school corporation of the Cooperative. Therefore, each member school corporation was responsible for following the compliance requirements related to Cash Management and Reporting compliance requirements.

An effective internal control system was not in place at the Cooperative in order to ensure that documentation was maintained to support the member School Corporation's compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

Reimbursement requests were completed every two weeks by the Cooperative throughout the audit period. Detailed supporting documentation used to prepare the reimbursement requests was not maintained by the Cooperative. As a result, it could not be determined whether the expenditures claimed were correct and for the period stated on the reimbursement requests.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The Cooperative was unable to provide 13 out of 19 Quarterly Monitoring Reports for Proportionate Shares for Non-Public Schools that were due during the audit period. Additionally, the Cooperative was only able to provide one of the Final Financial Reports that were due during the audit period.

Context

The lack of controls was systemic, occurring throughout the audit period. The lack of reports and supporting documentation prevented the determination of the School Corporation's compliance with the Cash Management and Reporting compliance requirements.

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 80.21(d) states:

"*Reimbursement.* Reimbursement shall be the preferred method when the requirements in para-graph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

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. . . ."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the compliance requirements listed above was maintained and made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the compliance requirements listed above will be maintained and available for audit.

Views of Responsible Officials

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-009

Subject: Special Education Cluster (IDEA) - Period of Performance
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14213-053-PN01, 14214-053-PN01,
14215-053-PN01, 14216-053-PN01,
45714-053-PN01, 45715-053-PN01,
45716-053-PN01, 99914-053-PN01

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition

The School Corporation was a member of the Southside Special Services of Marion County (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent federal funds on behalf of the member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education and each member school corporation of the Cooperative. Therefore, each member school corporation was responsible for following the compliance requirements related to the Period of Performance compliance requirement.

An effective internal control system was not in place at the School Corporation in order to ensure that documentation was maintained to support the School Corporation's compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

Reimbursement requests were completed every two weeks by the Cooperative throughout the audit period. Detailed supporting documentation used to prepare the reimbursement requests was not maintained. As a result, it could not be determined whether the expenditures claimed were correct and for the period stated on the reimbursement requests.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation for reimbursement requests was isolated to the 2014-2015 school year.

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. . . ."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
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 80.23(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."

Cause

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Period of Performance compliance requirement was maintained and made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related the grant agreement and the compliance requirement listed above will be maintained and available for audit.

Views of Responsible Officials

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

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: Whereas this is a repeat finding from the previous audit report, it was considered a Section II Finding so no formal corrective action plan was required to be submitted by the Treasurer, Chad Blacklock at that time. Whereas the audit discovered no errors or irregularities in the financial information submitted it just didn't have multiple people approving the submission. Segregation of duties and monitoring is important to provide reasonable assurance that misstatements are prevented, or detected in a timely manner.

Description of Corrective Action Plan: Controls will be put in place that financial documents are reviewed by other individuals with financial knowledge besides those preparing the documents prior to financial reporting.

Anticipated Completion Date: January 1, 2019



Fred McWhorter II

COO / Treasurer

Title

10/12/18

Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: This is a repeat finding in which the School Lunch fund exceeded 3-months average expenditures for all 24 months during the audit. The previous corrective action plan detailed how future expenditures would be considered to decrease the cash balance to be in compliance with maintaining a cash balance that did not exceed the average expenditures in a three-month period. Some of those expenditures did not occur and continued monitoring was not documented.

Description of Corrective Action Plan: The Food Service Director will review with the Treasurer or Deputy Treasurer no less than quarterly the cash balance of the School Lunch fund and if warranted, formulate and document a plan to spend excess cash to be in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e).

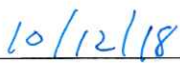
Anticipated Completion Date: January 1, 2019.



Fred McWhorter II



Title



Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: The audit determined that free and reduced eligibility for the breakfast and lunch programs was made by one individual without oversight or review of another individual. Whereas no errors were noted in the audit regarding eligibility we agree that internal controls to segregate duties would place the School Corporation at less risk of noncompliance.

Description of Corrective Action Plan: The Food Service Director will implement adequate procedures to ensure compliance with Eligibility requirements. Determination of eligibility will be reviewed by a second individual familiar with the eligibility process.

Anticipated Completion Date: January 1, 2019.

Handwritten signature of Fred McWhorter II in blue ink.

Fred McWhorter II

Handwritten title "COO / Treasurer" in blue ink.

Title

Handwritten date "10/12/18" in blue ink.

Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN


FINDING 2016-004

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: The audit determined that reports, monthly reimbursement requests and the annual financial report for the breakfast, lunch, special milk and summer food service programs was made by one individual without oversight or review of another individual. Whereas no errors were noted in the audit regarding the accuracy of these reports or reimbursement requests we agree that internal controls to segregate duties would place the School Corporation at less risk of noncompliance.

Description of Corrective Action Plan: The Food Service Director will implement adequate procedures to ensure compliance. Reports and reimbursement requests will be reviewed by a second individual familiar with the process.

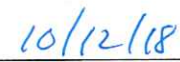
Anticipated Completion Date: January 1, 2019.



Fred McWhorter II



Title



Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
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Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: Semi-annual certifications and time and effort logs were not found for all Title I employees sampled by the auditors. Payments to employees were not deemed incorrect the forms just couldn't be found. The district had a turnover of staff responsible for this documentation and wasn't able to locate the forms. Had the audit been performed in a more-timely manner instead of two years late we believe these forms would have been located.

Description of Corrective Action Plan: The Chief Innovations Officer responsible for the Title I grant will ensure that semi-annual certifications and time and effort logs are properly maintained for audit.

Anticipated Completion Date: January 1, 2019.



Fred McWhorter II

COO / Treasurer

Title

10/22/18

Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: The audit determined that reimbursement requests for the Title I program was made by one individual without oversight or review of another individual. Whereas no errors were noted in the audit regarding the accuracy of these reimbursement requests we agree that internal controls to segregate duties would place the School Corporation at less risk of noncompliance.

Description of Corrective Action Plan: The Chief Innovations Officer responsible for the Title I grant will implement adequate procedures to ensure compliance. Reimbursement requests will be reviewed by a second individual familiar with the process.

Anticipated Completion Date: January 1, 2019.

Handwritten signature of Fred McWhorter II in blue ink.

Fred McWhorter II

Handwritten title "COO / Treasurer" in blue ink.

Title

Handwritten date "10/12/18" in blue ink.

Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: The Southside Special Services of Marion County (Cooperative) oversaw the Special Education Grants to States and Special Education Preschool Grants for the audit period. When they were audited it was noted that semi-annual certifications and time and effort logs were not maintained on behalf of Franklin Township Community School Corporation. The previous corrective action plan evidently was not implemented to fidelity to correct this noncompliance.

Description of Corrective Action Plan: Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and will oversee and implement the Special Education Grants to States and Special Education Preschool Grant moving forward. The Chief Special Education Officer responsible for these grants will ensure that semi-annual certifications and time and effort logs will be prepared when applicable.

Anticipated Completion Date: July 1, 2018

A handwritten signature in blue ink that reads "Fred McWhorter II".

Fred McWhorter II

A handwritten signature in blue ink that reads "COO / Treasurer".

Title

A handwritten date in blue ink that reads "10/12/18".

Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: The Southside Special Services of Marion County (Cooperative) oversaw the Special Education Grants to States and Special Education Preschool Grants for the audit period. When audited it was noted that the cooperative did not maintain supporting documentation to prepare reimbursement requests and that all monitoring reports were not completed. The previous corrective action plan evidently was not implemented to fidelity to correct this noncompliance.

Description of Corrective Action Plan: Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and will oversee and implement the Special Education Grants to States and Special Education Preschool Grant directly moving forward. The Chief Special Education Officer responsible for these grants will ensure that reimbursement requests and reports are prepared timely and documentation maintained.


Anticipated Completion Date: July 1, 2018



Fred McWhorter II



Title



Date

Franklin Township Community School Corporation

Dr. Bruce A. Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
Judy L. Shore
Scott Sullivan
Larry J. Walker



CORRECTIVE ACTION PLAN

FINDING 2016-009

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-862-2411

Views of Responsible Official: The Southside Special Services of Marion County (Cooperative) oversaw the Special Education Grants to States and Special Education Preschool Grants for the audit period. When audited it was noted that the cooperative did not maintain supporting documentation to prepare reimbursement requests and to ensure they were part of the correct reimbursement period. The previous corrective action plan evidently was not implemented to fidelity to correct this noncompliance.

Description of Corrective Action Plan: Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and will oversee and implement the Special Education Grants to States and Special Education Preschool Grant directly moving forward. The Chief Special Education Officer responsible for these grants will ensure separation of duties, that reimbursement requests are prepared for the applicable period and proper documentation maintained.


Anticipated Completion Date: July 1, 2018



Fred McWhorter II



Title



Date

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2018, with Dr. Bruce Hibbard, Superintendent of Schools; Fred McWhorter II, Treasurer; Scott T. Sullivan, President of the School Board; and Kaitlin L. Porter, Director of Business.