

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF LAWRENCE TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
03/21/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michael D. Shreves	07-01-15 to 06-30-19
Superintendent of Schools	Dr. Shawn A. Smith	07-01-15 to 06-30-19
President of the School Board	Carol Helmus Reginald McGregor	07-01-15 to 12-31-16 01-01-17 to 12-31-18



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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF LAWRENCE TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Lawrence Township (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

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

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

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

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

December 20, 2018

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had not established effective internal controls over cash and investments, receipts, other financing sources and uses, and the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investments

The School Corporation properly designed a control for cash and investments; however, there was no documentation that the control was properly implemented.

Receipts

The School Corporation properly designed a control for receipts; however, there was no documentation that the control was properly implemented.

Other Financing Sources and Uses

The School Corporation properly designed a control over other financing sources and uses; however, there was no documentation that the control was properly implemented.

SEFA

The School Corporation properly designed a control for the preparation and approval of the SEFA; however, there was no documentation that the control was properly implemented.

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:

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

"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 had not established a proper system of internal control over financial transactions and reporting related to cash and investments, receipts, other financing sources and uses, and the SEFA.

Effect

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

Recommendation

We recommended that the School Corporation's management establish a documented system of internal controls, including segregation of duties, related to financial transactions and reporting.

Views of Responsible Officials

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

FINDING 2017-002

Subject: 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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with the Cash Management requirements that the net cash resources in the School Lunch fund should not exceed three months average expenditures for its nonprofit school food service program. The net cash resources in the School Lunch fund exceeded three months average expenditures for the entire audit period.

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. . . ."

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 noncompliance with the grant agreement and the Cash Management compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Eligibility

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017, FY2016/17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-004.

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 Eligibility compliance requirement.

One individual was responsible for determining the eligibility for the applications of the School Lunch program. There was no control in place, such as an oversight, review, or approval process, to ensure the correct eligibility determination was made.

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. . . ."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Eligibility 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 Eligibility 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 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 2017-004

Subject: Child Nutrition Cluster - Equipment and Real Property Management

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017, FY2016/17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-005.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Condition

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

The School Corporation did not accurately maintain equipment or property records for equipment purchased with program funds. The capital asset records did not contain the source of funding for the property or percentage of federal participation in the cost.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313(d) states in part:

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

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017, FY2016/17

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 report. The prior audit finding number was 2015-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

During the testing of procurements, it was determined that the School Corporation did not accept rate quotes for procurements, which qualified as small purchases.

Suspension and Debarment

There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

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. . . ."

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 200.318 states in part:

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

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

2 CFR 200.320 states in part:

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

(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. . . ."

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.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

You do this by:

- (a) Checking 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 compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 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 2017-006

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017, FY2016/17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

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 Program Income compliance requirement.

The School Corporation had not properly designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records to enable the determination of its compliance with the Program Income compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

The School Corporation had not established the School Lunch Clearing Fund (8400) to account for the prepaid school lunch account balances. All receipts were recorded directly in the School Lunch fund (800). Due to the method of recordkeeping, transfer of program income to the School Lunch fund could not be audited during the audit period.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

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

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Program Income compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2017-007

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-009.

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 - Paid Lunch Equity compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the paid lunch equity calculation was properly calculated. There was no oversight, review, or approval of the paid lunch equity calculations prior to submission to the School Board.

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. . . ."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 Special Tests and Provisions - Paid Lunch Equity 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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

FINDING 2017-008

Subject: School Breakfast Program, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-008.

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 - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

During the testing of the verifications, it was found in one instance that the frequency of pay used contained an error and that income was calculated incorrectly, causing an inappropriate change to eligibility status. In three instances, the School Corporation tested a household that had already been verified by the Indiana Department of Education and kept the household status as reduced when the household status should have been changed to free.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 245.6a(c)(1) states in part: "*General*. The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Views of Responsible Officials

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

FINDING 2017-009

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

Federal Agency: Department of Education

Federal Programs: Special Education Grant to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-036-PN01, 14215-036-PN01,
14216-036-PN01, 14217-036-PN01,
45715-036-PN01, 45716-036-PN01,
45717-036-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-010.

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.

The School Corporation was not keeping the proper time and effort logs to support the payment of employees from the Special Education Cluster (IDEA) funds.

Context

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
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). . . ."

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 LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2017-010

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-036-PN01, 14215-036-PN01,
14216-036-PN01, 14217-036-PN01,
45715-036-PN01, 45716-036-PN01,
45717-036-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-011.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Level of Effort - Maintenance of Effort (MOE) requirements.

The School Corporation did not provide adequate supporting documentation to support compliance with the MOE requirements. The amounts used for the MOE calculations were estimated numbers and did not reflect correctly the records of the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.20 states in part:

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

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

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

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

2 CFR 200.302 states in part:

"(a) 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. . . .

(b) 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 compliance with the MOE requirements.

Effect

The failure to establish an effective internal control enabled noncompliance with the grant agreement and the MOE requirements.

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 MOE requirements. We also recommended that the School Corporation use financial information for the MOE calculations that reflect the records of the unit.

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 LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2017-011

Subject: Special Education Cluster (IDEA) - Procurement and 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): 14214-036-PN01, 14215-036-PN01,
14216-036-PN01, 14217-036-PN01,
45715-036-PN01, 45716-036-PN01,
45717-036-PN01

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 report. The prior audit finding number was 2015-012.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

During the testing of procurements, it was determined that the School Corporation did not accept rate quotes for procurements which qualified as small purchases.

Suspension and Debarment

There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs.

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 LAWRENCE TOWNSHIP
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). . . ."

2 CFR 200.318 states in part:

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

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

2 CFR 200.320 states in part:

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

(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. . . ."

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 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 compliance with the Procurement and Suspension and Debarment compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 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 2017-012

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-036-PN01, 14215-036-PN01,
14216-036-PN01, 14217-036-PN01,
45715-036-PN01, 45716-036-PN01,
45717-036-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-013.

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 have proper oversight and monitoring of the preparation and reporting of the Quarterly Monitoring Report for Proportional Shares for Non-Public Schools. During testing, it was determined there was no review or approval of the Quarterly Monitoring Report for Proportional Shares for Non-Public Schools once prepared for the special education programs.

Context

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
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

Management had not developed a system of internal controls to ensure 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.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

FINDING 2017-013

Subject: Title I Grants to Local Educational Agencies -
Allowable Costs/Cost Principles, Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 15-5330, 16-5330, 17-5330,
S010A150014, S010A160014
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Eligibility
Audit Finding: Material Weakness

Condition

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

Allowable Costs/Cost Principles

The School Corporation did not have a control procedure in place to ensure that time and effort logs were being reviewed and approved by an appropriate supervisor. None of the time and effort logs tested had any documentation of a review or approval by the employee's supervisor.

Eligibility

One employee was primarily responsible for preparing and submitting the Title I Applications, which contained the information to determine each school's eligibility. An oversight, review process, or other compensating control had not been established to ensure the eligible school's information shown on the Title I Applications was correct.

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
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 to ensure compliance with the Allowable Costs/Cost Principles and Eligibility compliance requirements.

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 Allowable Costs/Cost Principles and the Eligibility compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Eligibility compliance requirements.

Views of Responsible Officials

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

FINDING 2017-014

Subject: Title I Grants to Local Educational Agencies -
Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-5330; 16-5330; 17-5330;
S010A150014; S010A160014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

Procurement

During the testing of procurements, it was determined that the School Corporation did not accept rate quotes for procurements which qualified as small purchases.

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

Suspension and Debarment

There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs.

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."

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 200.318 states in part:

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

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

2 CFR 200.320 states in part:

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

(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. . . ."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
FEDERAL FINDINGS
(Continued)

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 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 compliance with the Procurement and Suspension and Debarment requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 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.



CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-001 indicates deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The area in question is the proper approval of bank reconciliations and claim reports. While these were being reviewed by the appropriate personnel, no signatures were obtained documenting such review. Moving forward, proper signatures documenting the review process will be obtained.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. We have taken steps, effective July 1, 2017 to establish a system of internal controls related to financial transactions and reporting for receipts, cash and investments, and other financing sources and uses.

Anticipated Completion Date:

July 1, 2017

FINDING 2017-002

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-002 indicates that no procedures were in place to ensure amounts being entered for federal reimbursement were accurate prior to submission. Amounts entered for federal reimbursement were being reviewed prior to submission, however, they were not being documented by way of a signature. It also indicates that the School Lunch Fund balance exceeded the three-month average expenditures as allowed with no formal plan to spend the excess balance during the audit period. A plan has been established, but it was not established during the audit period.



Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. We have taken steps, effective with the 2017-18 school year, signatures will be obtained documenting the verification of the amounts being submitted for federal reimbursement. A formal plan was established in the summer of 2015 that outlines how the District plans to spend the excess cash balance in the School Lunch Fund.

Anticipated Completion Date:

The 2017-18 school year and beyond.

FINDING 2017-003

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-003 indicates that there were no controls in place to ensure compliance with the Federal Income Guidelines when approving Free or Reduced Lunch Applications that were filed electronically. It also indicates that paper applications that were filed did not get reviewed for accuracy when entered into the electronic system. Controls were in place to ensure compliance with the electronic system, however they were not formally documented.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the 2017-18 school year, a formal sign-off process will be utilized to verify that the proper parameters were accurately defined in the electronic system to ensure they match the Federal Income Guidelines and that the system had calculated and determined the benefits correctly. Furthermore, if a paper application is input, a person other than the person who input the data will verify its accuracy and sign off accordingly.

Anticipated Completion Date:

The 2017-18 school year and beyond.



FINDING 2017-004

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-004 indicates that proper records were not kept for equipment purchased with Child Nutrition program funds. Property records were maintained and fixed asset audits are conducted every 2 years. However, in the records, the property was not identified as being purchased with the Child Nutrition Funds.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the fixed asset audit that will be completed as of June 30, 2019, items purchased with Child Nutrition program funds will be identified as such.

Anticipated Completion Date:

June 30, 2019

FINDING 2017-005

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-005 indicates that no documentation was maintained to indicate that the School Corporation verified that vendors, who the School Corporation entered into contracts with, were not suspended or debarred. It also indicates that purchases over \$3,000 were made without getting 2 or more quotes.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective July 1, 2017, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them. Effective, January 1, 2019, the School Corporation will get 2 or more quotes on all purchases greater than \$3,000.

Anticipated Completion Date:

July 1, 2017 and January 1, 2019.



FINDING 2017-006

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-006 indicates that there was no separation of the School Lunch Clearing Fund (8400) from the program income.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective January 1, 2018, the School Corporation established the School Lunch Clearing Fund and is separating the prepaid receipts from the program receipts.

Anticipated Completion Date:

January 1, 2018

FINDING 2017-007

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-007 indicates that the school did not comply with the Paid Lunch Equity provisions by not increasing school lunch prices based on the average weighted price method.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the 2017-18 school year and beyond, the School Corporation has complied with the Paid Lunch Equity provisions.

Anticipated Completion Date:

2017-18 school year and beyond.



FINDING 2017-008

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-008 indicates that an internal control system was not in place regarding the verification of Free and Reduced Price Applications.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the 2017-18 school year, the School Corporation will have controls in place to ensure compliance related to the grant agreement and Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) requirements.

Anticipated Completion Date:

2017-18 school year and beyond.

FINDING 2017-009

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-009 indicates that time and effort logs were not being properly maintained by the School Corporation for employees who worked solely on Special Education Programs.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the 2017-18 school year, time and effort logs will be completed for employees who work solely on Special Education Programs.

Anticipated Completion Date:

School year 2017-18 and beyond.



FINDING 2017-010

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-010 indicates that the School Corporation did not document the Maintenance of Effort calculation properly.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the 2017-18 school year, proper documentation exists relating to the calculation of the Maintenance of Effort calculation.

Anticipated Completion Date:

2017-18 school year and beyond

FINDING 2017-011

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-011 indicates that no documentation was maintained to indicate that the School Corporation verified that vendors, who the School Corporation entered into contracts with, were not suspended or debarred. It also indicates that purchases over \$3,000 were made without getting 2 or more quotes.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective July 1, 2017, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them. Effective, January 1, 2019, the School Corporation will get 2 or more quotes on all purchases greater than \$3,000.

Anticipated Completion Date:

July 1, 2017 and January 1, 2019.



FINDING 2017-012

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-012 indicates that the Quarterly Monitoring Reports for Coordinated Early Learning Services were not reviewed by the Director of Special Education. These reports were reviewed by the Director of Special Education prior to submission, however, it was not documented that the review took place.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective with the 2017-18 school year, all reports required will be properly approved and documented by the appropriate personnel as well as them being secured for safekeeping.

Anticipated Completion Date:

2017-18 school year and beyond

FINDING 2017-013

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-013 indicates that Time and Effort Logs for personnel paid under the Title I program were not reviewed and approved by an appropriate supervisor and that the Title I application was submitted and prepared by one employee without being reviewed or approved by an appropriate supervisor.

Description of Corrective Action Plan:

Effective January 1, 2019, all Time and Effort Logs for personnel paid under the Title I program will be properly reviewed, approved, and documented by an appropriate supervisor. Also, effective with the 2019-20 Title I Grant, an appropriate supervisor will review and approve the grant application prior to submission.

Anticipated Completion Date:

January 1, 2019



FINDING 2017-014

Contact Person Responsible for Corrective Action: Michael Shreves, CFO/Treasurer
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Finding 2017-014 indicates that no documentation was maintained to indicate that the School Corporation verified that vendors, who the School Corporation entered into contracts with, were not suspended or debarred. It also indicates that purchases over \$3,000 were made without getting 2 or more quotes.

Description of Corrective Action Plan:

Due to the fact that our prior audit was completed after this audit period ended, we were unable to correct this issue prior to this audit. Effective July 1, 2017, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them. Effective, January 1, 2019, the School Corporation will get 2 or more quotes on all purchases greater than \$3,000.

Anticipated Completion Date:

July 1, 2017 and January 1, 2019.

Michael D. Shreves

(Signature)

CFO

(Title)

12-20-18

(Date)

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B48790.

The financial statements presented by the School Corporation included funds with overdrawn cash balances at June 30, 2016 and 2017, as follows:

Fund	Amount Overdrawn as of 6-30-16	Amount Overdrawn as of 6-30-17
Child Care Program	\$ -	\$ 57,094
Student Life Ctr Support	1,675	1,123
United Way - HH	3,338	5,494
Foundation Salaries	12,349	12,760
Adult and Continuing Education	406,151	406,151
MAC Jr	1,168	1,068
MAC Online	4,543	-
PBIS Initiative	2,166	-
Employee Criminal History	1,335	4,733
Medicaid Reimbursement	1,565	3,407
Extra Curricular Clearing	7,301	11,207
School Discretionary Fund	221	-
Misc Clearing Fund	4,205	16,097
Foundation Grants	3,757	11,746

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

BANK ACCOUNT RECONCILIATIONS

The June 30, 2017 bank reconciliation included numerous unreconciled balances being adjusted to the ledger with a net effect of \$38,423.48. The School Corporation is not making the proper adjustments in a timely fashion.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Reginald McGregor, President of the School Board; Dr. Shawn A. Smith, Superintendent of Schools; and Michael D. Shreves, Treasurer.