

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WARREN COUNTY
WARREN COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/22/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Financial Transactions and Reporting	4-5
Finding 2018-002	
Preparation of the Schedule of Expenditures of Federal Awards	5-7
Finding 2018-003	
Child Nutrition Cluster - Internal Controls	7-9
Finding 2018-004	
School Breakfast Program, National School Lunch Program - Eligibility.....	9-11
Finding 2018-005	
Child Nutrition Cluster - Procurement and Suspension and Debarment	11-14
Finding 2018-006	
School Breakfast Program, National School Lunch Program - Program Income	14-15
Finding 2018-007	
Child Nutrition Cluster - Reporting	16-17
Corrective Action Plan.....	18-24
Exit Conference.....	25

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nanette Ware	07-01-16 to 06-30-19
Superintendent of Schools	Ralph Shrader	07-01-16 to 06-30-19
President of the School Board	Sharon Grady Dr. Gary Greenwood Dan Duchemin Steve Magner	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WARREN COUNTY, WARREN COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Warren County (School Corporation), for the period from July 1, 2016 to June 30, 2018. 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

February 12, 2018

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS

FINDING 2018-001

Subject: 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 2016-001.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties, as the School Corporation had not separated incompatible activities related to receipts.

The Treasurer issued receipts, recorded receipts, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of adequate internal controls was a systemic issue throughout the audit period; however, corrective action to resolve this issue was initiated in May 2018.

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

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that financial transactions are properly recorded and reported.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

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

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

Context

Due to the lack of effective internal controls, the federal expenditures reported for the National School Lunch Program omitted the commodities. This omission understated the federal expenditures by \$51,634 and \$51,572 for the 2016-2017 and 2017-2018 school years, respectively.

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

Criteria

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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. . . ."

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP), Special
Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-002 and 2016-007.

Condition

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate internal controls to ensure that disbursements from program funds had proper oversight or review prior to payment.

Cash Management - (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight, review, or monitoring of the cash balances.

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

The Food Service Director performed the verifications of free and reduced price meal applications without a proper system of oversight or review to ensure their accuracy.

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

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of effective controls was a systemic issue throughout the audit period; however, corrective action regarding the Cash Management compliance requirement was initiated in May 2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed a system of internal control to ensure compliance with the compliance requirements listed above.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-004

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): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not established effective controls to ensure that criteria for determining the eligibility of children for free and reduced price meals was publicly announced as required.

The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the public announcement of eligibility criteria. Policy statements used for public announcement of eligibility criteria and other eligibility information were not presented for audit.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and lack of documentation regarding compliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced price meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of each school year or, if notice of approval is given thereafter, within 10 days after the notice is received. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal control that would have ensured that documentation was maintained and made available for audit related to compliance with the Eligibility compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation will be maintained and made available for audit related to 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 2018-005

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): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition

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

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

A local procurement policy had not been implemented by the School Corporation.

The School Corporation awarded bids and entered into contracts with vendors for food products, materials, and supplies. Those contracts were not approved by the School Board.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

Suspension and Debarment

The School Corporation did not have adequate policies or procedures in place to ensure that vendors were not suspended or debarred from participation in federal award programs.

The School Corporation did not comply with the suspension and debarment requirements that they perform procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 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.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

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

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

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

The School Corporation's management had not developed a system of internal control 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 material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
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 2018-006

Subject: School Breakfast Program, National School Lunch Program - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-005.

Condition

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

The School Corporation had not properly designed or implemented adequate controls to ensure that the correct price was charged for meals served or other items sold. There was no comparison of total daily, weekly, or monthly program income to meals served from the software system.

The School Corporation was unable to provide evidence that they complied with the program income requirements regarding proper recording of income from a-la-carte revenue. Monthly cash sales reports were not presented for audit.

Context

The lack of controls and the lack of documentation regarding compliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(c) states:

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

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

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

Cause

The School Corporation had not developed a system of internal control that would have ensured that documentation was maintained and made available for audit related to compliance with the Program Income compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation will be maintained and made available for audit related to 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.

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2018-007

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

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 Reporting compliance requirement. The Annual Financial Reports (AFRs), Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

The AFRs submitted did not agree with the School Corporation's underlying financial records. Income and expenses for fiscal year 2016-2017 were overstated by \$15,658 and understated by \$1,326, respectively. Income and expenses for fiscal year 2017-2018 were overstated by \$17,767.

Context

The lack of controls was a systemic issue that affected all reports submitted during the audit period. Neither of the two AFRs submitted during the audit period agreed with the underlying financial records.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b)(2) states in part: "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. . . ."

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
FEDERAL FINDINGS
(Continued)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person(s) Responsible for Corrective Action: Nanette Ware
Contact Phone Number(s): (765)762-3364

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

Description of Correction Action Plan: Management of M.S.D. of Warren County will correct deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The observed lack of segregation of duties of incompatible activities related to receipts is currently checked by the Payroll Clerk after being prepared by the Treasurer. The Payroll Clerk will begin initialing receipts and deposits to indicate review. If the Payroll Clerk is unavailable, the Superintendent or As. Superintendent will review receipts.

Gateway submissions will be reviewed by the Payroll Clerk or a central office administrator prior to final submission. Reports will be printed and initialed indicating review and approval.

Anticipated Completion Date: This process began in May 2018.

Nanette Ware
(signature)

Treasurer
(title)

2/12/2019
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person(s) Responsible for Corrective Action: Nanette Ware, Kim Swaney
Contact Phone Number(s): (765)762-3364, (765)893-4445

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

Description of Correction Action Plan: School Corporation Treasurer will confirm the commodity figures with the Lunch Secretary for the Indiana Gateway for Government Units financial reporting systems, which is the source of the School Corporation's SEFA.

Gateway submissions will be reviewed by a central office administrator prior to final submission. Reports will be printed and initialed indicating review and approval.

Anticipated Completion Date: Reviewing of reports began in August 2018. Confirming commodity figures will begin August 2019.

Nanette Ware
(signature)

Treasurer
(title)

2/12/2019
(date)

Kim Swaney
(signature)

Lunch Secretary
(title)

2-12-19
(date)

Metropolitan School District of Warren County

101 N. Monroe, Box 207, Williamsport, IN 47993

Phone 765-762-3364 Fax 765-762-6623

Dr. Ralph D. Shrader, Superintendent
rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-003

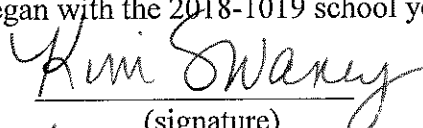

Contact Person(s) Responsible for Corrective Action: Kim Swaney, Ralph Shrader
Contact Phone Number(s): (765)893-4445, (765)762-3364

Views of the Responsible Officials: We, the School corporation, agree with this finding.

Description of Correction Action Plan: M.S.D. of Warren County will document the use of a review/oversight of disbursements from program funds prior to payment. Head cooks will approve claims for payment which will be submitted to the Lunch Secretary for payment. Claims will be prepared by the Lunch Secretary and then processed by the School Treasurer. Each individual will initial or sign showing approval of disbursements. Building principals will serve as the third layer of oversight if buildings do not have a secretary responsible for hot lunch.

M.S.D. of Warren County will monitor lunch fund monthly cash balances (net cash resources) to assure that three months' average expenditures are in compliance with Cash Management requirements. Monthly balances are currently reviewed by the Superintendent of Schools and will be tracked using a spreadsheet. This spreadsheet will be shared with head cooks and the Lunch Secretary to verify accuracy which will be indicated by the initialing of the financial documentation on a quarterly basis. M.S.D. of Warren County will document the effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. The Lunch Secretary currently completes the verifications of free and reduced price applications and performs the calculations for paid lunch equity. These calculations are reviewed by the Building Treasurer and Building Principal who approves the applications and ensures their accuracy. Individuals will initial or sign to indicate review and approval.

Anticipated Completion Date: A training of all school secretaries and building administrators took place at the conclusion of the 2017-2018 school year. The financial tracking has already begun. Initialing of applications began with the 2018-2019 school year.

 (signature)	 (signature)
Lunch Secretary (title)	Superintendent (title)
2-12-19 (date)	2/12/19 (date)

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jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

Description of Correction Action Plan: M.S.D. of Warren County will establish effective controls to ensure that criteria for determining the eligibility of children for free and reduced priced meals was publicly announced as required. Criteria is currently listed on the school website, provided at school registration, and shared during student/parent orientation prior to school. Documentation of these events will be maintained and initialed by individuals involved in the process. This documentation will be maintained until proper audits are completed.

Anticipated Completion Date: For the 2018-2019 school year documentation is being initialed and saved for orientation for the upcoming school year.

Kim Swaney
(signature)

Lunch Secretary
(title)

2-12-19
(date)

Metropolitan School District of Warren County

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rshrader@msdwarco.k12.in.us

Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-005


Contact Person(s) Responsible for Corrective Action: Kim Swaney
Contact Phone Number(s): (765)893-4445

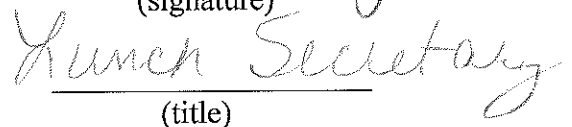
Views of the Responsible Officials: We, the School Corporation, agree with this finding.

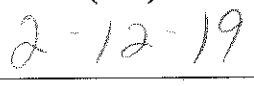
Description of Correction Action Plan: M.S.D. of Warren County will assure that internal controls are in place to ensure that the purchasing methods used comply with procurement procedures or with applicable state and local requirements. The School Corporation will award bids and enter contracts as approved by the School Board. The School Corporation will maintain documentation of any procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

The School Corporation will obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500 and document the rationale for the method of procurement.

Anticipated Completion Date: These procedures began with the 2018-2019 school year.



(signature)


(title)


(date)

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Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-006


Contact Person(s) Responsible for Corrective Action: Kim Swaney, Phil Halsema
Contact Phone Number(s): (765)893-4445, (765)762-3364

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

Description of Correction Action Plan: M.S.D. of Warren County will establish adequate controls to ensure that the correct price is charged for meals served or other items sold. A report generated from our cafeteria software will be used monthly to assure program income matches meals served.

All deposits of prepaid lunch funds will be made into the Prepaid Lunch fund and transferred into the School Lunch fund only after goods are purchased. The actual program income generated from the food service program will be recorded.

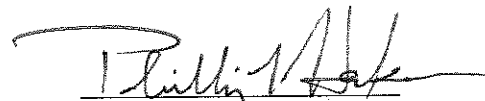
Anticipated Completion Date: This process began with the 2018-2019 school year.


(signature)

Lunch Secretary
(title)

2-12-19

(date)


(signature)

DIRECTOR OF TECHNOLOGY
(title)

2/12/2019

(date)

Metropolitan School District of Warren County

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Phone 765-762-3364 Fax 765-762-6623

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Mr. James P. Beyer, Asst. Superintendent
jbeyer@msdwarco.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person(s) Responsible for Corrective Action: Kim Swaney, Phil Halsema
Contact Phone Number(s): (765)893-4445, (765)762-3364

Views of the Responsible Officials: We, the School Corporation, agree with this finding.

Description of Correction Action Plan: M.S.D. of Warren County will establish an effective internal control system to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports, Monthly Sponsor Claims for Reimbursement, and School Food Authority (SFA) Verification Collection Reports will be prepared and submitted by one individual with a documented oversight, review, and approval process. Monthly reports generated by the school lunch software along with an annual spreadsheet produced by the technology director will be used to prepare reports. All reports will be initialed as reviewed and approved.

Anticipated Completion Date: Process began with the 2018/2019 school year.

<u>Kim Swaney</u> (signature)	<u>Phil Halsema</u> (signature)
<u>Lunch Secretary</u> (title)	<u>DIRECTOR OF TECHNOLOGY</u> (title)
<u>2-12-19</u> (date)	<u>2/12/2019</u> (date)

METROPOLITAN SCHOOL DISTRICT OF WARREN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2019, with Nanette Ware, Treasurer; Ralph Shrader, Superintendent of Schools; Steve Magner, President of the School Board; Phil Halsema, Director of Technology; Kim Swaney, Lunch Secretary; and Chelsea Fink, Food Service Director.