

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

FRANKLIN TOWNSHIP COMMUNITY
SCHOOL CORPORATION
MARION COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/26/2019

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SCHEDULE OF OFFICIALS

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



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

This report is supplemental to our audit report of the Franklin Township Community School Corporation (School Corporation), for the period from July 1, 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

May 21, 2019

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

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 an effective system of internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Officials prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. Due to an error on the Expenditure Report of Federal Dollars for Local SEFA Completion report completed at the Special Education Cooperative used by the School Corporation, the amount reported on the School Corporation's SEFA for Special Education Part B 611 was overstated \$491,372 for the period ending June 30, 2018.
2. Due to an error on the Expenditure Report of Federal Dollars for Local SEFA Completion report completed at the Special Education Cooperative used by the School Corporation, the amount reported on the School Corporation's SEFA for Preschool Special Education Part B 619 was overstated by \$15,530 for the period ending June 30, 2018.

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:

"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. . . ."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.
- (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.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, 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 2018-002

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2017, FY2018

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 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 Reporting compliance requirement.

One employee was responsible for completing and submitting the monthly reimbursement requests. There was no oversight, review, or approval by anyone else at the School Corporation ensuring the accuracy of the reports.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system, which includes 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 a system of internal controls to ensure compliance with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2018-003

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): FY2017, FY2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation had not designed or implemented an adequate system of internal controls to ensure that paid lunch prices were properly calculated and implemented. There was no oversight, review, or approval of the paid lunch equity calculations prior to submission to the School Board and to the Indiana Department of Education. Paid lunch equity calculations were prepared and submitted by the Child Nutrition Director without any additional oversight or review.

Context

The lack of controls was a systemic issue, which occurred 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). . . ."

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 includes segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provision - Paid Lunch Equity compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the 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.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-004

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): FY2017, FY2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition

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

The monthly cash balance (net cash resources) for the School Lunch fund exceeded the three months average expenditures throughout the entire audit period.

Context

The lack of controls and noncompliance were systemic issues, which occurred 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 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:
. . .

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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 grant agreement and 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal 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 2018-005

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): FY2017, FY2018
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 established an effective internal control system to ensure that program income was being properly receipted into the Prepaid Student Meals fund and then transferred to the School Lunch fund. At the end of each month, only net changes to the prepaid student accounts were being posted to the Prepaid Student Meals fund. The Prepaid Student Meals fund was being reconciled to the subsidiary accounts of the individual students each month. Additionally, lunch revenue earned was being properly posted to the School Lunch fund each month.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance were systemic issues, which occurred 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 210.14(c) states:

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

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

7 CFR 220.7(e) states in part:

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

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

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal 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 2018-006

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): 16-5310, 17-5310, 18-5310
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 the grant agreement and the procurement requirements. The School Corporation had not established an effective system of internal controls to ensure that proper procurement methods were selected prior to purchasing goods related to small purchases.

The School Corporation's procurement policy did not address individual procedures for micro-purchase, small purchase, and sealed bid procurements or establish a threshold for each method. The School Corporation did not comply with the procurement requirements for small purchases and micro-purchases.

Small Purchases

All items tested that were subject to the small purchase procurement requirements were not in compliance. The School Corporation did not obtain price or rate quotations from other vendors or document the basis for purchasing from these vendors.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Micro-Purchases

All items tested that were subject to the micro-purchase procurement requirements were not in compliance. The School Corporation did not distribute micro-purchases equitably among qualified suppliers.

Context

The lack of controls and noncompliance were systemic issues, which occurred 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.

(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. . . ."

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the procurement requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the procurement requirements.

Views of Responsible Officials

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

FINDING 2018-007

Subject: Special Education Cluster (IDEA) - Reporting; 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): 14215-051-PN01, 45715-051-PN01,
14216-051-PN01, 45716-051-PN01,
14217-051-PN01, 45717-051-PN01,
18611-051-PN01, 18619-051-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting; Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting and Matching, Level of Effort, Earmarking compliance requirements.

Reporting

The School Corporation was a participating member school corporation of the Southside Special Services of Marion County Special Education Cooperative (Cooperative). The School Corporation designated a fiscal agent from the Cooperative to receive and manage the funding

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

of the special education programs. The School Corporation relied on the Cooperative to comply with reporting requirements; however, because the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements.

The Cooperative was unable to locate multiple reports throughout the audit period. In fiscal year 2016-2017, 24 of the 40 required Quarterly Proportionate Share Monitoring Reports could not be provided. In 2017-2018, neither of the two required Final Financial Reports could be provided. Therefore, testing of these reports could not be performed.

Matching, Level of Effort, Earmarking

We were unable to identify the specific expenditures assigned with the Quarterly Proportionate Shares and CEIS Monitoring reports. We were unable to confirm that the appropriate level of expenditures were made for nonpublic proportionate shares or CEIS.

The four Quarterly Proportionate Share Monitoring Reports for Non Public Schools selected were not presented for audit.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting and Matching, Level of Effort, Earmarking compliance requirements.

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). . . ."

34 CFR 80.20(b) states in part:

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

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.302(a) states:

"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. See also § 200.450 Lobbying."

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that adequate supporting documentation was maintained and made available for audit related to the Reporting and Matching, Level of Effort, Earmarking compliance requirements.

Effect

The failure to establish an effective internal control system and provide adequate supporting documentation prevented the determination of the School Corporation compliance with the grant agreement and the Reporting and Matching, Level of Effort, Earmarking compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure that adequate supporting documentation will be maintained and available for audit related to the grant agreement and the Reporting and Matching, Level of Effort, Earmarking 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 2018-008

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): 14216-051-PN01, 14217-051-PN01,
45717-051-PN01, 18611-051-PN01,
18619-051-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

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

The School Corporation was a participating member school corporation of the Southside Special Services of Marion County Special Education Cooperative (Cooperative). The School Corporation designated a fiscal agent from the Cooperative to receive and manage the funding of the special education programs. The School Corporation relied on the Cooperative to comply with the procurement and suspension and debarment requirements; however, because the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements.

Procurement

The School Corporation had not established effective controls to ensure that proper procurement procedures were followed by the Cooperative. The School Corporation did not have internal controls in place to ensure that the purchasing methods used by the Cooperative complied with its procurement procedures and applicable state, local, and federal requirements. Additionally, the School Corporation did not have internal controls in place to ensure that the Cooperative properly documented the history of its procurements, including the rationale for method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price.

The Cooperative did not provide price or rate quotes from an adequate number of sources for purchases of goods or services costing \$3,500 - \$150,000, which fell within the small purchase procedures. The Cooperative also did not document the rationale for the method of procurement, in cases where competition was limited and that the limitation was justified.

The Cooperative did not provide bid documentation for a contract with a vendor that exceeded the simplified acquisition threshold of \$150,000. Full and open competition could not be substantiated for the \$293,307 paid to this vendor during July 1, 2017 through June 30, 2018.

Suspension and Debarment

The Cooperative did not have internal controls in place to ensure that contracted vendors who exceeded \$25,000 in the aggregate were not suspended or debarred from participation in the federal program.

The Cooperative entered into contracts with vendors that exceeded \$25,000. They did not perform any procedures to verify that the vendor was not suspended or debarred, or otherwise excluded from, or ineligible for, participation in the federal program prior to the contract.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . .

(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.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (2) If sealed bids are used, the following requirements apply:
- (i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
 - (ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
 - (iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
 - (iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
 - (v) Any or all bids may be rejected if there is a sound documented reason. . . ."

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."

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

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the 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 a system of internal controls to ensure that adequate supporting documentation will be maintained and available for audit related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-001

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: An error on the "Expenditure of Federal Dollars for Local SEFA Completion" report completed at the Special Education Cooperative used by the School Corporation created an overstatement on the School Corporation's SEFA report for Special Education Part B 611 and Preschool Special Education Part B 619. We concur with the finding.

Description of Corrective Action Plan: An audit adjustment was proposed and accepted to the School Corporations SEFA. Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and will oversee and implement the Special Education Grants to States and Special Education Preschool Grant moving forward.

Anticipated Completion Date: July 1, 2019



(Signature)

COO / Treasurer

(Title)

5/21/19

(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-002

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

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

Description of Corrective Action Plan: Due to the fact that the previous audit report for the two-year period ending June 30, 2016 wasn't completed until after this audit period, this finding was repeated. It was not possible to avoid this repeat finding since it wasn't identified and could not be addressed during the current audit period under review. The Food Service Director will implement adequate procedures to ensure compliance. Reimbursement requests will be reviewed by a second individual familiar with the process.


Anticipated Completion Date: January 1, 2019



(Signature)



(Title)



(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-003

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: The audit determined that the Child Nutrition Director without oversight or review by another determined the paid lunch equity calculations prior to submission to the School Board and Indiana Department of Education. Whereas no errors were noted in the audit regarding the accuracy of these calculations we concur that internal controls to segregate duties would place the School Corporation at less risk of noncompliance.

Description of Corrective Action Plan: The Child Nutrition Director will implement adequate procedures to ensure compliance. Paid lunch equity calculations will be reviewed by a second individual familiar with the process prior to submission.

Anticipated Completion Date: July 1, 2019



(Signature)

COO / Treasurer

(Title)

5/21/19

(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

Dawn A. Downer
Kelly L. Foulk
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Zachary T. Smith
Larry J. Walker



FINDING 2018-004

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: The audit determined that the monthly cash balance for the School Lunch fund exceeded 3-months average expenditures for all 24 months during the audit period. We concur that the School Lunch fund had too much cash on hand.

Description of Corrective Action Plan: Due to the fact that the previous audit report for the two-year period ending June 30, 2016 wasn't completed until after this audit period, this finding was repeated. It was not possible to avoid this repeat finding since it wasn't identified and could not be addressed during the current audit period under review. The Child Nutrition Director will review with the Treasurer or Deputy Treasurer no less than quarterly the cash balance of the School Lunch fund and if warranted formulate and document a plan to spend excess cash to be in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e).

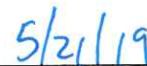
Anticipated Completion Date: January 1, 2019



(Signature)



(Title)



(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-005

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: The audit determined that only net changes in the Prepaid Student accounts were being posted to the Prepaid Student Meal fund. Whereas no errors were determined in the balances of individual student accounts and lunch revenue earned was being properly posted to the School Lunch fund we concur that posting the gross amount of program income to the Prepaid Student Meal fund and then transferring funds to the School Lunch fund will place the School Corporation at less risk of noncompliance.

Description of Corrective Action: The Child Nutrition Director will implement adequate procedures to ensure compliance. Gross revenue will be receipted to the Prepaid Student Meal fund and transferred to the School Lunch fund when appropriate.

Anticipated Completion Date: July 1, 2019



(Signature)



(Title)



(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-006

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: The audit determined that the Federal "Small Purchases" and "Micro-Purchases" procurement methods were not in compliance with requirements. This requirement evidently has been in place for a couple of years but the rule was never brought to the attention of the School Corporation through the State Board of Accounts nor the Granting agencies until this year. The School Corporation followed the State of Indiana procurement rules.

Description of Corrective Action: The Title I Director will implement adequate procedures to ensure compliance with the federal procurement rules related to "Small Purchases" and "Micro-Purchases" procurement methods.

Anticipated Completion Date: July 1, 2019



(Signature)



(Title)



(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-007

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: The Southside Special Services of Marion County (Cooperative) oversaw the Special Education Grants to States and Special Education Preschool Grants for the audit period. When audited it was noted that the cooperative was unable to provide multiple report related to proportionate share monitoring and final financial reports.

Description of Corrective Action: Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and will oversee and implement the Special Education Grants to States and Special Education Preschool Grant moving forward. The Chief Special Education Officer responsible for these grants will ensure that internal controls for Federal reporting, matching, level of effort and earmarking are implemented.

Anticipated Completion Date: January 1, 2019



(Signature)



(Title)



(Date)

Franklin Township Community School Corporation

Dr. Bruce Hibbard, Superintendent

Board of Education:

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



FINDING 2018-008

Contact Person Responsible for Corrective Action: Fred McWhorter
Contact Phone Number: 317-803-5002

Views of Responsible Official: The audit determined that the School Corporation's special education cooperative was not in compliance with the "Small Purchases" procurement method nor provided bid documentation for a contract that exceeded the "Simplified Acquisition" dollar amount threshold. In addition, the cooperative didn't have a process in place to ensure that vendors were not suspended or debarred from participation in federal programs. The vendors were not determined to be suspended or debarred and the small purchases procurement method rule was never brought to the attention of the School Corporation through the State Board of Accounts nor the granting agencies until this year.

Description of Corrective Action: Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and will oversee and implement the Special Education Grants to States and Special Education Preschool Grant moving forward. The Chief Special Education Officer responsible for these grants will ensure that Federal procurement, suspension and debarment internal controls will be implemented.

Anticipated Completion Date: July 1, 2019



(Signature)



(Title)



(Date)

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2019, with Fred McWhorter II, Treasurer; Dr. Bruce Hibbard, Superintendent of Schools; Kaitlin Porter, Director of Business and Operations; and Kelly L. Foulk, President of the School Board.