

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FORT WAYNE COMMUNITY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
02/05/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry Nidlinger	07-01-17 to 06-30-20
Superintendent of Schools	Dr. Wendy Robinson	07-01-17 to 06-30-20
President of the School Board	Julie Hollingsworth	01-01-17 to 12-31-20



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE FORT WAYNE COMMUNITY SCHOOLS, ALLEN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Fort Wayne Community Schools (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 13, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

January 13, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE FORT WAYNE COMMUNITY SCHOOLS, ALLEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Fort Wayne Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.


The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 13, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

January 13, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

FORT WAYNE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 17-18	\$ -	\$ 3,433,809	\$ -	\$ -
			FY 18-19	-	-	-	4,824,104
Total - School Breakfast Program				-	3,433,809	-	4,824,104
National School Lunch Program							
	Indiana Department of Education	10.555					
			FY 17-18	-	8,613,067	-	-
			FY 18-19	-	-	-	12,474,321
Commodities			FY 17-18	-	1,425,276	-	-
			FY 18-19	-	-	-	1,419,307
Total - National School Lunch Program				-	10,038,343	-	13,893,628
Summer Food Service Program for Children							
	Indiana Department of Education	10.559					
			FY 17-18	-	321,004	-	-
			FY 18-19	-	-	-	298,979
Total - Summer Food Service Program for Children				-	321,004	-	298,979
Total - Child Nutrition Cluster				-	13,793,156	-	19,016,711
Child and Adult Care Food Program							
	Indiana Department of Education	10.558					
			FY 17-18	-	80,204	-	-
			FY 18-19	-	-	-	86,643
Total - Child and Adult Care Food Program				-	80,204	-	86,643
Fresh Fruit and Vegetable Program							
	Indiana Department of Education	10.582					
			FY 17-18	-	369,588	-	-
			FY 18-19	-	-	-	518,959
Total - Fresh Fruit and Vegetable Program				-	369,588	-	518,959
Total - Department of Agriculture				-	14,242,948	-	19,622,313
<u>Department of Justice</u>							
Public Safety Partnership and Community Policing Grants	City of Fort Wayne	16.710					
			2018SVWX0014	-	-	-	54,834
Total - Department of Justice				-	-	-	54,834
<u>National Endowment for the Arts and the Humanities</u>							
Promotion of the Arts Partnership Agreements	Indiana Arts Commission	45.025					
			1809842-61-18	-	-	-	390

FORT WAYNE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Grants to States Library Services and Technology Act Grant	Indiana State Library	45.310	730 TEC-01-1700	-	19,996	-	-
Total - National Endowment for the Arts and the Humanities				-	19,996	-	390
<u>Department of Education</u>							
School Improvement Grants	Indiana Department of Education	84.377	S377B150031	-	1,347,195	-	118,842
Special Education Cluster (IDEA) Special Education Grants to States	Indiana Department of Education	84.027	14216-016-PN01 14217-016-PN01 18611-016-PN01 19611-016-PN01	- - - -	943,708 4,507,173 3,223,888 -	- - - -	- 69,868 4,751,282 2,417,013
Total - Special Education Grants to States				-	8,674,769	-	7,238,163
Special Education Preschool Grants	Indiana Department of Education	84.173	18619-016-PN01 19619-016-PN01 45717-016-PN01	- - -	164,677 - 161,690	- - -	128,657 146,287 -
Total - Special Education Preschool Grants				-	326,367	-	274,944
Total - Special Education Cluster (IDEA)				-	9,001,136	-	7,513,107
Teacher and School Leader Incentive Grants	Direct Grant	84.374	S374A120057 U374A170055-17A	- -	9,703,860 512,408	- -	1,154,879 7,647,136
Total - Teacher and School Leader Incentive Grants				-	10,216,268	-	8,802,015
Adult Education - Basic Grants to States	Northeast Indiana Works Inc.	84.002	FY 17 FY16 FY18	- - -	707,055 172,534 -	- - -	285,295 - 755,891
	Indiana Department of Workforce Development		IELCE756 IELCE856	- -	51,934 -	- -	23,066 93,915
Total - Adult Education - Basic Grants to States				-	931,523	-	1,158,167
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	17-0235 18-0235 S010A180014 S010A160014-17	- - - -	3,030,097 6,503,116 - 233,682	- - - -	- 5,285,243 7,139,651 -
Total - Title I Grants to Local Educational Agencies				-	9,766,895	-	12,424,894

FORT WAYNE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education	84.013	SY 16-17 SY 17-18 S010A180014	- - -	38,293 113,414 -	- - -	- 50,075 118,817
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				-	151,707	-	168,892
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048	17-4700-0235 18-4700-0235 19-4700-0235	- 118,074 -	118,118 807,314 -	- - 169,454	- 82,609 915,902
Total - Career and Technical Education -- Basic Grants to States				118,074	925,432	169,454	998,511
Magnet Schools Assistance	Direct Grant	84.165	U165A180062	-	-	-	111,255
Education for Homeless Children and Youth	Indiana Department of Education	84.196	22389 A58-7-17SS-3937	- -	- 86,207	- -	44,296 29,981
Total - Education for Homeless Children and Youth				-	86,207	-	74,277
Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods	Direct Grant	84.215	5215E140161-16	-	302,263	-	186,903
Gaining Early Awareness and Readiness for Undergraduate Programs	Direct Grant	84.334	P334A180143	-	-	-	248,738
English Language Acquisition State Grants	Indiana Department of Education	84.365	01116-001-FLUX 01116-004-PN01 01117-004-PN01 01118-004-PN01	- - - -	42,390 195,527 332,466 -	- - - -	- - 145,987 292,576
Total - English Language Acquisition State Grants				-	570,383	-	438,563
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A150013 S367A160013 S367A170013	- - -	462,359 1,178,158 116,253	- - -	- 378,667 814,511
Total - Supporting Effective Instruction State Grants				-	1,756,770	-	1,193,178
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424	S424A180015	-	-	-	62,083
Total - Department of Education				118,074	35,055,779	169,454	33,499,425

FORT WAYNE COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Health and Human Services</u>							
CCDF Cluster							
Child Care and Development Block Grant	Indiana Association for the Education of Young Children, Inc.	93.575	2016-2017 2017-2018	- -	3,966 -	- -	12,265 500
Total - Child Care and Development Block Grant				-	3,966	-	12,765
Total - CCDF Cluster				-	3,966	-	12,765
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
IEP			2017-2018 2018-2019	- -	256,573 -	- -	- 193,579
MAC			2017-2018 2018-2019	- -	125,017 -	- -	- 130,383
Total - Medicaid Assistance Program				-	381,590	-	323,962
Total - Medicaid Cluster				-	381,590	-	323,962
TANF Cluster							
Temporary Assistance for Needy Families	Indiana Department of Workforce Development	93.558	24409	-	-	-	1,665
Total - Temporary Assistance for Needy Families				-	-	-	1,665
Total - TANF Cluster				-	-	-	1,665
Refugee and Entrant Assistance State/Replacement Designee Administered Programs							
	Indiana Department of Education	93.566	700REFSOCSVCF-17 700REFSOCSVCF-18	- -	23,950 -	- -	- 19,611
Total - Refugee and Entrant Assistance State/Replacement Designee Administered Programs				-	23,950	-	19,611
Total - Department of Health and Human Services				-	409,506	-	358,003
Total federal awards expended				\$ 118,074	\$ 49,728,229	\$ 169,454	\$ 53,534,965

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: 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): FY 17-18, FY 18-19
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
 Audit Findings: Material Weakness, Other Matters

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The paid lunch equity calculations were prepared by the Director of Nutrition Services without a system of oversight, review, or approval before submitting the calculation to the Indiana Department of Education.

The paid lunch equity calculation was completed in fiscal year 2017-2018 for the School Corporation, but was not completed for the parochial schools that the School Corporation sponsors. The paid lunch equity calculation should be completed each year and include the parochial schools.

The lack of internal controls was a systemic issue during the audit period. The noncompliance was isolated to 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) *Average paid lunch price is equal to/greater than the reimbursement difference.* When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference identified in (e)(1)(iii) of this section; except that, the school food authority may use the procedure in paragraph (e)(4)(ii) of this section when establishing prices of paid lunches.
- (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
- (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.
- (4) *Price adjustments -*
- (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.
 - (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
 - (iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured 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 placed the School Corporation in non-compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Questioned Costs

There were no questioned costs identified.

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



WE ARE YOUR SCHOOLS

FORT WAYNE COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Candice Hagar, Director Nutrition Services
Contact Phone Number: 260-467-2055

Views of Responsible Official:
We agree with the finding.

Description of Corrective Action Plan:

The Paid Lunch Equity (PLE) calculations are complete for subsequent years. Internal controls are in place. The Special Assignment Secretary in Nutrition Services will generate the PLE before the beginning of each school year after obtaining the parochial schools meal prices. The Director of Nutrition Services will review the PLE prior to submission to the Indiana Department of Education for approval.

Anticipated Completion Date: July 1, 2020

Chief Financial Officer

1200 South Clinton Street • Fort Wayne, IN 46802 • Phone: 260.467.2035 • Fax: 260.467.1981

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.