

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP

MARION COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/19/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs	15-30
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	32-35
Corrective Action Plan	36-39
Other Reports	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	W. Kirk Farmer	07-01-17 to 06-30-20
Superintendent of Schools	Dr. Matt Prusiecki	07-01-17 to 06-30-20
President of the School Board	Dale Henson Judith Collins Larry Taylor Jimmy Ray	07-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 METROPOLITAN SCHOOL DISTRICT
OF DECATUR TOWNSHIP, MARION 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 Metropolitan School District of Decatur Township (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 February 26, 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

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*.

Metropolitan School District of Decatur Township's Response to Findings

The School Corporation's response to the 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 the financial statement, and, accordingly, we express no opinion on it.

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

February 26, 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 METROPOLITAN SCHOOL DISTRICT
OF DECATUR TOWNSHIP, MARION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Decatur Township's (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. Except as discussed below, 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.

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)

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in item 2019-003, in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Child Nutrition Cluster regarding Program Income. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Basis for Qualified Opinion on the Special Education Cluster (IDEA)

As described in item 2019-005, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph 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 Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Special Education Cluster (IDEA)* paragraph, 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 Special Education Cluster (IDEA) for the period of July 1, 2017 to June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

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 items 2019-007, 2019-008, and 2019-009. 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.

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 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 items 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, and 2019-009, that we consider to be material weaknesses.

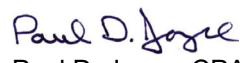
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express 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 February 26, 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

February 26, 2020

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.

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METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
 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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2017-2018	\$ -	\$ 982,352	\$ -	\$ -
School Breakfast Program			FY 2018-2019	-	-	-	1,098,053
Total - School Breakfast Program				-	982,352	-	1,098,053
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2017-2018	-	2,224,769	-	-
National School Lunch Program			FY 2018-2019	-	-	-	2,327,368
Commodities			FY 2017-2018	-	357,724	-	-
Commodities			FY 2018-2019	-	-	-	315,921
Total - National School Lunch Program				-	2,582,493	-	2,643,289
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY 2017-2018	-	112,174	-	-
Summer Food Service Program for Children			FY 2018-2019	-	-	-	107,251
Total - Summer Food Service Program for Children				-	112,174	-	107,251
Total - Child Nutrition Cluster				-	3,677,019	-	3,848,593
Child and Adult Care Food Program							
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care Food Program			FY 2017-2018	-	349,799	-	-
Child and Adult Care Food Program			FY 2018-2019	-	-	-	328,120
Total - Child and Adult Care Food Program				-	349,799	-	328,120
Total - Department of Agriculture				-	4,026,818	-	4,176,713
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Grants to States			14216-051-PN01	-	65,181	-	-
Special Education Grants to States			14217-051-PN01	-	752,425	-	264
Special Education Grants to States			18611-051-PN01	-	676,778	-	276,558
Special Education Grants to States			18611-077-PN01	-	-	-	19,280
Special Education Grants to States			19611-077-PN01	-	-	-	206,647
Total - Special Education Grants to States				-	1,494,384	-	502,749

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grants			45717-051-PN01	-	20,452	-	-
Special Education Preschool Grants			18619-051-PN01	-	15,157	-	10,537
Total - Special Education Preschool Grants				-	35,609	-	10,537
Total - Special Education Cluster (IDEA)				-	1,529,993	-	513,286
Teacher and School Leader Incentive Grants	Insight Education Group, INC.	84.374					
Teacher and School Leader Incentive Grant			U374A170085-17A	-	27,131	-	1,433,141
Total - Teacher and School Leader Incentive Grants				-	27,131	-	1,433,141
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Grants to Local Educational Agencies			S010A160014	-	262,805	-	-
Title I Grants to Local Educational Agencies			S010A170014	-	953,553	-	387,972
Title I Grants to Local Educational Agencies			S010A180014	-	-	-	1,049,032
Title I School Improvement Grant			S010A160014	-	127,041	-	-
Title I School Improvement Grant			S010A170014	-	80,000	-	-
Title I School Improvement Grant			S010A180014	-	-	-	8,750
Total - Title I Grants to Local Educational Agencies				-	1,423,399	-	1,445,754
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287					
Twenty-First Century Community Learning Centers			S287C150014	-	3,375	-	-
Twenty-First Century Community Learning Centers			S287C160014	-	112,169	-	-
Total - Twenty-First Century Community Learning Centers				-	115,544	-	-
English Language Acquisition State Grants	Indiana Department of Education	84.365					
English Language Acquisition State Grants			01116-064-PN01	-	2,010	-	-
English Language Acquisition State Grants			01117-061-PN01	-	15,657	-	7,913
English Language Acquisition State Grants			01118-059-PN01	-	35,335	-	13,569
English Language Acquisition State Grants			01119-060-PN01	-	-	-	34,783
Total - English Language Acquisition State Grants				-	53,002	-	56,265

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
 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
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality & Effectiveness			S367A150013	-	74,883	-	-
Title II Improving Teacher Quality & Effectiveness			S367A160013	-	151,089	-	-
Total - Supporting Effective Instruction State Grants				-	225,972	-	-
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Student Support & Academic Enrichment			S424A180015	-	-	-	5,569
Total - Student Support and Academic Enrichment Program				-	-	-	5,569
Total - Department of Education				-	3,375,041	-	3,454,015
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medical Assistance Program			FY 2017-2018	-	62,385	-	-
Medical Assistance Program			FY 2018-2019	-	-	-	60,167
Total - Medical Assistance Program				-	62,385	-	60,167
Total - Medicaid Cluster				-	62,385	-	60,167
Drug-Free Communities Support Program Grants	Direct Grant	93.276					
Drug Free Community Support Program			1H79SP080128-01	-	49,850	-	75,163
Drug Free Community Support Program			1H79SP080128-02	-	-	-	56,162
Total - Drug-Free Communities Support Program Grants				-	49,850	-	131,325
Total - Department of Health and Human Services				-	112,235	-	191,492
Total federal awards expended				\$ -	\$ 7,514,094	\$ -	\$ 7,822,220

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

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
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.

Note 3. Special Education Cooperative

The School Corporation was a member of a special education cooperative (Cooperative) during fiscal year 2017-2018. The Cooperative operated the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
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?	yes
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.374	Teacher and School Leader Incentive Grants	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation over payroll disbursements. The School Corporation's hourly employees could elect a 24-pay option, which allowed the employee to be paid year-round. Controls were put in place over the payroll time records; however, the control was determined not to be effective. This was due to there not being timesheets for the periods of time in which the employees did not work (e.g. summer break). There were no compensating controls identified. The 24-Pay Election Forms for the employees were not reviewed and signed by management or governance. In addition, the Election Forms did not include a calculation of the employees' pay. This was a systemic issue throughout the audit period. Control activities should be in place to reduce the risks of errors in financial reporting.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish a system of internal control could have enabled misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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 2017-2018, FY 2018-2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The School Corporation's hourly employees could elect a 24-pay option, which allowed the employee to be paid year-round. Their hourly pay rate and scheduled hours were used in a 24-pay calculation to determine their 24-pay hourly rate, which was a slight reduction of their regular hourly rate. Payroll vouchers were not reviewed by anyone other than the preparer and controls were not in place to ensure that the wages paid for the extended periods were accurate.

This was a systemic issue that 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

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

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. 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.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, 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 2019-003

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017-2018, FY 2018-2019

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 report. The prior audit finding number was 2017-005.

Condition and Context

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Program Income was properly recorded in the financial records. An oversight, review, or approval process had not been established.

Program Income could not be separately identified for the audit period. The School Corporation did not separately account for prepaid school lunch fees, nor was program income separately identifiable within the School Lunch fund. The School Corporation recorded food service program income based on total collections received rather than actual sales.

This was a systemic issue throughout the audit period

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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). . . ."

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; . . ."

7 CFR 225.6(e) states in part:

State-Sponsor Agreement. A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . . "

Cause

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

Effect

The failure to establish an effective internal control system and the failure to separately identify program income during the audit period prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-004

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017-2018, FY 2018-2019

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

The School Corporation completed the verification process and submitted the results online, but there was no evidence of a control being in place to ensure that the verifications were handled properly.

This 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). . . ."

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-005

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 18611-077-PN01, 19611-077-PN01

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 report. The prior audit finding number was 2017-012.

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 Procurement and Suspension and Debarment compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procurement

The School Corporation began operating their Special Education program during fiscal year 2018-2019, prior to that, the School Corporation was a member of the Southside Special Services of Marion County cooperative. All expenditures made from the program during 2018-2019 fell under the small purchase level of procurements. No quotes were obtained for any of the expenditures as required by the federal standards and the School Corporation's procurement procedures.

Suspension and Debarment

The School Corporation did not verify that any applicable vendors that were paid from Special Education funds were suspended or debarred. No alternative procedures were in place to ensure a vendor was not suspended or debarred.

The lack of controls and noncompliance were systemic issues, which occurred throughout 2018-2019.

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 200.320 states in part:

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

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

2 CFR 180.300 states:

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

You do this by:

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

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the grant agreement and 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 and 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 a system of internal control related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-006

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A160014, S010A170014,
S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation's hourly employees could elect a 24-pay option, which allowed the employee to be paid year-round. Their hourly pay rate and scheduled hours were used in a 24-pay calculation to determine their 24-pay hourly rate, which was a slight reduction of their regular hourly rate. Payroll vouchers were not reviewed by anyone other than the preparer, and controls were not in place to ensure that the wages paid for the extended periods were accurate.

This was a systemic issue that occurred throughout the audit period.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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). . . ."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the grant agreement and the compliance requirement listed above.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2019-007

Subject: Title I Grants to Local Educational Agencies - Earmarking

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): S010A160014, S010A170014,
S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-006.

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 Matching, Level of Effort, Earmarking compliance requirement.

The following deficiencies regarding Set-Asides were identified:

- The allocation amount for Neglected Institutions for the fiscal year 2015-2016 Title I grant was \$200,000. The actual amount spent was \$150,822. This resulted in a shortfall of \$49,178 spent for Neglected Institutions.
- The allocation amount for Parental Involvement for 2015-2016 Title I grant was \$37,700. The actual amount spent was \$34,050. This resulted in a shortfall of \$3,650 spent for Parental Involvement.
- The allocation amount for Homeless for 2016-2017 Title I grant was \$2,000. No funds were spent for Homeless. This resulted in a shortfall of \$2,000 spent for Homeless.
- The allocation amount for Neglected Institutions for 2015-2016 Title I grant was \$126,713. The actual amount spent was \$120,749. This resulted in a shortfall of \$5,964 spent for Neglected Institutions.
- The allocation amount for Parental Involvement for 2015-2016 Title I grant was \$34,900. The actual amount spent was \$27,390. This resulted in a shortfall of \$3,650 spent for Parental Involvement.

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

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Title I Fiscal Handbook provided by Indiana Department of Education on Title I Set-Asides states:

"Certain reservations or set-asides are required for LEAs. Some set-asides are mandatory, with the percentage of the current allocation determined by NCLB requirements. Others are at the discretion of the LEA. Neglected is determined by the amount stated on the Allocation letter. All set-asides should be deducted from the total allocation (Basic, Targeted, EFIG, Concentration) before determining the amount of money that goes to each school served."

Parent Involvement Set-Asides is required. The Title I Fiscal Handbook states: "An LEA must reserve 1% of its grant allocation if the allocation is \$500,000 or above. 95% of the 1% must be budgeted at the school level."

Neglected Institution Set-Asides is required. The Title I Fiscal Handbook states: "An LEA must reserve funds for neglected students within the district. The amount will be stated in the Title I Allocation Letter."

Homeless Set-Asides is required. The Title I Fiscal Handbook states: "Any LEA that receives McKinney-Vento is required to reserve Title I funds for homeless students in non-Title I schools within the district. The amount of funding is at the discretion of the LEA."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the compliance requirement listed above.

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the compliance requirement to occur.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-008

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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): S010A160014, S010A170014, S010A180014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-008.

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 - Annual Report Card, High School Graduation Rate compliance requirement.

Supporting documentation was not consistently maintained for the students who were removed from the graduation cohort. For 5 of the 23 students selected to be examined who were removed from the graduation cohort, evidence of oversight and review was not provided and the required supporting documentation was not maintained.

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 200.19(b)(1)(ii)(B) states in part:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, immigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the compliance requirement listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirement listed above and retain documentation for all students who withdraw from the School Corporation.

Views of Responsible Officials

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

FINDING 2019-009

Subject: Teacher and School Leader Incentive Grants - Matching
Federal Agency: Department of Education
Federal Program: Teacher and School Leader Incentive Grants
CFDA Number: 84.374
Federal Award Number and Year (or Other Identifying Number): U374A170085-17A
Pass-Through Entity: Insight Education Group, INC.
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Other Matters

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 Matching, Level of Effort, Earmarking compliance requirement.

Although the School Corporation completed the quarterly matching reports required per the grant agreement, the total amount expended for matching did not meet the required amount. The School Corporation did not meet the 50 percent match stipulated in the grant agreement with Insight Education Group, INC. (pass-through entity) or follow the matching budget provided in the grant documentation.

This was a systemic issue throughout the audit period.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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 200.306(b) states in part:

"For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E-Cost Principles of this part;
- (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of this part, as applicable."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the compliance requirement listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF DECATUR TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Abby Butler
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

The Food Service Director creates and submits spend down plan for the 800 School Lunch Fund each year. The plan is approved annually, along with the Annual Financial Report. In addition, the Food Service Director works with CFO to review plans throughout the year as purchases are made. Correspondence is saved for tracking and auditing purposes.

FINDING 2017-002

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Abby Butler
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

The Food Service Department ensures all vendors have neither been suspended nor debarred from participation in Federal Programs by looking them up on the federal website and printing this information. Additionally, we include language in our contracts asking each vendor to attest that they are neither suspended nor debarred.

FINDING 2017-003

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Abby Butler
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

The Food Service Director will review and sign off on all monthly reimbursement reports before they are submitted to IDOE by the Food Service Administration Assistant. The Administrative Assistant will review and sign off on the Annual Financial Report before it is submitted to IDOE by the Director.



FINDING 2017-004

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Abby Butler
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

The Food Service Department ensures all completed free and reduced meal applications are saved and accessible for review, within the 5 year time frame required by USDA.

FINDING 2017-005

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Abby Butler
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

The Food Service Department has created an 8400 Fund and balances monthly, in order to track prepayments.

FINDING 2017-006

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Hofer
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has multiple layers of internal controls. The first layer is with the program administrator who reviews the Title I budget reports twice per month after payroll is posted. The program administrator then compares the expenditures with the budget allocations for reasonable expenditure patterns. The second layer of internal controls is completed by the Chief Financial Officer (CFO). The CFO reviews all district budgets including Title I on a monthly basis. Should there be any indication of earmarking issues, he would consult and collaborate with the program administrator.

FINDING 2017-007

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Hofer
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has established a common time and effort log for split -funded employees. A central office administrator insures that the log is completed monthly and filed. The program administrator oversees and supervises this process.

FINDING 2017-008

Fiscal year in which the finding initially occurred: SY 2016
 Pass-Through Entity: Indiana Department of Education
 Contact Person Responsible for Corrective Action: Stephanie Hofer
 Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township Director of College and Career Readiness reviews all cohorts for any students who have left the district to ensure that proper documentation is completed and maintained. The director works in collaboration with the high school Principal and counselors to verify and update student information.

FINDING 2017-009

Fiscal year in which the finding initially occurred: SY 2016
 Pass-Through Entity: Indiana Department of Education
 Contact Person Responsible for Corrective Action: Stephanie Hofer
 Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has established procedures for the program administrator to create, review and document review of the final comparability reports before submitting through the Title I application center. The program administrator along with the administrative assistant creates the report and then reviews together and the program administrator signs off for accuracy and completion.

FINDING 2017-010

Fiscal year in which the finding initially occurred: SY 2016
 Pass-Through Entity: Indiana Department of Education
 Contact Person Responsible for Corrective Action: Stephanie Hofer
 Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has established procedures for the program administrator to review and document review of final expenditure reports before submitting through the Title I application center.

FINDING 2017-011

Fiscal year in which the finding initially occurred: SY 2016
 Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Stephanie Hofer
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has established a control system to ensure that required data for TAS programming is maintained and reviewed. This documentation is housed at both the school and the district level. The program administrator oversees and supervises the requirement and process.

FINDING 2017-012

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Korie Bowers
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has established a systematic procedure to verify if an entity or individual have been declared ineligible to receive Federal contracts. The program administrator reviews purchase orders/payments that are paid out of the grant and cross checks with the System for Award Management (SAM). The business office completes the second layer of internal controls when they receive the purchase orders/bill payments and confirm that the SAM documentation is included with those documents. Finally, when a contract is issued for services that will be paid out of the grant, the district will include as part of the contract language a statement that that vendor is verifying that they are not suspended or debarred.

FINDING 2017-013

Fiscal year in which the finding initially occurred: SY 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Korie Bowers
Contact Phone Number: (317) 856-5265

Status of Audit Finding:

Decatur Township has established controls to ensure documentation is maintained for earmarking the specific expenditures assigned to nonpublic proportionate shares. The nonpublic entity will issue an itemized invoice to Decatur Township for the specific amount awarded by the grant and a check will be issued to the nonpublic entity from Decatur Township for their proportionate share. Decatur Township has also established a systematic procedure for reporting quarterly the monitoring of the proportionate share for non-public schools. The program administrator will meet quarterly with the Deputy Treasurer and/or Chief Financial Officer to review the invoices/expenditures from the non-public schools and issue a quarterly monitoring report.



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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Kirk Farmer

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

The school district will revise the 24 pay election form to include the following: 1) a summary detailing which days worked correspond to a specific pay period; 2) a documented calculation of pay; and 3) signature of approval of the Chief Financial Officer. Also, the school district implemented an electronic time management system to improve transparency and approval controls after the audit period.

Anticipated Completion Date: Will begin this process July 1, 2020 for the 2020-21 school year.

FINDING 2019-002

Contact Person Responsible for Corrective Action: Kirk Farmer

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

The school district will revise the 24 pay election form to include the following: 1) a summary detailing which days worked correspond to a specific pay period; 2) a documented calculation of pay; and 3) signature of approval of the Chief Financial Officer. Also, the school district implemented an electronic time management system to improve transparency and approval controls after the audit period.

Anticipated Completion Date: Will begin this process July 1, 2020 for the 2020-21 school year.

FINDING 2019-003

Contact Person Responsible for Corrective Action: Abigail Butler

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

The school district established an 8400 Prepaid Lunch Fund where daily receipts are posted. Monthly transfers are then initiated based upon meals served and other food sales. This process is separated by the Child Nutrition Administrative Assistant and Director of Child Nutrition, verified by signatures.



Anticipated Completion Date: Began this process July 1, 2019 for the 2019-20 school year.

FINDING 2019-004

Contact Person Responsible for Corrective Action: Abigail Butler

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

The school district will establish a set of controls ensuring the separation of duties in the Verification process. The Director of Child Nutrition will complete the verification process. The Child Nutrition Administrative Assistant will submit the results to IDOE, verified by signatures.

Anticipated Completion Date: Will begin this process July 1, 2020 for the 2020-2021 school year.

FINDING 2019-005

Contact Person Responsible for Corrective Action: Korie Bowers

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

Management has established a systematic procedure to verify if any entity or individual have been declared ineligible to receive Federal contracts. The program administrator reviews purchase orders/payments that are paid out of the grant and cross checks with the System for Award Management (SAM). The business office completes the second layer of internal controls when they receive the purchase orders/bill payments and confirms that the SAM documentation is included with those documents. Finally, when a contract is issued for services that will be paid out of the grant, the district will include as part of the contract language a statement that the vendor is verifying that they are not suspended or debarred.

Anticipated Completion Date: Began using the process identified above on January 1, 2020.

FINDING 2019-006

Contact Person Responsible for Corrective Action: Kirk Farmer

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

The school district will revise the 24 pay election form to include the following: 1) a summary detailing which days worked correspond to a specific pay period; 2) a documented calculation of pay; and 3) signature of approval of the Chief Financial Officer. Also, the school district implemented an electronic time management system to improve transparency and approval controls after the audit period.

Anticipated Completion Date: Will begin this process July 1, 2020 for the 2020-21 school year.

FINDING 2019-007

Contact Person Responsible for Corrective Action: Stephanie Hofer

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

Department administration will be trained and directed to utilize the Title I Fiscal Guidance Handbook System provided by the Indiana Department of Education. An effective internal control system will be in place at the School Corporation in order to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement. Although a finding from a prior audit year, the implementation of the process was not put into effect until after the findings from the first audit, therefore ample time was not given to correct the finding.

Anticipated Completion Date: Began this process July 1, 2018 for the 2018-2019 school year.

FINDING 2019-008

Contact Person Responsible for Corrective Action: Stephanie Hofer

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

Department Administration and the Director of College and Career Readiness will develop procedures and processes to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. Supporting documentation will be consistently maintained for those students who are removed from their graduation cohort. The Director of CCR will review the graduation cohort along with administration from the secondary level. The program administrator will sit down and review the cohort information with both the secondary Principal and the Director of CCR. Students will be tracked and reviewed bi-weekly. Although a finding from a prior audit year, the implementation of the process was not put into effect until after the findings from the first audit, therefore ample time was not given to correct the finding.

Anticipated Completion Date: Began this process July 1, 2018 for the 2018-2019 school year.

FINDING 2019-009

Contact Person Responsible for Corrective Action: Stephanie Hofer

Contact Phone Number: (317) 856-5265

Views of Responsible Official: I concur with the identified finding.

Description of Corrective Action Plan:

The grant administrator in collaboration with the Chief Financial officer will implement a process to ensure compliance with requirements related to the grant agreement and the matching compliance requirement. We will implement a process to ensure that the total amount expended for matching meets the required amount. We will also ensure the matching budget provided in the grant agreement is followed.

Anticipated Completion Date: Will begin this process July 1, 2020 for the 2020-21 school year.

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/>.