

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

FEDERAL COMPLIANCE AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WARREN 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	5-7
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	15-23
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	26-27
Corrective Action Plan	28-29
Other Reports	30

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David Holt	07-01-17 to 12-31-20
Superintendent of Schools	Dr. Dena Cushenberry Dr. Timothy Hanson	07-01-17 to 06-30-18 07-01-18 to 06-30-22
President of the School Board	Anthony Mendez Julie French Terri Amos Rachel Burke	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
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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 WARREN 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 Warren 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 Warren Township's Response to Finding

The School Corporation's response to the finding 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



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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 WARREN TOWNSHIP, MARION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Warren 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. 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 items 2019-002 and 2019-004. 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 items 2019-002, 2019-003, and 2019-004, 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

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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.

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METROPOLITAN SCHOOL DISTRICT OF WARREN 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
FY18 School Breakfast Program			FY18	\$ -	\$ 2,444,260	\$ -	\$ -
FY19 School Breakfast Program			FY19	-	-	-	2,421,279
Total - School Breakfast Program				-	2,444,260	-	2,421,279
National School Lunch Program							
FY18 National School Lunch Program	Indiana Department of Education	10.555	FY18	-	4,485,640	-	-
FY19 National School Lunch Program			FY19	-	-	-	4,736,346
FY18 Commodities			FY18	-	573,779	-	-
FY19 Commodities			FY19	-	-	-	627,324
Total - National School Lunch Program				-	5,059,419	-	5,363,670
Summer Food Service Program for Children							
FY18 Commodities	Indiana Department of Education	10.559	FY18	-	146,582	-	-
FY19 Commodities			FY19	-	-	-	104,793
Total - Summer Food Service Program for Children				-	146,582	-	104,793
Total - Child Nutrition Cluster				-	7,650,261	-	7,889,742
Child Nutrition Discretionary Grants Limited Availability							
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579	FY19	-	-	-	8,578
Child and Adult Care Food Program							
FY18 Child and Adult Care Food Program	Indiana Department of Education	10.558	FY18	-	413,948	-	-
FY19 Child and Adult Care Food Program			FY19	-	-	-	324,481
Total - Child and Adult Care Food Program				-	413,948	-	333,059
Total - Department of Agriculture				-	8,064,209	-	8,222,801
<u>Department of Defense</u>							
ROTC Language and Culture Training Grants							
ROTC Language and Culture Training Grants	Office of The Secretary Of Defense	12.357	FY18	-	44,092	-	-
ROTC Language and Culture Training Grants			FY19	-	-	-	67,132
Total - ROTC Language and Culture Training Grants				-	44,092	-	67,132
Total - Department of Defense				-	44,092	-	67,132
<u>Department of Energy</u>							
State Energy Program							
FY19 Propane School Bus Grant	Office of Energy Development	81.041	DE-EE0007473	-	-	-	33,729
Total - Department of Energy				-	-	-	33,729

METROPOLITAN SCHOOL DISTRICT OF WARREN 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 Education							
School Improvement Grants	Indiana Department of Education	84.377					
FY17 Title I SIG 1003 (g)			S377A140015	-	262,617	-	254,680
FY15 Title I SIG 1003 (g)			S377A120015	-	488,824	-	40,516
Total - School Improvement Grants				-	751,441	-	295,196
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY17 Part B IDEA			14217-059-PN01	-	888,059	-	12,895
FY17 Part B IDEA			19611-057-PN01	-	-	-	2,439,997
FY19 Part B IDEA			14216-057-PN01	-	116,818	-	-
FY16 Part B IDEA			18611-057-PN01	-	2,348,678	-	667,363
Total - Special Education Grants to States				-	3,353,555	-	3,120,255
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY17 Preschool			45717-057-PN01	-	21,894	-	1,951
FY17 Preschool			18619-057-PN01	-	55,510	-	13,837
FY18 Preschool			19619-057-PN01	-	-	-	55,082
FY18 Preschool			45716-057-PN01	-	757	-	-
Total - Special Education Preschool Grants				-	78,161	-	70,870
Total - Special Education Cluster (IDEA)				-	3,431,716	-	3,191,125
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002					
FY17 ABE Federal Grant			AE-6-58	-	257,123	-	-
FY18 ABE Federal Grant			AE-7-58	-	394,728	-	104,599
FY19 ABE Federal Grant			AE-8-58	-	-	-	380,535
Total - Adult Education - Basic Grants to State				-	651,851	-	485,134
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
FY17 Title I Basic			17-5360	-	809,872	-	-
FY18 Title I Basic			18-5360	-	2,719,156	-	1,261,199
FY19 Title I Basic			19-5360	-	-	-	2,793,997
FY17 Title I 1003(a)			S010A170014	-	267,074	-	-
FY18 Title I 1003(a)			S010A170014	-	212,413	-	107,267
Total - Title I Grants to Local Educational Agencies				-	4,008,515	-	4,162,463
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
FY17 Perkins			16-4700-5360	-	80,566	-	-
FY18 Perkins			18-4700-5360	-	191,947	-	74,417
FY19 Perkins			19-4700-5360	-	-	-	257,703
Total - Career and Technical Education - Basic Grants to State				-	272,513	-	332,120
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
FY17 McKinney Vento Grant			A58-7-17SS-3691	-	49,424	-	26,092

METROPOLITAN SCHOOL DISTRICT OF WARREN 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
Twenty-First Century Community Learning Centers FY15 21st Century Community Learning Centers FY18 21st Century Community Learning Centers	Indiana Department of Education	84.287	A58-5-15DL-2150 A58-8-18DL-4629	- -	263,750 233,996	- -	- 228,999
Total - Twenty-First Century Community Learning Centers				-	497,746	-	228,999
Gaining Early Awareness and Readiness for Undergraduate Programs FY19 Gear Up Grant	Indiana Commission for Higher Education	84.334	P33S160023	-	2,515	-	4,680
English Language Acquisition State Grants FY17 Title III Part A FY18 Title III Part A FY19 Title III Part A FY16 Title III Part A	Indiana Department of Education	84.365	01117-066-PN01 01118-064-PN01 01119-065-PN01 01116-069-PN01	- - - -	38,247 103,293 - 36,968	- - - -	5,899 50,543 108,499 -
Total - English Language Acquisition State Grants				-	178,508	-	164,941
Supporting Effective Instruction State Grants FY17 Title II Summer of E-Learning FFY15 Title II FFY16 Title II FFY17 Title II FFY18 Title II	Indiana Department of Education	84.367	A58-7-17C1-4601 S367A150015 S367A160013 S367A170013 S367A180013	- - - - -	8,000 129,942 168,733 - -	- - - - -	- - 74,175 413,015 23,225
Total - Supporting Effective Instruction State Grants				-	306,675	-	510,415
Race to the Top - District Grants Race to the Top-District Grants	Direct Grant	84.416	B416A130156	-	296,124	-	-
Student Support and Academic Enrichment Program FY19 Title IV	Indiana Department of Education	84.424	2018-424-169	-	-	-	225,083
Total - Department of Education				-	10,447,028	-	9,626,248
Department of Health and Human Services							
Medicaid Cluster Medical Assistance Program Indiana MAC & IEP Medical Claims FY15	Indiana Department of Education	93.778	FY15	-	427,928	-	469,865
Total - Medical Assistance Program				-	427,928	-	469,865
Total - Medicaid Cluster				-	427,928	-	469,865
Total - Department of Health and Human Services				-	427,928	-	469,865
Total federal awards expended				\$ -	\$ 18,983,257	\$ -	\$ 18,419,775

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

METROPOLITAN SCHOOL DISTRICT OF WARREN 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.

METROPOLITAN SCHOOL DISTRICT OF WARREN 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
84.002	Child Nutrition Cluster	Unmodified
84.010	Adult Education - Basic Grants to States	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,122,091

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

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Cash and Investments. The prior audit finding number was 2017-001.

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

Condition and Context

Cash and Investments

An effective internal control system was not in place at the School Corporation over cash and investments. The School Corporation performed their monthly reconciliations to the balance sheet account titled "Cash in Bank." Controls were put in place over the bank reconciliations between bank balances and the School Corporation's records; however, the control was determined to be ineffective due to unreconciled variances for all 24 months of the audit period. This was a systemic issue throughout the audit period.

Financial Close and Reporting

An effective internal control system was not in place at the School Corporation over cash and investments and financial close and reporting. The School Corporation ran a Form 9 report for each biennial period from their financial software. There was not any control in place to verify that the total cash and investments reported for the Form 9 submitted to the Indiana Department of Education agreed to the balance reported as Cash in Bank discussed in the preceding paragraph. As a result, the cash and investments reported in the School Corporation's financial statement did not agree with their ledger. This was a systemic issue throughout the audit period.

Criteria

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

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective. . . .

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. . . .

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

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

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

Effect

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY18, FY19
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

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

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 Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed three months average expenditures. The net cash resources in the School Lunch fund exceeded the three month average expenditures for all 24 months of the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 220.7(e) states in part:

". . . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . . "

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

Cause

The School Corporation's management had not developed and implemented a system of internal controls that would have ensured compliance with the grant agreement and the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Cash Management compliance requirement. Noncompliance with the grant agreement and the Cash Management compliance requirement could have resulted in the loss of funds to the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF WARREN 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 effective internal controls, including segregation of duties, and comply with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2019-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY18, FY19

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation did not have a process in place to ensure all disbursements from the School Lunch fund were for allowable activities. Disbursements tested from the School Lunch fund included three disbursements that were for unallowable activities. One disbursement was to reimburse the food service management company for cash that went missing from an event that they catered, and two disbursements were for the point of sale system and credit card processing system that is used for both food service and textbook rental. The portion of these disbursements attributable to textbook rental were charged to the School Lunch fund.

A custodian was paid from the School Lunch fund in fiscal year 2017-2018; however, no records were kept to specify that this employee worked solely in the food service area.

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

Eligibility (School Breakfast Program and National School Lunch Program)

The School Corporation used a food service software that automatically determined eligibility based upon the information entered into the software by the school personnel. One individual was responsible for entering the information into the system without a proper system of oversight or review.

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

The Food Service Contract Director performed the verifications; however, there were no controls in place to determine whether the verifications performed were correct.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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

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 - 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): FY18, FY19

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

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 2017-004.

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 Program Income compliance requirement.

The School Corporation did not establish the Prepaid Food Service fund until November 2018 and did not begin making transfers from the Prepaid Food Service fund to the School Lunch fund until January 2019. When transfers were made, the total program income was calculated incorrectly and the amounts transferred were incorrect. Program income was not used in accordance with program requirements. Three disbursements tested included unallowable activities and unallowable costs.

This is 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). . . ."

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

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

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(ii) In accordance with the financial management system established under §220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*);"

7 CFR 210.14(a) states:

"*Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)."

7 CFR 225.15(a) states in part:

"*General.* (1) Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part. . . ."

Cause

The School Corporation's management had not developed and implemented a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Program Income compliance requirement. Noncompliance with the grant agreement and the Program Income compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls, including segregation of duties, and comply with the grant agreement and the Program Income compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: FY17
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: David Holt, CFO
Contact Phone Number: 317-869-4300

Status of Audit Finding:

The School District has worked with their software provider to determine the posting errors that result in timing variances that have led to unreconciled bank statements. The unreconciled amounts have been identified to be within the Payroll posting process. The software vendor and District have provided additional training for staff involved with the Payroll and Personnel process, as well as rewriting processes involved with correction entries that created differences between the bank posting and software balance. The unreconciled difference at the end of the current audit period (June 30, 2019) was \$450. The bank reconciliation process has improved due to improved staff training and implementing new procedures for payroll corrections. The District will continue to work with their software provider to ensure all personnel are appropriately trained on all entry and posting procedures which will continue to improve the reconciliation process.

FINDING 2017-002

Fiscal year in which the finding initially occurred: FY17
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: David Holt, CFO
Contact Phone Number: 317-869-4300

Status of Audit Finding:

The District implemented the Community Eligibility Provision (CEP) program and therefore no longer use Free & Reduced meal applications for the National School Lunch Program. Multiple signature verification would be utilized for Free & Reduced applications if the CEP program was discontinued.

A Procurement and Suspension Debarment process was implemented to ensure compliance for all purchases.

The Chief Financial Officer also signs off on the Annual Financial Report and SFA Verification collection report.

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FINDING 2017-003

Fiscal year in which the finding initially occurred: FY17
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: David Holt, CFO
Contact Phone Number: 317-869-4300

Status of Audit Finding:
The District is in the beginning phase of a comprehension Controlled Projects construction program that will renovate several District campuses. Expenditures to renovate kitchens, serving lines and dining areas have been identified to reduce the current fund balance down to within three month average expenditure.

FINDING 2017-004

Fiscal year in which the finding initially occurred: FY17
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: David Holt, CFO
Contact Phone Number: 317-869-4300

Status of Audit Finding:
The School District created Fund 8400 to record prepayments from parents and staff prior to posting transactions into the Food Service Fund 0800.

FINDING 2017-005

Fiscal year in which the finding initially occurred: FY17
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: David Holt, CFO
Contact Phone Number: 317-869-4300

Status of Audit Finding:
The School District created an internal process to ensure that all student withdrawal/transfer forms were signed by the appropriate School Administrator.



CORRECTIVE ACTION PLAN

FINDING 2019-001

Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: David Holt
Contact Phone Number: 317-869-4300

Views of Responsible Official: The District concurs with the finding.

Description of Corrective Action Plan:

The District continues to work with their financial software provider to improve process and controls over payroll correction procedures. The unreconciled variances have decreased substantially over the audit period and staff will continue to work with software support to be completely retrained to utilize correct process and procedures.

Anticipated Completion Date:

The District will work towards complete reconciliation of monthly balances between bank balances and overall software fund balances by June 2020.

FINDING 2019-002

School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children – Cash Management

Contact Person Responsible for Corrective Action: David Holt
Contact Phone Number: 317-869-4300

Views of Responsible Official: The District concurs with the finding.

Description of Corrective Action Plan:

The District is in the beginning stages of a Controlled Projects renovation plan for several campuses in the District. Many projects have been identified to renovate serving lines, replace equipment and improve dining areas that will reduce the fund balance within the approved three month expenditure average.

Anticipated Completion Date:

Project completions at Lowell Elementary and Warren Central HS will be Summer of 2021.

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FINDING 2019-003

School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children – Verification of Free & Reduced Price Applications

Contact Person Responsible for Corrective Action: David Holt
Contact Phone Number: 317-869-4300

Views of Responsible Official: The District concurs with the finding.

Description of Corrective Action Plan:

The District was made aware of this internal control issue during the FY17 Audit which concluded in January 2019. The District implemented the Community Eligibility Provision program (CEP) beginning with the 2019/2020 school year and now provides free breakfast and lunch to all students. Verification forms are no longer required for eligibility. If the District elects not to participate in the CEP program in the future an internal control process would be established to segregate duties for verification.

Anticipated Completion Date:

Completed. The District currently participates in the Community Eligibility Provision program.

FINDING 2019-004

School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children – Program Income

Contact Person Responsible for Corrective Action: David Holt
Contact Phone Number: 317-869-4300

Views of Responsible Official: The District concurs with the finding.

Description of Corrective Action Plan:

The District was made aware of an internal control issue during the FY17 Audit in November 2018 concerning Prepaid Lunch receipts. The District has created revenue accounts 8410 and 8420 to receipt Prepaid Lunch revenues and will transfer program income monthly to the appropriate breakfast and lunch accounts when charged by the student.

Anticipated Completion Date:

Completed.

David Holt
Signature

CFO
Title

2/19/20
Date

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/>.