

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP

MARION COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/26/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michael D. Shreves	07-01-17 to 06-30-20
Superintendent of Schools	Dr. Shawn A. Smith	07-01-17 to 06-30-20
President of the School Board	Reginald McGregor	01-01-17 to 12-31-20



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 LAWRENCE 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 Lawrence 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 March 10, 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 Finding 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

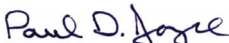
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

Metropolitan School District of Lawrence 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

March 10, 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 LAWRENCE TOWNSHIP, MARION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Lawrence 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.

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)

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a material weakness.

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)

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.

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 March 10, 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
Paul D. Joyce, CPA
State Examiner

March 10, 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 LAWRENCE 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	FY2018	\$ -	\$ 2,124,712	\$ -	\$ -
School Breakfast Program			FY2019	-	-	-	2,561,009
School Breakfast Program				-	-	-	-
Total - School Breakfast Program				-	2,124,712	-	2,561,009
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	FY2018	-	5,151,249	-	-
National School Lunch Program			FY2019	-	-	-	6,179,818
National School Lunch Program Commodities				-	727,354	-	705,945
Total - National School Lunch Program				-	5,878,603	-	6,885,763
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY2018	-	226,738	-	-
Summer Food Service Program			FY2019	-	-	-	206,078
Total - Summer Food Service Program for Children				-	226,738	-	206,078
Total - Child Nutrition Cluster							
				-	8,230,053	-	9,652,850
Child and Adult Care Food Program							
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY2018	-	192,580	-	-
Child and Adult Care Food Program			FY2019	-	-	-	242,815
Total - Child and Adult Care Food Program				-	192,580	-	242,815
Fresh Fruit and Vegetable Program							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY2018	-	27,355	-	-
Fresh Fruit and Vegetable Program			FY2019	-	-	-	37,552
Total - Fresh Fruit and Vegetable Program				-	27,355	-	37,552
Total - Department of Agriculture				-	8,449,988	-	9,933,217
<u>Department of Education</u>							
Special Education Cluster							
Special Education Grants to States							
Special Education Grants to States	Indiana Department of Education	84.027	14217-034-PN01	-	954,816	-	-
Special Education Grants to States			14218-034-PN01	-	2,510,189	-	1,754,733
Special Education Grants to States			14219-034-PN01	-	-	-	3,005,913
Total - Special Education Grants to States				-	3,465,005	-	4,760,646

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE 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						
Special Education Preschool Grants		84.173	18619-034-PN01	-	59,099	-	33,653
Special Education Preschool Grants			45717-034-PN01	-	19,927	-	-
Special Education Preschool Grants			19619-034-PN01	-	-	-	79,594
Total - Special Education Preschool Grants				-	79,026	-	113,247
Total - Special Education Cluster				-	3,544,031	-	4,873,893
Title I Grants to Local Education Agencies	Indiana Department of Education						
Title I Grants		84.010	17-5330	-	901,432	-	-
Title I Grants			18-5330	-	2,357,201	-	1,334,023
Title I Grants			19-5330	-	-	-	2,551,709
Title I School Improvement			S010A1600	-	82,320	-	-
Title I School Improvement			S010A170014	-	219,037	-	20,963
Title I School Improvement			S010A180014	-	-	-	48,951
Total - Title I Grants to Local Educational Agencies				-	3,559,990	-	3,955,646
Career and Technical Education - Basic Grants to States	Indiana Department of Education						
Carl Perkins - FY 2016-2017		84.048	16-4700-5300	-	47,089	-	-
Carl Perkins - FY 2017-2018			18-4700-5300	-	198,531	-	-
Carl Perkins - FY 2018-2019			18-4700-5300	-	-	-	124,774
CTE SUMMER EXPANSION			18A-4700-5330	-	1,550	-	-
CTE SUMMER EXPANSION			19A-4700-5330	-	-	-	146,866
Perkins Secondary High CTE Percentage			FY 2017-18	-	55,085	-	-
HEALTH SERVICES			FY 2017-18	-	1,287	-	-
Total - Career and Technical Education - Basic Grants to States				-	303,542	-	271,640
Education for Homeless Children and Youth	Indiana Department of Education						
McKinney Vento		84.196	FY 2017-18	-	42,673	-	-
McKinney Vento			FY 2018-19	-	-	-	49,593
Total - Education for Homeless Children and Youth				-	42,673	-	49,593
Twenty-First Century Community Learning Centers	Indiana Department of Education						
21st CCLC		84.287	S287C150014	-	-	-	295,402
English Language Acquisition State Grants	Indiana Department of Education						
Title III LEP 15/17		84.365	01116-066-PN01	-	5,054	-	-
Title III LEP 16/18			01117-063-PN01	-	92,806	-	-
Title III LEP 17/19			01118-061-PN01	-	234,320	-	80,015
Title III LEP 18/20			01118-063-PN01	-	-	-	267,392
Total - English Language Acquisition State Grants				-	332,180	-	347,407

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE 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						
Title IIA FFY2016		84.367	S267A160013	-	234,396	-	-
Title IIA FFY2019			S267A190013	-	-	-	406,423
Title IIA 15/16			S367A150013	-	12,533	-	-
Title IIA FFY 2017			S367A170013	-	340,836	-	-
Title IIA FFY 2017			S267A160013	-	-	-	1,279
Title IIA FFY 2017			S367A170013	-	-	-	98,265
Total - Supporting Effective Instruction State Grants				-	587,765	-	505,967
Student Support and Academic Enrichment Program TITLE IV 18/20	Indiana Department of Education	84.424	S424A180015	-	-	-	149,089
Total - Department of Education				-	8,370,181	-	10,448,637
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education						
Medicaid Admin Claiming (IEP)		93.778	FY2018	-	538,176	-	-
Medicaid Admin Claiming (IEP)			FY2019	-	-	-	550,102
Total - Medicaid Assistance Program				-	538,176	-	550,102
Total - Medicaid Cluster				-	538,176	-	550,102
Assistance Programs for Chronic Disease Prevention and Control School Wellness Grant	Indiana State Department of Health	93.945	EDS a-70-5-071087	-	2,075	-	-
Total - Department of Health and Human Services				-	540,251	-	550,102
Total federal awards expended				\$ -	\$ 17,360,420	\$ -	\$ 20,931,956

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

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE 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 LAWRENCE 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?	yes

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
84.010	Child Nutrition Cluster	Unmodified
	Title I Grants to Local Educational Agencies	Unmodified
	Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,148,771

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

FINDING 2019-001

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

Repeat Finding

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

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

Condition and Context

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

The School Corporation had not established effective controls over the federal award information into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA. A key control was in place, where multiple employees would work on the School Corporation's SEFA, but it was not implemented correctly.

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster commodities were overstated by \$10,760.
2. The Title I Grants to Local Educational Agencies expenditures were understated by \$158,485.
3. The Special Education Cluster (IDEA) expenditures were understated by \$152,481.
4. The Supporting Effective Instruction State Grants expenditures were understated by \$999.
5. The Medicaid Cluster expenditures were overstated by \$32,561.
6. The Assistance Programs for Chronic Disease Prevention and Control expenditures were overstated by \$1,564.
7. The Career and Technical Education - Basic Grants to States expenditures were understated by \$412,876.
8. The Education for Homeless Children and Youth were overstated by \$3,200.
9. The English Language Acquisition State Grants expenditures were overstated by \$3,542.
10. The English Language Acquisition State Grants Pass Through Amounts were overstated by \$13,737.
11. The Supporting Effective Instruction State Grants Pass Through Amounts were overstated by \$114,737.
12. The Student Support and Academic Enrichment Program Pass Through Amounts were overstated by \$25,104.
13. Not all CFDA numbers, program names, grants, and identifying numbers were reported correctly.

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

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

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. . . .

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

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: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-034-PN01, 14218-034-PN01,
14219-034-PN01, 18619-034-PN01,
45717-034-PN01, 19619-034-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

METROPOLITAN SCHOOL DISTRICT OF LAWRENCE 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 2017-011.

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 suspension and debarment requirement of the Procurement and Suspension and Debarment compliance requirement.

There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

The School Corporation's management had not established a system of internal control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

AUDITEE-PREPARED 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 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

We have taken steps, effective July 1, 2017 to establish a system of internal controls related to financial transactions and reporting for receipts, cash and investments, and other financing sources and uses.

FINDING 2017-002 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

We have taken steps, effective with the 2017-18 school year, where signatures will be obtained documenting the verification of the amounts being submitted for federal reimbursement. A formal plan was established in the summer of 2015 that outlines how the District plans to spend the excess cash balance in the School Lunch Fund.

FINDING 2017-003 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Michael Shreves

Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the 2017-18 school year, a formal sign-off process will be utilized to verify that the proper parameters were accurately defined in the electronic system to ensure they match the Federal Income Guidelines and that the system had calculated and determined the benefits correctly. Furthermore, if a paper application is input, a person other than the person who input the data will verify its accuracy and sign off accordingly.

FINDING 2017-004 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Michael Shreves

Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the fixed asset audit that will be completed as of June 30,2019, items purchased with Child Nutrition program funds will be identified as such.

FINDING 2017-005 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Michael Shreves

Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective July 1, 2017, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them. Effective, January 1, 2019, the School Corporation will get 2 or more quotes on all purchases greater than \$3,000.

FINDING 2017-006 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Michael Shreves

Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective January 1, 2018, the School Corporation established the School Lunch Clearing Fund and is separating the prepaid receipts from the program receipts.

FINDING 2017-007 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Michael Shreves

Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the 2017-18 school year and beyond, the School Corporation has complied with the Paid Lunch Equity provisions.

FINDING 2017-008 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Michael Shreves

Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the 2017-18 school year, the School Corporation will have controls in place to ensure compliance related to the grant agreement and Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) requirements.

FINDING 2017-009 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the 2017-18 school year, time and effort logs will be completed for employees who work solely on Special Education Programs.

FINDING 2017-010 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the 2017-18 school year, proper documentation exists relating to the calculation of the Maintenance of Effort calculation.

FINDING 2017-011 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective March 1, 2019, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering into a contract with them. Effective, January 1, 2019, the School Corporation will get 2 or more quotes on all purchases greater than \$3,000.

FINDING 2017-012 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective with the 2017-18 school year, all reports required will be properly approved and documented by the appropriate personnel as well as them being secured for safekeeping.

FINDING 2017-013 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective January 1, 2019, all Time and Effort Logs for personnel paid under the Title I program will be properly reviewed, approved, and documented by an appropriate supervisor.

FINDING 2017-014 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Michael Shreves
Contact Phone Number: 317-423-8380

Status of Audit Finding:

Effective January 1, 2019, the School Corporation will implement controls to ensure that the application is appropriately reviewed and approved by the appropriate supervisor. Effective March 1, 2019, the School Corporation will verify and document that vendors have not been suspended or debarred prior to entering

into a contract with them. Effective, January 1, 2019, the School Corporation will get 2 or more quotes on all purchases greater than \$3,000.



CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

Management had established a system of internal controls whereby the report presented was approved by the CFO. The report was prepared and approved in accordance with instructions from prior audits only to find out that the instructions given were not accurate.

Description of Corrective Action Plan:

In accordance with information received during this audit, all future reports will be prepared accordingly, including showing costs associated with non-public schools being shown as expenditures and not pass through dollars.

Anticipated Completion Date:

Effective March 5, 2020, these procedures will be implemented.

FINDING 2019-002

Contact Person Responsible for Corrective Action: Michael D Shreves
Contact Phone Number: 317-423-8380

Views of Responsible Official:

We concur with the findings.

Description of Corrective Action Plan:

Procedures will be put in place to ensure that an annual check of vendors is completed to determine if they are suspended or debarred. A file of the report from SAMS will be kept as well as documenting within our software program that the verification has been completed.

Anticipated Completion Date:

These procedures were implemented March 5, 2020.

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/>.