

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION

MARION COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**  
04/27/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Fred McWhorter II	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Bruce Hibbard	07-01-18 to 06-30-21
President of the School Board	Scott T. Sullivan Kelly L. Foulk Zachary T. Smith	07-01-18 to 12-31-18 01-01-19 to 12-31-20 01-01-21 to 06-30-21



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 FRANKLIN TOWNSHIP COMMUNITY  
SCHOOL CORPORATION, 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 Franklin Township Community School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated April 21, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

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

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

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


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

***Compliance and Other Matters***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

April 21, 2021



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 FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION, MARION COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Franklin Township Community School Corporation'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, 2018 to June 30, 2020. 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, 2018 to June 30, 2020.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002. 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 items 2020-001 and 2020-002, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated April 21, 2021, 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

April 21, 2021

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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.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<u>Department of Agriculture</u>							
<u>Child Nutrition Cluster</u>							
School Breakfast Program	Indiana Department of Education						
School Breakfast Program		10.553	FY2019	\$ -	\$ 425,124	\$ -	\$ -
School Breakfast Program		10.553	FY2020	-	-	-	321,293
Sub-Total - School Breakfast Program				-	425,124	-	321,293
COVID-19 School Breakfast Program	Indiana Department of Education						
School Breakfast Program		10.553	FY2020	-	-	-	23,643
Total - School Breakfast Program				-	425,124	-	344,936
<u>National School Lunch Program</u>							
National School Lunch Program	Indiana Department of Education						
National School Lunch Program		10.555	FY2019	-	1,983,726	-	-
National School Lunch Program		10.555	FY2020	-	-	-	1,515,641
Commodities				-	322,722	-	320,598
Sub-Total - National School Lunch Program				-	2,306,448	-	1,836,239
COVID-19 National School Lunch Program	Indiana Department of Education						
National School Lunch Program		10.555	FY2020	-	-	-	110,660
Total - National School Lunch Program				-	2,306,448	-	1,946,899
Special Milk Program for Children	Indiana Department of Education						
Special Milk Program for Children		10.556	FY2019	-	3,040	-	-
Summer Food Service Program for Children	Indiana Department of Education						
Summer Food Service Program for Children		10.559	FY2019	-	34,442	-	-
Summer Food Service Program for Children		10.559	FY2020	-	-	-	33,306
Sub-Total - Summer Food Service Program for Children				-	34,442	-	33,306
COVID-19 Summer Food Service Program for Children	Indiana Department of Education						
Summer Food Service Program for Children		10.559	FY2020	-	-	-	583,885
Total - Summer Food Service Program for Children				-	34,442	-	617,191
Total - Child Nutrition Cluster				-	2,769,054	-	2,909,026
Total - Department of Agriculture				-	2,769,054	-	2,909,026
<u>Department of Education</u>							
<u>Special Education Cluster (IDEA)</u>							
Special Education Grants to States	Indiana Department of Education						
Special Education Part B Grant		84.027	14218-053-PN01	-	766,094	-	237,214
Special Education Part B Grant		84.027	14219-053-PN01	-	792,425	-	1,055,842
Special Education Part B Grant		84.027	20611-49-PN01	-	-	-	473,421
Total - Special Education Grants to States				-	1,558,519	-	1,766,477
Special Education Preschool Grants	Indiana Department of Education						
Special Education Part B Grant		84.173	18619-051-PN01	-	24,635	-	1,616
Special Education Part B Grant		84.173	19619-051-PN01	-	30,756	-	20,512
Special Education Part B Grant		84.173	20619-49-PN01	-	-	-	53,750
Total - Special Education Preschool Grant				-	55,391	-	75,878
Total - Special Education Cluster (IDEA)				-	1,613,910	-	1,842,355

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I Basic Grant		84.010	17-5310	-	137,063	-	-
Title I Basic Grant		84.010	18-5310	-	798,985	-	163,615
Title I Basic Grant		84.010	19-5310	-	-	-	814,177
Total - Title I Grants to Local Educational Agencies				-	936,048	-	977,792
English Language Acquisition Grants	Indiana Department of Education						
Title III Language Instruction for Limited Proficient and Immigrant Students		84.365	16-5310	-	1,576	-	-
Title III Language Instruction for Limited English Proficient and Immigrant Students		84.365	17-5310	-	11,855	-	3,119
Title III Language Instruction for Limited English Proficient and Immigrant Students		84.365	18-5310	-	38,265	-	14,080
Title III Language Instruction for Limited English Proficient and Immigrant Students		84.365	01120-053	-	-	-	39,740
Total - English Language Acquisition Grants				-	51,696	-	56,939
Supporting Effective Instruction State Grants	Indiana Department of Education						
Title II Part A Improving Teacher Quality State Grant		84.367	16-5310	-	3,297	-	-
Title II Part A Improving Teacher Quality State Grant		84.367	17-5310	-	87,398	-	6,589
Title II Part A Improving Teacher Quality State Grant		84.367	18-5310	-	124,480	-	92,929
Title II Part A Improving Teacher Quality State Grant		84.367	S367A190013	-	-	-	100,856
Total - Supporting Effective Instruction State Grants				-	215,175	-	200,374
School Improvement Grants	Indiana Department of Education						
Title I School Improvement		84.377	18-5310	-	3,124	-	-
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV Part A Student Support and Academic Enrichment Grants		84.424	17-5310	-	12,504	-	20,488
Title IV Part A Student Support and Academic Enrichment Grants		84.424	18-5310	-	52,443	-	12,854
Title IV Part A Student Support and Academic Enrichment Grants		84.424	2019-424-165	-	-	-	20,296
Total - Student Support and Academic Enrichment Program				-	64,947	-	53,638
Total - Department of Education				-	2,884,900	-	3,131,098
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	IN Dept of Family and Social Services						
Medicaid Reimbursement - MAC		93.778	FY19	-	29,491	-	-
Medicaid Reimbursement - MAC		93.778	FY20	-	-	-	42,682
Medicaid Reimbursement - IEP		93.778	FY19	-	171,106	-	-
Medicaid Reimbursement - IEP		93.778	FY20	-	-	-	110,692
Total - Medical Assistance Program				-	200,597	-	153,374
Total - Medicaid Cluster				-	200,597	-	153,374
Total - Department of Health and Human Services				-	200,597	-	153,374
Total federal awards expended				\$ -	\$ 5,854,551	\$ -	\$ 6,193,498

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
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, 2019 and 2020. 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.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Unmodified Unmodified Unmodified

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

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

No matters are reportable.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2020-001**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, COVID-19 School Breakfast Program, National School Lunch Program, COVID-19 National School Lunch Program, COVID-19 Summer Food Service Program for Children, Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2019, FY2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Finding: Material Weakness

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have a system of internal controls in place regarding small purchase vendors. The Child Nutrition Director handled all aspects of receiving quotes for making purchases without oversight, review or approval, or other mitigating control.

The lack of internal controls was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

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

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to 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.

**FINDING 2020-002**

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

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14218-053-PN01, 14219-053-PN01,  
20611-49-PN01, 18619-051-PN01,  
19619-051-PN01, 20619-49-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a partial repeat finding from the immediately prior audit report related to small purchase procurement. The prior audit finding number was 2018-008.

*Condition and Context*

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

The School Corporation failed to receive multiple quotes from an adequate number of qualified sources for purchases that fell within small purchase procedures.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

2 CFR 200.320 states in part:

"The Non-Federal entity must use one of the following methods of procurement. . . .

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

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the 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 effective internal controls to ensure compliance and comply with 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.

# Franklin Township Community School Corporation

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Dr. Bruce Hibbard, Superintendent

**Board of Education:**

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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-001***

Fiscal year in which the finding initially occurred: 2018

**Status of Audit Findings:** An error on the "Expenditure of Federal Dollars for Local SEFA Completion" report completed at the Special Education Cooperative used by the School Corporation created an overstatement on the School Corporation's SEFA report for Special Education Part B 611 and Preschool Special Education Part B 619.

Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and has overseen and implemented the Special Education Grants to States and the Special Education Preschool Grant.

# Franklin Township Community School Corporation

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Dr. Bruce Hibbard, Superintendent

**Board of Education:**

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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-002***

Fiscal year in which the finding initially occurred: 2016

**Status of Audit Finding:** The audit determined that monthly reimbursement reports were made by one individual without oversight or review by another individual. The Food Service Director has implemented adequate procedures to ensure compliance. Reimbursement requests have been reviewed by a second individual familiar with the process.

# Franklin Township Community School Corporation

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Dr. Bruce Hibbard, Superintendent

**Board of Education:**

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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-003***

Fiscal year in which the finding initially occurred: 2018

**Status of Audit Finding:** The audit determined that the Child Nutrition Director without oversight or review by another determined the paid lunch equity calculations prior to submission to the School Board and Indiana Department of Education.

The Child Nutrition Director has implemented adequate procedures to ensure compliance. Paid lunch equity calculations have been reviewed by a second individual familiar with the process prior to submission.

# Franklin Township Community School Corporation

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-004***

Fiscal year in which the finding initially occurred: 2014

**Status of Audit Finding:** The audit determined that the monthly cash balance for the School Lunch fund exceeded 3-months average expenditures for all 24 months during the audit period.

The Child Nutrition Director has reviewed, with the Treasurer or Deputy Treasurer, quarterly the cash balance of the School Lunch fund and documented a plan to spend excess cash to be in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e).

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-005***

Fiscal year in which the finding initially occurred: 2018

**Status of Audit Finding:** The audit determined that only net changes in the Prepaid Student accounts were being posted to the Prepaid Student Meal fund.

The Child Nutrition Director has implemented adequate procedures to ensure compliance. Gross revenue are being receipted to the Prepaid Student Meal fund and transferred to the School Lunch fund when appropriate.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-006***

Fiscal year in which the finding initially occurred: 2018

**Status of Audit Finding:** The audit determined that the Federal “Small Purchases” and “Micro-Purchases” procurement methods were not in compliance with requirements. The School Corporation had been following the State of Indiana procurement rules.

The Title I Director has implemented adequate procedures to ensure compliance with the federal procurement rules related to “Small Purchases” and “Micro-Purchases” procurement methods.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-007***

Fiscal year in which the finding initially occurred: 2018

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

Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative) and has overseen and implemented the Special Education Grants to States and the Special Education Preschool Grant. The Chief Special Education Officer responsible for these grants has ensured that internal controls for Federal reporting, matching, level of effort and earmarking have been implemented.

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-008***

Fiscal Year: July 1, 2016 to June 30, 2018

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

**Description of Corrective Action:** Effective July 1, 2018 the School Corporation withdrew from the Southside Special Services of Marion County (Cooperative). The Chief Special Education Officer responsible for carrying out these procedures had not yet implemented them moving into the FY19 FY20 audit period.

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***FINDING 2020-001***

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

Views of Responsible Official: Whereas there were no questioned costs identified, the audit determined that management needed to establish a system of internal controls, including segregation of duties, related to the grant agreement and Procurement and Suspension and Debarment compliance requirement.

Description of Corrective Action Plan: The Food Service Director in conjunction with the Business Office will develop internal controls, including segregation of duties, related to the grant agreement and Procurement and Suspension and Debarment compliance requirement.

# Franklin Township Community School Corporation

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***FINDING 2020-002***

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

Views of Responsible Official: Whereas there were no questioned costs identified, the audit determined that management needed to establish a system of internal controls to ensure compliance and comply with the Small Purchase Procurement.

Description of Corrective Action Plan: The Chief Special Education Officer in conjunction with the Business Office will develop internal controls to ensure compliance and comply with the Small Purchase Procurement.

## 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/>.