

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

FEDERAL COMPLIANCE AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WAYNE TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2019 to June 30, 2020



FILED
07/08/2021

*Reissued on September 24, 2021,
to correct the Schedule of Findings
and Questioned Costs and related
reports.*

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barry Gardner	07-01-19 to 06-30-21
Superintendent of Schools	Dr. Jeff Butts	07-01-19 to 06-30-21
President of the School Board	Brandon Bowman Michael Nance	01-01-19 to 12-31-20 01-01-21 to 12-31-21



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WAYNE 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 statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Metropolitan School District of Wayne Township (School Corporation), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated May 19, 2021, except for the aggregate discretely presented component unit and remaining fund information, for which the date is September 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 statements, 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 statements 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 items 2020-001 and 2020-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS 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 statements are 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 2020-001.

Metropolitan School District of Wayne 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 statements, 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
Paul D. Joyce, CPA
State Examiner

September 21, 2021



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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 WAYNE TOWNSHIP, MARION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Wayne 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 year ended 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.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2020-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed and Unallowed and Allowable Costs/Cost Principles that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2020.

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 2020-003, that we consider to be material weaknesses.

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.

Other Matters

This report is replacing a previously issued report dated June 2, 2021, due to a change in the name of an opinion unit listed in the Schedule of Findings and Questioned Costs. Additionally, the date of this report was updated to correspond to the Independent Auditors Report date, which was reissued on September 21, 2021, and therefore, the in relation to opinion between the basic financial statements and the Schedule of Expenditures of Federal Awards was updated. No changes were made to the Schedule of Expenditures of Federal Awards and our opinion did not change.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the School Corporation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Corporation's basic financial statements. We issued our report thereon dated May 19, 2021, except for the except for the aggregate discretely presented component unit and remaining fund information, for which the date is September 21, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

September 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.

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METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 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	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Child Nutrition Cluster				
School Breakfast Program FY 2019-20 National School Breakfast Program	Indiana Department of Education	10.553	FY 2019-2020	\$ 2,706,738
COVID-19 - School Breakfast Program FY 2019-20 National School Breakfast Program		10.553	FY 2019-2020	339,175
Total - School Breakfast Program				<u>3,045,913</u>
National School Lunch Program				
FY 2019-20 National School Lunch Program Commodities	Indiana Department of Education	10.555	FY 2019-2020 FY 2019-2020	5,380,039 706,987
Sub-Total National School Lunch Program				<u>6,087,026</u>
COVID-19 - National School Lunch Program FY 2019-20 National School Lunch Program		10.555	FY 2019-2020	608,383
Total - National School Lunch Program				<u>6,695,409</u>
Summer Food Service Program for Children				
FY 2019-20 Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2019-2020	132,557
COVID-19 - Summer Food Service Program for Children FY 2019-20 Summer Food Service Program		10.559	FY 2019-2020	739,187
Total Summer Food Service Program for Children				<u>871,744</u>
Total - Child Nutrition Cluster				<u>10,613,066</u>
Child and Adult Care Food Program				
FY 2019-20 Child and Adult Care Program	Indiana Department of Education	10.558	FY 2019-2020	260,007
Fresh Fruit and Vegetable Program				
FY 2019-20 Fresh Fruit and Veggie Program	Indiana Department of Education	10.582	FY 2019-2020	150,311
Total - Department of Agriculture				<u>11,023,384</u>
<u>Department of Energy</u>				
State Energy Program Propane Bus Grant	Indiana Office of Energy Development	81.041	DE-EE0007473	72,608
Total - Department of Energy				<u>72,608</u>

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 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	Total Federal Awards Expended
Department of Education				
Special Education Cluster (IDEA)				
Special Education_Grants to States	Indiana Department of Education	84.027		
IDEA FY18 Part B Section 611			18611-061-PN01	44,674
IDEA FY19 Part B Section 611			H027A180084	1,059,390
IDEA FY 20 Part B Section 611			H027A190084	<u>2,533,282</u>
Total - Special Education_Grants to States				<u>3,637,346</u>
Special Education_Preschool Grants	Indiana Department of Education	84.173		
IDEA FY19 Part B Section 619			H173A180104	14,981
IDEA FY20 Part B Section 619			H173A180104	<u>75,337</u>
Total - Special Education_Preschool Grants				<u>90,318</u>
Total - Special Education Cluster (IDEA)				<u>3,727,664</u>
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002		
2018-19 Adult Ed			5104180P18ABEGR	253,722
2019-20 Adult Ed			5104170P19ABEGR	<u>371,920</u>
Total - Adult Education - Basic Grants to States				<u>625,642</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010		
Title I 2018-2019			S010A180014	1,254,274
2018-19 SIG			S010A180014	22,820
Title I 2019-2020			S010A190014	4,044,413
2019-20 SIG			S010A190014	<u>48,117</u>
Total - Title I Grants to Local Educational Agencies				<u>5,369,624</u>
Career and Technical Education - Basic Grants to States	Indiana Governor's Workforce Cabinet	84.048		
2018-19 CTE Perkins			19-4700-5375	121,504
2018-19 Perkins Summer			19A-4700-5375	35,000
FY20 CTE Perkins			20-0512-5375	581,180
2019-20 Perkins Assessment			20-0512-A031	<u>1,094</u>
Total - Career and Technical Education - Basic Grants to States				<u>738,778</u>

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 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	Total Federal Awards Expended
English Language Acquisition State Grants	Indiana Department of Education	84.365		
Title III 2017-2019			01118-066-PN01	11,038
2018-20 Immigrant Influx			S365A180014	7,917
Title III 2018-2020			S365A180014	143,287
Title III 2019-2021			S365A190014	152,616
2019-21 Immigrant Influx			S365A190014	<u>1,801</u>
Total - English Language Acquisition State Grants				<u>316,659</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367		
Title II FY17			S367A170013	44,868
Title II FY 2018			S367A180013	572,275
Title II FY 2019			S367A190013	<u>915</u>
Total - Supporting Effective Instruction State Grants				<u>618,058</u>
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424		
2018-20 Title IV			S424A180015	328,354
2019-21 Title IV Grant			S424A190015	<u>171,810</u>
Total - Student Support and Academic Enrichment Program				<u>500,164</u>
Total - Department of Education				<u>11,896,589</u>
<u>Department of Health and Human Services</u>				
Medicaid Cluster				
Medical Assistance Program	Indiana Department of Education	93.778		
INMAC			FY 2019-2020	<u>328,050</u>
Total - Medicaid Cluster				<u>328,050</u>
Total - Department of Health and Human Services				<u>328,050</u>
Total federal awards expended				<u>\$ 23,320,631</u>

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

METROPOLITAN SCHOOL DISTRICT OF WAYNE 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 year ended June 30, 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.

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 WAYNE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Discretely Presented Component Unit and Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified?	none reported

Noncompliance material to financial statements 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 Title I Grants to Local Educational Agencies	Qualified Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2020-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

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

The School Corporation contracted with a consultant to prepare the financial statements and note disclosures in accordance with Generally Accepted Accounting Principles. The Chief Financial Officer reviewed and approved various financial statement items and adjustments proposed by the consultant; however, internal controls were ineffective and did not ensure that the financial statements were accurate and complete.

Due to lack of effective internal controls, the financial statement presented for audit did not properly include the recording and reversal of fiscal year 2018-2019 accruals, which resulted in overstatements of expenses on the Fund Financial Statements for the Operations fund, Education fund, and Other Nonmajor Governmental Funds. Adjustments were proposed, accepted, and made to the financial statements presented in this report by the School Corporation.

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. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls related to the recording and reversal of 2018-2019 accrual entries.

Effect

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

METROPOLITAN SCHOOL DISTRICT OF WAYNE 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 2020-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition and Context

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements . . ."

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

Cause

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

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 2020-003

Subject: Child Nutrition Cluster - Activities Allowed and Unallowed, Allowable Costs/Cost Principles

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, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

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 Activities Allowed and Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation paid for trash removal services from the School Lunch fund without proper documentation to support the amount paid. Additionally, there were bereavement gifts, staff meals, and credit card purchases paid from the School Lunch fund that were not allowable costs of the programs. The total of the unallowable expenses identified are \$77,861.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
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 200.403 states:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of this part."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed and Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

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

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

Questioned Costs

The total amount of unallowable costs paid from the programs during the audit period was \$77,861. This amount was considered questioned costs.

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 Activities Allowed and Unallowed and Allowable Costs/Cost Principles compliance requirements.

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.

The Metropolitan School District of Wayne Township

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-001

Subject: Adult Education - Basic Grants to States - Eligibility

Federal Agency: Department of Education

Federal Program: Adult Education - Basic Grants to States

CFDA Number: 84.002

Federal Award Numbers and Years (or Other Identifying Numbers):
5104180P16ABEGR,
5104180P17ABEGR,
5104180P18ABEGR

Pass-Through Entity: Indiana Department of Workforce Development

Compliance Requirement: Eligibility

Audit Finding: Material Weakness

Fiscal year in which the finding initially occurred: FY2018-2019

Status of Audit Finding:

WTAE continues to use the computer-based control system and would consider the finding resolved.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

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

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Procurement and Suspension and Debarment, Special Tests and
Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Fiscal year in which the finding initially occurred: FY2018-2019

Status of Audit Finding:

Textbook Applications:

Status: Fully implemented as per the corrective action plan. The Child Nutrition Director reviews all paper applications prior to information being entered into the computer point of sale. The application is initialed by the director. The CN staff member who enters in the data writes the application number on the paper application, dates and initials.

Procurement:

Status: Fully Implemented as per the corrective action plan. For all purchases in excess of \$10,000 or equipment purchases in excess of \$5,000, the CN Director sends the DOE Procurement Summary form to the Business Office for review and final approval.

Verification:

Status: Fully Implemented as per the corrective action plan. Verification of applications for WTP was completed between October 1, 2019 and November 15, 2019. Upon completion of verification, the documents were reviewed and initialed.



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FINDING 2020-001

Contact Person Responsible for Corrective Action: Barry Gardner

Contact Phone Number: 317.988.8600

Views of Responsible Official:

We concur with the finding and offer the following context and corrective action plan.

Description of Corrective Action Plan:

MSD Wayne Township was required to file financial statements in accordance with GAAP for the first time as of June 30, 2020. As part of the School's conversion process, beginning balances as of July 1, 2019 were established based on the School's supporting documentation. Since the majority of this information was developed entirely from subsidiary ledgers, control documents and publicly available information, there was not a prior ending balance to tie back to when reviewing the June 30, 2020 statements.

During the compilation of the School Corporation's June 30, 2021 statements, school officials will have audited ending balance numbers to ensure that beginning balances are fairly stated. In addition, the School Corporation has one year of processes and procedures in place, which will allow for greater oversight of numbers being reported. This experience increases the effectiveness of monitoring activities, information and communication, control activities, and the School Corporations' control environment. Specifically, the School Corporation will work with their vendor to increase the documentation of management oversight and replacement of verbal approvals with written approvals. The School Corporation will develop review procedures to ensure that all beginning and reversing entries have been made, and that the current year beginning balances agree to the prior year audited ending balances.

Anticipated Completion Date: November 30, 2021



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FINDING 2020-002

Contact Person Responsible for Corrective Action: Barry Gardner
Contact Phone Number: 317.988.8600

Views of Responsible Official:

We concur with the finding and offer the following context and corrective action plan.

Description of Corrective Action Plan:

The Director of Finance will work with the Grants Accountant to verify data entered in Gateway for the SEFA report is accurate and matches the School Corporation's financial records. The CFO will complete a final review and sign off on the SEFA report prior to final submission.

Anticipated Completion Date: August 30, 2021



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FINDING 2020-003

Contact Person Responsible for Corrective Action: Sara Gasiorowski

Contact Phone Number: 317-988-7950

Views of Responsible Official:

Two of the unallowable charges were due to (1) an itemized receipt not submitted and (2) the credit for an airline ticket was not available due to the employee no longer working for the MSD of Wayne Township and we could not access the information.

Description of Corrective Action Plan:

Trash services will be paid through the Indirect Cost calculations. Trash costs for the 2020-2021 school year have been charged back to the district's general fund and adjusted through the Indirect Costs for the current school year.

All credit card purchases for meals and other expenses at any conference will required an itemized receipt turned in to the Child Nutrition Office Administrative Assistant. If, for some reason, a registration, hotel, or airfare is cancelled (or credit for a future flight), all documentation for the cancellation/credit will be submitted to the Administrative Assistant. (The Child Nutrition Director met with the Child Nutrition office staff on May 27, 2021 and reviewed the procedures)

The Child Nutrition Office will discontinue sending acknowledgements of sympathy to our staff members.

The meals for staff meetings were due to the sudden shut down of the school district and the Central Office Child Nutrition Staff working throughout the weekend to develop and implement meal service plans at the start of the COVID pandemic. The additional meals were for staff morale for the Child Nutrition staff who worked throughout the summer of 2020 providing meals to our community as a result of COVID. Since that time, no staff meals have been purchased and we will not do so in the future.

Anticipated Completion Date: June 30, 2021



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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/>.