

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

METROPOLITAN SCHOOL DISTRICT  
OF PIKE TOWNSHIP  
MARION COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
01/18/2019



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda J. Searles	07-01-15 to 12-31-18
Superintendent of Schools	Nathaniel Jones Dr. Flora Reichanadter	07-01-15 to 12-31-16 01-01-17 to 06-30-19
President of the School Board	Larry Metzler Regina Randolph Cherlisa Richardson	01-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Pike Township (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

December 5, 2018

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS

***FINDING 2017-001***

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 2015-001.

*Condition*

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 internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$23,215 and overstated by \$160,147 for the periods ending June 30, 2016 and 2017, respectively. Included in the Child Nutrition Cluster misstatement was the omission of the National School Lunch Program Commodities.
2. The Child and Adult Care Food Program expenditures were understated by \$293,229 for the period ending June 30, 2016.
3. The YouthBuild grant expenditures were overstated by \$887,708 for the period ending June 30, 2017.
4. The Special Education Cluster (IDEA) expenditures were understated by \$36,518 and overstated by \$1,377,510 for the periods ending June 30, 2016 and 2017, respectively.
5. The Title I Grants to Local Educational Agencies expenditures were overstated by \$30,000 and by \$1,368,321 for the periods ending June 30, 2016 and 2017, respectively.
6. The Career and Technical Education - Basic Grants to States expenditures were overstated by \$68,763 for the period ending June 30, 2017.
7. The School Safety National Activities expenditures were overstated by \$257,544 for the period ending June 30, 2017.
8. The Education for Homeless Children and Youth expenditures were overstated by \$18,454 for the period ending June 30, 2017.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

9. The Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods expenditures were overstated by \$95,488 for the period ending June 30, 2017.
10. The Twenty-First Century Community Learning Centers expenditures were overstated by \$283,142 for the period ending June 30, 2017.
11. The Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) expenditures were understated by \$4,116 and by \$3,528 for the periods ending June 30, 2016 and 2017, respectively.
12. The English Language Acquisition State Grants expenditures were overstated by \$161,811 for the period ending June 30, 2017.
13. The Supporting Effective Instruction State Grants expenditures were overstated by \$73,244 for the period ending June 30, 2017.
14. The Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities was reported in error, resulting in an overstatement of \$36,518 for the period ending June 30, 2016.
15. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

Audit adjustments were proposed, accepted by the School Corporation, and made to 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 200.508 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. . . ."

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

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.
- (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*

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 *Context*.

*Recommendations*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

***FINDING 2017-002***

Subject: Child Nutrition Cluster - Cash Management

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-002.

*Condition*

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

The School Corporation had not established procedures to monitor the School Lunch fund monthly cash balance (net cash resources) to ensure that it was limited to the three months average expenditures. A review process was not established to document the monitoring of the cash balances (net cash resources).

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

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 to ensure compliance with the Cash Management 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 Cash Management compliance requirement.

*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 Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-003**

Subject: Child Nutrition Cluster - Suspension and Debarment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition*

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not have internal controls, policies, or procedures in place to ensure that vendors were not suspended or debarred from participation in federal award programs.

*Context*

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

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 CRF 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*

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 in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*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.

**FINDING 2017-004**

Subject: Child and Adult Care Food Program - Activities Allowed or Unallowed,  
Allowable Costs/Cost Principles, Equipment, Procurement and  
Suspension and Debarment, Earmarking

Federal Agency: Department of Agriculture

Federal Program: Child and Adult Food Care Program

CFDA Number: 10.558

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;  
Equipment and Real Property Management; Procurement and  
Suspension and Debarment; Matching, Level of Effort,  
Earmarking

Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

It could not be determined if the School Corporation complied with the compliance requirements listed above. All Department of Agriculture reimbursements received during the audit period were receipted into the School Lunch fund (800). No control account was established to identify expenditures from program funds separately from other Department of Agriculture expenditures.

*Context*

The lack of controls was a systemic problem throughout the audit period. Documentation was not provided to enable the determination of the School Corporation's compliance with the compliance requirements listed above.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) otherwise reasonably considered as pertinent to the program regulations or the grant Agreement . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured that documentation was maintained and made available related to the compliance requirements listed above.

*Effect*

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure appropriate documentation is maintained and made available for audit related to the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2017-005**

Subject: Child and Adult Care Food Program - Reporting

Federal Agency: Department of Agriculture

Federal Program: Child and Adult Care Food Program

CFDA Number: 10.558

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Condition*

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

The meal counts reported on the Sponsor Claim Summary (reimbursement) report were incorrectly reported. Tests of reports for the months of October 2015, May 2016, and March 2017, identified an over-reported amount of 341 meals.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Context*

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

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:  
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

*Effect*

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

*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 Reporting 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 2017-006**

Subject: YouthBuild - Procurement and Suspension and Debarment

Federal Agency: Department of Labor

Federal Program: YouthBuild

CFDA Number: 17.274

Federal Award Number and Year (or Other Identifying Number): 25415-14-60-A18

Pass-Through Entity: Direct Grant

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-006.

*Condition*

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



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Procurement*

The School Corporation did not competitively procure its external evaluator. All procurement actions should be conducted in a manner that provides for full and open competition. Pike Township named the evaluator in the grant's Statement of Work and, therefore, did not perform a competitive procurement action of its services. Based on the Uniform Guidance's determinations, the external evaluator is considered a contractor and not a subrecipient of the grant and would not justify a lack of a competitive procurement.

*Suspension and Debarment*

The School Corporation did not have internal controls, policies, or procedures in place to ensure that vendors were not suspended and debarred from participation in federal award programs.

*Context*

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 200.319(a) states:

"All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- (1) Placing unreasonable requirements on firms in order for them to qualify to do business;
- (2) Requiring unnecessary experience and excessive bonding;
- (3) Noncompetitive pricing practices between firms or between affiliated companies;
- (4) Noncompetitive contracts to consultants that are on retainer contracts;

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

- (5) Organizational conflicts of interest;
- (6) Specifying only a 'brand name' product instead of allowing 'an equal' product to be offered and describing the performance or other relevant requirements of the procurement; and
- (7) Any arbitrary action in the procurement process."

2 CRF 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*

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 in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*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.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

**FINDING 2017-007**

Subject: YouthBuild - Allowable Costs/Cost Principles  
Federal Agency: Department of Labor  
Federal Program: YouthBuild  
CFDA Number: 17.274  
Federal Award Number and Year (or Other Identifying Number): 25415-14-60-A18  
Pass-Through Entity: Direct Grant  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effective controls were not in place to ensure that only applicable employees were paid from program funds. The School Corporation did not maintain proper time records on all full and part-time employees paid from the YouthBuild grant.

*Context*

The lack of controls and noncompliance was a systemic problem 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 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

*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 Allowable Costs/Cost Principles 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 2017-008**

Subject: YouthBuild - Equipment

Federal Agency: Department of Labor

Federal Program: YouthBuild

CFDA Number: 17.274

Federal Award Number and Year (or Other Identifying Number): 25415-14-60-A18

Pass-Through Entity: Direct Grant

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation's property records did not contain all of the equipment acquired. Furthermore, equipment that was listed in the property records did not always include all of the required information.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Context*

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 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

*Effect*

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

*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 Equipment and Real Property Management compliance requirement.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2017-009**

Subject: School Safety National Activities - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: School Safety National Activities

CFDA Number: 84.184

Federal Award Number and Year (or Other Identifying Number): S184M140038

Pass-Through Entity: Direct Grant

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effective controls were not in place to ensure that only applicable employees were paid from program funds. The School Corporation did not maintain proper time records on all full and part-time employees paid from the School Safety National Activities grant.

*Context*

The lack of controls and noncompliance was a systemic problem 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 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (ii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

*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 Allowable Costs/Cost Principles 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 2017-010**

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

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation did not have internal controls, policies, or procedures in place to ensure that construction renovation expenditures paid out of the School Lunch fund were approved by the Indiana Department of Education (IDOE). The School Corporation did not have evidence of prior written approval from the IDOE for preliminary construction renovation expenses paid from the School Lunch fund during the audit period.

*Context*

The lack of effective controls and the noncompliance were isolated to the construction renovation expenses identified in the *Condition*.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(a) states in part:

*"Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. . . ."

2 CFR 200.439 states in part:

". . . (b) The following rules of allowability must apply to equipment and other capital expenditures: . . .

- (3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. . . ."



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured the construction renovation costs were in compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

The \$625,447 of the construction renovation allocated to the School Lunch fund was considered questioned costs.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or 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.

*Auditor's Response*

During the planning stages of the renovation, the School Corporation was in contact with officials from the School and Community Nutrition Department of the IDOE via email and provided detailed plans and estimated costs of the renovation as a proposed solution to the excess cash balance in the School Lunch fund. Despite this communication with the IDOE, the School Corporation did not receive an explicit approval or denial in regards to the use of School Lunch funds for the construction renovation.



## METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

### *Administrative Service Center*

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**Linda J. Searles, RSBO**  
*Chief Financial Officer*

*Darlene Eberhardt, Secretary*

### CORRECTIVE ACTION PLAN

**FINDING 2017-001** Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: While the MSD of Pike Township Assistant CFO and Fiscal Grant Manager have always reviewed the Schedule of Expenditures of Federal Awards (SEFA), we inadvertently entered the correct information in the wrong column. We have since corrected our error on the SEFA in Gateway.

Description of Corrective Action Plan: The Assistance CFO and Fiscal Grant Manager will now make sure they not only check the figures, but also check the appropriate column entry in their review of the SEFA. Both the Fiscal Grant Manager and the Assistant CFO will initial the hard copy of the SEFA after their review.

Anticipated Completion Date: With the next preparation of the SEFA

**FINDING 2017-002** Child Nutrition Cluster – Cash Management

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: The Superintendent and the CFO meet monthly with the FSMC District Manager and Regional Manager to complete a monthly financial review of the MSD of Pike Township Food Service Fund and financial reports. In every meeting, we review the details of the financial reports (including cash balance). We also review meal counts and separate agenda items as needed. Each individual in attendance signs documentation verifying attendance. The MSD of Pike Township also communicates with the IDOE regarding planned use of any excess cash and received approval for the planned use of excess cash during the audit period.

Description of Corrective Action Plan: In addition to the above monthly meetings, signatures and IDOE communication, the MSD of Pike Township will also specifically add language to the meeting signature page stating that we discussed cash balance when we met for the financial review.

Anticipated Completion Date: Implemented with the 10/26/2018 financial review meeting

**FINDING 2017-003** Child Nutrition Cluster – Suspension and Debarment

Contact Person Responsible for Corrective Action:

Contact Phone Number:

Views of Responsible Official: The MSD of Pike Township has assured that the suspension and debarment language is in the FSMC contract. Unfortunately, the SAM system verification did not occur on direct purchases from our Food Service Fund. We did check the SAM system for required contractors in arears and no vendors were suspended or debarred.

Description of Corrective Action Plan: The MSD of Pike Township will explore adding a clause to future contracts as a condition to the covered transaction with the vendor. Until that time, the Fiscal Grant Manager will verify and print SAM documentation in advance on the required vendors.

Anticipated Completion Date: With the next required vendor.

**FINDING 2017-004** Child and Adult Care Food Program – Activities Allowed or Unallowed, Allowable Cost/Costs Principles, Equipment, Procurement and Suspension and Debarment, Earmarking  
Contact Person Responsible for Corrective Action: Linda J. Searles, CFO  
Contact Phone Number: 317-387-2206

Views of Responsible Official: The MSD of Pike Township followed IDOE provided guidance relative to allocation of expenses between the NSLP and CACFP programs. This included food cost and labor which accounts for the majority of expenditures. In addition, all receipts are accounted for separately for each program. The FSMC management fees and indirect cost were not specifically noted by program, but could be ascertainable based on the same allocation guidance provided by IDOE relative to food cost and labor.

Description of Corrective Action Plan: The MSD of Pike Township will begin specifically noting the portion of the FSMC management fees and indirect cost expense to each program.

Anticipated Completion Date: With the next indirect cost calculation and FSMC management fee expense

**FINDING 2017-005** Child and Adult Care Food Program – Reporting  
Contact Person Responsible for Corrective Action: Linda J. Searles, CFO  
Contact Phone Number: 317-387-2206

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: Our Software vendor is able to create a Supper meal count button on Point of service (POS). This would allow us to claim free suppers at POS instead of meal count sheets. We requested permission from the DOE on 11/7/2018 and we are still waiting on an approval response. If process is not accepted by the DOE, then all current meal count sheets will be date stamped in our office on the day of arrival. At the end of every month the meal count sheets will be counted and then a double count will be performed using an excel spreadsheet to show our calculations before claim submission.

Anticipated Completion Date: By December 31, 2018

**FINDING 2017-006** YouthBuild – Procurement and Suspension and Debarment  
Contact Person Responsible for Corrective Action: Linda J. Searles, CFO  
Contact Phone Number: 317-387-2206

Views of Responsible Official: In the past State Procurement Law has not required school districts to solicit quotes or bids for services. If it is now a federal requirement to quote or bid every single purchase regardless of whether it is a service or supplies/equipment, the MSD of Pike Township will move forward in that direction.

Description of Corrective Action Plan: In the past State Procurement Law has not required school districts to solicit quotes or bids for services. If it is now a federal requirement to quote or bid every single purchase regardless of whether it is a service, supplies or equipment, the MSD of Pike Township will move forward in that direction and begin soliciting quotes for future services.

Anticipated Completion Date: With the next service need.

**FINDING 2017-007 YouthBuild – Allowable Costs/Cost Principles**

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: While the MSD of Pike Township keeps timesheets, job descriptions and appropriate salary distribution percentages and reports on all employees, this appears to not be sufficient for those employees who are funded 100% from the federal program.

Description of Corrective Action Plan: Since this is no longer a requirement after 2015-16, the MSD of Pike Township will continue to run a salary distribution report on an "as needed" basis.

Anticipated Completion Date: By November 8, 2018

**FINDING 2017-008 YouthBuild – Equipment**

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Program Managers will work with high school staff to update the equipment inventory.

Anticipated Completion Date: By December 1, 2018

**FINDING 2017-009 School Safety National Activities – Allowable Costs/Cost Principles**

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: There was not a formal time and effort log available for Ms. Dorsey. We concur with the finding.

Description of Corrective Action Plan: Since time and effort logs are no longer required after 2015-16, the MSD of Pike Township will continue to run a salary distribution report on an "as needed" basis.

Anticipated Completion Date: November 8, 2018

**FINDING 2017-010 Child Nutrition Cluster – Activities Allowed or Unallowed, Allowable Costs/Cost Principles**

Contact Person Responsible for Corrective Action: Linda J. Searles, CFO

Contact Phone Number: 317-387-2206

Views of Responsible Official: We disagree with the finding.


Description of Corrective Action Plan: The MSD of Pike Township disagrees with this finding as we notified IDOE School Nutrition (our pass-through entity) in three (3) emails regarding the details of the planned Guion Creeek Middle School (GCMS) kitchen renovation project and our plan to use excess cash in the Food Service Fund for this project. IDOE approved this project in the email(s) and said they would put a note in our AFR and retain the information for their records. In another email, IDOE approved our upcoming project as they approved and released our October Claim, based on our explanation of our upcoming project. These emails occurred four (4) months prior to the preliminary work on the project and ten (10) months prior to the start of the project. The emails occurred on 8/22/16, 11/4/16 and 11/7/16. The following IDOE School Nutrition employees were on the emails:

Danyetta Powers, MBA – Financial Specialist  
Sarah Kenworthy, School Nutrition Programs Coordinator  
Christina Herzog, Financial and Procurement Specialist  
Cheryl Moore, Food Distribution Specialist  
Alexandra Caito, School Nutrition Specialist  
Melissa Corum, School Nutrition Field Specialist

In each email, we asked if further information was required. No further information was requested from IDOE and we were not directed to complete any other steps regarding the approval process for this project. Once Danyetta Powers, Financial Specialist, approved our application in writing via email, it signaled the approval of our renovation plan and the MSD of Pike Township moved forward with the renovation. We heard nothing more on this project until December of 2017 (6 months after our renovation was completed and more than a year after IDOE School Nutrition approved the project). At that time IDOE School Nutrition (the same office as the 6 employees above) informed the MSD of Pike Township that we were selected for a Procurement Review.

To date, the MSD of Pike Township has received no detailed guidance from IDOE School Nutrition regarding changes to its current approval process for Food Service renovation projects. The only guidance shared in the mandatory IDOE Procurement Training was to make sure we sent a description of our planned project to IDOE School Nutrition Finance for review. Which is the same process we followed on the GCMS kitchen renovation project and approval was granted from our pass-through entity.

Anticipated Completion Date: N/A

  
\_\_\_\_\_  
(Signature)  
  
CFO  
\_\_\_\_\_  
(Title)  
  
11-12-18  
\_\_\_\_\_  
(Date)

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

A same comment also appeared in prior Report B47404.

The financial statement presented in the Financial Statement and Federal Single Audit Report for the School Corporation included funds with overdrawn cash balances at June 30, 2016 and June 30, 2017. Cash balances of some of the School Corporation's funds were overdrawn due to grant funds operating on a reimbursement basis. Reimbursement grants require the School Corporation to expend funds and subsequently request reimbursement. The School Corporation funds with overdrawn cash balances at June 30, 2016 and June 30, 2017, which were not due to the timing of reimbursements are listed below:

Fund	Amount Overdrawn as of June 30, 2016	Amount Overdrawn as of June 30, 2017
Retirement/Severance Bond Debt Service	\$ -	\$ 192,387
School Bus Replacement	642,510	714,545
Early Learning Center	-	5,395
Textbook Rental	-	149,134
SAFE School Haven	9,230	-

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)





Chief Financial Officer

## METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

### *Administrative Service Center*

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*Linda J. Searles, RSBO*

December 14, 2018

Indiana State Board of Accounts  
Indiana Government Center South  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2738

Re: **Official Response** - Audit of the MSD of Pike Township for the period of 7/1/15-6/30/17

To whom it may concern:

We are submitting this official response to the audit conducted by the Indiana State Board of Accounts for the time period July 1, 2015 through June 30, 2017. Below is the response of the MSD of Pike Township (the "School Corporation") to the final draft of the "Audit Results and Comments" provided to the School Corporation on December 4, 2018.

#### **Federal Finding 2017-010 Child Nutrition Cluster – Activities Allowed or Unallowed, Allowable Cost/Cost Principles**

The MSD of Pike Township disagrees with this finding as we notified IDOE School Nutrition (our pass-through entity) in three (3) emails regarding the details of the planned Guion Creek Middle School (GCMS) kitchen renovation project and our plan to use excess cash in the Food Service Fund for this project. IDOE approved this project in the email(s) and said they would put a note in our AFR and retain the information for their records. In another email, IDOE approved our upcoming project as they approved and released our October Claim, based on our explanation of our upcoming project. These emails occurred four (4) months prior to the preliminary work on the project and ten (10) months prior to the start of the project. The emails occurred on 8/22/16, 11/4/16 and 11/7/16. The following IDOE School Nutrition employees were on the emails:

Danyetta Powers, MBA – Financial Specialist  
Sarah Kenworthy, School Nutrition Programs Coordinator  
Christina Herzog, Financial and Procurement Specialist  
Cheryl Moore, Food Distribution Specialist  
Alexandra Caito, School Nutrition Specialist  
Melissa Corum, School Nutrition Field Specialist

In each email, we asked if further information was required. No further information was requested from IDOE and we were not directed to complete any other steps regarding the approval process for this project. Once Danyetta Powers, Financial Specialist, approved our application in writing via email, it signaled the approval of our renovation plan and the MSD of Pike Township moved forward with the

renovation. We heard nothing more on this project until December of 2017 (6 months after our renovation was completed and more than a year after IDOE School Nutrition approved the project). At that time, IDOE School Nutrition (the same office as the 6 employees noted prior) informed the MSD of Pike Township that we were selected for a Procurement Review. This Procurement Review resulted in our GCMS Renovation project being questioned as a project that was not approved in advance by our pass-through entity and turned over to the State Board of Accounts for review.

To date, the MSD of Pike Township has received no detailed guidance from IDOE School Nutrition regarding changes to its current approval process for Food Service renovation projects. The only guidance shared in the mandatory IDOE Procurement Training was to make sure we sent a description of our planned project to IDOE School Nutrition Finance for review. We also met with IDOE School Nutrition Finance representatives prior to our exit conference and they again shared that the email process for approval remains the same. This is the same process the MSD of Pike Township followed regarding the GCMS kitchen renovation project and approval was granted from our pass-through entity. Clearly, the IDOE School Nutrition process needs improvement, as school districts are relying on the guidance and approval of this pass-through entity.

#### **Overdrawn Cash Balances**

The Bus Replacement Fund was overdrawn by \$642,510 at 6/30/2015 and \$714,545 at 6/30/17 due to buses being purchased in June of each year and approved revenue for the budget year not being fully distributed to the School Corporation until December. The School Corporation never exceeded the approved budget appropriation and did not feel it was prudent to incur additional borrowing and interest expense in the form of Tax Anticipation Warrants when total cash in bank across all funds exceeded \$48 million and was more than sufficient to temporarily cover the shortfall until approved revenues were distributed to the School Corporation. To temporarily transfer money from another fund to make this fund appear to have a positive balance, would give an unfair picture of the status of the revenue in this fund.

Respectfully,



Linda J. Searles

Chief Financial Officer

MSD of Pike Township

*Cc: Dr. Flora Reichenadter, Superintendent*



METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP  
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2018 with Dr. Flora Reichanadter, Superintendent of Schools, and Linda J. Searles, Treasurer.