

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Franklin Pierce School District No. 402 September 1, 2017 through August 31, 2018

2018-001 The District did not have adequate internal controls to ensure compliance with federal child nutrition verification requirements.

CFDA Number and Title:	10.553- School Breakfast Program 10.555 National School Lunch program
Federal Grantor Name:	U.S. Department of Agriculture (USDA)
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction (OSPI)
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Background

The District participates in the School Breakfast and National School Lunch programs. It received \$4,153,677 through these programs during fiscal year 2018. The programs provide funding for free and reduced-price meals for low-income students. Families must meet income guidelines to be eligible for these programs.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Each year, districts must select a sample of applicants and verify that the family income information reported to the district is correct. The Office of Superintendent of Public Instruction (OSPI) instructs school districts on how to verify program eligibility.

Description of Condition

In the 2016-2017 school year, 20 percent of the sampled applicants did not respond to the District's verification request. When the nonresponse rate is 20 percent or

higher, the District is required to use a different sampling method the following year. Therefore, the District was required to use a 3 percent focused sampling method and select from “error prone” applications. Error-prone applications are defined as applications where the reported household income falls within \$100 a month of the upper income limit for free or reduced-priced meal eligibility. Instead, the District used the 1 plus 1/2 percent focused sampling method and did not select the correct number of “error prone” applications for verification.

We consider this control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The District lacked an understanding of the program requirements and how to select the proper sampling method based on its non-response rate from the prior year.

Effect of Condition and Questioned Costs

The District was required to verify two error-prone applications but instead verified one error-prone application and five additional applications.

A lack of proper internal controls over the verification process increases the risk that free or reduced-price meals could be provided to children who were not eligible to receive them. In addition, this could affect the District’s eligibility for future federal funding.

Recommendation

We recommend the District establish internal controls and adequate oversight to ensure it follows the required sampling method for income verification.

District’s Response

The District currently has procedures in place for proper income verification. This past year the staff attended training on how to cross reference the sampling methods and on the amount of applications to be verified. Skyward did not properly calculate the amount of applications needing to be verified. The error was found this current year and corrected before the verification process. OSPI and District’s IT department were notified.

We will continue trainings specific to verification as well as cross checking Skyward during the sampling process.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 7 CFR Part 245, *Determining Eligibility for Free and Reduced Price Meals and Free Milk in Schools*, Section 6a, Verification requirements, establishes requirements for verifying eligibility of children for free and reduced price meal benefits.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Franklin Pierce School District No. 402 September 1, 2017 through August 31, 2018

2018-002 The District did not have adequate internal controls to ensure compliance with the federal Title I grant requirements for reporting the high school graduation rate.

CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction (OSPI)
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$ 0

Background:

The Title I program's objective is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During the 2017-2018 school year, the District spent \$1,577,243 in Title I program funds.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Districts must report graduation rate data for all public high schools to the Office of Superintendent of Public Instruction (OSPI) annually. This is done by submitting a Graduation Rate Report that indicates the student's enrollment status as graduated, transferred out, dropped out, migrated to another county, or deceased. The District must retain adequate support to demonstrate how it classifies a student's enrollment status. To confirm a student transferred out, the District must have official written documentation that the student enrolled in another school or

in an education program that culminates in the award of a regular high school diploma.

Description of Condition

Our audit reviewed the District's documentation for students it classified as "transferred out". The District's internal controls were not adequate to ensure it correctly classified students who left the District. Specifically, the District did not obtain adequate documentation to support the transfer status of students who left the District and enrolled in an education program that culminates in the award of a regular high school diploma. Without this documentation, the District cannot support a confirmed transfer status.

We consider this control deficiency to be a material weakness in internal controls.

This issue was not reported as a finding in the prior audit.

Cause of Condition

District staff were unaware of the requirement that enrollment in an education program that culminates in a high school diploma for the student must be confirmed in order to record the student's status as transferred.

Effect of Condition and Questioned Costs

Of 23 transfers reviewed, four were incorrectly classified because the District did not have proper documentation to confirm the students enrolled in another school or program. Because it did not maintain proper records, the District provided inaccurate reports to OSPI. Further, the District risks incorrectly calculating graduation rates, which would violate a federal requirement.

There are no questioned costs associated with this compliance requirement.

Recommendation

We recommend the District establish adequate controls to obtain and keep documentation confirming it properly classifies students who transfer out of the District, including written notification confirming the student enrolled at a new school or education program that culminates in a high school diploma.

District's Response

The District has procedures in place for properly classifying students who transfer out of District. We will work with the high school registrars on documentation for

educational institutions that do not report on CEDARS such as higher education schools.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance, section 303 – Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 34 CFR Part 200, *Title I – Improving the Academic Achievement of the Disadvantaged*, Subpart A – *Improving Basic Programs Operated by Local Educational Agencies*, Section 34 – High School Graduation Rates, discusses requirements for reporting cohort graduation rates and how changes in student status are classified.

Title 34 CFR Part 200, *Subpart A – Improving Basic Programs Operated by Local Educational Agencies*, Section 19 – Other academic indicators – establishes the requirement for Districts to have official written documentation to confirm a student transferred out.

Comprehensive Education Data and Research System (CEDARS) Reporting Guidance version 10.1 describes requirements for reporting cohort graduation rates and how changes in student status are classified.