



Dave Yost • Auditor of State

**TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY**

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**TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR | Federal | | |
|---|---------------|-------------------------|--------------------------|
| <i>Pass Through Grantor</i> | CFDA | | |
| <u>Program Title</u> | <u>Number</u> | <u>Receipts</u> | <u>Disbursements</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| Fruit and Vegetable Program | | | |
| Fruit and Vegetable Program | 10.582 | \$ 123,538 | \$ 123,538 |
| <u>Child Nutrition Cluster:</u> | | | |
| School Breakfast Program | | | |
| School Breakfast Program (Non-Cash Assistance) | 10.553 | 60,231 | 118,600 |
| School Breakfast Program | 10.553 | 2,215,824 | 2,215,824 |
| <i>Total CFDA #10.553</i> | | <u>2,276,055</u> | <u>2,334,424</u> |
| National School Lunch Program | | | |
| National School Lunch Program (Non-Cash Assistance) | 10.555 | 201,644 | 397,053 |
| National School Lunch Program | 10.555 | 7,323,467 | 7,323,467 |
| <i>Total CFDA #10.555</i> | | <u>7,525,111</u> | <u>7,720,520</u> |
| <i>Total Child Nutrition Cluster</i> | | <u>9,801,166</u> | <u>10,054,944</u> |
| <i>Total U.S. Department of Agriculture</i> | | <u>9,924,704</u> | <u>10,178,482</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Direct Programs: | | | |
| <u>Student Financial Assistance Cluster:</u> | | | |
| Federal Pell Grant Program | 84.063 | | |
| LPN Pell Grant FY-14 | | 25,525 | 25,525 |
| LPN Pell Grant FY-15 | | 431,412 | 431,412 |
| <i>Total Federal Pell Grant Program</i> | | <u>456,937</u> | <u>456,937</u> |
| Federal Family Education Loan Program: | 84.268 | | |
| Adult Education | | 1,166,027 | 1,217,964 |
| <i>Total U.S. Department of Education - Direct Programs</i> | | <u>1,622,964</u> | <u>1,674,901</u> |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Special Education Cluster:</u> | | | |
| Special Education Grants to States | 84.027 | | |
| Special Education IDEA, Part B FY-14 | | 598,991 | 931,364 |
| Special Education IDEA, Part B FY15 | | 5,005,861 | 5,029,488 |
| <i>Total Special Education Grants to States</i> | | <u>5,604,852</u> | <u>5,960,852</u> |
| Special Education Preschool Grants | 84.173 | | |
| Preschool Grant FY-14 | | 6,261 | 11,994 |
| Preschool Grant FY-15 | | 140,683 | 190,129 |
| <i>Total CFDA #84.173</i> | | <u>146,944</u> | <u>202,123</u> |
| <i>Total Special Education Cluster</i> | | 5,751,796 | 6,162,975 |
| State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants | | | |
| ARRA - Race to the Top FY-14 | 84.395 | 1,079,335 | 1,456,723 |

**TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | | | |
|---|--------|-----------------------------|-----------------------------|
| <u>Title I:</u> | 84.010 | | |
| Title I Grants to Local Educational Agencies-FY 13 | | | |
| Title I Grants to Local Educational Agencies-FY 14 | | 5,798,643 | 5,533,376 |
| Title I Grants to Local Educational Agencies-FY 15 | | 14,144,170 | 14,434,617 |
| <i>Total Title I</i> | | <u>19,942,813</u> | <u>19,967,993</u> |
| | | | |
| Vocational Education Basic Grants to States | 84.048 | | |
| Adult FY 14 | | 211,040 | 278,499 |
| Adult FY 15 | | 806,390 | 856,525 |
| <i>Total Vocational Education Basic Grants to States</i> | | <u>1,017,430</u> | <u>1,135,024</u> |
| | | | |
| Education for Homeless Children and Youth | 84.196 | | |
| FY 14 | | 8,899 | 11,061 |
| FY 15 | | 181,210 | 200,208 |
| <i>Total Education for Homeless Children and Youth</i> | | <u>190,109</u> | <u>211,269</u> |
| | | | |
| Improving Teacher Quality State Grants | 84.367 | | |
| Improving Teacher Quality FY14 | | | 132,479 |
| Improving Teacher Quality FY15 | | 2,216,408 | 2,771,785 |
| <i>Total Improving Teacher Quality State Grants</i> | | <u>2,216,408</u> | <u>2,904,264</u> |
| | | | |
| English Language Acquisition Grants | 84.365 | | |
| Limited English Grant FY 14 | | 6,249 | 8,329 |
| Limited English Grant FY 15 | | 65,228 | 69,851 |
| <i>Total English Language Acquisition Grants</i> | | <u>71,477</u> | <u>78,180</u> |
| | | | |
| Twenty-First Century Grant | 84.287 | | |
| 21st Century | | 326,698 | 371,356 |
| | | | |
| <u>School Improvement Cluster:</u> | | | |
| School Improvement Competitive | 84.377 | 1,268,664 | 1,350,829 |
| <i>Total U.S. Department of Education - Pass Through Programs</i> | | <u>31,864,730</u> | <u>33,638,613</u> |
| Total U.S. Department of Education | | <u>33,487,694</u> | <u>35,313,514</u> |
| | | | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Direct Program: | | | |
| Head Start | | | |
| Head Start FY 15 | 93.600 | 6,857,871 | 6,895,399 |
| <i>Total U.S. Department of Health and Human Services</i> | | <u>6,857,871</u> | <u>6,895,399</u> |
| | | | |
| U.S. DEPARTMENT OF LABOR | | | |
| Direct Program: | | | |
| Youth Career Connect | | | |
| Youth Career FY 15 | 17.274 | 329,986 | 359,505 |
| <i>Total U.S. Department of Labor</i> | | <u>329,986</u> | <u>359,505</u> |
| | | | |
| Total Federal Awards Receipts and Expenditures | | <u>\$ 43,412,398</u> | <u>\$ 52,746,900</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Toledo City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE D - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Toledo City School District
Lucas County
420 East Manhattan Blvd.
Toledo, Ohio 43608-1267

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Toledo City School District, Lucas County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2015 wherein we noted the District adopted Governmental Accounting Standard No. 68 and Statement No. 71 during the year. Our Report also noted the District restated certain balances due to expenditure posting errors.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2015-002 and 2015-003 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-001 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Toledo City School District
Lucas County
420 East Manhattan Blvd.
Toledo, Ohio 43608-1267

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Toledo City School District, Lucas County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Toledo City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster, Special Education Cluster, Title I, Improving Teacher Quality, and Head Start

As described in Findings 2015-006 through 2015-009 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

| Finding # | CFDA # | Program (or Cluster) Name | Compliance Requirement |
|-----------|---------------|---------------------------|--|
| 2015-006 | 10.553/10.555 | Child Nutrition Cluster | Allowable Cost |
| 2015-006 | 84.027/84.173 | Special Education Cluster | Allowable Cost |
| 2015-006 | 84.010 | Title I | Allowable Cost |
| 2015-006 | 84.367 | Improving Teacher Quality | Allowable Cost |
| 2015-006 | 93.600 | Head Start | Allowable Cost |
| 2015-007 | 84.010 | Title I | Equipment and Real Property Management |
| 2015-008 | 84.010 | Title I | Special Tests and Provisions |
| 2015-009 | 84.027/84.173 | Special Education Cluster | Equipment and Real Property Management |

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster, Special Education Cluster, Title I, Improving Teacher Quality, and Head Start

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster, Special Education Cluster, Title I, Improving Teacher Quality, and Head Start* paragraph, Toledo City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster, Special Education Cluster, Title I, Improving Teacher Quality, and Head Start for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Internal Control Over Compliance – (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-004 through 2015-009 to be material weaknesses.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Federal Awards Receipts and Expenditures Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Toledo City School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our unmodified report thereon dated December 30, 2015, wherein we noted the District adopted *Governmental Accounting Standard No. 68 and Statement No. 71* during the year. Our Report also noted the District restated certain balances due to expenditure posting errors. We conducted our audit to opine on the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2015

TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Qualified – all major programs |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA # 10.553, 10.555 Child Nutrition Cluster, CFDA # 84.027, and 84.173 Special Education Cluster, CFDA # 84.010 Title I, CFDA # 84.367 Improving Teacher Quality, CFDA # 93.600 Head Start |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 1,582,407 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2015-001

Capital Assets

Significant Deficiency

According to Generally Accepted Accounting Principles (GAAP)

- The District should account for the acquisition and renovation of new buildings and related improvements in a separate Construction in Progress (CIP) fund as a non-depreciable asset until the asset is placed in service.

According to the District's policy:

- The District conducts a complete inventory every five years, by physical count, of all District-owned equipment and supplies;
- Each building and additions to buildings are identified by location or name and are described in detail (e.g., size, number of floors, square footage, type of construction, etc.) with the value shown for all individual structures;
- Fixed equipment is inventoried by building, floor and room name or number; each item is to be listed individually;
- Movable equipment is inventoried by building, floor and room name or number; each item is to be listed individually;
- Any item that has a model number or serial number has that number noted in the description for full identification;
- All equipment purchased, after the initial inventory, as capital outlay or replacement with a cost of \$5,000 or more and with an estimated useful life of five years or more is tagged and made part of the equipment inventory.

We have identified the following:

- The District does not use Capital Asset software to maintain and update additions, deletions, and depreciation. Capital Assets are currently maintained and updated by the use of spreadsheets;
- The District did not utilize a separate Construction in Progress (CIP) fund for non-depreciable assets until the asset is placed in service for improvements made at Summit building.
- Numerous problems were detected in these spreadsheets including improper carry forward of book value (over or under depreciated); improper carry forward of asset life; depreciation expense taken in excess of the asset's depreciable basis;
- The assets reported on the spreadsheets do not always have an assigned asset tag number, and do not always have an adequate description to enable location and observation of the asset, and the equipment assets in school buildings are not always tagged and not always traceable to the capital asset spreadsheets;
- Disposal form documentation for the deletion of assets from the asset spreadsheets was incomplete.

These conditions provide for possible incomplete and inaccurate reporting of capital assets in the financial statements, possible inadequate insurance coverage, and a lack of control and accountability over the District's capital assets.

This was due to the District's lack of oversight in ensuring that their capital assets policy was followed as well as Generally Accepted Accounting Principles.

To correct the noted conditions we recommend the District:

- Obtain and implement capital asset software for calculating depreciation expense, inventory, and asset book value;
- Segregate all assets not yet placed in service and report separately as non-depreciable Construction in Progress.
- Review the fixed asset policy and consider revisions and inclusion of policy regarding the disposal of assets, transfer of assets, and depreciation;
- Complete asset tagging and provide adequate descriptions of assets;
- Complete disposal forms for the disposal of assets with adequate documentation to support the disposal.

FINDING NUMBER 2015-002

Posting Errors

Material Weakness

Posting errors were identified in the Governmental Accounting Standard No. 68 restatement footnote.

This was due to lack of oversight by the District when posting journal entries to the accounting system.

Journal entries were prepared by the District in the amount of \$4,827,915 that were not properly posted in the District's accounting system.

This resulted in an overstatement of Net Position in the General Fund and an understatement of Net Position for the Locally Funded Initiative Fund, Classroom Facilities Fund, Other Governmental Funds, Internal Service Funds, and the Private Purpose Trust Funds on the Statement of Net position. These errors were corrected by the District as part of the restatement made to beginning Net Position.

We recommend the District's management review all journal entries that are prepared by the District and ensure they are properly posted to the District's accounting system.

FINDING NUMBER 2015-003

Payroll Disbursements

Material Weakness

Contracts, timesheets, and withholding forms were not provided for all employees tested. Thirty-Seven employees were selected for sampling, six of those employees did not have a contract on file, four of those employees did not have timesheets, and two of those employees did not have tax and pension withholding forms on file. Although these items were missing we were able to determine proper compensation was paid.

This was due to the District's lack of oversight in monitoring employee personnel files and ensuring timesheets were submitted when applicable.

All District employees should be paid based on the Board approved pay scale or contract and according to the hours listed on each employees' time sheet if applicable. Contracts should be signed and maintained in personnel files for every employee that is required to have a contract. Timesheets should be signed weekly for any time worked during the pay period.

Ensuring that supporting documentation for employee pay and withholdings is obtained, reviewed, and retained is a control over the payroll process. Lack of signed contracts, timesheets, and withholding authorization forms could result in a fictitious employee. A lack of proper documentation showing the authorization of pay and withholdings could result in a misappropriation of assets.

To maintain adequate monitoring controls over payroll disbursements and withholdings and to reduce the possibility of misappropriation of assets from the District's funds, we recommend the Treasurer/Board do the following:

- Maintain signed contracts for those employees that are required to have contracts,
- Maintain signed timesheets for the employees that are paid on an hourly basis for regular time or overtime,
- Maintain signed authorization forms for the employee's retirement system and payroll tax.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

Child Nutrition Non-Payroll Disbursements

| | |
|------------------------------------|--|
| Finding Number | 2015-004 |
| CFDA Title and Number | Child Nutrition Cluster – CFDA # 10.553/10.555 |
| Federal Award Number / Year | 2015 |
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness

Sales tax was paid on an Invoice and one other invoice was paid in the wrong amount by the District.

This was due to the District not establishing policies and procedures to ensure all invoices being paid are correctly calculated and no sales tax is being charged due to the District not being required to pay sales tax.

Failure to ensure proper controls exist over allowable activities and allowable cost could result in the District expending monies that do not comply with grant requirements which could result in reductions in future funding.

We recommend the District establish written policies that identify who is responsible for reviewing Child Nutrition program disbursements for allowable activities and costs and how this review is to be documented. This review should be performed after an invoice is received from a vendor, but prior to payment.

Child Nutrition Program Income

| | |
|------------------------------------|--|
| Finding Number | 2015-005 |
| CFDA Title and Number | Child Nutrition Cluster – CFDA # 10.553/10.555 |
| Federal Award Number / Year | 2015 |
| Federal Agency | U.S. Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness

The District collects money from students for breakfast meals, lunch meals, and ala carte items. Students may pay daily for meals, may pay in advance for multiple meals, or may charge all or part of a meal to be paid in the future.

The District has not implemented controls to ensure that the correct rates are charged to students related to the food service program. For 20 percent of transactions tested, the District did not maintain correct written support to identify what products were sold and the amount collected for each item. As such, it was impossible to determine that students were charged the correct rate in accordance with the pricing list.

Failure to document products sold and receipts collected could result in theft of District assets or charging students incorrectly for products.

We recommend the District establish policies and procedures to ensure that all receipts collected are supported as to products sold and amounts collected.

Federal Payroll Disbursements

| | |
|------------------------------------|--|
| Finding Number | 2015-006 |
| CFDA Title and Number | All Major Programs |
| Federal Award Number / Year | 2015 |
| Federal Agency | U.S. Department of Education/U.S. Department of Agriculture/ U. S. Department of Health and Human Services |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost/Noncompliance/Material Weakness

2CFR, Appendix B to Part 225(8)(h) requires employees who work on multiple activities or cost objectives, to support the distribution of their salaries or wages with personnel activity reports or equivalent documentation which meets the standards unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Employees whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

In addition, signed contracts were not returned and obtained by the District for some of the employees who are part of the Toledo Association of Administrative Personnel and Toledo Federation of Teachers

Unions. Article VII. of the Toledo Association of Administrative Personnel Contract, Article VI. of the Toledo Federation of Teachers Contract, and Article IX. of the Toledo Federation of Teachers Contract require District employees to be issued a contract. An employee must have a contract to show the correct rate of pay approved by the District's board.

The District charged Federal grant programs for payroll and benefits expenditures that were either unsupported by required personnel activity reports or did not match activities documented on personnel activity reports provided.

The following conditions exist over the District's documentation of personnel activity:

- Employees working on multiple activities or cost objectives did not always complete time and effort forms (i.e. monthly personnel activity reports) or semi-annual certifications indicating that the employee has worked on a single cost objective throughout the semi-annual period;
- Personnel activity as documented by employees on time and effort forms or semi-annual certifications did not always match amounts charged to grants;
- Time and effort forms or semi-annual certifications were not always completed in a timely fashion.

Based on non-compliance identified above, we are questioning the following grant expenditures:

| Program | CFDA | Amount |
|---------------------------|---------------|---------------|
| Child Nutrition Cluster | 10.553/10.555 | \$1,316 |
| Special Education Cluster | 84.027/84.173 | 10,143 |
| Title I | 84.010 | 7,657 |
| Improving Teacher Quality | 84.367 | 2,831 |
| Head Start | 93.600 | 8,782 |

Failure to establish and monitor controls over personnel activity reports could result in the District inappropriately charging Federal grants for work not performed. This could result in reduced grant funding in the future.

We recommend the District perform the following procedures:

- Review Federal guidelines that identify requirements for documenting personnel activity;
- Establish and implement procedures to ensure Federal payroll expenditures are supported as required by 2 CFR, Part 225;
- Establish procedures to monitor the completion and accuracy of personnel activity documentation to ensure each charge to a Federal grant is properly supported, and consider who the appropriate personnel to sign the form should be. The personnel who signs the form attesting to accuracy should have first-hand knowledge supporting that wages paid meets allowable activity and costs permitted by the grant;
- The District should reconcile, not less than quarterly, amounts budgeted for each employee to a Federal grant to actual time spent on the Federal grant. Any differences should be posted to the accounting system.

We also recommend the District issue and collect contracts for all employees to ensure that the employees are being paid the approved rate of pay. We also recommend a copy of the valid employee contract be maintained in the employee personnel file.

Title I Equipment

| | |
|------------------------------------|------------------------------|
| Finding Number | 2015-007 |
| CFDA Title and Number | Title I – CFDA # 84.010 |
| Federal Award Number / Year | 2015 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance/Material Weakness

2 CFR §200.313 (d)(1) provides that 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.

The District maintained two separate equipment listings for the Title I federal program. However, the District did not include the purchase of 6,000 Chromebooks upon either of the Title I equipment listings. The Chromebook listing that was obtained did not contain the acquisition date or the cost of the property. As a part of the Chromebook listing, the District also failed to include software that was purchased for the Chromebooks and would enhance the value of the asset.

This was due to the District's lack of oversight in monitoring the equipment listing and ensuring completeness of the listing.

We recommend the District maintain one equipment listing for the Title I federal program. The District should also ensure that they include all of the required information on the equipment listing maintained to ensure assets are properly accounted for within the Title I equipment listing.

Highly Qualified Teachers

| | |
|------------------------------------|------------------------------|
| Finding Number | 2015-008 |
| CFDA Title and Number | Title I – CFDA # 84.010 |
| Federal Award Number / Year | 2015 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance/Material Weakness

34 CFR Section 200.55 requires an LEA to ensure that any teacher whom it hires to teach a core academic subject and who worked in a program supported with Title I, Part A funds is highly qualified. This requirement applies to teachers in Title I targeted assistance programs who teach a core academic subject and are paid with Title I, Part A funds and to all teachers who teach a core academic subject in a Title I school wide program school. "Core academic subjects" means English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and

geography.

The District requires teachers to submit Highly Qualified Teacher Status forms that identify the criteria the teacher has met to be considered Highly Qualified. The District relies on the school principals to ensure that all Highly Qualified Teacher Status forms are submitted.

The District charged Federal grant programs for payroll and benefits expenditures that were either unsupported by Highly Qualified Teacher Status forms or lacked supporting documentation evidencing that the submitted form was complete and accurate.

The following conditions existed for 74% of employees tested for Highly Qualified Teacher Status:

- Forms were not always complete in identifying that the teacher meets Highly Qualified Teacher criteria;
- Supporting Documentation was not maintained evidencing that the teacher met the Highly Qualified Teacher criteria.

Failure to establish and monitor controls over Highly Qualified Teacher status could result in the District inappropriately charging federal grants for teachers who are not qualified. This could result in reduced grant funding in the future.

We recommend the District perform the following procedures:

- The District should implement procedures to assure the timely return of Highly Qualified Teacher Status forms and supporting documentation that evidences the Highly Qualified criteria has been met;
- District personnel should implement procedures to ensure all required teachers are filling out Highly Qualified Teacher Status forms;
- Throughout the year, there should be occasional supervisory review to ensure procedures are being performed as intended,

Special Education Equipment Listing

| | |
|------------------------------------|--|
| Finding Number | 2015-009 |
| CFDA Title and Number | Special Education Cluster – CFDA # 84.027/84.173 |
| Federal Award Number / Year | 2015 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance/Material Weakness

34CFR § 80.32 (d-e) requires that:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property,
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.
- (4) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(5) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

(a) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

(b) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

There has been no inventory completed within the last three years for Special Education.

This was due to the District's lack of oversight in ensuring that all Federal compliance requirements are met relating to Special Education inventory.

We recommend the District establish procedures for equipment management, including the above requirements, for the Federal programs that require equipment management.

Officials' Response:

We did not receive a response from Officials to the above findings.

TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2014-001 | Significant deficiency because the District did not follow Capital Asset Policy. | No | Not corrected and re-issued as Finding 2015-001. |
| 2014-002 | Material federal control weakness due to lack of controls over child nutrition program income. | No | Not corrected and re-issued as Finding 2015-005. |
| 2014-003 | Questioned costs of \$24,440 due to federal payroll disbursements not being supported by 2 CFR, Part 225. | No | Not corrected and re-issued as Finding 2015-006. |
| 2014-004 | 34CFR Subtitle A §80.32(d) for the District not maintaining a federal equipment listing. | No | Not corrected and re-issued as Finding 2015-009. |

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**TOLEDO CITY SCHOOL DISTRICT
LUCAS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|---|
| 2015-004 | The District will be more diligent when reviewing and approving expenditures made using federal funds in an effort to avoid making unallowable expenditures in the future. | 6/30/2016 | Rick Reucher, Director of Accounting and Finance |
| 2015-005 | The District is continuing work on a point of sale system in the elementary schools. Further education will be provided to food service workers. | 6/30/2016 | James Gant, Business Manager |
| 2015-006 | The District has started to complete time and effort forms by pay ending date, not pay date. Time card online has been implemented in the District's HR and payroll software which should help with employee compliance. Time and effort certifications are being collected semi-monthly now. | 6/30/2016 | Wendy Garczynski, Acting Director of OMB |
| 2015-007 | The District completed an inventory in 2015. The results have been entered into the Fixed Assets module of the District's accounting software. | 6/30/2016 | Rick Reucher. Director of Finance and Accounting |
| 2015-008 | The District will re-instate the process to track information related to Highly Qualified Teachers and ensure proper supporting paperwork is collected in a timely manner. | 6/30/2016 | C. Spieldenner, Director of HR |
| 2015-009 | The District completed an inventory in 2015. The results have been entered into the Fixed Assets module of the District's accounting software. | 6/30/2016 | Rick Reucher. Director of Finance and Accounting |

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