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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MILL CREEK COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2013 to June 30, 2015

FILED
09/29/2017

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Lori Bennett	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Jill E. Jay	07-01-13 to 06-30-14
	James A. Diagostino	07-01-14 to 06-30-18
President of the School Board	Charlie W. Morris	07-01-12 to 12-31-13
	Dr. Margaret D. Weatherman	01-01-14 to 12-31-14
	Timothy Whicker	01-01-15 to 12-31-17

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MILL CREEK COMMUNITY SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Mill Creek Community School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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/.

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 describe the identified reportable instances 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

September 22, 2017

FINDING 2015-001 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Number and Year (or Other Identifying Number): 3335
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Semi-Annual Certifications were not maintained by the School Corporation.

Context

Semi-Annual Certifications were not maintained by the School Corporation for food service employees who worked solely on the Child Nutrition programs for the 2013-2014 and 2014-2015 school years. The lack of controls was a systemic problem, occurring throughout the audit period.

Criteria

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

> "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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states in part:

> "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

Cause

Management had not developed a system of internal controls over the Allowable Costs/Cost Principles compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement 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 2015-002 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3335
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The School Corporation's monthly Net Cash Resources in the School Lunch fund exceeded the 3 months average expenditures during the audit period.
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Context

For all months of the audit period, the monthly net cash resources were greater than the allowed 3 months average expenditures. The 3 months average expenditures for the 2013-2014 school year and 2014-2015 school year were $180, 547 and $153,940, respectively. The School Corporation's monthly Net Cash Resources ranged from $299,055 to $409,456 in the 2013-2014 school year and $288,907 to $376,822 in the 2014-2015 school year.

The School Corporation was aware of the requirement and had a plan for purchasing new equipment for Child Nutrition Cluster programs.

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. . . ."

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

Cause

Management had not established an effective system of internal control, related to the Cash Management compliance requirement, which would have prevented, or detected and corrected, noncompliance.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement 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 2015-003 - REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Number: 10.553, 10.555, 10.556
Federal Award Number and Year (or Other Identifying Number): 3335
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. In addition, our testing revealed that the School Food Authority (SFA) Verification Collection Report, Sponsor Claims (claim for reimbursement), and the Annual Financial Report (AFR) completed by the School Corporation did not agree to the School Corporation's supporting documentation or financial records.

Context

Management had not established an internal control to ensure the accuracy of the reports, such as a secondary review, oversight, or approval process.

Three applications should have had a status change due to no response from the applicant; however, the School Food Authority (SFA) Verification Collection Report documented zero applications requiring a status change. The AFRs contained errors in the reported revenue, expenses, and beginning/ ending balances. Total revenue and expense amounts were understated and beginning and ending balances were overstated on the 2013-2014 AFR. For the 2014-2015 AFR, the total revenue, expenses, and beginning/ending balances were overstated when compared to the School Corporation's financial records.

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. . . ."

7 CFR 3016.20(1) states: "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 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Department of Education's General Guidelines for the AFR states in part:

> ". . . All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used. . . ."

Cause

Management had not developed a system of internal controls over the Reporting compliance requirements, which would have prevented, or detected and corrected, material noncompliance.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Reporting compliance requirement to ensure that compliance is met and reports are accurate.

Views of Responsible Officials

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

FINDING 2015-004 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED APPLICATIONS (NSLP)

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Number and Year (or Other Identifying Number): 3335
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirement. Three applications did not make the necessary status changes once the verification was complete.

Context

Documentation presented for audit indicated that the School Corporation had not received a response from the applicants of three of the applications from the 2013-2014 school year. Eligibility documentation abstracted from the school food service electronic system indicated that the status of these applications were still either free or reduced.

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. . . ."

7 CFR 245.6a (f)(4) states:

"*Household cooperation*. If a household refuses to cooperate with efforts to verify, eligibility for free or reduced price benefits shall be terminated in accordance with paragraph (j) of this section. Households which refuse to complete the verification process and which are consequently determined ineligible for such benefits . . ."

Cause

Management had not developed a system of internal controls over the Special Test and Provisions - Verifications of Free and Reduced Applications (NSLP) compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirement to ensure that compliance is met and verification is completed properly.

Views of Responsible Officials

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

FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): 3335
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Context

The School Corporation had not implemented an effective internal control system to ensure the accuracy of the paid lunch equity calculations, such as proper oversight, review, or approval process.

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. . . ."

Cause

Management had not developed a system of internal controls over the Special Tests and Provisions - Paid Lunch Equity compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

Mill Creek Community School Corporation
6631 S. CR 200 W · Clayton, IN 46118

Administrative Services Center
317-539-9200 · Fax: 844-303-1811

CORRECTIVE ACTION PLAN

FINDING 2015-001 – ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer, and Director of Child Nutrition, Aramark
Contact Phone Number: 317-539-0020

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

The Superintendent, or business office designee, will conduct semi-annual certifications of charges for salaries and wages with food service employees who worked solely on the Child Nutrition program. The employee or supervisory official having first-hand knowledge of the work performed by the employee will sign the certification to be prepared and maintained by Mill Creek Community School Corporation. These controls will establish compliance with the grant and the Allowable Costs/Cost Principles.

Anticipated Completion Date: October 20, 2017

FINDING 2016-002 – CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer, and Director of Child Nutrition, Aramark

Contact Phone Number: 317-539-9200

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

The Superintendent, or business office designee, with respect to the food service fund, will limit its net cash resource to an amount that does not exceed three months average expenditure. Monthly fund reports will be analyzed and assessed to meet or exceed the net cash resource amount. Expenditures for equipment in the Child Nutrition program are planned. These controls will establish compliance with the grant agreement and the Cash Management requirement.

Anticipated Completion Date: December 31, 2017

Mill Creek Community School Corporation
6631 S. CR 200 W· Clayton, IN 46118

Administrative Services Center
317-539-9200· Fax: 844-303-1811

FINDING 2016-003 – REPORTING

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer, and Director of Child Nutrition, Aramark

Contact Phone Number: 317-539-9200

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

With new knowledge of 7 CFR section 245.6a(h), and the verification and recordkeeping requirements of the Child Nutrition Program, the Superintendent, or business office designee, will review and approve the monthly claim for reimbursement, the annual financial report, and the annual verification summary. These controls will establish compliance with grant agreement and the reporting requirement.

Anticipated Completion Date: October 6, 2017

FINDING 2015-004 – SPECIAL TEST & PROVISIONS – VERIFICATION OF FREE AND REDUCED APPLICATIONS

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer, and Director of Child Nutrition, Aramark

Contact Phone Number: 317-539-9200

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

The Superintendent, or business office designee, will review and approve a sample of Free and Reduced applications upon initial review and approval from our Director of Child Nutrition. In addition, these officials will re-verify at least 3% (3 percent) of the approved applications. These controls will establish compliance with the grant agreement and the Special Test and Provisions requirements.

Anticipated Completion Date: The control has been established by December, 2017.

Mill Creek Community School Corporation
6631 S. CR 200 W· Clayton, IN 46118

Administrative Services Center
317-539-9200· Fax: 844-303-1811

FINDING 2015-005 – SPECIAL TEST & PROVISIONS – PAID LUNCH EQUITY

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer, Director of Child Nutrition, Aramark, and MCCSC Board of Trustees

Contact Phone Number: 317-539-9200

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

The Superintendent, or business office designee, will review and approve the Paid Lunch Equity upon initial review and approval from our Director of Child Nutrition. The Paid Lunch Equity documentation will be reviewed and approved by the Mill Creek School Community School Corporation Board of Trustees. These controls will establish compliance with the grant agreement and the Special Test Provision requirement.

Anticipated Completion Date: June 13, 2018

(Signature)

Superintendent

(Title)

9-19-17

(Date)

MILL CREEK COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

INPUT CONTROLS

There were 966 instances of duplicate check numbers issued during the audit period. The School Corporation's computerized financial management system did not have proper input controls in place to ensure duplication would not occur.

These controls are designed to provide reasonable assurance that data received or computer processing is appropriately authorized and converted into a machine-sensible form and that data is not lost, suppressed, added, duplicated, or improperly changed. Computerized input controls include data checks and validation procedures such as check digits, record counts, hatch totals, and batch financial tools, while computerized edit routines - which are designed to detect data errors - include valid character tests, missing data tests, sequence tests, and limit or reasonableness tests. Domains of input controls include:

1) Data checks and validation.

2) Automated authorization, approval, and override.

3) Automated segregation of duties and access rights.

4) Pended items.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology)

MILL CREEK COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2017, with Timothy Whicker, President of the School Board; James A. Diagostino, Superintendent of Schools; and Lori Bennett, Treasurer.