

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MOUNT VERNON COMMUNITY  
SCHOOL CORPORATION  
HANCOCK COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
11/16/2018

*Reissued on November 28, 2018, to correct errors on the Independent Auditor's Report, Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs.*



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Brian F. Tomamichel	07-01-14 to 06-30-17
	(Vacant)	07-01-17 to 09-24-17
	Chris Smedley	09-25-17 to 06-30-18
Superintendent of Schools	Dr. William J. Riggs	07-01-14 to 06-30-15
	Dr. William S. Robbins	07-01-15 to 05-30-18
	Chris Smedley (co-interim)	06-01-18 to 12-31-18
	Heather Noesges (co-interim)	06-01-18 to 12-31-18
President of the School Board	Tony May	01-01-14 to 12-31-15
	Michael S. McCarty	01-01-16 to 12-31-17
	Shannon Walls	01-01-18 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY SCHOOL CORPORATION, HANCOCK COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Mount Vernon Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

October 2, 2018



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

TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY SCHOOL  
CORPORATION, HANCOCK COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Mount Vernon Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated October 2, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002.

**Mount Vernon Community School Corporation's Response to Findings**

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 2, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER  
FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ (3,630,914)	\$ 21,148,851	\$ 17,509,179	\$ -	\$ 8,758	\$ 24,066,984	\$ 20,893,197	\$ -	\$ 3,182,545
Referendum Tax Levy	-	620,621	620,622	-	(1)	1,169,391	515,654	-	653,736
Debt Service	2,909,554	14,055,897	9,787,500	(3,815,264)	3,362,687	13,140,854	10,436,000	(3,053,986)	3,013,555
Retirement/Severance Bond Debt Service	226,143	671,532	760,327	72,686	210,034	562,229	488,975	(38,386)	244,902
Capital Projects	1,996,745	782,611	2,283,859	902,162	1,397,659	2,053,797	5,341,653	1,765,593	(124,604)
School Transportation	155,820	1,073,974	1,564,203	651,604	317,195	1,147,151	990,965	15,695	489,076
School Bus Replacement	899,141	174,343	241,736	188,812	1,020,560	205,019	1,336,206	111,085	458
Rainy Day	2,420,379	-	3,000,000	2,000,000	1,420,379	-	213,894	1,200,000	2,406,485
Retirement/Severance Bond	2,157,989	-	392,959	-	1,765,030	-	642,517	-	1,122,513
Construction	15,030	1,403	16,432	-	1	-	-	-	1
School Lunch	538,224	1,953,745	1,899,947	-	592,022	1,664,756	1,713,587	-	543,191
Textbook Rental	(80,060)	443,175	405,382	-	(42,267)	557,314	489,604	-	25,443
Self-Insurance	671,291	4,637,213	5,183,168	-	125,336	5,272,616	5,474,125	-	(76,173)
Educational License Plates	5,508	413	-	-	5,921	463	-	-	6,384
Save Our Staff	6,892	-	-	-	6,892	-	-	-	6,892
Harvest Church Donation	475	-	-	-	475	-	-	-	475
Coca Cola Donation	3,538	4,848	(4,888)	-	13,274	25,928	27,817	-	11,385
Donation HRH Grant	(881)	881	-	-	-	-	-	-	-
Rotary & Realtors Donation	535	-	511	-	24	-	-	-	24
MCE PTO Donation	(58,364)	-	29,718	-	(88,082)	-	7,149	-	(95,231)
Summer School Elem PTO Donation	1,593	-	-	-	1,593	-	-	-	1,593
Covance Labs Donation	1,000	-	-	-	1,000	-	-	-	1,000
MV Ed Foundation Education Grants	(2,320)	-	-	-	(2,320)	-	-	-	(2,320)
MVEF Director	(23,972)	42,990	22,463	-	(3,445)	27,287	21,548	-	2,294
HCCF-MVHS Library 2012 Donation	78	-	78	-	-	-	-	-	-
Extra-Curricular Activities	7,235	9,925	8,460	-	8,700	-	-	-	8,700
Pay to Participate	(223,928)	196,367	297,080	-	(324,641)	198	173,703	-	(498,146)
Accident Insurance	23,897	-	-	-	23,897	-	-	-	23,897
Gifted and Talented 2010-11	(31)	-	-	-	(31)	-	-	-	(31)
Gifted and Talented 2011-12	-	-	-	-	-	-	12,136	-	(12,136)
Gifted and Talented 2012-13	(619)	-	390	-	(1,009)	-	588	-	(1,597)
Gifted and Talented 2013-14	12,663	-	11,325	-	1,338	-	2,550	-	(1,212)
Gifted and Talented 2014-15	-	38,619	21,234	-	17,385	-	56,655	-	(39,270)
Computer Consortium/Ed Tech Advance	-	2,500,000	1,812,274	-	687,726	-	687,726	-	-
Secured Schools Safety Grant	(20,752)	28,165	36,304	-	(28,891)	-	19,637	-	(48,528)
Non-English Speaking Programs	6,588	-	890	-	5,698	-	-	-	5,698
LEP-(ESL) form ECESC	930	-	-	-	930	-	-	-	930
School Technology	(13,928)	-	-	-	(13,928)	33,471	-	-	19,543
Performance Based Awards	-	9,697	10,439	-	(742)	-	-	-	(742)
Technology Planning Grant	8,917	24,172	40,475	-	(7,386)	-	43,289	-	(50,675)
Miscellaneous Programs	(170)	-	975	-	(1,145)	-	1,050	-	(2,195)
Title I FY11	(76)	-	-	-	(76)	-	-	-	(76)
Title I FY12	(174,973)	-	-	-	(174,973)	-	-	-	(174,973)
Title I FY13	142,548	-	-	-	142,548	-	-	-	142,548
Title I FY14	(23,213)	59,274	36,059	-	2	-	60	-	(58)
Title I FY15	-	118,251	195,524	-	(77,273)	140,118	237,474	-	(174,629)
Title II - Part A; FY11 (2011-12)	1,230	-	96	-	1,134	-	-	-	1,134
Title II - Part A; FY12 (2012-13)	(2,504)	-	606	-	(3,110)	-	-	-	(3,110)
Title II - Part A; FY13 (2013-14)	(2,777)	-	37,079	-	(39,856)	-	4,236	-	(44,092)
Title II, Part D Tech. Ed. '10	5,809	-	-	-	5,809	-	-	-	5,809
Fiscal Stabilization - Education	12,845	-	-	-	12,845	-	-	-	12,845
Payroll Withholdings	161,467	4,594,139	4,619,371	-	136,236	4,432	642,971	-	(502,304)
<b>Totals</b>	<b>\$ 8,134,582</b>	<b>\$ 53,191,106</b>	<b>\$ 50,841,777</b>	<b>\$ -</b>	<b>\$ 10,483,912</b>	<b>\$ 50,072,008</b>	<b>\$ 50,474,966</b>	<b>\$ 1</b>	<b>\$ 10,080,954</b>

The notes to the financial statement are an integral part of this statement.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

**F. Other Financing Sources and Uses**

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. In some instances, it was the result of funds being set up for reimbursable grants. In other instances, it was a result of posting errors, postings not made to the funds in a timely manner, and expenses occurring prior to collections.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with Mt Vernon School Building Corporation of Hancock County (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$5,359,000 and \$5,376,000, respectively.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

The School Corporation has entered into capital leases with Mt Vernon of Hancock County Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$4,028,500 and \$4,046,000, respectively.

**Note 9. Subsequent Events**

On October 17, 2016, the Board of School Trustees issued \$2,000,000 of general obligation bonds for the renovation and improvements of facilities throughout the School Corporation. On August 1, 2017, the Board of School Trustees issued \$9,000,000 of general obligation bonds for the renovation and improvements of the middle school.

**Note 10. Other Postemployment Benefits**

The School Corporation provides to eligible retirees and their spouses the following benefits: a maximum amount of \$37,500 of transition funding and a \$7,200 annual credit towards health, dental, vision, and life insurances. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ (3,630,914)	\$ -	\$ 2,909,554	\$ 226,143	\$ 1,996,745	\$ 155,820	\$ 899,141
Receipts:							
Local sources	402,594	620,621	13,655,897	671,532	782,611	661,990	174,343
Intermediate sources	11	-	-	-	-	-	-
State sources	20,740,786	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	400,000	-	-	400,000	-
Other receipts	5,460	-	-	-	-	11,984	-
Total receipts	21,148,851	620,621	14,055,897	671,532	782,611	1,073,974	174,343
Disbursements:							
Instruction	13,149,113	620,622	-	-	-	-	-
Support services	4,274,765	-	-	-	1,731,459	1,142,087	241,736
Noninstructional services	31,446	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	552,400	22,116	-
Debt service	-	-	9,387,500	760,327	-	-	-
Nonprogrammed charges	53,855	-	-	-	-	-	-
Interfund loans	-	-	400,000	-	-	400,000	-
Total disbursements	17,509,179	620,622	9,787,500	760,327	2,283,859	1,564,203	241,736
Excess (deficiency) of receipts over disbursements	3,639,672	(1)	4,268,397	(88,795)	(1,501,248)	(490,229)	(67,393)
Other financing sources (uses):							
Transfers in	-	-	-	150,000	2,902,162	651,604	188,812
Transfers out	-	-	(3,815,264)	(77,314)	(2,000,000)	-	-
Total other financing sources (uses)	-	-	(3,815,264)	72,686	902,162	651,604	188,812
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,639,672	(1)	453,133	(16,109)	(599,086)	161,375	121,419
Cash and investments - ending	\$ 8,758	\$ (1)	\$ 3,362,687	\$ 210,034	\$ 1,397,659	\$ 317,195	\$ 1,020,560

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates
Cash and investments - beginning	\$ 2,420,379	\$ 2,157,989	\$ 15,030	\$ 538,224	\$ (80,060)	\$ 671,291	\$ 5,508
Receipts:							
Local sources	-	-	1,403	1,066,874	277,254	4,305,362	-
Intermediate sources	-	-	-	-	-	-	413
State sources	-	-	-	21,990	63,503	-	-
Federal sources	-	-	-	467,195	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	397,686	102,418	331,851	-
Total receipts	-	-	1,403	1,953,745	443,175	4,637,213	413
Disbursements:							
Instruction	2,570,495	375,959	-	-	-	-	-
Support services	429,505	-	-	430,115	405,382	31	-
Noninstructional services	-	-	-	1,469,832	-	-	-
Facilities acquisition and construction	-	-	16,432	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	17,000	-	-	-	5,183,137	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	3,000,000	392,959	16,432	1,899,947	405,382	5,183,168	-
Excess (deficiency) of receipts over disbursements	(3,000,000)	(392,959)	(15,029)	53,798	37,793	(545,955)	413
Other financing sources (uses):							
Transfers in	2,000,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	2,000,000	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,000,000)	(392,959)	(15,029)	53,798	37,793	(545,955)	413
Cash and investments - ending	\$ 1,420,379	\$ 1,765,030	\$ 1	\$ 592,022	\$ (42,267)	\$ 125,336	\$ 5,921

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Save Our Staff	Harvest Church Donation	Coca Cola Donation	Donation HRH Grant	Rotary & Realtors Donation	MCE PTO Donation	Summer School Elem PTO Donation
Cash and investments - beginning	\$ 6,892	\$ 475	\$ 3,538	\$ (881)	\$ 535	\$ (58,364)	\$ 1,593
Receipts:							
Local sources	-	-	4,848	881	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	4,848	881	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	29,718	-
Support services	-	-	(4,888)	-	511	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	(4,888)	-	511	29,718	-
Excess (deficiency) of receipts over disbursements	-	-	9,736	881	(511)	(29,718)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	9,736	881	(511)	(29,718)	-
Cash and investments - ending	\$ 6,892	\$ 475	\$ 13,274	\$ -	\$ 24	\$ (88,082)	\$ 1,593

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2015

	Covance Labs Donation	MV Ed Foundation Education Grants	MVEF Director	HCCF- MVHS Library 2012 Donation	Extra- Curricular Activities	Pay to Participate	Accident Insurance
Cash and investments - beginning	\$ 1,000	\$ (2,320)	\$ (23,972)	\$ 78	\$ 7,235	\$ (223,928)	\$ 23,897
Receipts:							
Local sources	-	-	42,990	-	1,465	196,367	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	8,460	-	-
Total receipts	-	-	42,990	-	9,925	196,367	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	22,463	78	8,460	-	-
Noninstructional services	-	-	-	-	-	297,080	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	22,463	78	8,460	297,080	-
Excess (deficiency) of receipts over disbursements	-	-	20,527	(78)	1,465	(100,713)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	20,527	(78)	1,465	(100,713)	-
Cash and investments - ending	\$ 1,000	\$ (2,320)	\$ (3,445)	\$ -	\$ 8,700	\$ (324,641)	\$ 23,897

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Gifted and Talented 2010-11	Gifted and Talented 2011-12	Gifted and Talented 2012-13	Gifted and Talented 2013-14	Gifted and Talented 2014-15	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant
Cash and investments - beginning	\$ (31)	\$ -	\$ (619)	\$ 12,663	\$ -	\$ -	\$ (20,752)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	38,619	-	28,165
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	2,500,000	-
Total receipts	-	-	-	-	38,619	2,500,000	28,165
Disbursements:							
Instruction	-	-	390	11,325	21,234	-	-
Support services	-	-	-	-	-	1,812,274	36,304
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	390	11,325	21,234	1,812,274	36,304
Excess (deficiency) of receipts over disbursements	-	-	(390)	(11,325)	17,385	687,726	(8,139)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(390)	(11,325)	17,385	687,726	(8,139)
Cash and investments - ending	\$ (31)	\$ -	\$ (1,009)	\$ 1,338	\$ 17,385	\$ 687,726	\$ (28,891)

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Non-English Speaking Programs	LEP-(ESL) form ECESC	School Technology	Performance Based Awards	Technology Planning Grant	Miscellaneous Programs
Cash and investments - beginning	\$ 6,588	\$ 930	\$ (13,928)	\$ -	\$ 8,917	\$ (170)
Receipts:						
Local sources	-	-	-	-	24,172	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	9,697	-	-
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	9,697	24,172	-
Disbursements:						
Instruction	890	-	-	10,439	-	975
Support services	-	-	-	-	16,799	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	23,676	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	890	-	-	10,439	40,475	975
Excess (deficiency) of receipts over disbursements	(890)	-	-	(742)	(16,303)	(975)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(890)	-	-	(742)	(16,303)	(975)
Cash and investments - ending	\$ 5,698	\$ 930	\$ (13,928)	\$ (742)	\$ (7,386)	\$ (1,145)

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Title I FY11	Title I FY12	Title I FY13	Title I FY14	Title I FY15	Title II - Part A; FY11 (2011-12)
Cash and investments - beginning	\$ (76)	\$ (174,973)	\$ 142,548	\$ (23,213)	\$ -	\$ 1,230
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	59,274	118,251	-
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	59,274	118,251	-
Disbursements:						
Instruction	-	-	-	36,039	195,524	96
Support services	-	-	-	20	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	-	-	36,059	195,524	96
Excess (deficiency) of receipts over disbursements	-	-	-	23,215	(77,273)	(96)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	23,215	(77,273)	(96)
Cash and investments - ending	\$ (76)	\$ (174,973)	\$ 142,548	\$ 2	\$ (77,273)	\$ 1,134

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Title II - Part A; FY12 (2012-13)	Title II - Part A; FY13 (2013-14)	Title II, Part D Tech. Ed. '10	Fiscal Stabilization - Education	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (2,504)	\$ (2,777)	\$ 5,809	\$ 12,845	\$ 161,467	\$ 8,134,582
Receipts:						
Local sources	-	-	-	-	-	22,891,204
Intermediate sources	-	-	-	-	-	424
State sources	-	-	-	-	-	20,902,760
Federal sources	-	-	-	-	-	644,720
Interfund loans	-	-	-	-	-	800,000
Other receipts	-	-	-	-	4,594,139	7,951,998
Total receipts	-	-	-	-	4,594,139	53,191,106
Disbursements:						
Instruction	406	35,094	-	-	-	17,058,319
Support services	200	1,985	-	-	-	10,549,286
Noninstructional services	-	-	-	-	-	1,798,358
Facilities acquisition and construction	-	-	-	-	-	614,624
Debt service	-	-	-	-	-	10,147,827
Nonprogrammed charges	-	-	-	-	-	5,253,992
Interfund loans	-	-	-	-	4,619,371	5,419,371
Total disbursements	606	37,079	-	-	4,619,371	50,841,777
Excess (deficiency) of receipts over disbursements	(606)	(37,079)	-	-	(25,231)	2,349,330
Other financing sources (uses):						
Transfers in	-	-	-	-	-	5,892,578
Transfers out	-	-	-	-	-	(5,892,578)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(606)	(37,079)	-	-	(25,231)	2,349,330
Cash and investments - ending	\$ (3,110)	\$ (39,856)	\$ 5,809	\$ 12,845	\$ 136,236	\$ 10,483,912

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2016

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 8,758	\$ (1)	\$ 3,362,687	\$ 210,034	\$ 1,397,659	\$ 317,195	\$ 1,020,560
Receipts:							
Local sources	861,090	1,169,391	12,140,854	562,229	2,053,797	1,147,101	146,074
Intermediate sources	5	-	-	-	-	-	-
State sources	22,205,883	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	1,000,000	-	1,000,000	-	-	-	-
Other receipts	6	-	-	-	-	50	58,945
Total receipts	24,066,984	1,169,391	13,140,854	562,229	2,053,797	1,147,151	205,019
Disbursements:							
Instruction	14,488,881	515,654	-	-	-	-	-
Support services	5,222,161	-	14,000	-	4,112,766	985,910	1,336,206
Noninstructional services	182,155	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	837,851	5,055	-
Debt service	-	-	9,422,000	488,975	391,036	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	1,000,000	-	1,000,000	-	-	-	-
Total disbursements	20,893,197	515,654	10,436,000	488,975	5,341,653	990,965	1,336,206
Excess (deficiency) of receipts over disbursements	3,173,787	653,737	2,704,854	73,254	(3,287,856)	156,186	(1,131,187)
Other financing sources (uses):							
Transfers in	-	-	-	-	2,565,593	415,695	111,085
Transfers out	-	-	(3,053,986)	(38,386)	(800,000)	(400,000)	-
Total other financing sources (uses)	-	-	(3,053,986)	(38,386)	1,765,593	15,695	111,085
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,173,787	653,737	(349,132)	34,868	(1,522,263)	171,881	(1,020,102)
Cash and investments - ending	\$ 3,182,545	\$ 653,736	\$ 3,013,555	\$ 244,902	\$ (124,604)	\$ 489,076	\$ 458

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates
Cash and investments - beginning	\$ 1,420,379	\$ 1,765,030	\$ 1	\$ 592,022	\$ (42,267)	\$ 125,336	\$ 5,921
Receipts:							
Local sources	-	-	-	1,076,400	557,314	3,265,722	-
Intermediate sources	-	-	-	-	-	-	463
State sources	-	-	-	22,098	-	-	-
Federal sources	-	-	-	566,258	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	2,006,894	-
Total receipts	-	-	-	1,664,756	557,314	5,272,616	463
Disbursements:							
Instruction	213,894	642,517	-	-	-	-	-
Support services	-	-	-	73,906	96,440	517,605	-
Noninstructional services	-	-	-	1,639,681	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	393,164	-	-
Nonprogrammed charges	-	-	-	-	-	4,956,520	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	213,894	642,517	-	1,713,587	489,604	5,474,125	-
Excess (deficiency) of receipts over disbursements	(213,894)	(642,517)	-	(48,831)	67,710	(201,509)	463
Other financing sources (uses):							
Transfers in	1,200,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	1,200,000	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	986,106	(642,517)	-	(48,831)	67,710	(201,509)	463
Cash and investments - ending	\$ 2,406,485	\$ 1,122,513	\$ 1	\$ 543,191	\$ 25,443	\$ (76,173)	\$ 6,384

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Save Our Staff	Harvest Church Donation	Coca Cola Donation	Donation HRH Grant	Rotary & Realtors Donation	MCE PTO Donation	Summer School Elem PTO Donation
Cash and investments - beginning	\$ 6,892	\$ 475	\$ 13,274	\$ -	\$ 24	\$ (88,082)	\$ 1,593
Receipts:							
Local sources	-	-	25,928	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	25,928	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	7,149	-
Support services	-	-	27,817	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	27,817	-	-	7,149	-
Excess (deficiency) of receipts over disbursements	-	-	(1,889)	-	-	(7,149)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,889)	-	-	(7,149)	-
Cash and investments - ending	\$ 6,892	\$ 475	\$ 11,385	\$ -	\$ 24	\$ (95,231)	\$ 1,593

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Covance Labs Donation	MV Ed Foundation Education Grants	MVEF Director	HCCF- MVHS Library 2012 Donation	Extra- Curricular Activities	Pay to Participate	Accident Insurance
Cash and investments - beginning	\$ 1,000	\$ (2,320)	\$ (3,445)	\$ -	\$ 8,700	\$ (324,641)	\$ 23,897
Receipts:							
Local sources	-	-	27,287	-	-	198	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	27,287	-	-	198	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	21,548	-	-	-	-
Noninstructional services	-	-	-	-	-	173,703	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	21,548	-	-	173,703	-
Excess (deficiency) of receipts over disbursements	-	-	5,739	-	-	(173,505)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	5,739	-	-	(173,505)	-
Cash and investments - ending	\$ 1,000	\$ (2,320)	\$ 2,294	\$ -	\$ 8,700	\$ (498,146)	\$ 23,897

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Gifted and Talented 2010-11	Gifted and Talented 2011-12	Gifted and Talented 2012-13	Gifted and Talented 2013-14	Gifted and Talented 2014-15	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant
Cash and investments - beginning	\$ (31)	\$ -	\$ (1,009)	\$ 1,338	\$ 17,385	\$ 687,726	\$ (28,891)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Instruction	-	12,136	588	2,550	56,655	-	-
Support services	-	-	-	-	-	618,022	19,637
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	69,704	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	12,136	588	2,550	56,655	687,726	19,637
Excess (deficiency) of receipts over disbursements	-	(12,136)	(588)	(2,550)	(56,655)	(687,726)	(19,637)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(12,136)	(588)	(2,550)	(56,655)	(687,726)	(19,637)
Cash and investments - ending	\$ (31)	\$ (12,136)	\$ (1,597)	\$ (1,212)	\$ (39,270)	\$ -	\$ (48,528)

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Non-English Speaking Programs	LEP-(ESL) form ECESC	School Technology	Performance Based Awards	Technology Planning Grant	Miscellaneous Programs
Cash and investments - beginning	\$ 5,698	\$ 930	\$ (13,928)	\$ (742)	\$ (7,386)	\$ (1,145)
Receipts:						
Local sources	-	-	33,471	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	33,471	-	-	-
Disbursements:						
Instruction	-	-	-	-	-	1,050
Support services	-	-	-	-	17,043	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	26,246	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	-	-	-	43,289	1,050
Excess (deficiency) of receipts over disbursements	-	-	33,471	-	(43,289)	(1,050)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	33,471	-	(43,289)	(1,050)
Cash and investments - ending	\$ 5,698	\$ 930	\$ 19,543	\$ (742)	\$ (50,675)	\$ (2,195)

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Title I FY11	Title I FY12	Title I FY13	Title I FY14	Title I FY15	Title II - Part A; FY11 (2011-12)
Cash and investments - beginning	\$ (76)	\$ (174,973)	\$ 142,548	\$ 2	\$ (77,273)	\$ 1,134
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	140,118	-
Interfund loans	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	-	140,118	-
Disbursements:						
Instruction	-	-	-	60	237,474	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	-	-	60	237,474	-
Excess (deficiency) of receipts over disbursements	-	-	-	(60)	(97,356)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(60)	(97,356)	-
Cash and investments - ending	\$ (76)	\$ (174,973)	\$ 142,548	\$ (58)	\$ (174,629)	\$ 1,134

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Title II - Part A; FY12 (2012-13)	Title II - Part A; FY13 (2013-14)	Title II, Part D Tech. Ed. '10	Fiscal Stabilization - Education	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (3,110)	\$ (39,856)	\$ 5,809	\$ 12,845	\$ 136,236	\$ 10,483,912
Receipts:						
Local sources	-	-	-	-	-	23,066,856
Intermediate sources	-	-	-	-	-	468
State sources	-	-	-	-	-	22,227,981
Federal sources	-	-	-	-	-	706,376
Interfund loans	-	-	-	-	-	2,000,000
Other receipts	-	-	-	-	4,432	2,070,327
Total receipts	-	-	-	-	4,432	50,072,008
Disbursements:						
Instruction	-	4,236	-	-	-	16,182,844
Support services	-	-	-	-	-	13,063,061
Noninstructional services	-	-	-	-	-	1,995,539
Facilities acquisition and construction	-	-	-	-	-	869,152
Debt service	-	-	-	-	-	10,764,879
Nonprogrammed charges	-	-	-	-	-	4,956,520
Interfund loans	-	-	-	-	642,971	2,642,971
Total disbursements	-	4,236	-	-	642,971	50,474,966
Excess (deficiency) of receipts over disbursements	-	(4,236)	-	-	(638,539)	(402,958)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	4,292,373
Transfers out	-	-	-	-	-	(4,292,372)
Total other financing sources (uses)	-	-	-	-	-	1
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,236)	-	-	(638,539)	(402,957)
Cash and investments - ending	\$ (3,110)	\$ (44,092)	\$ 5,809	\$ 12,845	\$ (502,304)	\$ 10,080,954

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MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 49,354,277</u>	<u>\$ 48,067,577</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Mt Vernon of Hancock County Multi-School Building Corporation	2016A Refunding	\$ 1,297,050	6/30/2016	12/31/2023
Mt Vernon of Hancock County Multi-School Building Corporation	Series 2012A	1,311,000	1/15/2013	7/15/2025
Mt Vernon of Hancock County Multi-School Building Corporation	2012B Refunding	1,370,000	1/15/2013	1/15/2033
Mt Vernon School Building Corporation of Hancock County	2007 and 2012 Restructuring	<u>5,374,000</u>	1/15/2013	1/15/2037
Total governmental activities		<u>9,352,050</u>		
Total of annual lease payments		<u>\$ 9,352,050</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	2011 Pension Debt Bond		\$ 1,965,000	\$ 238,782
General obligation bonds	2002 Pension G.O. Bond		360,000	255,708
Revenue bonds	Common School Technology Loan		10,318	10,318
Notes and loans payable	2015 One to One Technology Loan		<u>1,666,667</u>	<u>853,904</u>
Total governmental activities			<u>4,001,985</u>	<u>1,358,712</u>
Totals			<u>\$ 4,001,985</u>	<u>\$ 1,358,712</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 250,000
Infrastructure	586,000
Buildings	166,743,902
Machinery, equipment, and vehicles	3,500,000
Books and other	<u>2,500,000</u>
Total governmental activities	<u>173,579,902</u>
Total capital assets	<u>\$ 173,579,902</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY SCHOOL  
CORPORATION, HANCOCK COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Mount Vernon Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in items 2016-010 and 2016-015 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Special Tests and Provisions - Schoolwide Programs and Period of Performance. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in items 2016-005, 2016-007, and 2016-008 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, and Reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2014 to June 30, 2016.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-004, 2016-006, 2016-009, 2016-011, 2016-012, 2016-013, 2016-014, 2016-016, 2016-017, 2016-019, and 2016-020. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)


program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-019, and 2016-020 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 2, 2018

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2014-2015, FY 2015-2016	\$ 64,637	\$ 73,410
Total - School Breakfast Program				<u>64,637</u>	<u>73,410</u>
National School Lunch Program		10.555	FY 2014-2015, FY 2015-2016	413,943	490,951
National School Lunch Program- Commodities			FY 2014-2015, FY 2015-2016	<u>96,345</u>	<u>94,875</u>
Total - National School Lunch Program				<u>510,288</u>	<u>585,826</u>
Total - Child Nutrition Cluster				<u>574,925</u>	<u>659,236</u>
Total - Department of Agriculture				<u>574,925</u>	<u>659,236</u>
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027	14213-027-PN01	2,845	-
			14214-027-PN01	145,706	1,725
			14215-027-PN01	507,640	177,158
			14216-027-PN01	-	608,309
			99914-027-TA01	<u>-</u>	<u>569</u>
Total - Special Education Grants to States				<u>656,191</u>	<u>787,761</u>
Special Education Preschool Grants	Indiana Department of Education	84.173	45713-027-PN01	270	-
			45714-027-PN01	6,848	2,525
			45715-027-PN01	21,818	5,145
			45716-027-PN01	<u>-</u>	<u>26,923</u>
Total - Special Education Preschool Grants				<u>28,936</u>	<u>34,593</u>
Total - Special Education Cluster (IDEA)				<u>685,127</u>	<u>822,354</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	13-3135	80,130	-
			14-3135	<u>97,395</u>	<u>140,118</u>
Total - Title I Grants to Local Educational Agencies				<u>177,525</u>	<u>140,118</u>
Total - Department of Education				<u>862,652</u>	<u>962,472</u>
Total federal awards expended				<u>\$ 1,437,577</u>	<u>\$ 1,621,708</u>

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Qualified Unmodified Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2016-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat of Finding 2014-001 from the immediately prior audit report.

*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).

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures for both school years were not included. This resulted in the expenditures for 2014-2015 and 2015-2016 being understated by \$574,925 and \$659,236, respectively.
2. The Special Education Cluster (IDEA) expenditures for both school years were not included. This resulted in the expenditures for 2014-2015 and 2015-2016 being understated by \$685,127 and \$563,987, respectively.

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*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*.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2016-002**

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

*Condition*

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

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and investments, receipts, and payroll disbursements.

A. Cash and Investments: In 2014-2015, there was no documented oversight, review, or approval process of the bank reconciliations. In 2015-2016, there were no bank reconciliations performed.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

B. Receipts: Receipts were prepared by the Deputy Corporation Treasurer. There was no documented oversight, review, or approval process.

C. Payroll Disbursements: Payroll disbursements are processed by the Payroll Clerk. There was no documented oversight, review, or approval process that showed that someone other than the Payroll Clerk processed payroll disbursements.

*Context*

The lack of controls over cash and investments, receipts, and payroll disbursements was a systemic issue throughout the audit period.

*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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

*Cause*

Management of the School Corporation had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-003**

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Special Tests  
and Provisions - Verification of Free and Reduced  
Price Applications (NSLP), Special Tests  
and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2014-002 from the immediately prior audit report related to Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

*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.

*Cash Management*

The School Corporation had not designed or implemented adequate policies and procedures whereby the net cash resources in the School Lunch fund were monitored to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

*Program Income*

The School Corporation had not designed or implemented adequate policies and procedures to ensure segregation of duties over the process of receiving, depositing, and posting income from cafeteria sales to the School Lunch fund.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

Management of the School Corporation had not designed or implemented adequate policies and procedures to ensure the verification of free and reduced price applications was properly completed. The school lunch software selected the sample to be verified from the eligible applications. Once the information was obtained for verification purposes, changes were made to eligibility status based on documentation and other information obtained through the verification process. The verification process was completed by one employee without an oversight, review, or approval process to ensure the verification process was completed correctly.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the calculation for the paid lunch equity was calculated properly.

*Context*

The lack of internal 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. . . ."

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 that provided proper oversight, reviews, and approvals over the requirements of the programs.

*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 requirements listed above.

*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 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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-004***

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Activities Allowed or Unallowed  
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 the requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all disbursements from the federal grant were allowable per the requirements of the program. The School Corporation could not provide supporting documentation for 6 of the 40 claims examined. In addition, 1 claim examined was determined to be an unallowed expenditure.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The noncompliance was isolated to fiscal year 2016.

*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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

7 CFR 210.2 states in part:

". . . *Nonprofit school food service* means all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services. . . ."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the programs.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-005***

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
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 requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all disbursements from the federal grant were allowable costs per the requirements of the program. The School Corporation could not provide supporting documentation for 6 of the 40 claims examined. In addition, 7 claims were determined to be for unallowable costs.

The School Corporation had not designed or implemented adequate policies or procedures to ensure reporting of time and effort for the program. No Semi-Annual Certifications, monthly activity logs, or equivalent documentation were presented for audit by the School Corporation.

*Context*

The lack of controls was a systemic issue that occurred throughout the audit period. The non-compliance occurred during both years of 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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-87, Attachment A, Part C states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of this Circular. . . .
  - j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

OMB A-87 Attachment B, section 8h states in part:

". . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
  - (b) A Federal award and a non-Federal award,
  - (c) An indirect cost activity and a direct cost activity,
  - (d) Two or more indirect activities which are allocated using different allocation bases, or
  - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after the fact distribution of the actual activity of each employee,

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee. . . ."

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); . . .
- (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 provided proper oversight, reviews, and approvals over the requirements of the programs

*Effect*

The failure to establish controls enabled material noncompliance to go undetected. Noncompliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-006***

Subject: Child Nutrition Cluster - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
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 the requirements related to the grant agreement and the compliance requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all requirements for free and reduced meal price eligibility were appropriately published. No letter containing eligibility criteria was provided on or about the beginning of each school year to the parents of all children in attendance at school. No public release, containing the same information supplied to parents, including both free and reduced price eligibility criteria, was provided to the informational media, the local unemployment office, or to any major employers contemplating large layoffs in the area from which the school draws its attendance.

*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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced price meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of each school year or, if notice of approval is given thereafter, within 10 days after the notice is received. . . ."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the programs.

*Effect*

The failure to establish controls enabled material noncompliance to go undetected. Noncompliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

**FINDING 2016-007**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat of Finding 2014-003 from the immediately prior audit report related to the suspension and debarment requirements.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 compliance requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all procurements were made in accordance with the applicable compliance requirements for the federal grant. The School Corporation could not provide procurement history documentation for four contract procurements examined. It could not be verified whether the School Corporation provided full and open competition, performed an appropriate cost or price analysis, or followed its own procurement procedures as well as state laws and procedures. In addition, the School Corporation could not provide procurement history documentation for three of the non-contract procurements examined that qualified as "small purchases." It could not be verified whether these procurements were conducted with full and open competition.

The School Corporation made food service purchases exceeding \$25,000 from several vendors. The School Corporation did not perform a verification check for covered transactions by checking the SAM Exclusions website, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity to ensure that the vendors were not suspended or debarred.

*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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 3016.36(b) states in part:

*"Procurement standards.*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

- (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;  
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 provided proper oversight, reviews, and approvals over the requirements of the programs.

*Effect*

The failure to establish controls enabled material noncompliance to go undetected. Noncompliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

**FINDING 2016-008**

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 compliance requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all required reporting was completed and submitted in compliance with the requirements of the federal grant. One of the monthly sponsor reimbursement claims examined contained an incorrect meal count, resulting in an incorrect reimbursement. In addition, the Annual Financial Report for the 2015-2016 school year inaccurately reported program expenses.

*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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.302(b)(2) states in part: "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. . . ."

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."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the programs.

*Effect*

The failure to establish controls enabled material noncompliance to go undetected. Noncompliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

**FINDING 2016-009**

Subject: Child Nutrition Cluster - Special Tests and Provisions - School Food Accounts

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - School Food Accounts

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 compliance requirement identified above.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that its School Food Account was used only for the program. The School Corporation could not provide supporting documentation for 6 of 40 claims tested, which prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - School Food Accounts compliance requirement.

*Context*

The lack of controls and lack of documentation 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 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. . . ."

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."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls and maintain adequate documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - School Food Account compliance requirement. Noncompliance with 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 and implement an internal control system to ensure compliance with the grant agreement and the compliance requirement identified above.

*Views of Responsible Officials*

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

**FINDING 2016-010**

Subject: Title I Grants to Local Educational Agencies - Special  
Tests and Provisions - Schoolwide Programs  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Education Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Schoolwide Programs  
Audit Findings: Material Weakness, Modified Opinion

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement. Documentation was not presented for audit to verify that the schools operating a schoolwide program included the following required core elements:

1. Comprehensive needs assessment
2. Comprehensive plan
3. Annual evaluation of the schoolwide program

*Context*

The lack of controls and the lack of documentation to verify compliance 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). . . ."

34 CFR 200.26 states:

"(a) *Comprehensive needs assessment.*

- (1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—
  - (i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to—
    - (A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and
    - (ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.
  - (2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.
  - (3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.
- (b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.
- (c) *Evaluation.* A school operating a schoolwide program must—
- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;
  - (2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and
  - (3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The lack of controls to ensure that documentation was maintained and available for audit prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement. Noncompliance with 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 compliance requirement identified above.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2016-011**

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Activities Allowed or Unallowed  
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 compliance requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Title I disbursements were made in compliance with the activities allowed or unallowed requirements. Of 40 claims requested for examination, 7 were not presented for audit. These claims could not be determined as allowable expenditures from the program.

*Context*

The lack of controls and lack of documentation 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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-87, Attachment A, Part C states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of this Circular. . . .
  - j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls could have enabled noncompliance to go undetected. Noncompliance with 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 compliance requirement stated above.

*Views of Responsible Officials*

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-012***

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-004 from the immediately prior audit report.

*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 requirement stated above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure Title I disbursements were made in compliance with the allowable costs/cost principles for the program. Of 40 claims requested for examination, 7 were not presented for audit. These claims could not be determined as allowable costs from the program.

The School Corporation had not designed or implemented adequate policies or procedures to ensure Semi-Annual Certifications were completed in compliance with program requirements. Semi-Annual Certifications were not completed for the employees who worked exclusively on the Title I program.

*Context*

The lack of controls, lack of documentation, 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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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

"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."

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."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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) Be incorporated into the official records of the non-Federal entity;
- (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); . . .
- (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. . . ."

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

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls enabled noncompliance to go undetected. Noncompliance with 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 compliance requirement stated above.

*Views of Responsible Officials*

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2016-013**

Subject: Title I Grants to Local Educational Agencies - Cash Management  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash 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 compliance requirement identified above.

The School Corporation had not designed or implement adequate policies or procedures to ensure cash management requirements related to the grant were being followed. One claim contained on a reimbursement request did not have supporting documentation to substantiate that the claim was paid prior to the reimbursement request. Another claim had been included on a reimbursement request that had transpired after the date the request was submitted.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to fiscal year 2016.

*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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 80.20(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. . . .
- (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. . . ."

34 CFR 80.21(d) states in part: "Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls enabled noncompliance to go undetected. Noncompliance with 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 compliance requirement stated above.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2016-014**

Subject: Title I Grants to Local Educational Agencies - Procurement  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement  
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 compliance requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure Title I disbursements were made in compliance with the procurement requirements established for the program. Three out of four claims requested for examination were not presented for audit. Compliance with the procurement requirements could not be determined.

*Context*

The lack of controls and lack of documentation 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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 80.36(b) states in part:

*"Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.  
. . .

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls could have enabled noncompliance to go undetected. Noncompliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

**FINDING 2016-015**

Subject: Title I Grants to Local Educational Agencies - Period of Performance

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

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 requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure Title I disbursements occurred within the period of performance. Of 52 claims requested for examination, 25 were not presented for audit. These claims could not be determined as having occurred within the period of performance for the grant.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of controls and the lack of documentation 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 200.309 states:

"A non-federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls could have enabled material noncompliance to go undetected. Noncompliance with 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 compliance requirement identified above.

*Views of Responsible Officials*

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-016***

Subject: Title I Grants to Local Educational Agencies - Reporting  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Education Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
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 compliance requirement stated above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure the required reports contained accurate information. One reimbursement request examined indicated the School Corporation was seeking reimbursement for an undocumented disbursement. In both fiscal years, the Annual Expenditure Reports contained data that did not agree to the School Corporation's financial records.

*Context*

The lack of controls and noncompliance was a 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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 80.20(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. . . ."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls enabled noncompliance to go undetected. Noncompliance with 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 compliance requirement stated above.

*Views of Responsible Officials*

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

**FINDING 2016-017**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Education Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3135, 14-3135  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Material Weakness, Other Matters

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 compliance requirement identified above.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Assessment System Security requirements were being met. No documentation was presented for audit to substantiate the existence of an established standardized testing schedule procedure or to determine if test materials were being reviewed prior to the initiation of the tests.

*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). . . ."

The administrative regulation 511 IAC 5-5-5 states in part: ". . . (b) Any individual who administers, handles, or has access to secure test materials at the school or school corporation shall complete assessment training and sign a testing security and integrity agreement to remain on file in the appropriate building-level office each year. . . ."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 compliance requirement identified above.

*Views of Responsible Officials*

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

**FINDING 2016-018**

Subject: Special Education Cluster (IDEA) - Cash Management, Procurement, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,  
45714-027-PN01, 14215-027-PN01,  
45715-027-PN01, 14216-027-PN01,  
45716-027-PN01, 14213-027-PN01,  
45713-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Procurement and Suspension and Debarment, Reporting

Audit Finding: Material Weakness

*Condition*

The School Corporation was a member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the 2015-2016 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education and each member school corporation of the Cooperative. The School Corporation was ultimately responsible for compliance with the compliance requirements. An effective internal control system was not in place at the School Corporation for the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the cash management, procurement, and reporting requirements.

*Cash Management*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding cash management. Reimbursement requests were prepared and submitted by the Treasurer with no review or oversight.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Procurement*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding procurement. The Treasurer prepared claims for payment and paid the claims with no review or oversight.

*Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding reporting. Reimbursement requests and Final Expenditure Reports were prepared and submitted by the Treasurer with no review or oversight.

*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. . . ."

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 that provided proper oversight, reviews, and approvals over the requirements of the program.

*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 requirements listed above.

*Questioned Costs*

There were no questioned costs identified.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and 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 2016-019**

Subject Special Education Cluster (IDEA) - Activities Allowed  
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,  
45714-027-PN01, 14215-027-PN01,  
45715-027-PN01, 14216-027-PN01,  
45716-027-PN01, 14213-027-PN01,  
45713-027-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-007 from the immediately prior audit report related to Allowable Costs/Cost Principles.

*Condition*

The School Corporation was a member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the 2015-2016 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education and each member school corporation of the Cooperative. The School Corporation was ultimately responsible for compliance with the compliance requirements.

An effective internal control system was not in place at the School Corporation for the 2015-2016 school year 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.

*Activities Allowed or Unallowed*

The Treasurer prepared claims for payment and paid the claims prior to an oversight, review, or approval process.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented adequate policies and procedures to ensure the required Semi-Annual Certifications or other documentation of personnel expenses were reviewed and approved by the employee's supervisor and retained for audit. No Semi-Annual Certifications or other documentation of personnel expenses were presented for the period of July 1, 2015 to December 31, 2015. Semi-Annual Certifications provided during the audit period were not always approved by the Executive Director of the School Corporation Council.

*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). . . ."

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

"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."

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; . . .

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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); . . .
- (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. . . ."

34 CFR 300.202 states:

"(a) *General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds.

(b) *Excess cost requirement—*

(1) *General.*

(i) The excess cost requirement prevents an LEA from using funds provided under Part B of the Act to pay for all of the costs directly attributable to the education of a child with a disability, subject to paragraph (b)(1)(ii) of this section.

(ii) The excess cost requirement does not prevent an LEA from using Part B funds to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages 3, 4, 5, 18, 19, 20, or 21, if no local or State funds are available for nondisabled children of these ages. However, the LEA must comply with the nonsupplanting and other requirements of this part in providing the education and services for these children.

(2) (i) An LEA meets the excess cost requirement if it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.

(ii) The amount described in paragraph (b)(2)(i) of this section is determined in accordance with the definition of *excess costs* in § 300.16. That amount may not include capital outlay or debt service.

(3) If two or more LEAs jointly establish eligibility in accordance with § 300.223, the minimum average amount is the average of the combined minimum average amounts determined in accordance with the definition of *excess costs* in § 300.16 in those agencies for elementary or secondary school students, as the case may be."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation in noncompliance with the grant agreement and the compliance requirements identified above.

*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 compliance requirements identified above.

*Views of Responsible Officials*

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

**FINDING 2016-020**

Subject: Special Education Cluster (IDEA) - Level of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027; 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-027-PN01, 14214-027-PN01,  
14215-027-PN01, 14216-027-PN01,  
99914-027-TA01, 45713-027-PN01,  
45714-027-PN01, 45715-027-PN01,  
45716-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-006 from the immediately prior audit report.

*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 level of effort requirements.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had not designed or implemented adequate policies or procedures to ensure the amounts reported on the grant application were accurate. The School Corporation reported amounts for fiscal year 2016 state and local expenditures that could not be substantiated with supporting documentation. After the unsubstantiated state and local expenditures were removed from the ledger, the level of effort requirement was no longer met by the School Corporation.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance identified was isolated to fiscal year 2016 for the program.

*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). . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) 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. . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records): . . .

- (1) 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. . . .
- (2) Records that identify adequately the source and application of funds for federally-funded activities. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 299.5(a) states:

*"General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year."

*Cause*

Management had not developed a system of internal controls that provided proper oversight, reviews, and approvals over the requirements of the program.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the compliance requirement identified above.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the compliance requirement identified above. We recommended the School Corporation's management establish policies and procedures for the retention of documentation which supports the amounts in the calculation of level of effort.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014-001** -Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred:

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: NA

Contact Person Responsible for Corrective Action: Mr. Brian Tomamichel, CFO

Contact Phone Number: 317-485-3100

Status of Audit Finding: Continuing to work toward all SEFA's being reviewed by the corporation treasurer and CFO prior to submission.

**Finding 2014-002** - Internal Control over the Child Nutrition Cluster

Federal Agency: U.S. Department of Agriculture: Pass Through

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number 10.553,10.555

Federal Awards Numbers and Years ( or Other Identifying Numbers); FY2013,FY2014

Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: No evidence of the corrective action plan completed.

**Finding 2014-003** - Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers 10.553,10.555

Federal Awards Numbers and Years ( or Other Identifying Numbers):FY2013,FY2014

Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: No evidence of the corrective action plan completed.

**Finding 2014-004** - Allowable Costs/Cost Principles

Federal Program: Title I Grants to Local Education Agencies

CFDA Number: 84.010

Federal Award Numbers and Years ( or Other Identifying Numbers); 12-3135,13-3135,14-3135

Pass Through Entity; Indiana Department of Education

Status of Audit Finding: No evidence of the corrective action plan completed.

**Finding 2014-005 - Special Tests and Provisions - Comparability**

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years ( or Other Identifying Numbers);12-3135,13-3135,14-3135

Pass- Through Entity : Indiana Department of Education

Status of Audit Finding- Title I Grant funding has a detailed plan that identifies students. Segregation of duties are in place with grant writer as final approver.

**Finding 2014-006 - Level of Effort**

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027,84.173

Federal Awards Numbers and Years ( or Other Identifying Numbers) 1412-027-PN01, 1413-027-PN01,  
14214-027-PN01, 45712-027-PN01,  
45712-027-PN01, 45714-027-PN01

Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: No evidence of the corrective action plan completed.

**Finding 2014-007 - Allowable Costs/Cost Principles**

Federal Agency: Department of Education

CFDA Numbers: 84.027,84.173

Federal Award Numbers and Years ( or Other Identifying Numbers) 1412-027-PN01, 1413-027-PN01,  
14214-027-PN01, 45712-027-PN01,  
45712-027-PN01, 45714-027-PN01

Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: A Special Ed Director and Assistant Special Ed Director were hired as initial steps to correct internal controls. Continuing efforts are made to correct the internal controls by those employees.

(Signature)



(Title)

CFO



# MT. VERNON COMMUNITY SCHOOL CORPORATION

## **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-001

### Description of Corrective Action Plan:

During the 2017-2018 school year the MVCSC business office began to establish effective Internal Control process over federal awards information entered through Indiana Gateway for government units (Gateway), financial reporting system used to compile schools annual financial reports including SEFA. The Corporation treasurer will prepare the federal awards and financial information entered into Gateway and the CFO, Superintendent or other authorized individual will review the entered financial information prior to submission and sign off on completeness with a retained hard copy.

Anticipated Completion Date: Implementation of Corrective Action plan is effective during the 2018 – 2019 school year and ongoing.

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### **FINDING 2016-002**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016 - 002

Description of Corrective Action Plan: During the 2017-2018 and into the 2018-2019 School Year, MVCSC business office began the review of Internal Control processes and procedures. Effective Internal Control processes have been established for segregation of duties, receipting, deposits, payroll and all financial reporting. Reviews of each area are performed by the Corporation Treasurer, CFO, or other authorized individuals and signed hard copies are retained with monthly reporting in the business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year and fully implemented ongoing.

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON COMMUNITY SCHOOL CORPORATION

## **FINDING 2016-003**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Doris Johnson, Director of Food Service.  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-003

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review to process and procedure from the prior school year 2016 implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grant agreements,

Compliance requirements: Cash Management, Special Tests and Provisions, Program Income, Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions: Paid Lunch Equity.

The MVCSC business office will meet with the Director of Food service for a monthly cash flow review for compliance.

The Director of Food Service will sign off on agreed up reporting. Hard copies will be filed and retained in the business office.

The Director of Food Service is completing a new corporation charge policy that will be approved by the school board in 2018.

The CFO and Director of Food service will determine paid lunch equity that will be approved by the school board in 2018.

Segregation of duties between Director of Food Service and assistant have been established with the Director or other authorized individual as approver.

Anticipated Completion Date: many items were effective at start of 2018-2019 school year and all remaining corrections will be made by December 31, 2018.

(Signature)

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON COMMUNITY SCHOOL CORPORATION

## **FINDING 2016-004**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Doris Johnson Director of Food Service  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-004

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from the prior school year 2016 implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grants and Compliance Requirement: Allowable Activities

The MVCSC business office will meet with the Director of Food service for a monthly review of expenses for compliance with the CFO, Corporation Treasurer or other authorized individual.  
The Director of Food Service will sign off on agreed up reporting. Hard copies will be filed and retained in the business office.

Segregation of duties between Director of Food Service and assistant have been established with the Director or other authorized individual as approver.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON COMMUNITY SCHOOL CORPORATION

## FINDING 2016-005

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Doris Johnson Director of Food Service  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-005

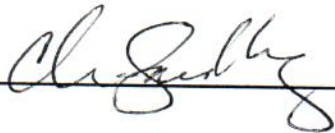
Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from the prior school year 2016 implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grants and Compliance Requirement: Allowable Cost/Cost Principal.

The MVCSC business office will meet with the Director of Food service for a monthly review of expenses for compliance of the grant, with the CFO, Corporation Treasurer or other authorized individual. The Director of Food Service will sign off on agreed up reporting. Hard copies will be filed and retained in the business office.

The MVCSC business office will provide a payroll report to the Director of Food Service semiannual pay report listing employees, time and effort. Director of Food Service will complete a review and sign off. If employees are found to be utilized in other areas of the school corporation the review will be completed bi weekly. Hard copies will be filed and retained in the business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

  
\_\_\_\_\_

(Title)

CFO  
\_\_\_\_\_

(Date)

9/26/2018  
\_\_\_\_\_

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### FINDING 2016-006

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Doris Johnson Director of Food Service  
Contact Phone Number: 317-485-3100

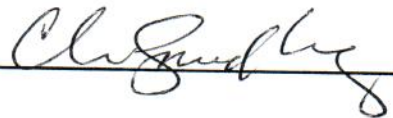
Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-006

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from the prior school year 2016 implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grants and Compliance Requirement: Eligibility

MVCSC business office will work with the Food Service Director to ensure paper copies of Free and Reduced Eligibility are provided to all MVCSC buildings to be disbursed to each student. CFO will work with MVCSC media specialist to publish public release of informational media on the schools website and local paper and unemployment office agencies.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

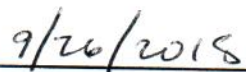
(Signature)



(Title)



(Date)



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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### FINDING 2016-007

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Doris Johnson Director of Food Service  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-007

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from the prior school year 2016 implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grants and Compliance Requirement: Procurement, Suspension and Debarment. MVCSC Business office and Food Service Director are working on utilizing a third party for Procurement and Suspension and Debarment to be in place by the end of 2018. MVCSC business office: Corporation Treasurer, CFO or authorized individual will conduct a review of purchase requests over \$3,000.00 for procurement policy requirements until a third party is contracted. MVCSC business office: Corporation Treasurer, CFO or authorized individual will review any Food Service contract over \$25,000 for Suspension and Debarment including adding a clause to the contract for certification release.

Anticipated Completion Date: many items were effective at start of 2018-2019 school year and all remaining corrections will be made by December 31, 2018.

(Signature)

  
\_\_\_\_\_

(Title)

CFO  
\_\_\_\_\_

(Date)

9/26/2018  
\_\_\_\_\_

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# MT. VERNON COMMUNITY SCHOOL CORPORATION

## **FINDING 2016-008**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Doris Johnson Director of Food Service  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-008

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from the prior school year 2016 implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grants and Compliance Requirement: Reporting  
A review of all Financial Reporting will be conducted by the Corporation Treasurer, CFO or other authorized individual with knowledge and understanding of the grant before it is submitted to ensure data is current and correct.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON COMMUNITY SCHOOL CORPORATION

**FINDING 2016-009**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Doris Johnson Director of Food Service  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-009

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for the National School Lunch Child Nutrition Cluster, segregation of duties related to grants and Compliance Requirement: Special Tests and Provisions: School Food Accounts.

Food Service Director will check her café account daily to ensure timely deposits and bank reconciliations. The Corporation Treasurer, CFO or other authorized individual with the knowledge and understanding of the grant will review for accuracy and receipt into the prepay account. Food Service Director will meet with the corporation treasurer monthly providing a meals paid report. The sales from that month will be transferred from the prepaid account to the 800 account after review. The Food Service Director will sign off on the transfer, a documented copy will be retained in the business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### FINDING 2016-010

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-010

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review processes and procedures from prior to the 2015-16 school year. Towards the end of 2017, the business office began implementing effective Internal Control systems including: understanding grant agreements for Title I, Segregation of duties related to grants, and Compliance Requirements, Special Tests & Provisions to a Schoolwide Program.

Title I Grant Manager or any other authorized individual with knowledge of the grant will review the grant contract and supporting communications of required documentation pre and upon awards. Title I grant manager will meet with the MVCSC business office monthly to review and file all supporting documentation of grant. All documentation will be filed in the MVCSC business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

[www.mvcsc.k12.in.us](http://www.mvcsc.k12.in.us)

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### **FINDING 2016-011**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding

Description of Corrective Action Plan: Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including: Allowable Activities.

The MVCSC business office will meet with the Title 1 Grant Manager for a monthly review of expenses for compliance with the CFO, Corporation Treasurer or other authorized individual.  
The Title 1 Grant Manager will sign off on agreed up reporting. Documentation will be filed and retained in the business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### FINDING 2016-012

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-012

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Title I Segregation of duties related to grants and Compliance Requirements: Allowable Costs/Cost Principles The Title I Grant Manager or any authorized individual with knowledge of the grant will review monthly reporting adjustments or reimbursement requests provided by the MVCSC business office. A monthly meeting will be held to discuss adjustments and cash flow concerns with the Corporation Treasurer, CFO, or authorized individual having knowledge of the grant. Documentation of the review and copies of the PO's will be filed in the MVCSC business office. Semiannual Certifications will be conducted with the Grant Manager and the Corporation Treasurer, CFO or other authorized individuals with knowledge of the grant. A pay report will be provided by The MVCSC business office. Upon review if employees are found to be utilized in other areas of the corporation a Biweekly review will be conducted for accuracy. Documentation will be filed in the MVCSC business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

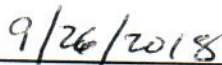
(Signature)



(Title)



(Date)



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# MT. VERNON COMMUNITY SCHOOL CORPORATION

**FINDING 2016-013**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-013

Description of Corrective Action Plan: Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Title I Segregation of duties related to grants and Compliance Requirements: Cash Management  
The Title I Grant Manager or any authorized individual with knowledge of the grant will review monthly reporting adjustments or reimbursement requests already paid, provided by the MVCSC business office. A monthly meeting will be held to discuss adjustments and cash flow concerns with the Corporation Treasurer, CFO, or authorized individual having knowledge of the grant. Documentation of the review and copies of the PO's will be filed in the MVCSC business office

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON COMMUNITY SCHOOL CORPORATION

**FINDING 2016-014**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent

Contact Phone Number: 317-485-3100

Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager

Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-014

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Title I Segregation of duties related to grants and Compliance Requirements: Procurement

Title I Grant Manager reviews all Purchase Request and PO's and documents with signature. Copies of all PO's and purchase requests are on file in the MVCSC business office. Past requests are being gathered and put in the grant file. Any purchase over \$25,000 would be sent for bid, and an approval obtained from the board, these purchases are not likely for the Title I Grant as most of MVCSC Title I monies spent are salary related.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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SCHOOL BOARD: Michael McCarty Shannon Walls Beth Smith Kellie Freeman Tony May

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### **FINDING 2016-015**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-015

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Title I Segregation of duties related to grants and Compliance Requirements: Period of Performance  
Title I Grant Manager reviews all Purchase Request and PO's and documents with signature. Copies of all PO's and purchase requests are on file in the MVCSC business office. Past requests are being gathered and put in the grant file

Anticipated Completion Date: many items were effective at start of 2018-2019 school year and all remaining corrections will be made by December 31, 2018.

(Signature)

  
\_\_\_\_\_

(Title)

CFO  
\_\_\_\_\_

(Date)

9/26/2018  
\_\_\_\_\_

[www.mvcsc.k12.in.us](http://www.mvcsc.k12.in.us)

SCHOOL BOARD: Michael McCarty Shannon Walls Beth Smith Kellie Freeman Tony May  
1806 W. State Road 234, Fortville, IN 46040 • Office: (317) 485-3100 • Fax: (317) 485-3113  
Twitter.com/MVCSC\_District • Facebook.com/MtVernonSchoolDistrict



# MT. VERNON COMMUNITY SCHOOL CORPORATION

## FINDING 2016-016

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-016

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Title I Segregation of duties related to grants and Compliance Requirements: Reporting

The Title I Grant Manager will complete the Annual Report.

A review of all Financial Reporting will be conducted by the Corporation Treasurer, CFO or other authorized individual with knowledge and understanding of the grant before it is submitted to ensure data is current and correct. Documented signed copies will be retained in the MVCSC business office Grant file.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing.

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### FINDING 2016-017

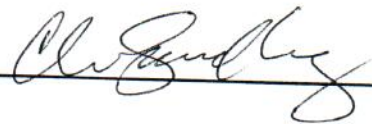
Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100  
Heather Noesges Director of Elementary Education, Co Interim Superintendent, Title I Grant Manager  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-017

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Title I Segregation of duties related to grants and Compliance Requirements: Special Tests and Provisions, Assessment of System Security District Test Coordinator and the Title 1 Director will ensure all staff in each building are trained on test security and confidentiality per MVCSC board policy 2623.01. Signed acknowledgement of training will be kept in the Title 1 Grant file located in the business office.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing.

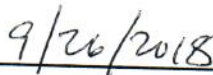
(Signature)



(Title)



(Date)



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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### **FINDING 2016-018**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-018

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Special Education Cluster (IDEA) Segregation of duties related to grants and Compliance Requirements: Cash Management, Procurement and Suspension and Debarment Reporting.

During the audit period 2016 MVCSC was participating in a Co-Op with HMSES relating to the audit finding. MVCSC no longer participates in the Co-Op.

MVCSC separated from the Co-Op effective July 1, 2017 and since then has and continues to independently administer all special education grants. On anticipated date list July 1, 2017

Anticipated Completion Date: Completed July 1, 2017

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/20/2018

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### **FINDING 2016-019**

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-019

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Special Education Cluster (IDEA) Segregation of duties related to grants and Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/cost Principles During the audit period 2016 MVCSC was participating in a Co-Op with HMSES relating to the audit finding. MVCSC no longer participates in the Co-Op. MVCSC separated from the Co-Op effective July 1, 2017 and since then has and continues to independently administer all special education grants. On anticipated date list July 1, 2017

Anticipated Completion Date: Completed July 1, 2017

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### FINDING 2016-020

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2016-020

Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from prior school year 2016, implementing effective Internal Control systems including understanding grant agreements for Special Education Cluster (IDEA) Segregation of duties related to grants and Compliance Requirements: Level of Effort

The Director of Special Education will review and approve any adjustments or reimbursement requests. Monthly reports will be sent to the special Education Director and a review with the Corporation Treasurer, CFO or authorized individual having knowledge of the grant for cash flow review. Documented copies will be retained in the MVCSC business office in the grant file.

Anticipated Completion Date: Implementation of the Corrective Action plan is effective for the 2018-2019 school year fully implemented ongoing.

(Signature)

Chris Smedley

(Title)

CFO

(Date)

9/26/2018

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#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.