

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
HANCOCK COUNTY, INDIANA  
July 1, 2014 to June 30, 2016



**FILED**  
11/16/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	3
Transmittal Letter .....	4
Federal Findings:	
Finding 2016-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	5-6
Finding 2016-002	
Financial Transactions and Reporting .....	7-8
Finding 2016-003	
Child Nutrition Cluster - Internal Controls .....	8-10
Finding 2016-004	
Child Nutrition Cluster - Activities Allowed or Unallowed .....	10-12
Finding 2016-005	
Child Nutrition Cluster - Allowable Costs/Cost Principles .....	12-15
Finding 2016-006	
Child Nutrition Cluster - Eligibility .....	15-16
Finding 2016-007	
Child Nutrition Cluster - Procurement and Suspension and Debarment .....	17-19
Finding 2016-008	
Child Nutrition Cluster - Reporting .....	20-21
Finding 2016-009	
Child Nutrition Cluster - Special Tests and Provisions - School Food Accounts .....	22-23
Finding 2016-010	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Schoolwide Programs.....	24-26
Finding 2016-011	
Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed.....	26-28
Finding 2016-012	
Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles .....	28-31

TABLE OF CONTENTS  
(Continued)

<u>Description</u>	<u>Page</u>
Finding 2016-013	
Title I Grants to Local Educational Agencies - Cash Management .....	31-33
Finding 2016-014	
Title I Grants to Local Educational Agencies - Procurement .....	33-36
Finding 2016-015	
Title I Grants to Local Educational Agencies - Period of Performance.....	36-37
Finding 2016-016	
Title I Grants to Local Educational Agencies - Reporting .....	37-39
Finding 2016-017	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security .....	39-40
Finding 2016-018	
Special Education Cluster (IDEA) - Cash Management, Procurement, Reporting.....	41-42
Finding 2016-019	
Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles .....	43-46
Finding 2016-020	
Special Education Cluster (IDEA) - Level of Effort .....	46-49
Corrective Action Plan.....	50-69
Audit Results and Comments:	
Overdrawn Cash Balances .....	70
Bank Account Reconciliations .....	70
Official Response .....	71-72
Exit Conference.....	73

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

This report is supplemental to our audit report of the Mount Vernon Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

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

October 2, 2018

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL 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).

*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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.
- (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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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 reconcilements. In 2015-2016, there were no bank reconcilements performed.

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."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

*Views of Responsible Officials*

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

**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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

**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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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. . . ."

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the 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 2016-005**

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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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:

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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,
  - (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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the 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 2016-006**

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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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.

*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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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:

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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."

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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

*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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 3016.20(b) states in part:

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

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

2 CFR 200.302(b)(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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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.

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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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

*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). . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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
    - (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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

**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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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. . . ."

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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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;
- (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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 2016-013**

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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 2016-014**

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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;
- (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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 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.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

**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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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

*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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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.

*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  
FEDERAL FINDINGS  
(Continued)

***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.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*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.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***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.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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; . . .
- (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. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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. . . ."

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(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."

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."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(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 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.



# 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

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

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# MT. VERNON

## COMMUNITY SCHOOL CORPORATION

### **FINDING 2016-002**

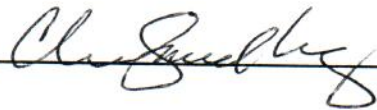
Contact Person Responsible for Corrective Action: Chris Smedley CFO, Interim Co Superintendent  
Contact Phone Number: 317-485-3100

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)



(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)

  
\_\_\_\_\_

(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

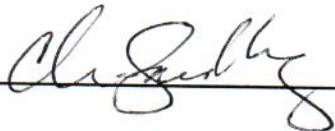
Description of Corrective Action Plan: During the 2017-2018 School Year MVCSC business office underwent a period of transition. During this time period MVCSC business office began to review process and procedure from the prior school year 2016 implementing effective Internal Control systems including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

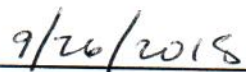
(Signature)



(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

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

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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)

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 2016-013**

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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# 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)

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# 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

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

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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)

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 2016-018**

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

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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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MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

A similar comment appeared in the prior Reports B41921 and B47674

The financial statement presented in Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2015, and June 30, 2016:

Fund	2015 Amount Overdrawn	2016 Amount Overdrawn
Capital Projects	\$ -	\$ 124,604
Textbook Rental	42,267	-
Self-Insurance	-	76,173
MCE PTO Donation	88,082	95,231
MV Ed Foundation Education Grants	2,320	2,320
Pay to Participate	324,641	498,146
Gifted and Talented 2010-11	31	31
Gifted and Talented 2011-12	-	12,136
Miscellaneous Programs	1,145	2,195
Title I FY11	76	76
Title I FY12	174,973	174,973
Payroll Withholdings	-	502,304

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for School Corporations, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in the prior Report B47674.

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for fiscal year 2016. For fiscal year 2015, the monthly reconcilements that were provided did not reconcile to the accounting records. Record balance information was not provided to support the reconcilements presented for audit. The errors were not identified or corrected timely, and were included as unidentified differences on the reconcilements. In addition, the bank reconciliation as of June 30, 2016, included checks outstanding in excess of two years.

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."



# MT. VERNON COMMUNITY SCHOOL CORPORATION

July 1, 2014 - June 30, 2016 Audit Results and Comment for MVCSC: Official Response

Submitted by Chris Smedley – MVCSC Chief Financial Officer, on October 08, 2018  
1806 W SR 234 Fortville IN 46040  
317-485-3100

## **Overdrawn Cash Balances**

For the Federal audit period July 1, 2014 - June 30, 2016 the Mt Vernon Community School Corporation reported overdrawn cash balances on June 30, 2015, and June 30, 2016 fund report in the capital projects fund, and several internal funds, including outdated reimbursable grants. Since this time period, the MVCSC business office underwent a period of transition and began to establish effective internal control processes over cash fund balances to prevent any reoccurrence. The new CFO and Corporation Treasurer (neither of whom were employed with the district during the audit period) recognized that Mt Vernon Community Schools previously had not fully understood the requirements for maintaining cash fund balances.

During Fiscal Year 2017-2018 segregation of duties including and related to monitoring cash fund balances and financial reporting were put in place by the new CFO and Corporation Treasurer. These appropriate steps were taken to ensure proper segregation of duties, correcting this issue.

The Corporation Treasurer now monitors and reviews, and will continue to monitor and review, cash fund balances daily. The CFO and Corporation Treasurer now review, and will continue to review, the cash fund balance reporting on a monthly basis. Any necessary adjustments will be made following proper approval processes.

The new business office team has implemented effective internal control procedures to prevent and guard against reoccurrence of these financial reporting errors.

## **Bank Account Reconciliations**

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for fiscal year 2016. Monthly reconcilments that were provided did not match accounting records for fiscal year 2015. Outstanding checks in excess of two years were found for fiscal year 2016.

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During FY 2017-2018 the MVCSC business office underwent a period of transition and began to establish effective internal control processes over cash fund balances. The new CFO and Corporation Treasurer (neither of whom were employed with the district during the audit period) recognized that Mt Vernon Community Schools previously did not fully understand the requirements for completing and maintaining bank account reconciliations.

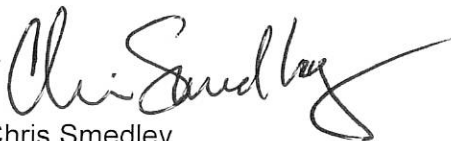
During FY 2017-2018 segregation of duties including and related to completing and maintaining bank reconciliations were implemented by the new CFO and Corporation Treasurer. In May 2018, Mt Vernon Community schools hired the HJ Umbaugh and Associates (a governmental-financial advisory firm) to assist in remedial processes for reconcilements. Appropriate steps have been taken to ensure proper segregation of duties for correction of this issue.

The Corporation Treasurer has been completing and will continue to complete monthly bank reconciliations. The CFO has been reviewing and will continue to review the monthly reconcilements and adjustments will be made, if necessary. Mt Vernon Community School Corporation will continue to utilize HJ Umbaugh for consultation, as needed.

The new business office team has implemented effective internal control procedures to prevent and guard against reoccurrence of financial reporting errors.

The Mt Vernon Community School Corporation appreciates the opportunity to respond to this audit report and to improve its processes to provide efficient, high-quality services to the school community.

Respectfully submitted,



Chris Smedley  
Chief Financial Officer

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MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2018, with Chris Smedley, co-interim Superintendent of Schools; Shannon Walls, President of the School Board; Amy Matthews, Counsel for Mount Vernon Community School Corporation; Tim Long, Budget Coordinator; and Rachel Lanteigne, Corporation Treasurer.