

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MILL CREEK COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED

12/13/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lori Bennett	07-01-15 to 12-31-18
Superintendent of Schools	James A. Diagostino	07-01-15 to 06-30-19
President of the School Board	Timothy Whicker James Bryant	07-01-15 to 12-31-17 01-01-18 to 12-31-18



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

This report is supplemental to our audit report of the Mill Creek Community School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

October 30, 2018

MILL CREEK COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Significant Deficiency

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).

The School Corporation had not implemented a system of internal controls to ensure that federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, was accurate prior to submission. One employee prepared the federal award information without a system of oversight or review.

Context

The lack of adequate controls 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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control to ensure proper reporting of the SEFA.

Effect

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

MILL CREEK COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation establish a system of internal controls related to preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Special Education Cluster (IDEA) - 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): 14214-048-PN01, 14215-048-PN01,
14216-046-PN01, 14217-046-PN01,
45714-048-PN01, 45715-048-PN01,
45716-046-PN01, 45717-046-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Significant Deficiency

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Reporting compliance requirement.

Effective internal controls were not established to ensure the accuracy of two of the three Data Collection Reports - Termination Report and Disciplinary (Expulsion and Suspension) Report. The Termination Report and Disciplinary (Expulsion and Suspension) Report were prepared and submitted by one employee with no review or approval to ensure its accuracy.

Context

The lack of an effective internal control system related to reporting was isolated to the two Data Collection Reports.

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:

MILL CREEK COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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

The School Corporation's management had not developed a system of internal controls to ensure compliance with the reporting requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

Mill Creek Community School Corporation

6631 S. CR 200 W· Clayton, IN 46118



Administrative Services Center

317-539-9200· Fax: 844-303-1811

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer

Contact Phone Number: 317-539-9200

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

The Treasurer will prepare the Schedule of Expenditures of Federal Awards report. Prior to the submission of the SEFA annual report, the Superintendent and Assistant Superintendent will review the annual report and verify by signing and dating. The associated documentation of the SEFA will be reviewed on a routine basis.

Anticipated Completion Date: November 30, 2018

A handwritten signature in black ink, appearing to be "CJA", written over a horizontal line.

(Signature)

Superintendent

(Title)

10-18-18

(Date)

Mill Creek Community School Corporation

6631 S. CR 200 W Clayton, IN 46118



Administrative Services Center

317-539-9200 Fax: 844-303-1811

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Jim Diagostino, Superintendent, and Lori Bennett, Treasurer

Contact Phone Number: 317-539-9200

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

The Database Administrative Assistant/Software Support Specialist will prepare the Data Collection reports. Prior to the submission of the Data Collection reports, the Superintendent, or designee, will review the Data Collection Reports related to Special Education with supporting documentation and verify by signing and dating. The associated documentation of the Data Collection Reports will be reviewed on a routine basis by building administrators.

Anticipated Completion Date: November 30, 2018

A handwritten signature in black ink, appearing to be "CJA".

(Signature)

Superintendent

(Title)

10-18-18

(Date)

MILL CREEK COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2018, with Lori Bennett, Treasurer; James A. Diagostino, Superintendent of Schools; James Bryant, President of the School Board; and Lori Estes, Executive Secretary.