

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CARMEL CLAY SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
02/01/2019



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2017-001	
Preparation of the Schedule of Expenditure of Federal Awards.....	4-5
Finding 2017-002	
Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, Special Tests and Provisions - Paid Lunch Equity .....	5-6
Finding 2017-003	
Child Nutrition Cluster - Procurement and Suspension and Debarment .....	7-8
Finding 2017-004	
Child Nutrition Cluster - Program Income .....	8-10
Finding 2017-005	
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles.....	10-12
Corrective Action Plan.....	13-17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Roger McMichael	07-01-15 to 06-30-19
Superintendent of Schools	Dr. Nicholas Wahl Amy Dudley (co-interim) Roger McMichael (co-interim) Dr. Michael Beresford	07-01-15 to 10-10-17 10-11-17 to 06-30-18 10-11-17 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Layla Spanenberg	07-01-15 to 06-30-19



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TO: THE OFFICIALS OF THE CARMEL CLAY SCHOOLS , HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Carmel Clay Schools (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/](http://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

December 5, 2017

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Preparation of the Schedule of Expenditure of Federal Awards  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-002.

*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 established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA. A documented review of the SEFA by an individual other than the preparer was not performed.

*Context*

The lack of controls was a systemic issue, which occurred 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 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 could have remained undetected.

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,  
Allowable Costs/Cost Principles, Reporting, Special  
Tests and Provisions - Paid Lunch Equity

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): FY2016/FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Reporting, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles*

Controls had not been designed or implemented properly over payroll-related disbursements from the School Lunch fund. There was not a documented oversight, review, or approval process in place to ensure that employees were being paid the correct amounts from the proper funds.

*Reporting*

One employee prepared and submitted the Monthly Sponsor Claims for Reimbursement, Annual Financial Report, and School Food Authority (SFA) Verification Collection Report without a documented oversight, review, or approval process in place to ensure their accuracy.

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

The Food Service Director performed the paid lunch equity calculations using the online calculator tool without a documented oversight, review, or approval process in place to ensure their accuracy.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

CARMEL CLAY SCHOOLS  
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 to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Views of Responsible Officials*

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

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-003***

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): FY2016/FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
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 Procurement and Suspension and Debarment compliance requirement.

*Procurement*

The School Corporation used an education service center to solicit, evaluate, and award bids for food and beverage purchases; however, the School Corporation did not have documented procedures in place to ensure that their food service department used only vendors awarded by the service center.

*Suspension and Debarment*

The School Corporation did not perform procedures addressed in the grant agreement to verify that its vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*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

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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). . . ."

2 CFR 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 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 would have ensured compliance with the Procurement and Suspension and Debarment requirements.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation in noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*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 Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-004**

Subject: Child Nutrition Cluster - Program Income  
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): FY2016/FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Others Matters

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program reports were reconciled to program income receipted in the School Lunch fund. All receipts from sales, as well as prepayments, were recorded directly into the School Lunch fund. Transfers to the Prepaid fund were not made timely; they occurred every six months.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

*Effect*

The failure to establish an effective internal control system place the School Corporation in non-compliance with the grant agreement and the Program Income compliance requirement.

*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 Program Income compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-005**

Subject: Special Education Cluster (IDEA) - 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): 14214-131-PN01, 14215-131-PN01,  
14216-099-PN01, 14217-099-PN01,  
45715-131-PN01, 45716-099-PN01,  
45717-099-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Material Weakness

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-003.

*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 Allowable Costs/Cost Principles compliance requirement.

There was not a documented oversight, review or approval process in place over payroll disbursements to ensure that employees were being paid the correct amount or from the proper funds.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

CARMEL CLAY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

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



## CARMEL CLAY SCHOOLS

5201 East Main Street, Carmel, Indiana 46033 • Telephone: 317.844.9961 • Fax: 317.844.9965 • www.ccs.k12.in.us

### CORRECTIVE ACTION PLAN

#### **FINDING 2017-001**

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

Views of Responsible Official: We concur with the finding of not documenting the review process. Subsequent to the last audit, there were controls implemented to segregate duties related to the submission of the SEFA, however, there was no documentation to prove that the segregation and review process was occurring as stated.

#### Description of Corrective Action Plan:

Carmel Clay Schools has adjusted its internal controls subsequent to the State Board of Accounts finding referenced above. The SEFA will be completed and reviewed prior to submission with documentation of the review.

Anticipated Completion Date: 12/4/18

Kara J. Kollros  
Deputy Treasurer/Supervisor of Accounting  
Carmel Clay Schools  
December 4, 2018



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### CORRECTIVE ACTION PLAN

#### **FINDING 2017-002**

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 15-16, FY 16-17  
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

Carmel Clay Schools has adjusted its internal controls subsequent to the State Board of Accounts finding referenced above.

All payroll disbursements from the Food Service Fund will now be reviewed by the Food Service Department to ensure that Food Service employees are paid from the proper fund. This review will also be documented.

All reports will be prepared and reviewed by two separate people with documentation of such.

The paid lunch equity calculations will now be prepared and reviewed by two separate people with documentation of such.

Anticipated Completion Date: 12/4/18

Kara J. Kollros  
Deputy Treasurer/Supervisor of Accounting  
Carmel Clay Schools  
December 4, 2018



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### CORRECTIVE ACTION PLAN

#### **FINDING 2017-003**

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 15-16, FY 16-17  
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

Carmel Clay Schools has adjusted its internal controls subsequent to the State Board of Accounts finding referenced above.

There will now be written documentation of a review process signed by the staff member entering vendors into the system and by the staff member reviewing the entered vendors.

Current vendors used by Food Service have now all completed a Debarment and Suspension Certificate. Moving forward all new vendors will be required to complete a Debarment and Suspension Certificate prior to Carmel Clay Schools doing business with them.

Anticipated Completion Date: 12/4/18

Kara J. Kollros  
Deputy Treasurer/Supervisor of Accounting  
Carmel Clay Schools  
December 4, 2018



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### CORRECTIVE ACTION PLAN

#### **FINDING 2017-004**

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 15-16, FY 16-17  
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

Carmel Clay Schools had adjusted this process prior to the audit but not within this audit period. All School Lunch fund receipts are now recorded in the correct fund on a monthly basis.

Anticipated Completion Date: 12/4/18

Kara J. Kollros  
Deputy Treasurer/Supervisor of Accounting  
Carmel Clay Schools  
December 4, 2018



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### CORRECTIVE ACTION PLAN

#### **FINDING 2017-005**

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): 14214-131-PN01, 14215-131-PN01, 14216-099-PN01, 14217-099-PN01, 45715-131-PN01, 45716-099-PN01, 45717-099-PN01

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kara Kollros

Contact Phone Number: 317-844-9961

Views of Responsible Official: We concur with the finding. This repeat finding is a direct result of the timing of the last audit. We were not able to correct this issue inside of the current audit period because we were not made aware of the issue until after the current audit period had ended.

Description of Corrective Action Plan:

Carmel Clay Schools had adjusted this process prior to the audit but not within this audit period. Grant administrators now review all personnel expense for accuracy on a regular basis.

Anticipated Completion Date: 12/4/18

Kara J. Kollros  
Deputy Treasurer/Supervisor of Accounting  
Carmel Clay Schools  
December 4, 2018

CARMEL CLAY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2018, with Dr. Michael Beresford, Superintendent of Schools; Roger McMichael, Treasurer; Kara Kollros, Supervisor of Accounting; and Layla Spanenberg, President of the School Board.