

**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, 2016 to June 30, 2018



**FILED**  
06/17/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Brian Tomamichel	07-01-16 to 06-30-17
	(Vacant)	07-01-17 to 09-24-17
	Chris Smedley	09-25-17 to 06-30-19
Superintendent of Schools	Dr. William S. Robbins	07-01-16 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
	Dr. Jack Parker	01-01-19 to 12-31-19
President of the School Board	Michael S. McCarty	07-01-16 to 12-31-17
	Shannon Walls	01-01-18 to 12-31-19



**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, 2016 to June 30, 2018. 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

May 13, 2019

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

*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 (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA contained the following errors:

1. The Special Education Cluster (IDEA) expenditures were overstated by \$131,218.
2. The Title I Grants to Local Educational Agencies expenditures were understated by \$257,009.
3. The Supporting Effective Instruction State Grants expenditures were overstated by \$50,450.
4. The Child Nutrition Cluster expenditures were understated by \$7,650.

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-002.

*Condition*

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

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. Receipts were prepared by the Deputy Treasurer. There was no documented oversight, review, or approval process.

*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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

*Effect*

The failure to establish a system of internal controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-003**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, 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): FY17, FY18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2016-004 and 2016-005.

*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 following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

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 programs.

1. The School Corporation did not provide supporting documentation for 4 of the 40 claims examined. These undocumented expenditures resulted in questioned costs totaling \$6,068.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2. A portion of the Assistant Superintendent of Schools' compensation was paid from the Child Nutrition Cluster program funding during the school year ended June 30, 2017. The School Corporation did not provide any supporting documentation of the Assistant Superintendent of Schools' time or effort spent on the program. This payment of compensation from program funds resulted in questioned costs of \$26,270.

*Context*

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

*Criteria*

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). . . ."

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. . . ."

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); . . .

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(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 would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

Questioned costs of \$32,338 were identified, as described in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

***FINDING 2018-004***

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): FY17, FY18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-007.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
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 Procurement and Suspension and Debarment compliance requirement. The School Corporation had not designed or implemented adequate policies or procedures to ensure that all procurements were made in accordance with the requirements for the federal grant.

The School Corporation did not provide audit evidence that price or rate quotations had been requested for three purchases exceeding \$3,500, which fell under the small purchase procedures. Additionally, the School Corporation made food service purchases from vendors that exceeded \$25,000. The School Corporation did not verify that one of the two vendors selected for testing was not suspended or debarred from participation in federal awards.

*Context*

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

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). . . ."

2 CFR 200.320 states in part:

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

(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. . . ."

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."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance 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 a system of internal controls to ensure compliance and to comply 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 2018-005**

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): FY17, FY18

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-003.

*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 following compliance requirements:

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cash Management*

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

*Eligibility*

The School Corporation had not established an effective system of controls to ensure that participant eligibility was properly determined. The Food Service Director was responsible for determining eligibility for free and reduced price meals without any oversight or review of the determinations made for the first year of the audit period.

*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.

*Reporting*

The School Corporation did not have controls in place to ensure an oversight, review, or approval process was in place for the preparation of the Monthly Sponsor Claims (claims for reimbursement) and the Annual Financial Reports.

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

There was no segregation of duties, such as an oversight, review, or approval process, over the verifications performed or the preparation of the School Food Authority (SFA) Verification Collection Reports filed. The Food Service Director was responsible for all duties related to verification and reporting for the first year of the audit period.

*Special Tests and Provisions - School Food Accounts*

There were no internal controls in place at the School Corporation, such as an oversight, review, or approval process, to ensure that the school food account transactions were posted promptly and accurately to the School Lunch fund.

*Special Tests and Provisions - Paid Lunch Equity*

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the calculation of paid lunch equity was proper. The Food Service Director compiled the data, made the calculation, and then requested School Board approval for price increases without any oversight or review process of the data or calculations made.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of controls over Eligibility was isolated to fiscal year 2016-2017.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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 segregated key functions and would have ensured compliance with the compliance requirements listed above.

*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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2018-006**

Subject: Special Education Cluster (IDEA) - Period of Performance, 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): 14216-137-PN01, 14217-137-PN01,  
14218-137-PN01, 45717-137-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Period of Performance, Reporting

Audit Finding: Material Weakness

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
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 following compliance requirements:

*Period of Performance*

The School Corporation had not designed or implemented proper procedures to ensure that special education payroll disbursements occurred within the period of performance.

*Reporting*

The School Corporation had not designed or implemented proper procedures to ensure that there was adequate segregation of duties over reporting. Final Expenditure Reports were prepared by the Special Education Director. There was no control in place, such as an oversight, review, or approval process.

*Context*

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

*Criteria*

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 grant agreement and the compliance requirements listed above.

*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.

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 2018-007**

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): 14216-137-PN01, 14217-137-PN01, 14218-137-PN01, 45717-137-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, 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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all disbursements from the grant were allowable per the requirements of the program. The School Corporation did not provide supporting documentation for 2 of the 40 claims examined. These undocumented expenditures resulted in questioned costs of \$76,480.

*Context*

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

*Criteria*

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). . . ."

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:

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(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. . . ."

34 CFR 300.202(a) states:

"*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."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

Questioned costs of \$76,480 were identified, as described in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*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 2018-008***

Subject: Special Education Cluster (IDEA) - Cash Management

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): 14216-137-PN01, 14217-137-PN01,  
14218-137-PN01, 45717-137-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

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 Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that program expenses were paid prior to requesting reimbursement and that amounts requested for reimbursement were proper. In January 2018, the School Corporation requested reimbursement for \$67,919 of payroll expenditures that had already been included on a previous reimbursement request. The School Corporation's request for reimbursement in May 2018 requested the same payroll expenditure twice in the amount of \$1,373. These errors resulted in questioned costs of \$69,292.

*Context*

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

*Criteria*

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). . . ."

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . ."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Cash Management compliance requirement.

*Effect*

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

*Questioned Costs*

Questioned costs of \$69,292 were identified, as described in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Cash Management 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 2018-009**

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): 14216-137-PN01, 14217-137-PN01,  
14218-137-PN01, 45717-137-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 finding from the immediately prior audit report. The prior audit finding number was 2016-020.

*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 Matching, Level of Effort, Earmarking compliance requirement.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the expenditure amounts reported on the grant application used to calculate the level of effort component were accurate. The School Corporation reported state and local expenditures for fiscal year 2016-2017 that could not be substantiated with supporting documentation.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to 2016-2017.

*Criteria*

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). . . ."

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 300.203(b) states:

*"Compliance standard.*

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
  - (i) Local funds only;
  - (ii) The combination of State and local funds;
  - (iii) Local funds only on a per capita basis; or
  - (iv) The combination of State and local funds on a per capita basis.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement. 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.

**FINDING 2018-010**

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14216-137-PN01, 14217-137-PN01,  
14218-137-PN01, 45717-137-PN01

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. The School Corporation had not designed or implemented adequate policies or procedures to ensure procurements and contracts were made in compliance with the requirements for the programs.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not provide audit evidence that price or rate quotations were requested for four purchases exceeding \$3,500, which fell under the small purchases procedures. Additionally, the School Corporation made purchases from vendors that exceeded \$25,000. The School Corporation did not verify that the vendors selected were not suspended or debarred from participation in federal awards.

*Context*

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

*Criteria*

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). . . ."

2 CFR 200.320 states in part:

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

- (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. . . ."

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 grant agreement and the Procurement and Suspension and Debarment compliance requirement.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance 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 a system of internal 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.



# MT. VERNON COMMUNITY SCHOOL CORPORATION

*Engage, Educate & Empower Today's Students*

## CORRECTIVE ACTION PLAN

**FINDING 2018-001** (Auditor Assigned Reference Number)

Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Rachel Lanteigne Corporation Treasurer  
Contact Phone Number: 317 -485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-001

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 be preparing the federal awards and financial information entered into Gateway and the CFO, Superintendent or other authorized individual will be reviewing the entered financial information prior to submission and sign off on completeness with a hard copy will be retained in the business office.

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

Chris Smedley

CFO

5-13-2019

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

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

1806 W. State Road 234, Fortville, IN 46040 ♦ Office: (317) 485-3100 ♦ Fax: (317) 485-3113

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**FINDING 2018-002** (Auditor Assigned Reference Number)

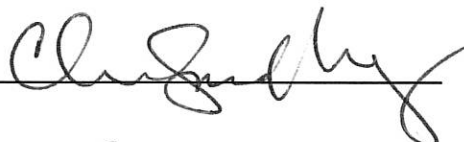
Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Chris Smedley CFO, Rachel Lanteigne Corporation Treasurer  
Contact Phone Number: 317-485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-002

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 will be established for segregation of duties, receipting, and deposits. Reviews of each area will be performed by the Corporation Treasurer, CFO, or other authorized individuals and signed hard copies will be retained with monthly reporting in the business office.

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

  
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CFO

  
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**FINDING 2018-003** (Auditor Assigned Reference Number)

Child Nutrition Cluster-Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Doris Johnson Food Service Director, Chris Smedley CFO, Rachel Lanteigne Corporation Treasurer  
Contact Phone Number: 317-485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-003

Description of Corrective Action Plan:

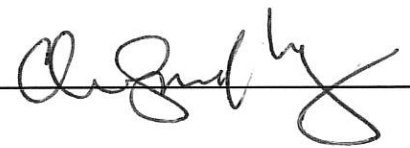
The MVCSC business office will be meeting with the Director of Food service for a monthly review of expenses for compliance of the grant, with the CFO, Corporation Treasurer or other authorized individual, having knowledge of the grant.

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 be providing 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.

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

Anticipated Completion Date: : Implementation of the Corrective Action plan is in progress and ongoing

  
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5/13/2019

**FINDING 2018-004** (Auditor Assigned Reference Number)

Child Nutrition Cluster-Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Doris Johnson Food Service Director  
Contact Phone Number: 317-485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-004

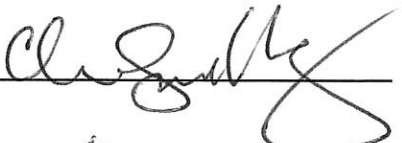
Description of Corrective Action Plan:

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 - 2018 and will be implementing effective Internal Control systems, including understanding grant agreements for the National School Lunch Child Nutrition Cluster, related to grants and Compliance Requirement: Procurement, Suspension and Debarment. MVCSC Business office and Food Service Director are working on securing a third party for Procurement and Suspension and Debarment .

MVCSC business office: Corporation Treasurer, CFO or authorized individual will be conducting 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 be reviewing any Food Service contract over \$25,000 for Suspension and Debarment including adding a clause to the contract for certification release

Anticipated Completion Date: In progress and ongoing

  
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5/13/2019  
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**FINDING 2018-005** (Auditor Assigned Reference Number)

Child Nutrition Cluster-Internal Controls

Contact Person Responsible for Corrective Action: Doris Johnson Food Service Director  
Contact Phone Number: 317-485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-005

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 to process and procedure from the prior school year 2016 - 2018 and will be 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, Eligibility, Program Income, Special Tests and Provisions: Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions: Paid Lunch Equity, and Special tests and provisions: school food accounts.

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

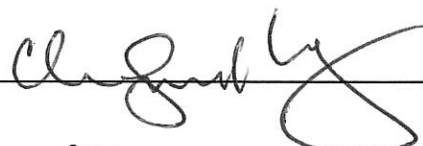
The Director of Food Service will be signing off on agreed up reporting. Hard copies will be filed and retained in the business office.

The Director of Food Service is completing a new corporation charge policy that will be approved by the school board in the 2018-2019 school year.

The CFO and Director of Food service will determine paid lunch equity that will be approved by the school board during the 2018-2019 school year.

Segregation of duties between Director of Food Service and assistant will be established with the Director or other authorized individual as approver, to address cash management, eligibility, verification, program income, and school food account compliance requirements.

Anticipated Completion Date: In progress and ongoing

  
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5/13/2019  
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**FINDING 2018- 006** (Auditor Assigned Reference Number)

Special Education Cluster - Period of Performance, Reporting

Contact Person Responsible for Corrective Action: Laura Durig Special Education Director. Chris Smedley CFO, Rachel Lanteigne Corporation Treasurer  
Contact Phone Number:317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-006

Description of Corrective Action Plan: Grant budget spreadsheet will be reviewed at monthly meetings (Business Office, Director of Special Education, Special Education Administrative Assistant)

Dates included in requests for reimbursement will be reviewed so as not not overlap (i.e. July 1 - August 31; September 1 - October 31; November 1 - January 31)

Expenditures will be reviewed and initialed by Director of Special Education and Administrative Assistant

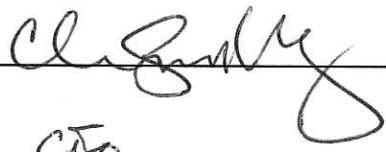
Expenditures will be reviewed at monthly meetings (Business Office, Director of Special Education, Special Education Administrative Assistant)

All personnel whose salaries and benefits are funded through the Part B 611 or 619 will be reviewed monthly to ensure only allowable salaries / benefits (initialed by Director of Special Education and Business Office)

Transition to the next year's Part B 611 and 619 will occur after final review is conducted between Director of Special Education and Business Office

Period of reporting will be reviewed before final submission by CFO Corporation Treasurer and Director. Copies will be retained in the business office.

Anticipated Completion Date: In progress and ongoing

  
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CFO

5/13/2019  
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**FINDING 2018-007** (Auditor Assigned Reference Number)

Special Education Cluster- Activities Allowed or Unallowed, Allowed Costs/ Cost Principles

Contact Person Responsible for Corrective Action: Laura Durig Special Education Director, Chris Smedley CFO, Rachel Lanteigne Corporation Treasurer.

Contact Phone Number: 317-485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-007

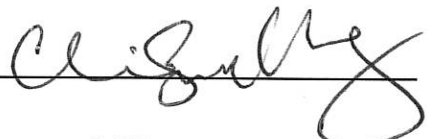
Description of Corrective Action Plan: The MVCSC business office will be meeting with the Director of Special Education for a monthly review of expenses for compliance of the grant, with the CFO, Corporation Treasurer or other authorized individual, having knowledge of the grant.

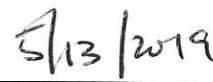
The Director of Special Education will sign off on agreed up reporting. Hard copies will be filed and retained in the business office.

The MVCSC business office will be providing a monthly payroll report to the Director of Special Education listing employees,. Director of Special Education will complete a review and sign off. Hard copies will be filed and retained in the business office.

Segregation of duties between Director of Special Education and administrative assistant will be established with the Director or other authorized individual having knowledge of the grant as approver.

Anticipated Completion Date: In progress and ongoing.

  
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CFO

  
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**FINDING 2018-008** (Auditor Assigned Reference Number)

Special Education Cluster-Cash Management


Contact Person Responsible for Corrective Action: Laura Durig  
Contact Phone Number: 317-485-3180

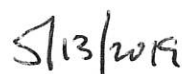
Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-008

Description of Corrective Action Plan: The MVCSC business office will be meeting with the Director of Special Education for a monthly review of expenses for compliance of the grant, with the CFO, Corporation Treasurer or other authorized individual, having knowledge of the grant.

The Director of Special Education will sign off on agreed up reporting. Hard copies will be filed and retained in the business office. All Reimbursement requests will be entered by the Director and reviewed by The CFO, Corporation Treasurer or other authorized individual having knowledge of the grant.

Anticipated Completion Date: In progress and ongoing.

  
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**FINDING 2018-009** (Auditor Assigned Reference Number)

Special Education Cluster- Level of Effort

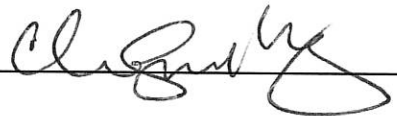
Contact Person Responsible for Corrective Action: Laura Durig Special Education Director, Chris Smedley CFO, Rachel Lanteigne Corporation Treasurer.

Contact Phone Number: 317-485-3180

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-009

Description of Corrective Action Plan: The Director of Special Education will review and approve any adjustments or reimbursement r expense 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 compliance and cash flow review. Documented copies will be retained in the MVCSC business office in the grant file.

Anticipated Completion Date: In progress and ongoing.



CFO

5/13/2019

**FINDING 2018-010** (Auditor Assigned Reference Number)

Special Education Cluster- Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Laura Durig Special Education Director  
Contact Phone Number: 317-485-3100

Views of Responsible Official: Mt. Vernon Community School Corporation concurs with finding 2018-010

Description of Corrective Action Plan M:VCSC business office: Corporation Treasurer, CFO or authorized individual will be conducting a review of purchase requests over \$3,000.00. Director will be providing rationale for the purchases during monthly grant meetings.

MVCSC business office: Corporation Treasurer, CFO or authorized individual will be reviewing any Service contract over \$25,000 for Suspension and Debarment including adding a clause to the contract for certification release. Director will be providing rationale including reporting from SAMS website.

Anticipated Completion Date: In progress and ongoing.



CFO

5/13/2019

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**LATE SUBMISSION OF ANNUAL FINANCIAL REPORT**

The School Corporation's Annual Financial Report for fiscal year 2016-2017 was not filed electronically until November 16, 2017, which was 79 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**OVERDRAWN CASH BALANCES**

A similar comment appeared in prior Report B51295.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2017 and 2018:

Fund	Amount Overdrawn June 30, 2017	Amount Overdrawn June 30, 2018
Retirement/Severance Bond Debt Service	\$ -	\$ (5,343)
Capital Projects	-	(1,698,306)
School Transportation	-	(387,733)
Construction	(172,750)	-
Textbook Rental	-	(265,516)
Repair and Replacement	-	(13,828)
Self Insurance	(282,179)	(92,417)
Child Care Program	(247,119)	(76,547)
MCE PTO I.A. Donation	(95,461)	-
MVEF Foundation Grants	(2,320)	(2,320)
MVEF Director Fund	-	(473)
PTP Pay to Participate Fund	(2,130)	-
Common School Tech Loan	(87,706)	(157,491)
Performance Based Awards	(742)	-
Miscellaneous Programs	(4,585)	-
Payroll Withholdings	(670,732)	-

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. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 1)



# MT. VERNON

COMMUNITY SCHOOL CORPORATION

*Engage, Educate & Empower Today's Students*

July 1, 2016 - June 30, 2018 Audit Results and Comment for MVCSC: Official Response

Submitted by Chris Smedley – MVCSC Chief Financial Officer, on May 23, 2019  
1806 W SR 234 Fortville IN 46040  
317-485-3100

## **Overdrawn Cash Balances**

For the Federal audit period July 1, 2016 - June 30, 2018, the Mt Vernon Community School Corporation reported overdrawn cash balances on the 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 recurrence. The new CFO and Corporation Treasurer (of whom were employed with the district during the end of the 2017 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 recurrence of these financial reporting errors.

## **Late Submission Of Annual Financial Report**

During FY 2017-2018 the MVCSC business office underwent a period of transition, bringing on a new CFO in October of 2017 and Corporation Treasurer in December of 2017.

The new CFO was informed in November that the Annual Financial Report was not completed. The new CFO began to take the appropriate steps to complete the required reporting, working under the guidance of the SBOA on a timeline to complete the reporting.

The Corporation Treasurer now completes the required reporting and the CFO reviews the required reporting for errors before submission.

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

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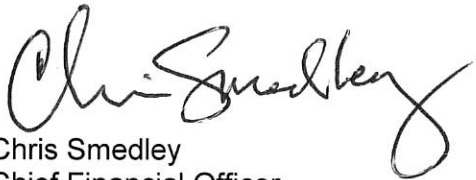
SCHOOL BOARD: Shannon Walls Beth Smith Kellie Freeman Tony May Michael McCarty

1806 W. State Road 234, Fortville, IN 46040 ♦ Office: (317) 485-3100 ♦ Fax: (317) 485-3113

Twitter.com/MVCSC\_District ♦ Facebook.com/MtVernonSchoolDistrict

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2019, with Chris Smedley, Business Manager/Treasurer; Dr. Jack Parker, Superintendent of Schools; Rachel Lanteigne, Treasurer; and Kellie Freeman, School Board member.