

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
KANKAKEE VALLEY SCHOOL CORPORATION  
JASPER COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
04/26/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carol L. Deardorff	07-01-12 to 06-30-16
Superintendent of Schools	Sharon Sanelli (Vacant) Iran G. Floyd (Interim) Aaron Case	07-01-12 to 08-06-14 08-07-14 to 08-11-14 08-12-14 to 06-30-15 07-01-15 to 06-30-16
President of the School Board	Robert Misch John M. Jungels, III	07-01-12 to 12-31-12 01-01-13 to 12-31-16



**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 KANKAKEE VALLEY SCHOOL  
CORPORATION, JASPER COUNTY, INDIANA

This report is supplemental to our audit report of the Kankakee Valley School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. 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

April 19, 2016

KANKAKEE VALLEY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER PAYROLL TRANSACTIONS***

We noted a deficiency in the internal control system of the School Corporation related to payroll transactions. Not all payroll transactions were properly supported by approved time records. Several employee time cards were not signed or initialed by the employees' supervisors. The School Corporation's monitoring process failed to detect this deficiency before processing payroll. The failure to establish effective controls could enable irregularities to remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***FINDING 2014-002 - CASH MANAGEMENT***

Federal Agency: U.S. Department of Agriculture  
Federal Program: School Breakfast Program and National School Lunch Program  
CFDA Number: 10.553 and 10.555  
Federal Award Years: FY 2012-13 and FY 2013-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirements. The Food Service Director does not maintain documentation of monitoring for compliance with Cash Management requirements. There is no segregation of duties, such as an oversight or review process.

The School Corporation is required to limit their food service program net cash resources to three months' average expenditures. The net cash balance of the food service program exceeded three months' average expenditures for 21 of 24 months during the period July 1, 2012 to June 30, 2014. This excess ranged from \$5,958 to \$82,907 or 1 percent to 19 percent of the three months' average expenditures.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

KANKAKEE VALLEY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

7 CFR section 210.14(a) states in part: "School Food Authorities shall maintain a nonprofit school food service."

7 CFR section 210.14(b) states:

"*Net cash resources.* The School Food Authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with section 210.19(a)."

7 CFR section 210.2 defines net cash resources as:

"*Net cash resources* means all monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a school food authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management requirements.

***FINDING 2014-003 - REPORTING***

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Years: FY 2012-13 and FY 2013-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirements. The Food Service Director independently prepares the monthly meal reimbursement reports and annual financial reports. There is no segregation of duties, such as an oversight, review, or approval process.

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

KANKAKEE VALLEY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting requirements of the programs.

***FINDING 2014-004 - INTERNAL CONTROLS OVER EDUCATION JOBS FUND***

Federal Agency: U.S. Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Number and Year (or Other Identifying Number): 3785  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements. The School Corporation Treasurer independently prepared the Education Jobs Fund reimbursement request reports and the quarterly ARRA survey reports. There was no segregation of duties, such as an oversight, review, or approval process.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

KANKAKEE VALLEY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the applicable compliance requirements of the program.

***FINDING 2014-005 - CASH MANAGEMENT AND REPORTING***

Federal Agency: Department of Education

Federal Program: Special Education Cluster

CFDA Number: 84.027 and 84.173

Federal Award Numbers: 14212-051-PN01, 14213-051-PN01, 14214-051-PN01, and 9914-051-TA01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements of the programs. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Requests for reimbursement reports were required to be submitted to receive grant funding. Requests were prepared by the Special Education Cooperative Treasurer and properly filed with the Indiana Department of Education. The reports were not reviewed or another control in place to ensure accuracy prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

KANKAKEE VALLEY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements.

# ***Kankakee Valley School Corporation***

12021 N 550 W  
PO Box 278  
Wheatfield, Indiana 46392-0278

Telephone: 219-987-4711  
Fax: 219-987-4710

*Interim Superintendent – Mr. Iran Floyd*  
*Assistant Superintendent - Mr. Aaron J. Case*  
*Chief Financial Officer - Ms. Carol Deardorff*  
*Director of Buildings and Grounds - Mr. Jim Bachman*

## Board of School Trustees

John Jungels, President  
Dr. Edward P. Habrowski, Vice-President  
Kristy Stowers, Secretary  
Jeff Groen, Assistant Secretary  
Jill Duttlinger, Member  
Barbara Peregrine, Member  
Jeff DeYoung, Member

### CORRECTIVE ACTION PLAN

#### ***FINDING 2014 – 001 – INTERNAL CONTROLS OVER PAYROLL TRANSACTIONS***

Contact Person Responsible for Corrective Action: Kimberly G. Mount, Deputy Treasurer  
Contact Phone Number: 219.987.4711

#### Description of Corrective Action Plan:

A biometric/electronic time clock system was installed throughout the school district during the summer of 2014. Supervisors are required to electronically approve recorded time worked for their employees. The information from the time clock system is directly imported into the payroll software system.

Anticipated Completion Date: Completed August 2014.

Carol L. Deardorff  
(Signature)

Treasurer  
(Title)

03.03.15  
(Date)

#### **Mission Statement**

Kankakee Valley School Corporation is committed to meeting the needs of each individual student educationally, physically, emotionally and socially.

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Ron Klauer, Asst. Secretary

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Lana Olson, Member

*Interim Superintendent – Mr. Iran Floyd*

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*Director of Buildings and Grounds - Mr. Jim Bachman*

## CORRECTIVE ACTION PLAN

### **FINDING 2014-002- Cash Management**

Contact Person Responsible for Corrective Action: Linda Howard/Director Food Services  
Contact Phone Number: 219-987-4711

#### Description of Corrective Action Plan:

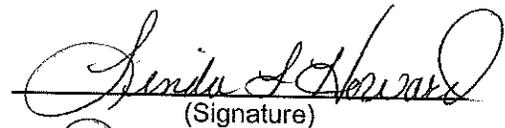
While it does appear that there was an excess of funds for the school years 2012-13 and 2013-14, had I as Director had a "Schedule of Proposed Use of Excess Funds" on file for "Retirement Severance Pay" that would have changed the balances drastically.

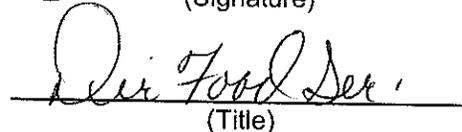
The Director of Food Services takes full responsibility for not having the proper schedule on file and not informing Mr. Snyder of the amount of the severance pay, this is the first time this office was aware that such a schedule existed.

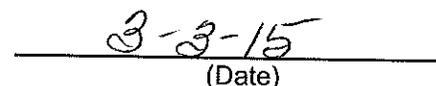
The severance package for the school year 2012-13 was \$47,245.00 and for the school year 2013-14 was \$65,178.00. There was also a dishwasher for the High school ordered in the 2012-13 school year and paid for in the 2013-14 school year in the amount of \$47,967.00

The "Schedule of Proposed Use of Excess Funds" will be kept on file and updated yearly. Cash balances will be closely monitored by the Director and the Food Service Assistant and if there appear to be excess funds after the trust balance and the severance pay are deducted, then the program will request a waiver from the Division of School & Nutrition to opt out of the "Equity in Pricing" for one year.

Anticipated Completion Date: Immediate

  
(Signature)

  
(Title)

  
(Date)

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*Director of Buildings and Grounds - Mr. Jim Bachman*

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-003- Reporting***

Contact Person Responsible for Corrective Action: Linda Howard/Director Food Services  
Contact Phone Number: 219-987-4711

#### Description of Corrective Action Plan:

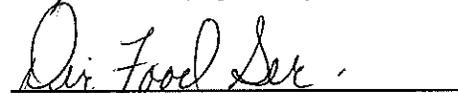
Reimbursement Reports: The Director of Food Services shall compile all the necessary information by school. The Food Service Assistant will review the information for accuracy and sign and date before the report is submitted.

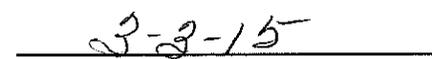
Financial Reports: The Director will prepare the report and the Food Services Assistant will check all the financial information for accuracy before submitting reports. The Assistant will initial and date the documents.

All recommendations concerning these reports have been implemented with the January 2015 reports.

Anticipated Completion Date: 01/31/2012

  
(Signature)

  
(Title)

  
(Date)

### **Mission Statement**

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Jill Duttlinger, Member

Barbara Peregrine, Member

Jeff DeYoung, Member

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-004 - INTERNAL CONTROLS OVER EDUCATION JOBS FUND***

Federal Agency: U.S. Department of Education

Federal Program: Education Jobs Fund

CFDA Number: 84.410

Federal Award Number and Year (or Other Identifying Number): 3785

Pass-Through Entity: Indiana Department of Education

The Kankakee Valley School Board approved the use of the grant funds on September 12, 2011 as recommended by the Treasurer following guidelines issued by the Indiana Dept. of Education.

The Deputy Treasurer expended the grant funds through payrolls which were approved by the School Board, Superintendent and Treasurer via the signed Payroll Claim Registers, and through fringe benefits which were approved by the School Board and Treasurer via signed Accounts Payable Voucher Registers.

The Treasurer filed Reimbursement Request Forms with the Indiana Dept. of Education.

The Treasurer prepared and signed the Summary of Fund 7965 Education Jobs Fund reports, which were reviewed and approved by signature of the Superintendent, and filed with the Indiana Dept. of Education.

The Treasurer filed online quarterly ARRA survey reports.

If in the future a federal grant requires online survey reports, they will be filed by a school corporation administrator, and not by the Treasurer.

Anticipated Completion Date: Completed.

Carol L. Deardorff  
(Signature)

Treasurer  
(Title)

03.03.15  
(Date)

### **Mission Statement**

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Jeff DeYoung, Member

Jill Dutilinger, Member

Superintendent – Mr. Aaron J. Case  
Assistant to the Superintendent – Mrs. Allisa Schnick  
Chief Financial Officer - Ms. Carol Deardorff  
Director of Buildings and Grounds - Mr. Jim Bachman  
Superintendent Emeritus – Mr. Iran G. Floyd

### CORRECTIVE ACTION PLAN

Finding #2014-005

Contact Person(s) for Corrective Action: Aaron J. Case, Superintendent and Carol L. Deardorff, Treasurer  
Contact Telephone Number: 219.987.4711

Description of Corrective Action Plan:

1) West Central School Corporation serving as LEA or Fiscal Agent for Cooperative School Services will provide a monthly statement of revenue and expenditures for Federal grant funds to each Superintendent for the school corporations participating in the special education cooperative.

Each superintendent will review the reports and will document their receipt and review using the attached form.

Copies of signed forms will be retained by each school corporation and Cooperative School Services.

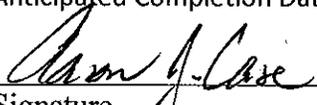
Anticipated Completion Date: May 10, 2016

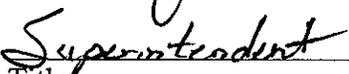
2) At each meeting of the Executive Board for Cooperative School Services a financial report (revenue and expenditures) will be provided and approved with the action recorded in the meeting minutes.

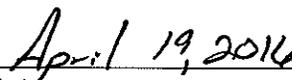
Anticipated Completion Date: Already in place

3) Monthly requests for reimbursement of Federal Funds are signed by both the LEA or Fiscal Agent Treasurer and Superintendent.

Anticipated Completion Date: May 2016

  
Signature

  
Title

  
Date

**Cooperative School Services**

1389 Saint Gaspar Drive  
Rensselaer, Indiana 47978  
219-866-8540

**Monthly Financial Report Documentation**

As Superintendent of \_\_\_\_\_ School Corporation I have received and reviewed the Cooperative School Services monthly financial report for \_\_\_\_\_, 20\_\_.

Signature \_\_\_\_\_

Date \_\_\_\_\_

Retain a copy for your records and return a copy to Cooperative School Services:

Email: [mail@cooperativeschoolservices.org](mailto:mail@cooperativeschoolservices.org)

Fax: 219-866-4668

Mail: 1389 Saint Gaspar Drive, Rensselaer, Indiana 47978

KANKAKEE VALLEY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***HIGH SCHOOL TEXTBOOK FEES***

The School Board did not approve the high school textbook rental fees. The School Board does approve all other grade level textbook rental fees.

Indiana Code 20-26-12-1 states in part:

" . . . each governing body shall purchase from a publisher, either individually or through a purchasing cooperative of school corporations, the curricular materials selected by the proper local officials, and shall rent the curricular materials to each student enrolled in a public school . . ."

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***SUPERINTENDENT OF SCHOOLS AND NON-TEACHING CERTIFIED CONTRACTS ON WEBSITE***

The School Corporation did not post the current contracts for the Superintendent of Schools and other non-teaching certified employees on their website.

Indiana Code 20-26-5-4.3(d) states: "A governing body shall post the provisions of an employment contract that the governing body enters into with a superintendent of the school corporation on the school corporation's Internet web site."

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

***ADVANCE PAYMENTS***

The School Corporation purchased new school buses in January 2013 and January 2014. The payment to the vendor for the buses each year included \$30,000 described as "parts allowance." The School Corporation Treasurer explained that this was an advance for future parts and repairs. The vendor provided monthly reports which detail the entry for the credit, reductions for parts and repairs, and the credit balances. The reports were supported by invoices for the parts and repairs.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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*Director of Buildings and Grounds - Mr. Jim Bachman*

March 3, 2015

## CORRECTIVE ACTION PLAN FOR AUDIT RESULTS AND COMMENTS

### HIGH SCHOOL TEXTBOOK FEES:

In the future, the Board of School Trustees will approve high school textbook rental fees.

### NON-TEACHING CERTIFIED CONTRACTS ON WEBSITE:

Contracts for the Superintendent and other non-teaching certified employees were posted on the KVSC website on February 24, 2015.

### ADVANCE PAYMENTS:

The practice will be abandoned immediately.

Carol L. Deardorff  
(Signature)

Treasurer  
(Title)

03.03.15  
(Date)

### Mission Statement

Kankakee Valley School Corporation is committed to meeting the needs of each individual student educationally, physically, emotionally and socially.

KANKAKEE VALLEY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were originally discussed on March 3, 2015, with Carol L. Deardorff, Treasurer; Iran G. Floyd, Interim Superintendent of Schools; and John M. Jungels, III, President of the School Board. A second exit conference, to include Finding 2014-005 Cash Management and Reporting related to the Special Education Cluster, was held on April 19, 2016, with Carol L. Deardorff, Treasurer; Aaron Case, Superintendent of Schools; and John M. Jungels, III, President of the School Board.