

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

YORKTOWN COMMUNITY SCHOOLS

DELAWARE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
07/08/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2015-001 - Preparation of the Schedule of Expenditures of Federal Awards .....	4-5
Finding 2015-002 - Allowable Costs/Cost Principles .....	5-6
Finding 2015-003 - Reporting .....	7-8
Corrective Action Plan.....	9-11
Audit Results and Comments:	
Transfer of Funds - Timely Deposit .....	12
Late Fees and Interest.....	12
Exit Conference .....	13

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Leslie Rittenhouse Kara Schoch	07-01-13 to 08-17-14 08-18-14 to 06-30-16
Superintendent of Schools	Dr. Jennifer McCormick	07-01-13 to 06-30-17
President of the School Board	Mark Clevenger Pat LaVelle Cathy Alexander Thomas D. Simpson	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 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 YORKTOWN COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Yorktown Community Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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 incorporated within this report, was not verified for accuracy.

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

May 4, 2016

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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 Treasurer prepared the SEFA; however, there was no oversight, review, or approval of the SEFA prior to its submission. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, there were the following errors:

- Incorrect expenditure amounts were reported in one or both years for the Child Nutrition Cluster, Special Education Cluster, Title I Grants to Local Education Agencies, and Improving Teacher Quality State Grants.
- Special Education - Preschool Grant funds expended on the School Corporation's behalf by the Delaware-Blackford Special Education Cooperative were not reported.
- Grant expenditures were reported as a lump sum in each year and not broken out by grant year or other identifying number.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2015-002 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-1910, 14-1910, 15-1910

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to its grant agreements and the Allowable Costs/Cost Principles compliance requirement.

Semi-Annual Certifications and Personnel Activity Reports for the 2013-2014 and 2014-2015 school years could not be located by the School Corporation and, therefore, were not presented for audit.

However, certifications and personnel activity for employees paid with Title I program funds were tested and verified via alternative procedures.

*Context*

The School Corporation did not complete Semi-Annual Certifications and Personnel Activity Reports during the audit period.

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Criteria*

OMB Circular A-87, Attachment B, 8h states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation . . ."

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."

*Cause*

Management did not develop a system of internal controls that segregated key functions.

*Effect*

The failure to establish and implement internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. Additionally, we recommended that the School Corporation comply with the Allowable Costs/Cost principles requirements.

*Views of Responsible Officials*

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



YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-003 - REPORTING***

Federal Agency: U.S. Department of Education

Federal Program: Special Education - Preschool Grants

CFDA Number: 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 45713-010-PN01, 45714-010-PN01,  
45715-010-PN01

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Reporting.

Reports for the Special Education - Preschool Grants were prepared and approved by the same individual. There was no control procedure in place to ensure the accuracy of the Final Expenditure Reports prior to submission to the Indiana Department of Education. This could lead to errors in reporting.

*Context*

The School Corporation was a member of the Delaware-Blackford Special Education Cooperative (Cooperative) and provided oversight of the Cooperative via the School Corporation's Superintendent of Schools, who served as a member of the Cooperative Board. The Cooperative acted as the fiscal agent of the School Corporation and submitted the Final Expenditure Reports on School Corporation behalf. However, the Cooperative had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirement.

*Criteria*

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

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

*Cause*

Management did not develop a system of internal controls that segregated key functions.

*Effect*

The failure to establish and implement internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

*Views of Responsible Officials*

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



## Yorktown Community Schools

2311 S. Broadway

Yorktown, IN 47396

Phone: 765-759-2720 Fax: 765-759-7894

Superintendent  
Dr. Jennifer McCormick

Education Initiatives  
Director  
Dr. David Sturgeon

Business Mgr./Treas.  
Kara Schoch

Deputy Treasurer  
Brooke Crowder

Deputy Treasurer Asst.  
Tina Kubiak

Corp. Secretary/  
SIN Coordinator  
Bev LaVelle

School Board  
Cathy Alexander  
Mark Clevenger  
Margery Frank  
Pat LaVelle  
Tom Simpson

### CORRECTIVE ACTION PLAN

#### FINDING 2015-001

Contact Person Responsible for Corrective Action: Kara Schoch  
Contact Phone Number: (765) 759-2724

Views of Responsible Official: We concur with the finding and will comply with OMB Circular A-133, Subpart C, section .310 (b) in preparing the Schedule of expenditures of Federal awards from here forward.

Kara Schoch  
(Signature)

Business Manager  
(Title)

5/4/2016  
(Date)



Home of the Tigers!



## Yorktown Community Schools

2311 S. Broadway

Yorktown, IN 47396

Phone: 765-759-2720 Fax: 765-759-7894

Superintendent  
Dr. Jennifer McCormick

Education Initiatives  
Director  
Dr. David Sturgeon

Business Mgr./Treas.  
Kara Schoch

Deputy Treasurer  
Brooke Crowder

Deputy Treasurer Asst.  
Tina Kubiak

Corp. Secretary/  
SIN Coordinator  
Bev LaVelle

School Board  
Cathy Alexander  
Mark Clevenger  
Margery Frank  
Pat LaVelle  
Tom Simpson

### CORRECTIVE ACTION PLAN

#### FINDING 2015-002

Contact Person Responsible for Corrective Action: Kara Schoch  
Contact Phone Number: (765) 759-2724

Views of Responsible Official: We concur with the finding. Semi-Annual Certifications and Personal Activity Reports will be completed by all employees paid through Federal Awards in addition to establishing proper internal controls from here forward.

Kara Schoch  
(Signature)

Business Mgr / Treasurer  
(Title)

5-4-2016  
(Date)



Home of the Tigers!



## Yorktown Community Schools

2311 S. Broadway

Yorktown, IN 47396

Phone: 765-759-2720 Fax: 765-759-7894

### Superintendent

Dr. Jennifer McCormick

### Education Initiatives

#### Director

Dr. David Sturgeon

### Business Mgr./Treas.

Kara Schoch

### Deputy Treasurer

Brooke Crowder

### Deputy Treasurer Asst.

Fina Kubiak

### Corp. Secretary/

#### STN Coordinator

Bev LaVelle

### School Board

Cathy Alexander

Mark Clevenger

Margery Frank

Pat LaVelle

Tom Simpson

### CORRECTIVE ACTION PLAN

#### FINDING 2015-003

Contact Person Responsible for Corrective Action: Kara Schoch

Contact Phone Number: (765) 759-2724

Views of Responsible Official: We concur with the finding. Proper internal controls will be put in place from here forward for preparation and review of final expenditure reports. Preparation and review will be done by separate individuals to verify accuracy in reporting.

Kara Schoch

(Signature)

Business Mgr / Treasurer

(Title)

5-4-2016

(Date)



Home of the Tigers!

YORKTOWN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***TRANSFER OF FUNDS - TIMELY DEPOSIT***

On December 31, 2013, the Treasurer issued a check to Yorktown Community Schools in the amount of \$36,801.80 for the purpose of transferring funds from the Debt Service fund to the General fund for amounts withheld by the State of Indiana for Common School Fund loan obligations. This check was not deposited to the School Corporation's bank account and was carried as an outstanding check until December 31, 2014, when an adjustment was made to the School Corporation ledgers and the check was removed from the outstanding check list.

Indiana Code 5-13-6-1(c) states in part: "... all local officers ... who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the ... local boards of finance. ..."

***LATE FEES AND INTEREST***

The School Corporation paid late fees and interest to credit card vendor VISA in 2013 in the amount of \$45.67 and in 2014 in the amount of \$321.12. In addition, during 2014 late fees and interest were paid to American Express in the amount of \$3,120.51. These charges were incurred because the School Corporation did not remit payments on a timely basis. The late fees and interest incurred to American Express were reimbursed by the credit card company to the School Corporation in November of 2014.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

YORKTOWN COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 4, 2016, with Kara Schoch, Treasurer; Dr. Jennifer McCormick, Superintendent of Schools; and Thomas D. Simpson, President of the School Board.