

**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, 2015 to June 30, 2017



**FILED**  
01/11/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kara Schoch	07-01-15 to 06-30-19
Superintendent of Schools	Dr. Jennifer McCormick Dr. David Sturgeon (interim) Dr. Gregory Hinshaw	07-01-15 to 01-08-17 01-09-17 to 06-30-17 07-01-17 to 06-30-21
President of the School Board	Cathy Alexander Thomas Simpson Mark Clevenger Pat LaVelle	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



**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, 2015 to June 30, 2017. 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

November 27, 2018

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

The School Corporation had not established effective internal controls to prevent, or detect and correct, errors in its financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments. There was no evidence of review, oversight, or approval process of the bank reconcilements throughout the audit period.

The School Corporation Treasurer reconciled the bank statements monthly; however, there was no evidence of oversight or review.

*Context*

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

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management of the School Corporation had not established a proper system of internal control in relation to the monthly bank reconcilements.

*Effect*

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

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation establish a system of internal controls related to the monthly bank reconcilements to ensure accurate reporting of financial transactions.

*Views of Responsible Officials*

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

**FINDING 2017-002**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-001.

*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 Treasurer prepared the SEFA without an oversight, review, or approval of the SEFA prior to its submission.

*Context*

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

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

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

*Effect*

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA could have remained undetected.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2017-003**

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): FY 2015/2016, FY 2016/2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Finding: Material Weakness

*Condition*

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

*Cash Management*

There was no formal review of the average three months expenditures, or other evidence of a control, to ensure compliance with the cash management requirement that net cash balances not exceed the three months average expenditures. The Treasurer provided the Food Service Director with monthly fund reports; however, there was no evidence of review or oversight of the cash management requirements.

*Reporting*

There was no formal second review of the Annual Financial Report (AFR), or other evidence of a control, to ensure that the required AFRs were accurate. The AFRs were prepared and filed by the Food Service Director with no other review, oversight, or approval process, or any other compensating control.

YORKTOWN COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of internal controls was a systemic problem, occurring 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 segregated key functions related to the Cash Management and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. 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, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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



# Yorktown Community Schools

2311 S. Broadway  
Yorktown, IN 47396  
Phone: 765-759-2720 Fax: 765-759-7894

Superintendent  
Dr. Gregory Hinshaw

Education Initiatives  
Director  
Dr. David Sturgeon

Business Mgr./Treas.  
Kara Schoch

Deputy Treasurer  
Brooke Crowder

Accounts Payable/  
Grant Coordinator  
Kristin Comp

Corp. Secretary/  
STN Coordinator  
Bev LaVelle

School Board  
Mark Clevenger  
Ted Johnson  
Pat LaVelle  
Elizabeth Rowray  
Tom Simpson

## CORRECTIVE ACTION PLAN

### FINDING 2017-001

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

Views of Responsible Official: We concur with the finding. There was no evidence of review, oversight, or approval of the Bank Reconcilements prepared by the School Corporation Treasurer for a portion of the period under audit.

Description of Corrective Action Plan: Superintendent will approve monthly Bank Reconcilements prepared by the School Corporation Treasurer.

Anticipated Completion Date: The above finding was corrected using above action plan beginning the 2017-18 school year.

Kara N Schoch  
(Signature)

BUSINESS MGR / TREASURER  
(Title)

11/27/2018  
(Date)



Home of the Tigers!



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SIN Coordinator  
Beu LaVelle*

*School Board  
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Ted Johnson  
Pat LaVelle  
Elizabeth Rowray  
Tom Simpson*

## CORRECTIVE ACTION PLAN

### FINDING 2017-002

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

Views of Responsible Official: We concur with the finding. There was no evidence of review, oversight, or approval of the Schedule of Expenditures of Federal Awards (SEFA) prior to its submission by the School Corporation Treasurer for the period under audit.

Description of Corrective Action Plan: Superintendent will review and approve the SEFA prior to its submission by the School Corporation Treasurer in Gateway.

Anticipated Completion Date: Next Annual Financial Report due September 29, 2019.

Kara Schoch  
(Signature)

BUSINESS MGR / TREASURER  
(Title)

11/27/2018  
(Date)



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Elizabeth Rowray  
Tom Simpson*

## CORRECTIVE ACTION PLAN

### FINDING 2017-003

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

Views of Responsible Official: We concur with the findings. There was no formal review of the average three months expenditures for Cash Management and there was no formal second review of the Annual Financial Report.

Description of Corrective Action Plan: Treasurer will review monthly the average three months expenditures for Cash Management with Food Service Director. A second review of the Annual Financial Report will be performed by the Food Service Secretary.

Anticipated Completion Date: Cash Management action plan will be implemented with the average three months expenditures for period ending October 31, 2018. Second review and approval will be implemented with the submission of the 2018-19 Annual Financial Report.

Kara V Schoch  
(Signature)

BUSINESS MGR / TREASURER  
(Title)

11/27/2018  
(Date)



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YORKTOWN COMMUNITY SCHOOLS  
AUDIT RESULT AND COMMENT

***TRANSACTION RECORDING AND BANK ACCOUNT RECONCILIATIONS***

Four bank accounts (two savings and two investment certificate of deposits) maintained for scholarships were not reported on the School Corporation's financial records, and therefore, were not reconciled monthly, and interest earned was not recorded. The total amount of the accounts not reported on the School Corporation's financial statement was \$10,726 at June 30, 2016, and \$10,778 at June 30, 2017.

Also, two other accounts held by the School Corporation were not properly reconciled either. There was a savings account that carried a balance on the reconciliation that did not agree to the bank statement and one certificate of deposit investment was reported on the reconciliation and interest was being receipted in; however, the Treasurer was not receiving quarterly statements to verify the investment.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."



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## OFFICIAL RESPONSE TO AUDIT RESULTS AND COMMENTS

### TRANSACTION RECORDING AND BANK ACCOUNT RECONCILIATIONS

Yorktown Community Schools has recorded the balances of the above savings and investment certificate of deposits to the financial records as of November 30, 2018. Interest earned will be receipted and reconcilements will be performed monthly forward.



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YORKTOWN COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2018, with Kara Schoch, Treasurer; Dr. Gregory Hinshaw, Superintendent of Schools; and Pat LaVelle, President of the School Board.