

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, 2016 to June 30, 2018



FILED
03/25/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Financial Transactions and Reporting	4-5
Finding 2018-002	
Child Nutrition Cluster - Reporting	5-6
Corrective Action Plan.....	7-8
Exit Conference.....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/Treasurer	Carol Deardorff	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Aaron Case Iran G. Floyd (interim)	07-01-16 to 11-30-18 12-01-18 to 06-30-19
President of the School Board	John M. Jungels, III Dr. Edward P. Habrowski Jill Dutlinger	01-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 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

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, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

February 14, 2019

KANKAKEE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts. The School Corporation had not properly designed or implemented an adequate system of internal controls to ensure that receipts were properly recorded. One employee recorded receipts to the financial accounting system without any review or oversight.

Context

The lack of effective internal controls was a systemic issue 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 that segregated key functions.

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to receipts.

KANKAKEE VALLEY 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 2018-002

Subject: Child Nutrition Cluster - Reporting
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 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: 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 Reporting compliance requirement.

The Food Service Director and the Treasurer worked together to prepare the Annual Financial Report; however, there was no indication of review prior to submission.

Context

The lack of controls was a systemic issue 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 to ensure compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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.

KANKAKEE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Reporting compliance requirement.

Views of Responsible Officials

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



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 G. Floyd
Assistant Superintendent – Mrs. Allisa Schnick
Chief Financial Officer – Ms. Carol Deardorff
Director of Buildings and Grounds – Mr. Tom Sherwood

Board of School Trustees

Mrs. Jill Duttlinger, President
Mrs. Kristy Stowers, Vice-President
Dr. Edward P. Habrowski, Secretary
Ms. Lana Olson, Assistant Secretary
Mr. Jeff DeYoung, Member
Mr. Jeff Groen, Member
Mr. Tim Helton, Member

CORRECTIVE ACTION PLAN

FINDING 2018-0001

Contact Person Responsible for Corrective Action: Carol L. Deardorff, CFO/Treasurer

Contact Phone Number: 219.987.4711 x1113

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

A receipt detail report will be printed at the end of each month, and will be compared to the receipt forms issued for the month by either the Deputy Treasurer or the Accounts Payable Clerk to verify that the receipts were posted in the financial software for the correct amount, and to the correct fund and receipt account. The receipt detail report will be signed and dated by the employee conducting the review to verify that all information was posted correctly.

Anticipated Completion Date: We will implement this procedure in January 2019.

Carol L. Deardorff
(Signature)

Chief Financial Officer/Treas.
(Title)

02.14.2019
(Date)



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 G. Floyd
Assistant Superintendent – Mrs. Allisa Schnick
Chief Financial Officer – Ms. Carol Deardorff
Director of Buildings and Grounds – Mr. Tom Sherwood*

Board of School Trustees

*Mrs. Jill Duttlinger, President
Mrs. Kristy Stowers, Vice-President
Dr. Edward P. Habrowski, Secretary
Ms. Lana Olson, Assistant Secretary
Mr. Jeff DeYoung, Member
Mr. Jeff Groen, Member
Mr. Tim Helton, Member*

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: *Michelle Flick, Food Service Director*
Contact Phone Number: 219-987-4711 ext. 1117

Views of Responsible Official: *We concur with Finding 2018-002*

Description of Corrective Action Plan:

We need to establish a more effective internal control when reporting our Annual Financial Report (AFR) to the State. Food Service Director and Assistant Food Service Director collectively worked together inputting information to send to the State. However, we have not shown evidence of a signature and date on the report. Starting immediately for the next submission of AFR to the State, Food Service Director and Assistant Food Service Director will sign and date the physical form of the report and retain in our records indicating our internal control.

Anticipated Completion Date: *Next submission of report, July 2019.*

Michelle Flick
(Signature)

Food Service Director
(Title)

2.8.19
(Date)

KANKAKEE VALLEY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2019, with Carol Deardorff, Chief Financial Officer/Treasurer; Iran G. Floyd, interim Superintendent of Schools; Jill Duttlinger, President of the School Board; and Michelle Flick, Food Service Director.