

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

KANKAKEE VALLEY SCHOOL CORPORATION

JASPER COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**  
05/14/2021



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/Treasurer	Carol Deardorff	07-01-18 to 06-30-21
Superintendent of Schools	Aaron Case Iran G. Floyd Donald Street	07-01-18 to 11-30-18 12-01-18 to 06-30-19 07-01-19 to 06-30-21
President of the School Board	Edward P. Habrowski Jill Duttlinger	07-01-18 to 12-31-18 01-01-19 to 12-31-21



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE KANKAKEE VALLEY SCHOOL  
CORPORATION, JASPER COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Kankakee Valley School Corporation (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated May 3, 2021, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

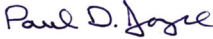
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Kankakee Valley School Corporation's Response to Findings***

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

May 3, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE KANKAKEE VALLEY SCHOOL CORPORATION, JASPER COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Kankakee Valley School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 and 2020-003, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated May 3, 2021, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

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

May 3, 2021

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

KANKAKEE VALLEY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2018-19	\$ -	\$ 111,740	\$ -	\$ -
School Breakfast Program			FY 2019-20	-	-	-	82,918
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2019-20	-	-	-	47,570
Total - School Breakfast Program				-	111,740	-	130,488
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2018-19	-	663,094	-	-
School Lunch Program			FY 2019-20	-	-	-	476,515
Commodities			FY 2018-19 & FY 2019-20	-	115,679	-	116,070
Subtotal - National School Lunch Program				-	778,773	-	592,585
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2019-20	-	-	-	102,858
Total - National School Lunch Program				-	778,773	-	695,443
Total - Child Nutrition Cluster				-	890,513	-	825,931
Total - Department of Agriculture				-	890,513	-	825,931
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY2017 Federal Part B 611 Grant			14217-049-PN01	-	3,807	-	-
FY2018 Federal Part B 611 Grant			18611-049-PN01	-	213,835	-	-
FY2019 Federal Part B 611 Grant			19611-049-PN01	-	599,906	-	-
FY2019 Federal Part B 611 Grant			19611-049-PN01	-	-	-	230,110
FY2020 Federal Part B 611 Grant			20611-047-PN01	-	-	-	448,738
Total - Special Education Grants to States				-	817,548	-	678,848
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY2018 Federal Preschool 619 Grant			18619-049-PN01	-	17,142	-	-
FY2019 Federal Preschool 619 Grant			19619-049-PN01	-	3,284	-	-
FY2019 Federal Preschool 619 Grant			19619-049-PN01	-	-	-	23,097
FY2020 Federal Preschool 619 Grant			20619-047-PN01	-	-	-	1,348
Total - Special Education Preschool Grants				-	20,426	-	24,445
Total - Special Education Cluster (IDEA)				-	837,974	-	703,293

KANKAKEE VALLEY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2019 and 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A 2017-2018			S010A170014	-	89,764	-	-
Title I Part A 2018-2019			S010A180014	-	229,928	-	-
Title I Part A 2018-2019			S010A180014	-	-	-	62,141
Title I Part A 2019-2020			S010A190014	-	-	-	232,117
				-	-	-	-
Total - Title I Grants to Local Educational Agencies				-	319,692	-	294,258
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III LEP 2017-2019			01118-033-PN01	-	13,296	-	-
Title III LEP 2017-2019			01118-033-PN01	-	-	-	2,015
Title III LEP 2016-2018			0117-211-PN01	-	5,545	-	-
Title III LEP 2018-2020			S365A1800114	-	-	-	7,984
Title III LEP 2018-2020			S365A190013	-	4,873	-	-
Title III 2019-2021			S365A190014	-	-	-	9,978
				-	-	-	-
Total - English Language Acquisition State Grants				-	23,714	-	19,977
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality 2016-2018			S367A160013	-	38,216	-	-
Title II Improving Teacher Quality 2017-2019			S367A170013	-	48,228	-	-
Title II Supporting Effective Instruction 2017-2019			S367A170013	-	-	-	20,610
Title II Supporting Effective Instruction 2018-2020			S367A180013	-	-	-	58,253
Title II Supporting Effective Instruction 2019-2021			S367A190013	-	-	-	36,421
				-	-	-	-
Total - Supporting Effective Instruction State Grants				-	86,444	-	115,284
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A Student Support & Academic Enrichment			S424A180015	-	-	-	-
Title IV Part A Student Support & Academic Enrichment 2018-2020			S424A180015	-	-	-	20,980
				-	-	-	-
Total - Student Support and Academic Enrichment Program				-	-	-	20,980
<b>Total - Department of Education</b>				-	1,267,824	-	1,153,792
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medical Assistance Program/Federal Medicaid			FY 19 & FY 20	-	67,465	-	102,275
				-	-	-	-
Total - Medicaid Cluster				-	67,465	-	102,275
<b>Total - Department of Health and Human Services</b>				-	67,465	-	102,275
<b>Total federal awards expended</b>				\$ -	\$ 2,225,802	\$ -	\$ 2,081,998

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

KANKAKEE VALLEY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2019 and 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Special Education Cooperative**

The School Corporation is a member of a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

KANKAKEE VALLEY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2020-001**

Subject: Financial Transactions  
Audit Finding: Material Weakness

*Condition and Context*

There were deficiencies in the internal control system of the School Corporation related to financial transactions. The School Corporation had not separated incompatible activities related to other financing sources and uses.

One employee recorded the interfund transfer transactions to the financial accounting system. A proper system of review or oversight was not established.

KANKAKEE VALLEY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 controls over financial transactions.

*Effect*

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

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2020-002**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2018-19, FY 2019-20  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

KANKAKEE VALLEY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

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

The School Corporation did not have documented internal controls in place to ensure the School Lunch fund balance was monitored to ensure that net cash resources did not exceed the three months average expenditures.

The lack of documented internal 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*

The School Corporation's management had not implemented a documented system of internal controls to ensure 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 at risk of noncompliance with the grant agreement and the Cash Management 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.

*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 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.

KANKAKEE VALLEY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2020-003***

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): 19611-049-PN01, 20611-047-PN01,  
19619-049-PN01, 20619-047-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation was a member of the Cooperative Special Services (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Procurement - Simplified Acquisition*

The School Corporation did not have adequate procedures in place to ensure the Cooperative complied with the procurement requirements for simplified acquisitions. The Cooperative did not have adequate procedures in place to ensure procurements for simplified acquisitions were properly advertised and bids accepted. There were two vendors who met the Simplified Acquisition threshold during the audit period; neither were properly procured.

*Suspension and Debarment*

The School Corporation did not have adequate procedures in place to ensure the Cooperative complied with the suspension and debarment requirements. The Cooperative did not have adequate procedures in place to ensure that applicable vendors who received federal funds were not suspended or debarred from participation in federal awards programs. There were three contracted vendors during the audit period; the unit did not perform procedures to ensure the vendors were not excluded or disqualified.

The lack of internal controls and noncompliance were isolated to fiscal year 2019-2020.

KANKAKEE VALLEY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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). . . ."

2 CFR 200.320 states in part:

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited, and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

KANKAKEE VALLEY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance and 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.

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



***Kankakee Valley School Corporation***

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

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

*Mission statement:  
Our mission is to guide students  
to become informed, engaged  
citizens, and curious, lifelong  
learners.*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2018-001***

Fiscal year in which the finding initially occurred: FY2017, FY2018  
Contact Person Responsible for Corrective Action: Carol L. Deardorff, CFO/Treasurer  
Contact Phone Number: 219.987.4711 x1113

Status of Audit Finding:

The corrective action plan was implemented in January 2019. A receipt detail report is printed at the end of each month, and is 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 is signed and dated by the employee conducting the review to verify that all information was posted correctly. The reports are stored in a binder.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2018-002***

Fiscal year in which the finding initially occurred: FY2017, FY2018

Contact Person Responsible for Corrective Action: Michelle Flick, Food Service Director

Contact Phone Number and email: 219-987-4711 (ext. 1117) and [mflick@kv.k12.in.us](mailto:mflick@kv.k12.in.us)

Status of Audit Finding:

By establishing a more effective internal control when reporting our Annual Financial Report (AFR) to the State, the Food Service Director and the Assistant Food Service Director have collectively worked together for the submission of the report. This has been addressed and established the following reporting year. A printed and signed copy by both members are filed for SY2019-2020.

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(title)

*Home of the Kougars*



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### **CORRECTIVE ACTION PLAN**

**FINDING 2020-001** Financial Transactions

**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:** In the future, fund transfers will be done one of two ways. If they are done electronically in our financial software system, a physical receipt will be issued and an electronic transfer number will be assigned. The other method is that a check will be issued, receipted and deposited in our bank, so either way it will leave a clear audit trail of the transfer. The check or electronic transfer will be included on the claim docket that is approved by the Board of Education, the accounts payable voucher will be reviewed and approved by the accounts payable clerk, and the receipt will be listed on the monthly report that is reviewed by the deputy treasurer and compared to the receipts issued to verify that the receipt was posted correctly.

**Anticipated Completion Date:** April 28, 2021

*Home of the Kougars*



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**CORRECTIVE ACTION PLAN**

***FINDING 2020-002 Child Nutrition Cluster – Cash Management***

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

I, Michelle Flick, concur with the above finding.

**Description of Corrective Action Plan:**

The Director of Food Services will continue to monitor the daily and monthly cash balance of the Food Service program and will work toward maintaining a three-month operating balance by placing a more effective Internal Control System.

The Internal Control System will contain a ledger of spending allowances that exceed the three-month operation balance. The Director of Food Services will maintain communication with Managers and Maintenance Department of possible needs and repairs for kitchen. This control will ensure funds to be allocated by improving equipment or purchasing equipment.

A monthly control will also be established by the Director of Food Service and Chief Financial Officer by verifying cash balances and initial documents.

Any excess funds will be allocated to increase food options, equipment, staff, as well as providing increase raises upon approval from our Superintendent and Board of Education.

**Anticipated Completion Date:**

This control is being established immediately. An expected date of compliance will be in place by the end of this school year. (SY 2020-2021).

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### **CORRECTIVE ACTION PLAN**

**FINDING 2020-003** Special Education Cluster – Procurement and Suspension and Debarment

**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:** The Director of Cooperative School Service's shall advertise bids per Indiana Code for all contracts and contracted services. The Director will inform Cooperative School Service member schools of the advertised bids and the bids will be approved by the Cooperative School Service Board of Directors. The Cooperative School Services will provide member schools with an annual list of suspension and debarment information. Member schools will sign that the list was received from the Cooperative School Services and will be documented in the Cooperative School Services Board of Directors meeting.

**Anticipated Completion Date:** June 30, 2021

*Home of the Kougars*

## OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.