

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
WES-DEL COMMUNITY SCHOOL CORPORATION  
DELAWARE COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
09/17/2015



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2014-001 - Preparation of the Schedule of Expenditures of Federal Awards .....	4-5
Finding 2014-002 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Reporting .....	5-6
Finding 2014-003 - Allowable Costs/Cost Principles - Compliance Requirements.....	6-7
Corrective Action Plan.....	8
Audit Results and Comments:	
Honors Diplomas - Incorrect Reporting to the State.....	9
Reconciliation of Prepaid Food Accounts.....	9
Supporting Documentation .....	9-10
Educational Fees .....	10
Official Response .....	11
Exit Conference .....	12

#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Fowler	07-01-12 to 06-30-15
Superintendent of Schools	Stephen McColley Michael Bush	07-01-12 to 06-30-13 07-01-13 to 06-30-15
President of the School Board	Dick Johnson Steve Dowling Todd Trehearne	07-01-12 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15



**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 WES-DEL COMMUNITY SCHOOL  
CORPORATION, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Wes-Del Community 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

June 1, 2015

WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Treasurer independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted the following errors:

- (a) total federal expenditures were incorrectly reported; and
- (b) expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted for some grant awards.

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:

- (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.

WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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 2014-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, ELIGIBILITY, AND REPORTING***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): FY12, FY13, FY14

Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-010-PN01, 14213-010-PN01,  
14214-010-PN01

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 following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Reporting. 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.

***Activities Allowed or Unallowed and Allowable Cost/Cost Principles***

For the purposes of activities allowed or unallowed and allowable costs/cost principles, the Treasurer prepares the payroll for all employees. However, there are no controls in place to ensure that only Title I and Special Education employees are paid from the correct Title I and Special Education funds.

WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cash Management and Reporting*

As it regards Cash Management and Reporting compliance requirements, the Treasurer is the sole person involved in preparing and submitting the requests for reimbursements for Title I Special Education. The Title I final expenditure report is also prepared by the Treasurer with no oversight or review of this function.

*Eligibility*

The Eligibility compliance requirement for the targeted assistance Title I Grant is the responsibility of the Title I Director. Though there is documentation that the testing and evaluation of students is occurring periodically throughout the school year, there is no oversight or review of the final ranking order.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of 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 compliance requirements listed above.

***FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES - COMPLIANCE REQUIREMENTS***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): FY12, FY13, FY14

Pass-Through Entity: Indiana Department of Education

The School Corporation has an employee that is paid partially out of Title I grant funds and partially out of the General fund. School Corporation officials did not ensure that Time and Efforts Logs were prepared for the employee as is required.



WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

OMB Circular A-87, Attachment B, paragraph 8.h. (4) states:

"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 which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity."

By not having Time and Effort Logs for this employee, Title I funds could be spent for activities not related to Title I duties. Noncompliance of 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 prepare the Time and Effort Logs for any employees paid from more than one fund in order to meet the compliance requirements listed above.



CORRECTIVE ACTION PLAN

Findings 2014 – 001

**Resolution:** The corporation treasurer now knows the correct procedure.

Findings 2014 – 002

<b>Federal Agency:</b>	U.S. Department of Education
<b>Federal Program:</b>	Title I Grants to Local Educational Agencies
<b>CFDA Number:</b>	84.010
<b>Federal Award Number and Year:</b>	FY12, FY13, FY14
<b>Pass-Through Entity:</b>	Indiana Department of Education
<b>Federal Agency:</b>	U.S. Department of Education
<b>Federal Program:</b>	Special Education – Grants to States
<b>CFDA Number:</b>	84.027
<b>Federal Award Number and Year:</b>	14212-010-PN01, 14213-010-PN01, 14214-010-PN01
<b>Pass-Through Entity:</b>	Indiana Department of Education

**Resolution:** The corporation treasurer will make sure all payroll distributions for Title I and Special Education are reviewed by another individual before processing payroll.

The corporation treasurer will present all transactions involving funds within Title I and Special Education to either the deputy treasurer or the Superintendent for their review before submitting.

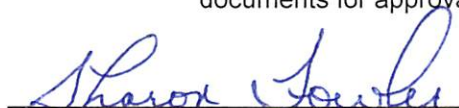
The Title I Director will review and verify the final ranking order of students.

Findings 2014 – 003

<b>Federal Agency:</b>	U.S. Department of Education
<b>Federal Program:</b>	Title I Grants to Local Educational Agencies
<b>CFDA Number:</b>	84.010
<b>Federal Award Number and Year:</b>	FY12, FY13, FY14
<b>Pass-Through Entity:</b>	Indiana Department of Education

**Resolution:** The Title I Director will prepare the Time and Efforts Logs for employees paid partially from the Title I funds.

The corporation treasurer and all employees involved with Federal grants will submit all documents for approval to other employees for review, before submitting.

  
Sharon Fowler, Corporation Treasurer

  
Date

WES-DEL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE***

Honors diploma figures reported to the Department of Education (DOE) were incorrect for the school year ending June 30, 2013.

A similar comment appeared in prior Report B41911.

The difference between the counts reported to the DOE and the actual number of honors diplomas issued is shown below:

<u>School Year</u>	<u>Honors Diplomas as Reported on Form Number 30 A</u>	<u>Actual Honors Diplomas Issued</u>	<u>Difference</u>
2012-2013	15	16	(1)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***RECONCILIATION OF PREPAID FOOD ACCOUNTS***

Reconcilements of the students' individual prepaid food accounts balances to the Prepaid Food Fund balance were not performed during the audit period. Numerous posting errors went undetected leaving the students' individual prepaid food accounts balance \$3,998 greater than the Prepaid Food Fund at June 30, 2014.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledgers, and reconciled bank balances should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***SUPPORTING DOCUMENTATION***

We noted the following disbursements did not include supporting documentation to support the purchase.

WES-DEL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Date	Amount	Description
05-06-14	\$ 23.38	Food at Conference
03-18-14	227.12	Travel - Lodging
03-18-14	21.00	Travel - Meals
03-18-14	<u>166.53</u>	Name Plates
Totals	<u>\$ 438.03</u>	

Due to the lack of supporting information, we could not verify the purpose of the disbursement.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

#### **EDUCATIONAL FEES**

Fees charged to the students were retained in a separate account within the Textbook Rental fund.

The Textbook Rental Fund, designated Fund Number 0900 in the prescribed accounting system when established in the school corporation account, is to be used to record all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 6)

All authorized educational fees (the School Board should be able to justify any educational fees (non-payroll positions) and ensure Constitutional problems do not exist) must be receipted to the General Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)



Wes-Del Community Schools Audit Results and Comments Response:

Listed below is our response to the noted errors:

Academic Honors Diplomas – Incorrect Reporting To The State

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2013.

**Resolution:** More verification will take place in submitting numbers for the Report of Average Daily Membership (ADM), Form Number 30A.

Reconciliation of Subsidiary Ledgers

Reconcilements between the subsidiary ledgers and control account for prepaid food were not performed during the audit period. Numerous posting errors went undetected leaving a difference of \$3,998 at June 30, 2014, where the subsidiary records were more than the control account.

*We do reconcile between the subsidiary ledgers and control account for prepaid food every month, and balance with expenditures and receipts. The \$3,998 difference is an ongoing amount which has never been mentioned during an audit. Due to online payments,*

**Resolution:** The corporation treasurer will make sure that as of July 1, 2015, reconcilements between the subsidiary ledgers and control account for prepaid food balance monthly, with correct beginning and ending balances.

Supporting Documentation

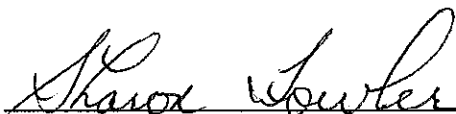
Disbursements did not include supporting documentation to support the purchase.

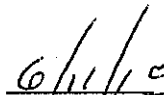
**Resolution:** We have changed our process of filing claims to be more efficient.

Educational Fees

Fees charged to the students were retained in a separate account within the textbook rental fund.

**Resolution:** The corporation Treasurer has created an account in the General Fund where fees will be deposited.

  
Sharon Fowler, Corporation Treasurer

  
Date

WES-DEL COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2015, with Sharon Fowler, Treasurer; Michael Bush, Superintendent of Schools; and Todd Trehearne, President of the School Board.