

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
DELPHI COMMUNITY SCHOOL CORPORATION  
CARROLL COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
05/20/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah L. Speckman	07-01-12 to 06-30-16
Superintendent of Schools	Ralph Walker Gregory G. Briles	07-01-12 to 12-31-15 01-01-16 to 06-30-16
President of the School Board	Robert Resler Jerry Sparks William Trueblood	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-16



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TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL  
CORPORATION, CARROLL COUNTY, INDIANA

This report is supplemental to our audit report of the Delphi 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

March 7, 2016

DELPHI 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 control 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 Corporation Treasurer independently prepared the SEFA without oversight, review, or approval.

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)

***FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to Cash and Investments, Receipts, and Disbursements. We believe these deficiencies constitute material weaknesses:

1. Cash and Investments and Receipts: The School Corporation Treasurer receives cash, records cash transactions in the ledger, prepares the deposit slip, takes the deposit to the bank and performs the monthly reconcilements of the financial record balance to the bank balance without oversight, review, or approval.
2. Payroll Disbursements: The Payroll Clerk performs all aspects of the payroll process, including entering contract amounts, recording payroll information, computing payroll, paying employees, and updating employee history reports without oversight, review, or approval.
3. Vendor Disbursements: The School Corporation Treasurer issues vendor checks, records the checks in the ledger, and performs the monthly reconcilements of the financial record balance to the bank balance without oversight, review, or approval. In addition, the School Corporation Treasurer prepares the claims docket for approval by the School Board; however, the claims are paid prior to the Board's approval.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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.

DELPHI COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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)

***FINDING 2014-003 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Years: FY 2013, FY 2014

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, Suspension and Debarment, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

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

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Corporation expends funds for only allowable activities and allowable costs of the programs. Program expenditures were not reviewed or approved to ensure that the expenditures were for allowable activities and allowable costs of the programs prior to payment.

*Cash Management*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were in compliance with the Cash Management requirements. A monitoring or review process has not been established to ensure that the School Lunch fund's net cash resources are limited to three months' average expenditures in compliance with Cash Management requirements.

*Eligibility*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals are accurately determined. Currently the application information is entered into the food service software which automatically makes the eligibility determination. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information entered into the food service software was correct.

*Suspension and Debarment*

The School Corporation has not designed or implemented adequate policies and procedures to verify compliance with Suspension and Debarment requirements. A monitoring or review process has not been established to ensure that the vendors selected for procured products were not suspended or debarred from participation in federal programs.

DELPHI COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Program Income*

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Program Income requirements. A monitoring or review process has not been established to ensure that receipts generated from cafeteria sales are collected and recorded properly.

*Reporting*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. The monthly reimbursement request is independently prepared by the Food Service Director and submitted electronically via the Indiana Department of Education's website. This report was not subjected to review prior to submission. The Food Service Director also submitted the Annual Financial Reports which were not subjected to review prior to submission. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the reporting requirements.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the verifications of free and reduced price applications are subjected to review. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the verification of free and reduced price applications requirements.

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.

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 program. 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."



DELPHI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

***FINDING 2014-004 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Years: FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

The School Lunch fund cash balances were maintained at an amount in excess of three months average expenditures in 16 of the 24 months during our audit period. The School Lunch fund had its largest balance of \$427,857 at June 30, 2013, which is five months of average expenditures for that fiscal year.

7 CFR 210.14(a) states in part: "School Food Authorities shall maintain a nonprofit school food service."

7 CFR 210.14(b) states:

"The School Food Authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with section 210.19(a)."

7 CFR 210.2 defines net cash resources as:

"Net cash resources mean all monies, as determined in accordance with the State agency's established accounting system that are available to or have accrued to a school food authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

The failure to comply with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation comply with the applicable Cash Management requirements of the programs.

DELPHI COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-005 - PROGRAM INCOME***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Special Milk Program for Children  
CFDA Numbers: 10.553, 10.555, 10.556  
Federal Award Years: FY 2013, FY 2014  
Pass-Through Entity: Indiana Department of Education

The School Corporation did not properly record program income generated from the food service programs. All monthly receipts, from sales as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in the Prepaid Lunch fund. At the end of each month, a transfer was made to the prepaid Lunch fund for the balance of the amounts collected after meals sold. The Prepaid Lunch fund was not reconciled to the actual "students" accounts at months end.

7 CFR 210.14(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

The failure to comply with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation's management comply with the applicable Program Income requirements of the programs.

***FINDING 2014-006 - INTERNAL CONTROL OVER TITLE I  
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years: 12-0755, 13-0755, 14-0755  
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, Period of Availability, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals.

DELPHI COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that program expenditures were in compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Period of Availability requirements. Program expenditures were prepared and paid by the Corporation Treasurer and listed on the Claim Docket for approval at the subsequent School Board meeting. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the expenditures were for allowable activities, for allowable costs, or were within the Period of Availability.

*Cash Management and Reporting*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted or that the expenditures submitted for reimbursement were paid prior to the request. Reports are independently prepared and submitted by the School Corporation Treasurer without oversight, review, or approval.

*Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals*

The School Corporation has not designed or implemented adequate policies and procedures to verify that paraprofessionals met the criteria for highly qualified teachers and paraprofessionals within the schoolwide program. A monitoring or review process has not been established to ensure that paraprofessionals comply with the Special Tests and Provisions for Highly Qualified Teachers and Paraprofessionals.

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 program.

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 program. 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."

DELPHI COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

***FINDING 2014-007 - REPORTING AND SPECIAL TESTS AND PROVISIONS -  
HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year: FY 2011-12, FY 2012-13, and FY 2013-14

Pass-Through Entity: Indiana Department of Education

*Reporting*

The School Corporation is required to submit requests for reimbursement reports of their program expenditures. These requests for reimbursements did not always contain adequate supporting documentation as evidence of the expenditures. Supporting documentation was not provided for 33 percent of the requests during the audit period.

34 CFR § 80.20 Standards for financial management systems, states in part:

- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
  - (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . "

*Special Tests and Provisions - Highly Qualified Teacher and Paraprofessionals*

The School Corporation did not follow the guidelines for employing Paraprofessionals. Three of seven paraprofessionals tested did not meet the qualifications for highly qualified paraprofessionals.

34 CFR § 200.58 states:

- (c) New paraprofessionals. A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have—
  - (1) Completed at least two years of study at an institution of higher education;

DELPHI COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (2) Obtained an associate's or higher degree; or
- (3)(i) Met a rigorous standard of quality, and can demonstrate—through a formal State or local academic assessment—knowledge of, and the ability to assist in instructing, as appropriate—
  - (A) Reading/language arts, writing, and mathematics; or
  - (B) Reading readiness, writing readiness, and mathematics readiness.
- (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation comply with the applicable Cash Management, Reporting, and Special Tests and Provisions requirements of the program.



## **DELPHI COMMUNITY SCHOOL CORPORATION**

### **CORRECTIVE ACTION PLAN**

May 21, 2015

#### **FINDING 2014-001**

Debbie Speckman  
765-564-2100

##### **Correction Action Plan:**

The treasurer will ensure that the list of Federal award programs is reviewed by the superintendent for accuracy prior to submitting the SEFA.

Anticipated Completion Date: To be reviewed at fiscal yearend.

#### **FINDING 2014-002**

Debbie Speckman  
765-564-2100

##### **Correction Action Plan:**

We will review our office procedures and attempt to institute duties that would involve segregation of duties performed by the corporation treasurer and payroll clerk.

Anticipated Completion Date: June 2015

FINDING 2014-003

Debbie Speckman  
765-564-2100

Peggy Nipple, Cafeteria Director  
765-564-2100

Corrective Action Plan:

Proper authorization and approval by the Board of Trustees of all claims will be reviewed prior to mailing.

The Superintendent, Food Service Director and Corporation Treasurer will monitor the cash balance in the cafeteria fund and come up with a plan annually for equipment purchases or cafeteria updates to avoid any overage in the cafeteria account.

The Cafeteria Director will have her assistant review all Free and Reduced Meal Applications prior to the determination of pay status.

The Cafeteria Director will check suspension and debarment of procured products every quarter.

The Board of Trustees will approve meals prices each school year prior to the next school year.

The Corporation Treasurer will review the annual report prior to submission by the Cafeteria Director.

The Free and Reduced Meal Applications will be reviewed and verified by both the Cafeteria Director and the Assistant Cafeteria Director.

Anticipated Completion Date: June 2015

FINDING 2014-004

Debbie Speckman  
765-564-2100

Corrective Action Plan:

The Corporation will develop controls to monitor the cash balance in the School Lunch Fund to ensure the fund does not exceed 3 months of average expenditure.

Monthly receipts are now being posted directly to the Prepaid Lunch Account rather than the cafeteria fund.

Procedures have been reviewed with staff to ensure implementation of School Policy to collect past due balances on the School Lunch Account.

Anticipated Competition Date: April 1, 2015

FINDING 2014-005

Debbie Speckman  
765-564-2100

Corrective Action Plan:

The Corporation Treasurer and Cafeteria Director understands the importance of balancing monthly and had implemented new procedures previously for the Prepaid account and will continue to improve these procedures.

Anticipated Completion Date: April 2015

FINDING 2014-006

Debbie Speckman  
765-564-2100

Corrective Action Plan:

Proper authorization and approval by the Board of Trustees of all claims will be reviewed prior to mailing.

Anticipated Completion Date: April 2015

FINDING 2014-007

Debbie Speckman  
765-564-2100


Corrective Action Plan:

The Corporation Treasurer understands the importance of attaching supporting documentation to all cash request forms for all Federal and State grants.

The Payroll Clerk has implemented guidelines to ensure all ParaProfessionals have the necessary credentials prior to hiring.

Anticipated Completion Date: April 2015

Signed:



Deborah L. Speckman  
Treasurer  
5/21/15



DELPHI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**APPROVAL OF CLAIMS**

Claims are paid prior to proper authorization and approval by the School Board of Trustees. All claims are prepared and paid by the Corporation Treasurer then listed on the Claim Docket for approval at the subsequent School Board meeting.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

. . . (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Indiana Code 20-26-4-1(d)(3) states in part: "However, except as otherwise provided by law, warrants . . . must be issued only after proper allowance or approval by the governing body."

**HONORS DIPLOMAS AND AVERAGE DAILY MEMBERSHIP  
(ADM) - INCORRECT REPORTING TO THE STATE**

The number of students who graduated with honors that the School Corporation reported to the Indiana Department of Education was overstated by 1 student for each of the school years ending June 30, 2013, and 2014.

Enrollment figures reported to the Indiana Department of Education were overstated by 4.5 students for the year ending June 30, 2013, and understated by 2 students for the year ending June 30, 2014.

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)

**TEXTBOOK RENTAL FEES**

Textbook rental fees charged to students in the audit period were in excess of 25 percent of the retail cost of the textbooks. The correct textbook rental fee was charged for only two of the eighteen textbooks tested. In some instances, textbook rental fees were 100 percent of the cost of the textbook.

Indiana Code 20-26-12-2 states:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

DELPHI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected.

(c) This section does not limit other laws."

***EDUCATIONAL FEES AND TIMELY REMITTANCE***

Educational fees are collected by the Extra Curricular Account (ECA) Treasurers at each of the individual schools. The ECA Treasurers did not remit, nor did the Corporation Treasurer request on a regular or timely basis, the educational fees that are receipted by the Corporation.

In addition, the School Corporation did not seek written guidance from the attorney concerning whether the educational fees that they collect are appropriate in regards to Constitutional provisions.

Indiana Code 20-26-4-1 states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

***COMPENSATION AND BENEFITS***

The School Corporation did not follow the approved salary schedule for the audit period. Several discrepancies were noted in our tests of compensation and benefits:

1. The rate of pay for several employees did not match the salary schedule adopted by the School Board as shown in the handbook. Also, not all salaries were approved by The School Board. On May 12, 2015, the School Board did retroactively approve the rates of pay in question for the 2012-13, 2013-14, and 2014-15 school years.
2. Not all employees were using the time clock system in place within the School Corporation. The classified handbooks dated August 2010 and November 2013, requires all classified personnel to use the time card system.
3. One employee did not have the proper approval of the building director for all payrolls tested.
4. Paid time off could not be identified for administrators as they do not submit information to the payroll clerk.
5. One employee took vacation time for both years of the audit period; however, there was no evidence that the employee was entitled to paid vacation time.
6. An employment contract was signed by the Superintendent; however, there was no evidence of board approval.

DELPHI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All types of employee benefits should be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. The Board should adopt policies governing sick leave, vacation leave, and any other types of special leave. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

***PERSONAL EXPENSES FROM CAPITAL PROJECTS AND GENERAL FUNDS***

The School Corporation paid \$1,200 from the Capital Projects fund for rent and \$175.81 from the General fund for a gas utility bill on behalf of a teacher that resigned before the end of his lease. The School Corporation's name was not on the housing lease. The gas utility bill was in the School Corporation's name for the second month that they paid.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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 13)

***OVERDRAWN FUND BALANCES***

The Textbook Rental fund was overdrawn by \$ 10,853 at the fiscal year end, June 30, 2014.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting of Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***PAYROLL DEDUCTIONS***

An employee of the School Corporation was also contracted by the School Corporation to perform certain services. There were no withholdings made on the compensation paid to the individual for these services nor was the compensation reported to the IRS through either a 1099 or W-2.

It is important that the proper determination be made as to whether or not the individual meets the IRS criteria of an employee vs contractor for any compensation paid. Once the determination is made, the School Corporation is responsible for properly reporting all compensation to the individual.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DELPHI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***PREPAID LUNCH FUND***

A Prepaid Lunch fund was set up to account for students' prepaid meal money; however, the individual student accounts were not reconciled to the control account, the Prepaid Lunch fund. The Prepaid Lunch fund balance was adjusted at the end of each month based upon transactions recorded in the School Lunch fund. The actual collections for prepayments and charges for meals were not recorded in the Prepaid Lunch fund.

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)



## DELPHI COMMUNITY SCHOOL CORPORATION

May 20, 2015

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

### OFFICIAL RESPONSE

We have reviewed the Audit Results and Comments and wish to respond accordingly.

Approval of Claims: Corrective action has been taken that allows the governing body to approve all claims prior to releasing payment.

Honors Diplomas and Average Daily Membership: A separate list of students will be kept on file to support the information that is submitted to the DOE.

Textbook Rental Fees: Corrective action was taken prior to the approval of the 2015-16 textbook adoption to insure accurate textbook fees are in place.

Educational Fees: ECA Treasurers have been instructed to monitor their monthly balance of funds and issue a check to the corporation for funds over \$200.00.

Compensation and Benefits: All payroll issues were ratified at the May 12, 2015 board meeting.

Personal Expenses from Capital Projects and General Fund: The Corporation paid out expenses due to the termination of an employee that had relocated to Delphi and didn't end up working out.

Overdrawn Funds Balance: The superintendent and treasurer will monitor funds to ensure all funds are in the positive.

Payroll Deductions: 1099's will be issued to contract labor over \$600.00 annually.

Prepaid Lunch Fund: The Cafeteria Director and Treasurer are implementing new procedures to ensure monthly balancing of the Prepaid account.

Sincerely,

Ralph L. Walker  
Superintendent

DELPHI COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2016, with Deborah L. Speckman, Treasurer; Gregory G. Briles, Superintendent of Schools; and William Trueblood, President of the School Board.