

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

DELPHI COMMUNITY SCHOOL CORPORATION

CARROLL COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/05/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Andrea Miller	07-01-21 to 06-30-24
Superintendent of Schools	Ann-Marie Circle	07-01-21 to 06-30-24
President of the School Board	Kirk Schwarzkopf Zach Owen	07-01-21 to 06-30-22 07-01-22 to 06-30-24



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 DELPHI COMMUNITY SCHOOL
CORPORATION, CARROLL 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 Delphi Community School Corporation (School Corporation), for the period of July 1, 2021 to June 30, 2023, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 15, 2024, 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.

Report on 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) as a basis for designing 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, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, 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)

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

Delphi Community School Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 15, 2024



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 DELPHI COMMUNITY SCHOOL CORPORATION, CARROLL COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Delphi Community 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, 2021 to June 30, 2023. 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.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2021 to June 30, 2023.

Unmodified Opinion on the Other 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 its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2021 to June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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)

Matter Giving Rise to Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding the Child Nutrition Cluster, as described in item 2023-005 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 items 2023-002, 2023-004, and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School Corporation's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. 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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The School Corporation's response was not subjected to the other 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, 2021 to June 30, 2023, and the related notes to the financial statement. We issued our report thereon dated February 15, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 15, 2024

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.

DELPHI COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Agriculture	10.553					
School Breakfast			FY2022	\$ -	\$ 174,317	\$ -	\$ -
School Breakfast			FY2023	-	-	-	162,806
Total - School Breakfast Program				-	174,317	-	162,806
National School Lunch Program							
School Lunch	Indiana Department of Agriculture	10.555	FY2022	-	671,145	-	-
School Lunch			FY2023	-	-	-	543,758
Commodities			FY2022	-	90,529	-	-
Commodities			FY2023	-	-	-	45,287
Supply Chain Assistance			FY2023	-	-	-	76,467
Total - National School Lunch Program				-	761,674	-	665,512
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Agriculture	10.559	FY2022	-	143,956	-	-
Summer Food Service			FY2023	-	-	-	11,114
Total - Summer Food Service Program for Children				-	143,956	-	11,114
Total - Child Nutrition Cluster				-	1,079,947	-	839,432
Child Nutrition Discretionary Grants Limited Availability							
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Agriculture	10.579	FY2022	-	30,000	-	-
Total - Child Nutrition Discretionary Grants Limited Availability				-	30,000	-	-
Total - Department of Agriculture				-	1,109,947	-	839,432
<u>Federal Communications Commission</u>							
COVID-19 - Emergency Connectivity Fund Program							
ARP EMERGENCY CONNECTIVITY	Direct Grant	32.009	ECF202203021	-	-	-	111,076
ARP EMERGENCY CONNECTIVITY			ECF202114253	-	154,090	-	-
Total - COVID-19 - Emergency Connectivity Fund Program				-	154,090	-	111,076
Total - Federal Communications Commission				-	154,090	-	111,076
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
IDEA SpEd 611 FY21	Indiana Department of Education	84.027	20611-151-PN01	-	218,960	-	-
IDEA SpEd 611 FY21			21611-151-PN01	-	-	-	127,179
IDEA SPED 611 FY 19			20611-151-PN01	-	1,637	-	-
IDEA SPED 611 FY 22			22611-151-PN01	-	-	-	91
IDEA SpEd 611 FY20			20611-151-PN01	-	30,335	-	-
Total - Special Education Grants to States				-	250,932	-	127,270

DELPHI COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2022 and 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-22	Total Federal Awards Expended 06-30-22	Passed Through to Subrecipient 06-30-23	Total Federal Awards Expended 06-30-23
Special Education Preschool Grants	Indiana Department of Education	84.173					
IDEA SpEd 619 FY21			20619-151-PN01	-	5,338	-	-
IDEA SpEd 619 FY20			20619-151-PN01	-	88	-	-
IDEA SpEd 619 FY21			21619-151-PN01	-	-	-	4,055
Total - Special Education Preschool Grants				-	5,426	-	4,055
Total - Special Education Cluster (IDEA)				-	256,358	-	131,325
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
TITLE I FY 21			S010A200014	-	33,878	-	-
TITLE I FY 22			S010A210014	-	-	-	177,956
TITLE I FY 23			S010A230014	-	-	-	103,891
Total - Title I Grants to Local Educational Agencies				-	33,878	-	281,847
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A170013	-	4,439	-	-
Title II Part A			S367A200013	-	-	-	13,711
TITLE II			S367A210013	-	-	-	36,029
Total - Supporting Effective Instruction State Grants				-	4,439	-	49,740
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV FY 2019			S424A180015	-	-	-	47
Title IV FY20			S424A20015	-	-	-	19
Title IV FY 22			S424A210015	-	-	-	12,983
Total - Student Support and Academic Enrichment Program				-	-	-	13,049
COVID-19 - Education Stabilization Fund	Indiana Department of Education	84.425					
GEER		84.425C	S425C200018	-	160,646	-	84,725
ESSER I		84.425D	S425D200013	-	47,621	-	-
ESSER II		84.425D	S425D200013	-	531,758	-	49,010
ESSER III		84.425U	S425U210013	-	-	-	433,356
Total - COVID-19 - Education Stabilization Fund				-	740,025	-	567,091
Total - Department of Education				-	1,034,700	-	1,043,052
Department of Health and Human Services							
Medicaid Cluster	Indiana Department of Health and Human Services	93.778					
Medical Assistance Program							
MEDICAID - FEDERAL			FY2022	-	38,939	-	-
MEDICAID - FEDERAL			FY2023	-	-	-	35,196
Total - Medical Assistance Program				-	38,939	-	35,196
Total - Medicaid Cluster				-	38,939	-	35,196
Total - Department of Health and Human Services				-	38,939	-	35,196
Total federal awards expended				\$ -	\$ 2,337,676	\$ -	\$ 2,028,756

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

DELPHI COMMUNITY 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, 2022 and 2023. 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. GEER I Fiscal Agent

The School Corporation was a participant in a joint application with other Local Education Agencies (LEAs) to receive GEER I funding from the Education Stabilization Fund through the Indiana Department of Education. The School Corporation serves as the fiscal agent for the grant. As a result, some of the activity for the GEER award that is presented as receipts and disbursements on the financial statement is not presented as federal awards expended on the SEFA for the School Corporation. This activity is reported on the SEFAs of each participating LEA as appropriate.

DELPHI COMMUNITY 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?	yes

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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
84.425	Child Nutrition Cluster COVID-19 - Education Stabilization Fund	Qualified Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2023-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the prior audit report. The prior audit finding number was 2021-001.

Condition and Context

The School Corporation is required to file reports not later than 60 days after the close of each fiscal year. The reports are to be filed electronically as prescribed.

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

The School Corporation filed their reports as prescribed; however, the internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA), were not effective.

The School Corporation failed to properly review the federal grant information prepared and submitted in Gateway. Although the Treasurer prepared and entered the federal award information into Gateway, and the Superintendent of Schools reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Child Nutrition Cluster expenditures were understated in fiscal years 2021-2022 and 2022-2023 by \$231,798 and \$220,586, respectively.
2. Several additional grants had individual immaterial errors that resulted in misstatements of expenditures of \$65,177, in total.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

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

- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

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

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the Condition and Context.

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 2023-002

Subject: Child Nutrition Cluster - Verification of Free and Reduced Price Lunch Applications
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
Assistance Listings Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Verification of Free
and Reduced Price Lunch Applications (NSLP)
Audit Findings: Material Weakness, Other Matters

Condition and Context

By November 15 of each school year, the Local Educational Agencies (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1.

If the LEA performs the verification function it must be in accordance with instructions provided by the state agency. The LEA must follow up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.

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

As instructed, LEAs must select a sample of applications to be verified utilizing one of the following methods:

- a. Standard sample size - The lesser of 3 percent or 3,000 of the approved applications on file as of October 1, selected from error-prone applications. For this purpose, error prone applications are those showing household incomes within \$100 monthly or \$1,200 annually of the income eligibility guidelines for free and reduced price meals.
- b. Alternative sample sizes - 1) The lesser of 3 percent or 3,000 applications selected at random from approved applications on file as of October 1 of the school year, or (2) The sum of (a) the lesser of 1 percent of all applications identified as error-prone or 1,000 error-prone applications, and (b) the lesser of 1/2 of 1 percent of, or 500, approved applications in which the household provided, in lieu of income information, a case number showing participation in the SNAP, TANF, or FDPIR.

In accordance with the above guidance, the School Corporation selected a sample of verifications based on the alternative sample size. As such, the School Corporation was required to review the lesser of three percent or 3,000 applications selected at random from approved applications on file as of October 1 of the 2022-2023 school year. On October 1, the School Corporation had 178 applications on file and determined that 6 applications were required to be verified; however, the School Corporation chose to verify 14 applications.

The Food Service Director was responsible for reviewing the applications selected for verification in fiscal year 2022-2023. A second review was performed by the Assistant Food Service Director as indicated on the Verification Collection Report. Of the 14 applications verified by the School Corporation, a sample of 6 applications were selected for testing. The following errors were noted:

- (1) For two students, 1 application was to have the eligibility status changed from "Free" to "Paid"; however, this change was not updated and made in the School Corporation's system.
- (2) For five students, 1 application had the eligibility status of "Reduced" in the School Corporation's system as of July 18, 2022, which agreed to the income verification. However, the eligibility status was changed in the School Corporation's system to "Free" as of August 26, 2022.

The lack of internal controls and noncompliance was isolated to 2022-2023.

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). . . ."

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

7 CFR 245.6a states in part:

". . . (f) *Verification procedures and assistance for households* – . . .

(7) *Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section. . . .

(j) *Adverse action.* If verification activities fail to confirm eligibility for free or reduced price benefits or should the household fail to cooperate with verification efforts, the school or local educational agency shall reduce or terminate benefits, as applicable, as follows: Ten days advance notification shall be provided to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination. The first day of the 10 day advance notice period shall be the day the notice is sent. The notice shall advise the household of:

- (1) The change;
- (2) The reasons for the change;
- (3) Notification of the right to appeal and when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision;
- (4) Instructions on how to appeal; and
- (5) The right to reapply at any time during the school year. The reasons for ineligibility shall be properly documented and retained on file at the local educational agency."

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, verifications for free and reduced price applications were not appropriately changed.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure verifications for free and reduced price applications are appropriately changed.

Views of Responsible Officials

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

FINDING 2023-003

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance related to the eligibility determination of a child receiving meals.

Any child enrolled in a participating school or summer camp, or attending a SFSP meal service site, who meets the applicable program's definition of "child," may receive meals under the applicable program. In the case of the National School Lunch Program and School Breakfast Program, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at a reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price, set by the School Food Authority, for their meals. Children attending SFSP meal service sites receive their meals at no charge. As a general rule, a child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies, institutions, and sponsors then determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. Additionally, a child may be direct certified. For a direct certification, annual eligibility determinations are based on the child's household receiving benefits under SNAP, FDPIR, the Head Start Program (ALN 93.600), or, under most circumstances, the TANF program (ALN 93.558). A household may furnish documentation of its participation in one of these programs; or the school, institution, or sponsor may obtain the information directly from the state or local agency that administers these programs. Certain foster, runaway, homeless, and migrant children are categorically eligible for free school lunches and breakfasts. Direct certified households do not need to complete an application.

The Food Service Director was responsible for reviewing the on-line and paper application eligibility status and entering the information into the School Corporation's system (Skyward). There was no evidence of an oversight, review, or approval process to ensure that the income verification, calculations, and information entered into the Skyward system were accurate and the eligibility status was correct.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

In addition, the Food Service Director was responsible for generating and reviewing the Direct Certification Reports. There was no evidence of an oversight, review, or approval process to ensure that the Direct Certification Reports were generated and reviewed.

The lack of internal controls was isolated to the fiscal year ended June 30, 2023.

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

A proper system of internal controls was not designed by management of the School Corporation, which would include segregation of key functions. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation design and implement a proper system of internal controls, including policies and procedures that would provide segregation of duties to ensure appropriate reviews, approvals, and oversight are taking place.

Views of Responsible Officials

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

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

FINDING 2023-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2022, FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition and Context

Direct costs charged to the Child Nutrition Cluster are to be allowable costs made in compliance with the Allowable Costs/Cost Principles compliance requirement. In general, to be allowable under federal awards, a cost must be necessary and reasonable, conform to any limitations, be consistent with policies and procedures that apply uniformly to all activities, be accorded consistent treatment, not be included as a cost or used to meet cost-sharing or matching requirements of another federal program, and be adequately documented.

A sample of 40 food service program claims were selected for testing to verify the expenditures were in conformance with the applicable cost principles. Of the 40 claims tested, 10 claims contained errors. For these 10 claims, the invoice section in which the purchase price did not match the bid price was abstracted for further review. Upon further review, it was determined that 59 individual items were not charged in accordance with contracted prices. As a result, the School Corporation was over-charged \$523.

The lack of internal controls and noncompliance were systemic issues 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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, cost must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

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

(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity. . . .

(g) Be adequately documented. . . ."

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, the School Corporation was overcharged for multiple items.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure costs are adequately documented and charged and the approved or agreed upon rates.

Views of Responsible Officials

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

FINDING 2023-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
Assistance Listings Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2022, FY2023
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

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

Condition and Context

Procurement

The School Corporation had not designed or implemented adequate policies or procedures to ensure that proper procurement procedures for small purchases. There was no documented oversight, review, or approval process in place at the School Corporation to ensure proper procedures were followed and price or rate quotations were obtained, or documentation to support limited procurement procedures were conducted and maintained for small purchases.

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a non-federal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

The School Corporation did not obtain price or rate quotes for the three vendors tested that were less than the simplified acquisition threshold of \$150,000, but exceeded the \$10,000 micro-purchase threshold. For the three vendors tested, totaling \$149,061, an adequate number of quotes were not obtained from qualified sources nor was there any documentation detailing the history of procurement, which must include the reason for the procurement method used.

Suspension and Debarment

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to, contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the School Corporation disclosed procedures had not been performed to ensure vendors were not suspended or debarred prior to entering into covered transaction. Four covered transactions that equaled or exceeded \$25,000 were identified. All four transactions, totaling \$320,121, were selected for testing. For the four vendors, the School Corporation had not performed procedures to ensure the vendors were not suspended or debarred, or otherwise excluded or disqualified from participating in federal assistance programs or activities for suspension or debarment.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

DELPHI COMMUNITY 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 200.318(a) states:

"The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases -*

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

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:

DELPHI COMMUNITY SCHOOL CORPORATION
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(Continued)

- (a) Checking the 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

A proper system of internal controls was not designed or implemented, which includes segregation of key functions, by management of the School Corporation to ensure that policies and procedures were in place related to procurement and suspension and debarment. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded, and for small purchases an adequate number of quotes were not obtained.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions or the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure proper procurement procedures are followed and that contractors are not suspended, debarred, or otherwise excluded prior to entering into any covered transactions.

Views of Responsible Officials

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

FINDING 2023-006

Subject: COVID-19 - Education Stabilization Fund - Reporting
Federal Agency: Department of Education
Federal Program: COVID-19 - Education Stabilization Fund
Assistant Listings Numbers: 84.425D, 84.425U
Federal Award Numbers and Years (or Other Identifying Numbers): S425D200013, S425U210013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

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

Condition and Context

The School Corporation had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, noncompliance. The School Corporation was required to submit annual data reports to the Indiana Department of Education via JotForm, a form/report builder. Data to be submitted included, but was not limited to, current period expenditures, prior period expenditures, and expenditures per activity.

During the audit period the School Corporation submitted two ESSER I reports, two ESSER II reports, and two ESSER III reports, for a total of six reports. The annual data reports were compiled, prepared and submitted by one employee without an oversight or review process in place to prevent, or detect and correct, errors.

In addition, three of the six reports submitted during the audit period contained errors. The errors were as follows:

- The ESSER II, Year 1 report was not supported by the School Corporation's records, was not accurate and complete, and was not mathematically accurate.
- The ESSER II, Year 2 report was not supported by the School Corporation's records, was not accurate and complete, and was not mathematically accurate. Also, expenditures for the key line item of "Supplies" as reported did not agree to the School Corporation's ledger.
- The ESSER III, Year 2 key line of "Supplies" expenditures did not agree to the School Corporation's ledger.

The lack of internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to the three reports noted above.

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 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

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

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, ESSER reports were not supported by the School Corporation's records, were not accurate and complete, and were not mathematically accurate. Additionally, key line items were not supported by the records.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure supporting documentation is used and retained for all required reports submitted on behalf of the Education Stabilization Fund program funds.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



DELPHI COMMUNITY SCHOOL CORPORATION

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2019-002

Fiscal year in which the finding initially occurred: July 1, 2018-June 30, 2019
Current Audit Period: July 1, 2021-June 30, 2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding: The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had controls in place; however, the controls were not effective.

Status of Audit Finding: Not Corrected.

Response Comments: The previous controls put in place still did not prevent all errors from being detected. Along with the addition of Administrator's of each Federal grant reviewing the information input into Gateway by the Treasurer, the Treasurer will contact the Indiana Department of Education to obtain a record of funds submitted to the school corporation by the Indiana Department of Education for each fiscal year when completing the Schedule of Expenditures of Federal Awards (SEFA).

FINDING 2019-005

Fiscal year in which the finding initially occurred: July 1, 2018-June 30, 2019
Current Audit Period: July 1, 2021-June 30, 2023

Finding Subject: Child Nutrition Cluster - Internal Controls

Summary of Finding: 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 and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Cash Management

There were no controls in place to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to the three months average expenditures in accordance with the Cash Management compliance requirement.

Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP) (School Breakfast Program and National School Lunch Program only)

There were no controls in place to ensure that the verifications of eligibility determinations for free and reduced price meals were accurate. One employee completed the verification process for all selected applications without an oversight, review, or approval process or other compensating control. The lack of controls was a systemic issue throughout the audit period. Management had not developed a system of internal control to ensure compliance with the compliance requirements listed above. We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Status of Audit Finding: *Fully Corrected and the original corrective action was implemented*

Response Comments:

FINDING 2021-001

Fiscal year in which the finding initially occurred: July 1, 2019-June 30, 2021

Current Audit Period: July 1, 2021-June 30, 2023

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding: The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had controls in place; however, the controls were not effective.

Status of Audit Finding: Not Corrected.

Response Comments: The previous controls put in place still did not prevent all errors from being detected. Along with the addition of Administrator's of each Federal grant reviewing the information input into Gateway by the Treasurer, the Treasurer will contact the Indiana Department of Education to obtain a record of funds submitted to the school corporation by the Indiana Department of Education for each fiscal year when completing the Schedule of Expenditures of Federal Awards (SEFA).

FINDING 2021-002

Fiscal year in which the finding initially occurred: July 1, 2019-June 30, 2021

Current Audit Period: July 1, 2021-June 30, 2023

Finding Subject: Child Nutrition Cluster - Internal Controls

Summary of Finding: 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 Program Income and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Program Income

The School Corporation had not designed and implemented a system of internal control over program income. Transfers were made from the Prepaid School Lunch Accounts fund to the School Lunch fund without an oversight or review to ensure the accuracy of the amount transferred. Additionally, there was no evidence that the School Board approved meal prices during the audit period. *Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

The School Corporation had not designed or implemented a system of internal control to ensure that the verifications of Free and Reduced Price Applications were accurately completed. One employee selected and verified the required sample of approved free and reduced-price applications without an

oversight, review, or approval process. The lack of controls was a systemic issue throughout the audit period. Management had not developed a system of internal control to ensure compliance with the compliance requirements listed above. We recommended that the School Corporation's management establish a system of internal control related to the grant agreement and the Program Income and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Status of Audit Finding: *Fully Corrected and the original corrective action was implemented.*

Response Comments:



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CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards

Summary of Finding: Management had not established a system of internal controls that would have ensured proper reporting of the SEFA. Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the Condition and Context.

Contact Person Responsible for Corrective Action: Andrea Miller

Contact Phone Number and Email Address: 765-564-2100, millera@delphi.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer is making sure all grant funds are separated for tracking purposes. The Corporation Treasurer and the Grant Coordinators have copies of the spending plan for the grants and will receive reports monthly to make sure only approved expenses are being paid from the grant. The Corporation Treasurer will request information from the Indiana Department of Education regarding the amount of the reimbursements for the fiscal year and verify that information with the school corporation's records and then enter data for the SEFA into gateway. The coordinators for each grant will verify and sign off on the SEFA prior to submission.

Anticipated Completion Date:

August 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2023-002

Finding Subject: Child Nutrition Cluster - Verification of Free and Reduced Price Lunch Applications

Summary of Finding: Management had not developed or implemented a system of internal control that would have ensured compliance with requirements related to the grant agreement and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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. We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Contact Person Responsible for Corrective Action: Andrea Miller

Contact Phone Number and Email Address: 765-564-2100, millera@delphi.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director or Assistant will review the applications, the other will do a second review. The Food Service Director and Assistant sign each application that is verified to ensure all information is accurate and the eligibility status is correct in Skyward. If additional verification information is provided, it will be documented and recorded in the binder with the applications.

Anticipated Completion Date:

August 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

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CORRECTIVE ACTION PLAN

FINDING 2023-003

Finding Subject: Child Nutrition Cluster - Eligibility

Summary of Finding: The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Eligibility compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the Eligibility 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. We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the Eligibility compliance requirements listed above.

Contact Person Responsible for Corrective Action: Andrea Miller

Contact Phone Number and Email Address: 765-564-2100, millera@delphi.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director or Assistant will enter online and paper applications, the other will review the entries compared to the applications, and both will sign off the applications. An additional selection will be added in Skyward to document which type of classification. A legend for the codes will be kept in the front of the binder where the applications are kept for reference.

Anticipated Completion Date:

August 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

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CORRECTIVE ACTION PLAN

FINDING 2023-004

Finding Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Summary of Finding: Management had not developed an effective system of internal control that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of funds to the School Corporation. We recommended that the School Corporation's management establish an effective system of internal control to ensure compliance and comply with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Contact Person Responsible for Corrective Action: Andrea Miller

Contact Phone Number and Email Address: 765-564-2100, millera@delphi.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: A price list will be requested from vendors (GFS/Piazza) twice a month to reflect current pricing, and reports will be filed by school year by the Food Service Director for reference. The Food Service Director or Assistant will sample items that have been purchased and compare them to the pricing listing to verify accuracy.

Anticipated Completion Date:

August 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

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CORRECTIVE ACTION PLAN

FINDING 2023-005

Finding Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Summary of Finding: 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. The failure to establish an effective internal controls system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could result in the loss of future federal funds to the School Corporation. We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Contact Person Responsible for Corrective Action: Andrea Miller

Contact Phone Number and Email Address: 765-564-2100, millera@delphi.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director will obtain 3 quotes for any purchase over \$10,000 from different vendors, in addition if the purchase is over \$50,000 a contract will be awarded. Vendors will be verified by SAM.gov for suspension and disbarment, a record of these searches will be printed and kept in the vendor file. In addition, a vendor list will be provided annually to the school board for approval.

Anticipated Completion Date:

July 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”



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CORRECTIVE ACTION PLAN

FINDING 2023-006

Finding Subject: Education Stabilization Fund - Reporting

Summary of Finding: Management had not developed or implemented a system of internal control that would have ensured compliance with the grant agreement and the Reporting compliance requirement. The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement could result in the loss of future federal funds to the School Corporation. We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and the Reporting compliance requirement.

Contact Person Responsible for Corrective Action: Andrea Miller

Contact Phone Number and Email Address: 765-564-2100, millera@delphi.k12.in.us

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The treasurer will prepare all required reports, and the grant administrator will verify the information on the reports. Reports will be signed and dated by both parties.

Anticipated Completion Date:

July 2024

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS. ”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”

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/>.