

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DELAWARE COMMUNITY SCHOOL CORPORATION

DELAWARE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
04/18/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tarina Morris Cheryl Dominick	07-01-14 to 04-20-16 04-21-16 to 12-31-18
Superintendent of Schools	Steven Hall Reece Mann	07-01-14 to 06-30-15 07-01-15 to 06-30-22
President of the School Board	John Adams Tyce Stebbins Andy Williams Trent Fox John Adams	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE DELAWARE COMMUNITY SCHOOL  
CORPORATION, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Delaware Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

March 29, 2018

DELAWARE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediate prior report. The prior audit finding number was 2014-001.

*Condition*

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system used to compile the School Corporation's SEFA. One employee prepared the federal award information entered into the Gateway without a control process in place to ensure its accuracy before submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The National School Lunch Program (NSLP) commodities were understated by \$82,705 in fiscal year 2015 and by \$81,656 in fiscal year 2016.
2. Special Education - Preschool Grants (IDEA Preschool) were not reported, resulting in an understatement of \$17,039 in fiscal year 2015 and \$20,544 in fiscal year 2016.
3. Information such as program title, pass-through entity, and pass-through identifying number were either incorrectly reported or omitted for several grants.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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. . . .

DELAWARE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § .310. . . ."

OMB Circular A-133, Subpart C, section .310 (b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

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

*Effect*

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

DELAWARE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the preparation of the SEFA.

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles - Time and Effort Reporting  
Federal Agency: Department of Education  
Federal Program: Special Education\_Grants to States  
CFDA Number: 84.027  
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-010-PN01, 14215-010-PN01,  
14216-010-PN01, 99914-10-TA01

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not complete the Semi-Annual Certification for the period July 1, 2015 to December 31, 2015.

*Context*

The lack of controls and failure to maintain Semi-Annual Certifications were isolated to the period July 1, 2015 to December 31, 2015.

*Criteria*

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. . . ."

OMB Circular A-87, Attachment B, section 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

DELAWARE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. A lack of segregation of duties within an internal control system resulted in noncompliance and could have allowed the potential misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*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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**Board of Education**

John Adams - President  
Alice Gillis - Vice President  
Adam Williams - Secretary  
Trent Fox - Member  
Greg Prince - Member

Reece A. Mann - Superintendent  
Dr. Darin K. Gullion - Assistant Superintendent

Delaware Community School Corporation  
Corrective Action Plan

Finding 2016-001-  
Date of Response: February 28, 2018

Contact Person Responsible for Corrective Action: Dr. Darin K. Gullion

Contract Phone Number: 765-284-5074

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:  
The School Corporation has implemented Internal Controls which will address the Preparation of the Schedule of Expenditures of Federal Funds.

Anticipated Completion Date: 08/31/2018

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Trent Fox - Member  
Greg Prince - Member

Reece A. Mann - Superintendent  
Dr. Darin K. Gullion - Assistant Superintendent

Delaware Community School Corporation  
Corrective Action Plan

Finding 2016-002

Date of Response: February 28, 2018

Contact Person Responsible for Corrective Action: Dr. Darin K. Gullion

Contract Phone Number: 765-284-5074

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will create a schedule for Time and Effort Reporting. This scheduled with be monitored by both the Treasurer and the Assistant Superintendent. The Treasurer will provide the Assistant Superintendent a signed copy of all Time and Effort Reports.

Anticipated Completion Date: 6/30/2018

DELAWARE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 29, 2018, with John Adams, President of the School Board; Reece Mann, Superintendent of Schools; Darin Gullion, Assistant Superintendent of Schools; and Cheryl Dominick, Treasurer.