

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
DELPHI COMMUNITY SCHOOL CORPORATION
CARROLL COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
03/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debbie Speckman	07-01-16 to 10-10-16
	Gayla Martin	10-11-16 to 02-26-17
	Allison J. Everett	02-27-17 to 06-30-19
Superintendent of Schools	Gregory G. Briles	07-01-16 to 06-30-19
President of the School Board	William Trueblood	07-01-16 to 12-31-16
	Kirk Schwartzkopf	01-01-17 to 12-31-17
	Steve Myer	01-01-18 to 12-31-18
	Neal E. Anderson	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This report is supplemental to our audit report of the Delphi Community School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

February 28, 2019

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

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.

Context

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program expenditures were overstated by \$22,756 for the year ended June 30, 2017.
2. The National School Lunch Program expenditures were understated by \$45,636 for the year ended June 30, 2017, and overstated by \$5,821 for the year ended June 30, 2018.
3. The National School Lunch Program Commodities were understated by \$56,970 and \$78,824 for the years ended June 30, 2017 and 2018, respectively.
4. The Special Education Preschool Grants expenditures were understated by \$778 and \$31,200 for the years ended June 30, 2017 and 2018, respectively.
5. The Summer Food Service Program for Children expenditures were understated by \$4,728 for the year ended June 30, 2018.

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.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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 Financial statements. . . ."

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 Basis for determining Federal awards expended. 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 CFDA number or other identifying number when the CFDA 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.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (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 Indirect (F&A) costs."

Cause

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

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls 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 2018-002

Subject: Child Nutrition Cluster - Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following 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.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Eligibility

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals, which included determining eligibility, without oversight, review or approval, or other compensating control.

Reporting

There were no controls in place to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the Annual Financial Reports, the School Food Authority (SFA) Verification Collection Reports, and the monthly Sponsor Claims (claims for reimbursement) without oversight, review, or approval, or other compensating control.

Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP)

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 oversight, review or approval, or other compensating control.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles,
Special Tests and Provisions - School Food Accounts
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Special Tests
and Provisions - School Food Accounts
Audit Findings: Material Weakness, Modified Opinion

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 and Special Tests and Provisions - School Food Accounts compliance requirements.

The School Corporation had not established effective controls to ensure that employees' time was adequately documented for the portion paid from program funds. The School Corporation paid a portion of the wages of the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians from the School Lunch fund. The wages charged were based on fixed percentages totaling \$119,658. There was no supporting documentation provided to indicate the determination of the amounts.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(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 200.403 states in part:

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

- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

Questioned Costs

The total of \$119,658 referenced in *Condition* for the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians' salaries/wages allocated to the School Lunch fund is considered a questioned cost.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-003.

Condition

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

The School Corporation did not perform any procedures to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs before entering into a contract.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance were systemic issues, which occurred 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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking 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

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

Condition

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

The School Corporation had not established an effective internal control system to ensure that program income was being properly and timely (at least monthly) transferred from the Cafeteria Clearing Fund to the School Lunch fund. One employee determined the amount of the transfer of program income without oversight, review or approval, or other compensating control.

During 2017, only four transfers were made from the Cafeteria Clearing Fund to the School Lunch fund. In addition, \$71,442 in student revenue was receipted directly into the School Lunch fund without first being deposited into the Cafeteria Clearing Fund.

The School Corporation had not established an effective control system to ensure that expenses were only used for the operation and improvement of the food service program. The School Corporation paid a portion of the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians' wages from the School Lunch fund. The wages charged were based on fixed percentages. There was no supporting documentation to indicate how the amounts were determined.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(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). . . ."

7 CFR 210.14(c) states:

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

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

2 CFR 200.403 states in part:

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

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

DELPHI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control placed the School Corporation in noncompliance with the grant agreement and the Program Income compliance requirement.

Questioned Costs

The total of \$119,658 referenced in *Condition* for the Superintendent of Schools, Treasurer, Assistant Treasurer, and six custodians' salaries/wages allocated to the School Lunch fund is considered a questioned cost.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Program Income compliance requirement.

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

CORRECTIVE ACTION PLAN

FINDING 2018-01

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

The Corporation Treasurer will gather and enter data for the SEFA. Coordinators for each grant area will verify data and sign off on the SEFA prior to submission.

Completion Date: Corrected July 2018.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

Cash Management (School Breakfast Program and National School Lunch Program)

The current Corporation Treasurer maintains a cash flow record and updates it monthly. The cafeteria fund is monitored with a formula to ensure the balance in the fund does not exceed three month's average expenditures. All financial records are reviewed and approved by the Superintendent and Board of School Trustees monthly.

Eligibility

The current Food Service Director or her Assistant do an initial review of free and reduced applications to ensure eligibility determinations are accurate. Whomever did not do the initial review, provides a secondary verification. Both the Food Service Director and Assistant Food Service director initial applications as evidence of the dual control.

Reporting

The current Food Service Director or her Assistant prepares report submissions. Whomever does not do the preparation reviews the required reports and submissions.

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

The current Food Service Director or her Assistant do an initial review of free and reduced applications selected for verification to ensure eligibility determinations are accurate. Whomever did not do the initial review, provides a secondary verification. Both the Food Service Director and Assistant Food Service director initial applications as evidence of the dual control

Completion Date: Corrected July 2018

501 Armory Road
DELPHI, INDIANA 46923
765-564-2100
Fax: 765-564-6919



DELPHI COMMUNITY SCHOOL CORPORATION

FINDING 2018-003

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the finding identified

Description of Corrective Action Plan:

Only those staff members hired and board approved as food service employees being paid from the School Lunch Program. At this time the corporation will not be applying for an Indirect Cost Rate. The Food Service Director will be provided with a Fund Report monthly to ensure that only her staff are paid from the Cafeteria fund.
Completion Date: Corrected January 2019

FINDING 2018-004

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

Bid forms that are sent to vendors include a verification to be signed by the vendor and notarized stating: "The undersigned bidder also swears that he has not been suspended or disbarred from providing products or services to government entities by the State or Federal Government." Once bid form is received, the head of the department requesting bid, as well as the purchasing agent verify that the bid form is appropriately signed. All vendors invited to bid are on the list of state approved vendors who have been awarded a state contract to provide services to school corporations.

Completion Date: Corrected July 2018



DELPHI COMMUNITY SCHOOL CORPORATION

FINDING 2018-005

Contact Person Responsible for Corrective Action: Allison J. Everett, Corporation Treasurer
Contact Phone Number: 765-564-2100 Ext 1002

Views of Responsible Official: We agree with the repeat finding identified

Description of Corrective Action Plan:

At the end of each month, the Food Service Director will provide the report of meals served to the Treasurer. The Treasurer will transfer the funds from the Cafeteria Clearing Account to the Cafeteria account based on this report. The Food Service Director will verify the transfer amount based on the monthly fund detail report that will be provided for her.

Only those staff members hired and board approved as food service employees will be paid from the School Lunch Program. At this time the corporation will not be applying for an Indirect Cost Rate. The Food Service Director will be provided with a Fund Report monthly to ensure that only her staff are paid from the Cafeteria fund.

Completion Date: Corrected February 2019

Respectfully Submitted:

Allison J. Everett, Treasurer

Date: 2/28/19

DELPHI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

SCHOOL TRANSPORTATION FUND

A portion of five Principals' and Assistant Principals' salaries were paid from the School Transportation fund totaling \$178,868 for the audit period. In addition, a portion of the salaries of the Superintendent of Schools, Treasurer, Assistant Treasurer, and Administrative Secretary were also paid from the School Transportation fund totaling \$108,108 for the audit period without proper documentation of actual hours worked.

The School Transportation fund also paid 100 percent of the salaries of the Director of Operations (over Maintenance and Transportation) and the Maintenance and Transportation Secretary. In addition 50 percent of the salary of a Building and Grounds employee was charged to the School Transportation fund. Proper documentation to support these percentages was not available.

Indiana Code 20-40-6-6 states:

"(a) The following costs are payable from the fund:

- (1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation related employees.
 - (2) Contracted transportation service.
 - (3) Wages of independent contractors.
 - (4) Contracts with common carriers.
 - (5) Student fares.
 - (6) Transportation related insurance.
 - (7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses.
- (b) Percentages or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the fund.
- (c) Costs for a calendar year are those costs attributable to transportation for students during the school year ending in the calendar year."

We have noted in audits the charging of administrative salaries to the transportation fund. IC 20-40-6-5 states in part regarding the school transportation fund ". . . the fund is the exclusive fund to be used by a school corporation for the payment of costs attributable to transportation. . . ." IC 20-40-6-6 states "(a) The following costs are payable from the fund: (1) The salaries paid to bus drivers, transportation

DELPHI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

supervisors, mechanics and garage employees, clerks, and other transportation related employees. (2) Contracted transportation service. (3) Wages of independent contractors. (4) Contracts with common carriers. (5) Student fares. (6) Transportation related insurance. (7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses. (b) Percentages or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the fund. (c) Costs for a calendar year are those costs attributable to transportation for students during the school year ending in the calendar year."

Indiana Code 5-11-9-4 states in part: "(b) . . . records be maintained showing which hours were worked each day by officers and employees: . . . (2) employed . . . in more than one (1) position by the same public agency . . ."

Many administrative positions have duties and responsibilities that are broad and overlapping and encompass everything that goes on in the School Corporation or school building. Therefore, we have consistently been of the audit position that these expenses are normally considered operating expenses properly charged to the general fund in accordance with IC 20-40-2-2 for the operation of the School Corporation and not to the School Transportation fund.

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided.

Other positions with multiple transportation related responsibilities could be compensated in part from the School Transportation fund, assuming compliance with all of the aforementioned. Additionally, we review during an audit for reporting inconsistencies in those situations, i.e., the accounting and charging of indirect costs based upon time records to the other applicable funds besides the transportation fund, for these and other positions. (The School Bulletin and Uniform Compliance Guidelines, March 2012)

The Conclusion of Attorney General Advisory Number 96-78 states in part: "The school transportation fund was established to cover costs which are attributable to transportation. Indiana Code 21-2-11.5-2(b)(1) through (b)(7) (now 20-40-6-6) set forth the costs which may be attributed to transportation. According to subsection (b)(1), the salaries of "transportation-related" employees may be paid from this fund. As the school superintendent and school corporation treasurer do not appear to be positions that are transportation-related, payment from the transportation fund of the salaries attached to these positions would be improper." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DELPHI COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

PREPAID SCHOOL MEAL ACCOUNTS

The School Corporation accounts for prepaid food within the Cafeteria Clearing Account (8410). Individual student meal accounts were not reconciled to the balance in the Cafeteria Clearing Account during the audit period. At June 30, 2018 the Cafeteria Clearing Account balance was (\$11,396) while the individual student meal accounts totaled (\$22,965).

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2017 and 2018, which were not attributed to timing of reimbursements:

Fund	Amount Overdrawn	
	06-30-17	06-30-18
General	\$ 339,361	\$ -
School Lunch	-	10,289
Cafeteria Clearing Fund	-	11,396

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

DELPHI COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2019, with Allison J. Everett, Treasurer; Gregory G. Briles, Superintendent of Schools; Neal E. Anderson, President of the School Board; and Chris Nipple, School Board member.