

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, 2018 to June 30, 2019



FILED

03/11/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Allison J. Everett (Vacant) Rebecca Walker Andrea Miller	07-01-18 to 06-03-19 06-04-19 to 07-15-19 07-16-19 to 10-15-19 10-16-19 to 06-30-20
Superintendent of Schools	Gregory G. Briles Dan Ronk	07-01-18 to 08-25-19 08-26-19 to 06-30-20
President of the School Board	Steve Myer Neal Anderson	01-01-18 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Delphi Community School Corporation (School Corporation), for the period from July 1, 2018 to June 30, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

February 27, 2020

DELPHI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING OF DISBURSEMENTS

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established an effective system of internal controls related to disbursements.

The School Corporation had implemented controls related to the disbursements; however, the controls were not always effective. The docket approved at the School Board meetings, which was certified by the Treasurer and approved by the School Board, did not always contain all vendor claims paid on behalf of the School Corporation.

During our testing of 45 vendor disbursements, we noted 11 vouchers that were not properly itemized, 4 that were not recorded in a timely manner, 15 that were not certified by the fiscal officer or the School Board, 5 where we were unable to determine a proper use of funds, and 10 where the voucher amount did not agree to supporting documentation and the check amount. Due to the lack of effective controls, material variances could have occurred and not been detected.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

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

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

DELPHI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment appeared in the prior Report B52449.

Condition and Context

The financial statement included the Operations and Lease Financing 2019 funds with overdrawn cash balances of \$221,935 and \$134,354, respectively, at June 30, 2019. The comment excludes reimbursable grant funds with deficit cash balances at fiscal year end.

Criteria

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)

TRANSPORTATION AND EDUCATION FUND EXPENDITURES

A similar comment appeared in the prior Report B52449, entitled *School Transportation Fund*.

Condition and Context

From July 1, 2018 to December 31, 2018, a portion of the Principals' and Assistant Principals' salaries were paid from the School Transportation fund, totaling \$52,287. 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 \$29,252, without proper documentation of actual hours worked.

Prior to January 1, 2019, the Transportation fund paid for 100 percent of the salaries of the Director of Operations (over Maintenance & Transportation). Proper documentation to support this percentage was not available.

DELPHI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

After January 1, 2019, a portion of the Superintendent of Schools, Assistant Treasurer, and the Administrative Secretary's salaries were paid from the Education fund, totaling \$14,900, without proper documentation of actual hours worked.

Criteria

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."

Indiana Code 20-40-2-4 states:

"Except as provided in [IC 36-1-8-5.1](#) (school corporation rainy day fund), the education fund shall be used only to pay for expenses allocated to student instruction and learning under [IC 20-42.5](#). The fund may not be used to pay directly any expenses that are not allocated to student instruction and learning under [IC 20-42.5](#) or expenses permitted to be paid from the school corporation's operations fund."

PREPAID SCHOOL MEAL ACCOUNTS

The same comment appeared in the prior Report B52449.

Condition and Context

The School Corporation accounted for prepaid food within the Cafeteria Clearing Fund (8410). Individual student meal accounts were not always reconciled to the balance in the Cafeteria Clearing Fund during the audit period.

DELPHI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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 it 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 would be recorded to fund 8400 using receipt account number 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 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 the balance of the 8400 fund should 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)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The School Corporation's Annual Financial Report for fiscal year 2018-2019 was not filed electronically until November 12, 2019, which was 75 days past the due date.

Criteria

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2020, with Andrea Miller, Treasurer; Neal Anderson, President of the School Board; Tim Strasser, School Board Member; and Gayla Martin, Assistant Treasurer.

The contents of this report were discussed on February 27, 2020, with Dan Ronk, Superintendent of Schools, via telephone.