INDIAN RIVER SCHOOL DISTRICT

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

BELFINT
LYONS &
SHUMAN

CERTIFIED PUBLIC ACCOUNTANTS

BARRY A. CROZIER, CPA • DANIEL J. PROTOKOWICZ, CPA • MICHAEL D. WOLLASTON, CPA • PETER J. WINNINGTON, CPA
MICHAEL T. FRENCH, CPA • PATRICIA F. GENZEL, CPA • JORDON N. ROSEN, CPA • KAMINI D. PATEL, CPA
GREGORY J. SARNECKI, CPA • KENNETH W. STEWART, CPA • STEPHEN D. RITCHIE, CPA
DONNA L. MCCLINTOCK, CPA • JEFFREY A. ELWELL, CPA

CERTIFIED
PUBLIC
ACCOUNTANTS
& CONSULTANTS

1011 CENTRE ROAD
SUITE 310
WILMINGTON,
DE 19805
T: 302.225.0600
F: 302.225.0625
WWW.BELFINT.COM

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Dr. Susan S. Bunting
Superintendent
Indian River School District
31 Hosier Street
Selbyville, DE 19975

Dear Secretary Woodruff and Dr. Bunting:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and Indian River School District (the District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2006. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2006. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls include written policies and procedures to ensure that each control objective is met.

Finding - continued: The District office provides to school officials via email and internal mail guidelines for preparing and reporting the September 30 student count. It is our determination that these communications are not as sufficient as a complete set of written internal policies and procedures regarding the September 30 student count, creating a greater risk of noncompliance.

As described later in this report an error did occur when reporting the September 30 unit count to the State. It was our determination that this error could have been prevented by developing and maintaining the appropriate documentation in order to comply with The State of Delaware Budget and Accounting Policy Manual.

Recommendation: It is our recommendation that in order to comply with the requirements set forth by the State of Delaware and decrease the potential risk of noncompliance, the District should compile its current unit count process into a written policies and procedures format to include the following:

- References to pertinent rules and regulations as stipulated by the DOE or DE Code
- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.)
- Retention policy of records supporting the September 30 unit count
- Attendance-taking process in which it should include E-School software procedures (if applicable)
- Verification of attendance by upper level management
- How the District/school ensures that IEP files are current and meet the required guidelines
- How the District/school ensures that required documentation is maintained for students in vocational or co-op programs

District Response: Written procedures and documentation should be established by the District Unit Count Administrator to ensure that adequate policies and guidelines are developed, written, monitored and maintained in accordance with the above stipulations established by the State of Delaware.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

> "... each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits."
>
> "... enrollment means attending school sometime during the last 10 student attendance days of September or having a legitimate reason for not attending and being expected to return prior to November 1. Supporting documentation must be on file indicating the reason for absence and an expected return date."

Finding- continued:

During the engagement, the following condition was found:

School	Condition
Sussex Central Middle	Our review of the count showed that the school undercounted 1 seventh grade regular education student when reporting their September 30, 2006 enrollment figures.

It is our determination that the above condition is a direct result of inadequate supporting documentation.

No additional unit would have been gained if the 1 seventh grade student had been reported in the September 30, 2006 unit count.

Recommendation: It is our recommendation that the District maintain and reconcile appropriate support to ensure enrollment figures are properly reported to the DOE.

District Response: Written procedures and documentation should be established by the District Unit Count Administrator to ensure that adequate policies and guidelines are developed regarding the September 30 Student Count.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five "Individualized Education Program" (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE's Administrative Manual for Special Education Services.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE's Administrative Directives.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.

- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls includes written policies and procedures to ensure that each control objective is met. Due to District oversight the District has no set of written policies and procedures increasing the potential risk of noncompliance.

Recommendation: It is our recommendation that in order to comply with State of Delaware's Budget and Accounting Policy Manual the District develop a set of internal written policies and procedures regarding payroll to include the following:

- References to rules and regulations as stipulated by the DOE
- References to pertinent sections of DE Code
- Detailed procedures in reconciling actual staff to Division I units
- A management review process of staff listings and reconciliations including a time frame for completion

District Response: Written procedures and documentation should be established by the District Unit Count Administrator to ensure that adequate policies and guidelines are developed, written, monitored and maintained in accordance with the above stipulations established by the State of Delaware for the unit count entitlement as well as the reconciliation of the unit count positions via personnel and payroll operations.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: Delaware Code Title 14, Chapters 13 and 17 authorizes a district 1 secretary for every 10 Division I units for the first 100 units earned in the September 30th unit count. After the first 100 units the District is then authorized 1 secretary for every 12 Division I units. During FY06 the District generated 44 secretarial positions.

It is our determination that during FY06 the District occupied 45.47 positions. The overfilling of secretarial positions resulted in unauthorized State funding of $48,728. The error appears to be the result of the District not regularly tracking, monitoring and reconciling authorized positions by category to actual positions paid by category.

Recommendation: It is our recommendation that the District reconcile paid positions by category to the number of authorized positions on a regular basis to help minimize the risk of future noncompliance, and repay to the State $48,728.

District Response: Written procedures and documentation should be established by the District Unit Count Administrator to ensure that adequate policies and guidelines are developed, written, monitored and maintained in accordance with the above stipulations established by the State of Delaware for the unit count entitlement as well as the reconciliation of the unit count positions via personnel and payroll operations.

The District will also consult with the appropriate state entities regarding the potential repayment of the 1.47 secretarial units that is equivalent to approximately $48,728.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding: It is our determination that the District did not comply with 14 DE Code, Chapter 13 in respect to two classroom teachers sampled. As a result, the District undercharged State funds a total of $1,769 and overcharged local funds in the same amount. The error was due to the District misappropriating the salaries of two classroom teachers between State and local funds.

Recommendation: It is our recommendation that District reimburse local funds a total of $1,769 and review all split funded salary positions to ensure both State and local funds are being charged appropriately.

District Response: Written procedures and documentation should be established by the District Unit Count Administrator to ensure that adequate policies and guidelines are developed, written, monitored and maintained in accordance with the above stipulations established by the State of Delaware for the unit count entitlement as well as the reconciliation of the unit count positions via personnel and payroll operations.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from DOE.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if FY05 and FY06 occupational-vocational funds expended from July 1, 2005 through June 30, 2006 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures, relating to FY05 and FY06 occupational-vocational funding, were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY05 and FY06 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: Chapter 14 of DE Code Subsection 1706 entitled "Determination of Amount of Division II Appropriation" states that Division II funds (occupational-vocational funds) with the exception of Division II – energy funds, shall be allocated to each school that generates these funds and expended to support State-approved occupational-vocational courses and programs at that school.

It is our determination that FY05 occupational-vocational funds were properly allocated to each school but due to a lack of management over the funds some schools overspent their allocation. As a result, some schools within the District were forced to spend less than their entitlement.

The following is a partial summary of FY05 occupational-vocational funds by school:

School	Amount of Funding Allocated	Amount Expended	Difference
Indian River High	$ 39,777	$ 38,403	$ (1,374)
Sussex Central High	72,673	66,749	(5,924)
Selbyville Middle	16,054	16,515	461
Sussex Central Middle	14,870	21,707	6,837
	$ 143,374	$ 143,374	$ -

The District was aware of the lack of management over these funds during FY05 and at the beginning of FY06 began tracking, monitoring and reconciling occupational-vocational funds by school on a regular basis in order to comply with Chapter 14 of DE Code Subsection 1706.

State of Delaware guidelines allow a district to fund part of their annual giveback to the State by use of their occupational-vocational funds. The guidelines further state that a district may utilize up to 25% of their total occupational-vocational funds as part of this giveback. The remaining occupational-vocational funds are then to be allocated by the District to each school within the District that generated the funding.

It was further our determination that due to a mathematical error the District incorrectly transferred 28.45% or $64,379 of their FY06 occupational-vocational funds as part of their giveback. The District's intention was to transfer the correct maximum amount of $56,936 or 25%.

It is also our determination that the District made the same mathematical error on behalf of Howard T. Ennis School. Howard T. Ennis School is a special education school which operates within the District of Indian River; however, the school is treated as a separate district by the State. The District incorrectly transferred 28.78% or $5,738 of FY06 occupational-vocational funds as part of the Howard T. Ennis School giveback. The District's intention was to transfer the correct maximum amount of $4,983 or 25%.

As a result of the above, schools within the District including Howard T. Ennis School received less than their entitled amount of FY06 occupational-vocational funds.

Below is a summary of FY06 occupational-vocational funds by school.

School	Entitled Amount	Amount Received	Difference
Indian River High	$ 44,447	$ 43,478	$ (969)
Sussex Central High	77,602	73,201	(4,401)
Selbyville Middle	16,378	15,301	(1,077)
Sussex Central Middle	31,260	30,264	(996)
Howard T. Ennis	17,970	17,215	(755)
	$ 187,657	$ 179,459	$ (8,198)

In addition to the above summary, it is important to note that schools within the District spent only their portion of FY06 occupational-vocational funds which they had received, complying with Chapter 14 of DE Code Subsection 1706.

Recommendation: It is our recommendation that the District continue to track, monitor and reconcile occupational-vocational funds by school. It is further our recommendation that the District more thoroughly review its transfer calculations to ensure that the appropriate State guidelines are being adhered to.

It is further our recommendation that in order to comply with Chapter 14 of DE Code Subsection 1706 the District repay through local funds, $7,298 to appropriation 0265-05 and make those funds available to the schools that generated the FY05 occupational-vocational Division II funding. Furthermore, the District should contact the DOE and determine the appropriate corrective action in regards to their entitled funds not received.

District Response: The District will continue to monitor and evaluate the occupational-vocational funding at each school location in accordance with the criteria established by the DOE.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Belfint, Lyons & Shuman, P.A.

January 10, 2007
Wilmington, Delaware