

SEAFORD SCHOOL DISTRICT

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

STUDENT ACCOUNTING AND ENROLLMENT AS OF
SEPTEMBER 30, 2010

AUTHORIZED POSITIONS AND OCCUPATIONAL -
VOCATIONAL FUNDS, FISCAL YEAR ENDED JUNE 30, 2010

Issuance Date: May 5, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report on Applying Agreed-Upon Procedures



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The Honorable Lillian M. Lowery, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19901

Dr. Russell H. Knorr
Superintendent
Seaford School District
390 North Market Street
Seaford, DE 19973

Dear Secretary Lowery and Dr. Knorr:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Seaford School District (District), solely to assist you, the specified parties, in evaluating the compliance and effectiveness of the District's internal control over compliance with *Delaware Code*, Title 14, Chapters 13 and 17, Senate Bill 385 and *Delaware Administrative Code*, Title 14 Subsections 525, 701 and 925. Procedures were performed for student accounting and enrollment as of September 30, 2010. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for Fiscal Year ended June 30, 2010. 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* 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.

Criteria

The State of Delaware *Budget and Accounting Policy Manual* states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that

Agreed-Upon Procedure Number 1 - continued:

Criteria -continued

each control objective is met.” State of Delaware regulations provide guidance on processes it considers necessary for adequate internal controls over preparing, reviewing and reporting the September 30 student count. Additional guidance is outlined in the *DOE’s Instructions for Unit Count Reporting in eSchoolPlus* dated July 2010, and the *2010 Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30th Enrollment and Unit Computation*.

Condition

We obtained the District's written policies and procedures regarding the September 30 student count. Our review determined that not all school administrators within the District signed their school’s Full Student Register Report after verifying.

Cause

Some school administrators were not aware that the Full Student Register Report is required to be signed after verifying.

Effect

At September 30, 2010, each school within the District did not have included in their audit file a Full Student Register Report meeting DOE requirements.

Recommendation: It is our recommendation the District implement a procedure into their current internal controls to ensure every school administrator verifies and signs their school's Full Student Register Report.

District Response: Internal procedures have been reviewed with principals and an internal audit checklist will be maintained by principals and reviewed annually by the District Office. In addition, the Director responsible for the September 30 student count will conduct an annual internal audit of each school's September 30 file in mid-October.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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.

Criteria

Delaware Administrative Code, Title 14, Chapter 700, Subsection 701 entitled “Unit Count” mandates each school to assemble a comprehensive enrollment file that contains all necessary support materials to substantiate the enrollments reported. For students not in attendance at school during the last 10 school days of September during which students are required to be in attendance, specific information shall be on file to substantiate their inclusion in the enrollment count.

Agreed-Upon Procedure Number 2 - continued:

Condition

We obtained documentation from the District including attendance registers and other support to determine if students were properly included in or excluded from the enrollment figures. During our procedures, the following conditions were found:

School	Condition
Seaford ILC	Our review of the count found one student who was absent all ten days of the count period with an unknown expected return date was improperly included in the September 30, 2010 student count.
Frederick Douglass Elementary	Our review of the count determined a 4th grade student whose last day of enrollment was September 30, 2010 was improperly included in the September 30, 2010 student count.

Cause

The above conditions can be attributed to the following:

School	Cause
Seaford ILC	School administrators failed to perform procedures ensuring each student reported in their school's September 30 student count had on file documentation supporting their inclusion in accordance with <i>Delaware Administrative Code</i> , Title 14, Subsection 701.
Frederick Douglass Elementary	The School failed to withdraw the student as of their last day of enrollment.

Effect

The District reported an enrollment figure of 3,508 students to the DOE, of which two were improperly reported. As a result, the District received an additional .22 units in its September 30 student count, equivalent to \$18,617 in State funds.

Recommendation: It is our recommendation the District repay \$18,617 to the State of Delaware and thoroughly review unit count policies and procedures with each school.

District Response: The District has investigated the two conditions listed above and agree with the finding. The District will conduct a September 30 student count orientation meeting with administrators and secretaries at the beginning of each school year to reinforce the need for proper documentation and how to handle special circumstances. Additional control procedures will occur at the District Office and include running eSchool reports that show absenteeism for individual students and determining if they would be considered fleeting and momentary.

Agreed-Upon Procedure Number 2 - continued:

District Response - continued: The effect of the disallowed students has a reduced financial impact on the District as the full allocation of Division I units are not currently being utilized. The District has not utilized .20 Divisional I units. Therefore, it is the District's position that the repayment of \$18,617 is not necessary; rather the payment due is the balance of \$1,663.

Accountants Response: DOE guidance states that if a local district can demonstrate that it has not utilized all authorized Division I units for which it is entitled, no repayment will be required. In lieu of a repayment, the district shall certify that it has unfilled positions that will remain unfilled throughout the fiscal year. As such, it is our recommendation the District consult with the DOE to demonstrate and certify this information and agree on the appropriate amount of repayment.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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 Special Education Regulations 922-929. Calculate the dollar impact of disallowed students, if applicable.

Criteria

Delaware Administrative Code, Title 14, Chapter 900, Subsection 925 entitled "Children with Disabilities Subpart D, Evaluations, Eligibility Determination, Individualized Education Programs"

Condition

We selected a total of 58 IEP files. All files were current and contained the required documentation in accordance with the *Delaware Administrative Code*, Title 14, Chapter 900, Subsection 925.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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.

Criteria

Delaware Administrative Code, Title 14, Chapter 500, Subsection 525 entitled "Requirements for Career and Technical Education Programs"

Agreed-Upon Procedure Number 4 - continued:

Condition

The District did not report students in Cooperative Education or Diversified Education Programs during the September 30, 2010 student count.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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.

Criteria

The State of Delaware *Budget and Accounting Policy Manual* states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware's regulations provide guidance on processes it considers necessary for adequate internal controls over monitoring, tracking and reconciling the number of employees and salaries charged to the State's general fund.

Condition

We obtained the District's written policies and procedures for monitoring, tracking and reconciling the number of employees and monitoring and tracking salaries charged to the State's general fund. During our review of these procedures, we determined the District maintained written policies and procedures to ensure that each control objective is met.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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

Agreed-Upon Procedure Number 3 - continued:

Criteria

Delaware Code, Title 14, Chapters 13 and 17 entitled “Salaries and Working Conditions of School Employees” and “State Appropriations”

Condition

For the Fiscal Year ended June 30, 2010, the District was authorized 356.55 positions as determined by the *Delaware Code*, Title 14, Chapters 13 and 17. According to the payroll report detailing wages paid on January 15, 2010, the District paid 339.02 state funded positions and was operating within its number of authorized positions by category for this pay period.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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

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

Criteria

Delaware Code, Title 14, Chapter 13 entitled “Salaries and Working Conditions of School Employees”

Condition

We recalculated the annual salaries of one superintendant, six principals, two directors and 24 classroom teachers, utilizing the payroll report detailing wages paid on January 15, 2010, in accordance with *Delaware Code*, Title 14, Chapter 13. Our recalculation found the responsibility index of one principal and the yearly pay index of another were improperly calculated during the fiscal year ended June 30, 2010.

Cause

The above condition can be attributed to the following:

<u>Condition</u>	<u>Cause</u>
Incorrect Responsibility Index	The payroll department used the incorrect number of Division 1 units earned by the high school when calculating the responsibility index of the respective principal.
Incorrect Yearly Pay Index	The District failed to update the degree of the principal from Masters to Masters plus 45 credits.

Agreed-Upon Procedure Number 4 - continued:

Effect

For the Fiscal Year ended June 30, 2010 a total of \$5,621, which was entitled to be disbursed from the State's general fund, was either charged to another funding source or not disbursed at all.

Recommendation: It is our recommendation that the District thoroughly review *Delaware Code*, Title 14, Chapter 13 entitled "Salaries and Working Conditions of School Employees" and its monitoring controls in payroll processing to prevent future noncompliance.

District Response: The District failed to include the vocational units in the Division I units earned by the high school when calculating the responsibility index of the high school principal. In the future, vocational units will be included in this calculation.

The District has conducted an internal audit of our administrative employee files to verify that all degree status updates are reflected in the calculation of the yearly pay index.

In both of the above situations, the employee received the pay to which they were entitled. The earnings were charged to local funds.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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.

Criteria

Delaware Code, Title 14, Chapter 17, Subsection 1706 entitled "Determination of Amount of Division II Appropriation"

Condition

The District chose not to request a waiver from the DOE; therefore, the District must comply with the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding. Refer to Occupational-Vocational Unit Division II Funds *Agreed-Upon Procedures Number 2 and 3* for procedures performed regarding compliance with this requirement.

Agreed-Upon Procedure Number 1 - continued:

Status of Prior Year Finding and Recommendation: No finding was reported in our prior year report dated January 8, 2008.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if Fiscal Years (FY) FY2009 and FY2010 occupational-vocational funds expended from July 1, 2009 through June 30, 2010 were (1) expended for State-approved occupational-vocational courses and programs within the District, (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS). Our sample was selected as follows:

For funds received during FY09 (0265-09 funding) but spent during FY10, and for funds received and spent during FY10 (0265-10 funding), select 10 transactions between the range of \$100 to \$1,000 and 20 percent of transactions greater than \$1,000 or a minimum of 5 transactions (whichever is greater).

Criteria

Delaware Code, Title 14, Chapter 17, Subsection 1706 entitled “Determination of Amount of Division II Appropriation”

Condition

We examined the following:

Funding Year	Number of Expenditures		Total Dollar Amount of Expenditures	
	Population	Sample	Population	Sample
FY 09	21	12	\$ 44,519	\$ 20,834
FY 10	62	14	76,670	48,787

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

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY09 and FY10 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Agreed-Upon Procedure Number 3 - continued:

Criteria

Delaware Code, Title 14, Chapter 17, Subsection 1706 entitled “Determination of Amount of Division II Appropriation”

Condition

It is our determination that as June 30, 2010 Seaford Middle School expended \$468 of FY09 occupational-vocational funds to which they were not entitled.

Cause

The District was unaware that during January 2009 the State of Delaware revised occupational-vocational allocations amongst their schools.

Effect

Seaford Middle School expended a total of \$468 of FY09 occupational-vocational funds to which they were not entitled. As a result, Seaford High School did not receive \$468 of entitled FY09 occupational-vocational funding.

Recommendation: It is our recommendation that in order to comply with *Delaware Code*, Chapter 14, Subsection 1706, the District repay \$468 from local funds to appropriation FY09 0265 and make those funds available to Seaford High School.

District Response: In FY09 the District failed to adjust the percentage of vocational funds earned between our middle school and our high school based upon increased vocational minutes earned by the high school. This resulted in the middle school expending \$468 of FY09 occupational funds that were actually earned by the high school. However, in FY09, the District expended \$4,546 in discretionary funds toward construction of the greenhouse for the high school’s new Agriculture Science program. Therefore, it is the District’s position that no repayment is due to the high school.

Accountants Response: The DOE is in agreement with the District’s position.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

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 the Controller General, Office of the Attorney General, Office of Management and Budget, the Department of Finance, and the Office of the State Treasurer.

Bellini, Lyons & Stuman, P.A.

January 26, 2011
Wilmington, Delaware

Distribution of Report

Copies of this report have been distributed to the following public officials:

Executive Branch

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Thomas J. Cook, Secretary, Department of Finance
The Honorable Ann S. Visalli, Director, Office of Management and Budget
Mr. Kristopher Knight, Director, Division of Accounting, Department of Finance
The Honorable Lillian Lowery, Ed.D., Secretary, Department of Education
Ms. Karen Field Rogers, Associate Secretary, Financial Reform and Resource Management, Department of Education
Mr. Robert Czeizinger, Director, Technology Resources and Data Development, Department of Education
Ms. Emily Falcon, Director, Financial Reform and Resource Management, Department of Education
The Honorable R. Thomas Wagner, Jr., State Auditor, Office of Auditor of Accounts

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General
The Honorable Chipman Flowers, Jr., Esq., Treasurer, Office of the State Treasurer

Other

Ms. Susan M. Farris, President, Seaford School District Board of Education
Mr. Clint Dunn, Vice President, Seaford School District Board of Education
Dr. Russel H. Knorr, Superintendent, Seaford School District

This report can be accessed online through the Auditor of Accounts (AOA) website at <http://auditor.delaware.gov>.