

SMYRNA 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**

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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

Mrs. Deborah D. Wicks
Superintendent
Smyrna School District
82 Monrovia Avenue
Smyrna, DE 19977

Dear Secretary Lowery and Mrs. Wicks:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Smyrna 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

Agreed-Upon Procedure Number 1 - continued:

Criteria - continued

states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware regulations provide guidance on processes it considers necessary for adequate written 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. We determined these policies and procedures failed to include processes considered necessary by the State of Delaware for adequate written internal controls over preparing, reviewing and reporting the September 30 student count in a standalone manual.

Cause

The District failed to implement the recommendation in our prior report dated February 11, 2008.

Effect

Incomplete written policies and procedures create a greater risk of noncompliance with *Delaware Code* and DOE regulations and guidelines.

Recommendation: It is our recommendation the District implements the following criteria into its internal policies and procedures to ensure each school within the District has followed the necessary requirements set forth by DOE.

- Reference to pertinent rules and regulations as stipulated by *Delaware Code*.
- Procedures for maintaining documentation to support enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, absences).
- Retention policy for records supporting the September 30 student count (September 30 audit file).
- Procedures to ensure Individualized Education Program (IEP) files are current, meet required DOE guidelines and file information is reported correctly.
- Procedures to ensure vocational and co-op student files are current and meet required DOE guidelines.

Agreed-Upon Procedure Number 1 - continued:

District Response: After the FY 2008 audit, the District did modify our policies and procedures. They were further modified as the District made the transition to needs based funding and again with the recent retirement of one of our technology staff members. The District strives to make our written policies as current and complete as possible.

Status of Prior Year Finding and Recommendation: In our prior report dated February 11, 2008, we recommended the District implement certain policies and procedures to comply with requirements set forth by the State of Delaware and the DOE. The District failed to implement this recommendation.

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.

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, we found a first grade student, who prior to September 30, 2010 notified the school that September 30, 2010 would be their last day of attendance, was incorrectly reported to the DOE in the District's September 30, 2010 student count,

Cause

School administrators believed the student was eligible to be reported in the September 30, 2010 student count due to being in attendance on September 30, 2010.

Effect

The District reported an enrollment figure of 4,981 students to the DOE, of which one student was improperly reported. As a result, the District received an additional .06 units in its September 30, 2010 student count, equivalent to \$5,290 in State funds.

Recommendation: It is our recommendation the District repay the State of Delaware \$5,290 and thoroughly review its unit count policies and procedures with each school to reduce the risk of future noncompliance.

Agreed-Upon Procedure Number 2 - continued:

District Response: The District concurs that the first grade student in question should not have been included in the unit count as the District had written notification that the student would be transferring out of the District the beginning of October. The District will return Division II and III funding to the state in the amount of \$1,515 and will make adjustments to its staffing to reflect the reduction of .06 units.

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.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated February 11, 2008.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at the 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 72 IEP files. All files were current and contained the required documentation in accordance with *Delaware Administrative Code*, Title 14, Chapter 900, Subsection 925.

Status of Prior Year Finding and Recommendation: In our prior year report dated February 11, 2008, we reported the review of a selected student’s IEP file revealed the number of special education services hours reported to the DOE in the September 30, 2007 student count for this student had been incorrectly reported. While no unit or dollar impact was associated with this finding we recommended the District develop procedures to ensure accurate IEP information is being reported to the DOE. It is our determination the District implemented this recommendation in its entirety.

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.

Agreed-Upon Procedure Number 4 - continued:

Criteria

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

Condition

All six files selected were current and contained the required documentation in accordance with the DOE’s Administrative Directives.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated February 11, 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 regulations provide guidance on processes it considers necessary for adequate written internal controls over monitoring and tracking the number of employees and salaries charged to the State’s general fund.

Condition

We obtained the District’s written policies and procedures regarding controls over monitoring and tracking the number of employees and salaries charged to the State’s general fund. Our review determined that the necessary processes identified by the State of Delaware are included in the District’s written policies and procedures.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated February 11, 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 478.87 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 452.70 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 February 11, 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, Chapters 13 and 17:

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 superintendent, one assistant superintendent, seven principals, two directors and 33 teachers utilizing the payroll report detailing wages paid on January 15, 2010, in accordance with *Delaware Code*, Title 14, Chapter 13. All employees, as detailed above, were found to have been paid in accordance with *Delaware Code*, Title 14, Chapter 13.

Status of Prior Year Finding and Recommendation: In our prior report dated February 11, 2008, we determined the District disbursed a total of \$1,489 in salary expense from a funding source other than the State’s general fund in which it was entitled. We recommended the District review all split-funded salary positions to ensure all funding sources are charged appropriately and also review all administrators’ responsibility indexes for accuracy. It is our finding, based on the results of our current year procedures; the District implemented this recommendation in its entirety.

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.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated February 11, 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 and (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 five transactions (whichever is greater).

Criteria

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

Agreed-Upon Procedure Number 2 - continued:

Condition

We examined the following:

<u>Funding Year</u>	<u>Number of Expenditures</u>		<u>Total Dollar Amount of Expenditures</u>	
	<u>Population</u>	<u>Sample</u>	<u>Population</u>	<u>Sample</u>
FY 09	107	15	\$ 84,895	\$ 36,075
FY 10	280	15	110,558	42,008

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

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated February 11, 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.

Criteria

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

Condition

It is our determination that FY09 and FY10 occupational-vocational funds as of June 30, 2010, were properly allocated to and disbursed by schools within the District that generated the funding.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated February 11, 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 & Shuman, P.A.

January 31, 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

Mr. Ronald Eby, President, Smyrna School District Board of Education
Ms. Vetra Evans-Gunter, Vice President, Smyrna School District Board of Education
Ms. Deborah D. Wicks, Superintendent, Smyrna School District

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