

DELMAR SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**STUDENT ACCOUNTING AND ENROLLMENT AS OF
SEPTEMBER 30, 2011**

**AUTHORIZED POSITIONS AND OCCUPATIONAL -
VOCATIONAL FUNDS, FISCAL YEAR ENDED JUNE 30, 2011**

Report Issued: March 13, 2012

**B E L F I N T
L Y O N S &
S H U M A N**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

David C. Ring, Jr., Ed.D.
Superintendent
Delmar School District
200 North Eighth Street
Delmar, DE 19940

Dear Secretary Lowery and Dr. Ring:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Delmar 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, 2011. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for Fiscal Year ended June 30, 2011. 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

Agreed-Upon Procedure Number 1-continued:

Criteria-continued

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 2011, and the *2011 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 the following processes identified by the State of Delaware as necessary are excluded from the District’s written policies and procedures.

- 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.)
- Procedures for students who have been absent greater than five days during the count period
- Procedures to ensure eligibility to count a student that transferred in during the count period
- Procedures to ensure students transferring out of District during the count period are counted by the appropriate district
- Retention policy of records (September 30 audit file) supporting the September 30 unit count
- Attendance-taking processes to include *eSchoolPlus* software procedures
- Policies and procedures in regard to Individualized Education Program files to ensure the information is present and current
- Policies and procedures to ensure vocational student files are current and contain the required information in accordance with the DOE’s Administrative Directives (if applicable)

Cause

The District follows DOE guidelines and instructions when reporting its September 30 student count to the DOE. As such, many policies and procedures considered necessary by the State of Delaware to be included in a district’s policy manual are considered assumed by the District and excluded from its September 30 student count written policies.

Effect

Incomplete written policies and procedures create a greater risk of noncompliance with *Delaware Code* and DOE regulations including improperly reporting students to the DOE at September 30.

Agreed-Upon Procedure Number 1-continued:

Recommendation: It is our recommendation that the District's current written policies and procedures be expanded to include the above excluded processes.

District Response: September 30 count procedures were written at both the school and District level after the Fiscal Year 2009 agreed-upon procedure finding. The District level procedures did not include the required processes however, the school level procedures did. The District will implement the school level procedures into the District level procedures.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we recommended the District expand their written policies and procedures to comply with State of Delaware guidelines. The District updated their school and District September 30 policies and procedures after the Fiscal Year 2009 agreed-upon procedure finding however, the District level procedures failed to include certain processes considered necessary by the State of Delaware. The District has indicated they will implement their school level procedures, which include the required processes, into their District level procedures.

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 enrollment figures reported to the DOE. Our procedures determined one ninth grade student who was absent the last 10 school days of September with no documented expected return date and one seventh grade student who withdrew on September 29, 2011 were both improperly reported to the DOE in the District's September 30, 2011 student count.

Cause

The District failed to properly review enrollment figures and ensure all reported students met the reporting requirements as stated in *Delaware Administrative Code*, Title 14, Chapter 700, Subsection 701 entitled "Unit Count."

Agreed-Upon Procedure Number 2-continued:

Effect

The District improperly reported enrollment figures to the DOE. As a result, the District incorrectly received .10 units, equivalent to \$9,215 in State funding.

Recommendation: It is our recommendation the District repay the State of Delaware \$9,215 and thoroughly review *Delaware Administrative Code*, Title 14, Chapter 700, Subsection 701 entitled “Unit Count” to prevent future noncompliance.

District Response: The District will work with the DOE and the State of Delaware to repay the funds transferred to the District for the .10 positions negated by the two students counted in error. Additionally, the District will be more conscientious about being in compliance with the required processes to determine which students can be counted.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we recommended the District expand their written policies and procedures to comply with State of Delaware guidelines and aid in compliance with *Delaware Administrative Code*, Title 14, Chapter 700, Subsection 701 entitled “Unit Count”. The District has indicated they will implement their school level procedures, which include the required processes, into their District level procedures.

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, and Individualized Education Programs”

Condition

We selected a total of 21 IEP files. All files selected 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 and most recent agreed-upon procedure report dated February 5, 2009, we reported no finding and recommendation for this procedure.

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. 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"

Condition

The District did not report students in Cooperative Education or Diversified Education Programs during the September 30 student count; therefore, these procedures were not applicable.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we recommended the District establish policies and procedures to ensure vocational student files are properly maintained, current, and contain the required information in accordance with *Delaware Administrative Code*, Title 14, Chapter 500, Subsection 525 entitled "Requirements for Career and Technical Education Programs. The District has implemented this recommendation.

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 the amount of salary expense charged to the State's general fund.

Agreed-Upon Procedure Numbers 1 and 2-continued:

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. 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: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we reported no finding and recommendation for this procedure.

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.

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, 2011, the District's authorized number of positions as calculated per the *2010-2011 Position Entitlement Report* was 112.47. This amount must be adjusted down by the number of positions assigned to certain special needs programs that do not exist within the District. As a result, 112.47 of total authorized positions less 2.52 special needs positions not operational at the District resulted in an adjusted authorized position amount of 110.15 for the Fiscal Year ended June 30, 2011.

As determined by the payroll report detailing wages paid on March 26, 2011, the District paid 108.26 positions and was operating within its number of authorized positions by category.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we reported no finding and recommendation for this procedure.

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"

Agreed-Upon Procedure Number 4-continued:

Condition

We recalculated the annual salaries of 1 superintendent, 1 assistant superintendent, 1 director being funded as an 11-month supervisor, 2 principals, and 8 teachers utilizing the payroll report detailing wages paid on March 26, 2011. All employees selected, 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 and most recent agreed-upon procedure report dated February 5, 2009, we reported the District incorrectly disbursed \$3,370 in salary expense from the State's general fund. It was our recommendation the District contact the DOE to determine appropriate repayment terms. The District did contact the DOE and followed their requested method of repayment.

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 ninety percent (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: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we reported no finding and recommendation for this procedure.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if Fiscal Years (FY) 2010 and 2011 occupational-vocational funds expended from July 1, 2010 through June 30, 2011 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 First State Financial System (FSF). Our sample was selected as:

Agreed-Upon Procedure Number 2-continued:

For funds received during FY2010 (0265-10 funding) but spent during FY2011, and for funds received and spent during FY2011 (0265-11 funding), select 10 transactions between the range of \$100 to \$1,000 and twenty percent (20%) 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
FY2010	82	15	\$ 64,383	\$ 15,897
FY2011	10	10	12,200	12,200

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 FSF.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we reported no finding and recommendation for this procedure.

Agreed Upon Procedure Number 3: Review financial records to determine if FY2010 and FY2011 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 FY2010 and FY2011 occupational-vocational funds as of June 30, 2011, were properly allocated to and spent by the schools within the District that generated the funding.

Agreed Upon Procedure Number 3-continued:

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 5, 2009, we reported the District misallocated \$3,686 of FY2007 occupational-vocational funds. It was our recommendation the District repays \$3,686 to the middle school who generated and was entitled to the amount. It was further our recommendation the District develop policies and procedures to prevent future misallocations. The District has implemented these recommendations.

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, the Department of Finance, and the Officer of the State Treasurer.

Belfint, Lyons & Shuman, P.A.

January 18, 2012
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

Legislative Branch

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

Other Elective Offices

The Honorable R. Thomas Wagner, Jr., State Auditor, Office of Auditor of Accounts
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. Shawn B. Brittingham, President, Delmar School District Board of Education
Mr. David A. Burton, Jr., Vice President, Delmar School District Board of Education
Dr. David C. Ring, Jr., Superintendent, Delmar School District

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