

*Santora CPA Group*

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**State of Delaware  
Municipal Grants Agreed-Upon  
Procedures Engagement  
Town of Frederica**

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*Fiscal Years Ended June 30, 2011 and 2010*

Issued: September 30, 2013

## **Background**

### **Municipal Street Aid Fund (MSAF)<sup>1</sup>**

The State Legislature annually appropriates a portion of the Delaware Transportation Trust Fund to be distributed by the State Treasurer to each of the 57 municipalities. The money is to be used for the maintenance of city-maintained streets as prescribed in 30 Del. C. §5165. Distribution is based on two factors:

- Population certified by the U.S. Bureau of Census, Delaware Population Consortium or a prescribed enumeration (40% of distribution)
- Mileage as verified by the Data Collection Unit (60% of distribution)

30 Del. C. §5165 also requires annual reporting by the municipalities to the State Treasurer and the Department of Transportation (DOT). The annual reporting requirements have been incorporated into the agreed-upon procedures performed during this engagement.

### **State Aid to Local Law Enforcement (SALLE) Grant Fund<sup>2</sup>**

Since 1969, the Delaware Legislature has allocated funds through the Grant-in-Aid Bill annually to aid local law enforcement agencies and improve their effectiveness. This program has been named the State Aid to Local Law Enforcement Program, otherwise known as SALLE.

All related SALLE funds are appropriated to the Department of Safety and Homeland Security (DSHS), which is then responsible for tracking the funds in the State's accounting system and distributing the funds to the municipalities.

A police department receiving SALLE money must be in compliance with the Delaware Police Training Program described in 11 Del. C. Chapter 84. Annually, officers must attend 16 hours of additional training and obtain firearms recertification three times per year, including two day shoots and one night shoot. Further, all officers in the State shall successfully complete a First Responder Course every two years and be certified in cardiopulmonary resuscitation and automated external defibrillator. Upon completion of basic training, the officer receives a certificate from The Delaware Council on Police Training with a Council on Police Training number.

A SALLE Manual has been developed, which promulgates the various requirements and the application process a municipality must follow in order to qualify for SALLE funding. In addition, the SALLE Manual requires the development of an eight-person committee that is responsible for the review and approval of all applications for SALLE funds by the individual municipalities. Municipalities may apply for grant money between July 31 and January 31 of each fiscal year, and each grant is open for a three-year period.

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<sup>1</sup> <http://www.deldot.gov/information/projects/msa/index.shtml>

<sup>2</sup> SALLE Manual, Chapter I

A program administrator is also responsible for collecting information from the municipalities to ensure that they are meeting certain criteria. The various requirements contained within the SALLE Manual have been incorporated into the agreed-upon procedures performed during this engagement.

### **Emergency Illegal Drug Enforcement (EIDE) Grant Fund**<sup>3</sup>

Through the Grant-in-Aid Bill, the Delaware Legislature has also allocated funds to the SALLE Committee to be used for EIDE programs. Funds may be used for drug-related enforcement or the purchase of drug-enforcement equipment.

A police department receiving EIDE money must be in compliance with the Delaware Police Training Program described in 11 Del. C. Chapter 84, as mentioned in the SALLE background section.

All EIDE funds are approved and distributed in the same manner as SALLE funds. Additionally, an EIDE Manual has been developed similar to that of the SALLE Manual. Municipalities may apply for EIDE grant money between July 31 and January 31 of each fiscal year, and each grant is open for a three-year period. The various requirements contained within the EIDE Manual have been incorporated into the agreed-upon procedures performed during this engagement.

### **Municipal Grants Received**

The table in Appendix A summarizes the municipal grants received by the Town of Frederica (the Town) for the State Fiscal Years Ended June 30, 2010 (Fiscal Year 2010) and June 30, 2011 (Fiscal Year 2011).

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<sup>3</sup> *EIDE Manual, Chapter I*

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

William G. Glanden  
Mayor  
Town of Frederica  
P.O. Box 294  
Frederica, Delaware 19946

The Honorable R. Thomas Wagner, Jr.  
State Auditor  
Townsend Building, Suite 1  
401 Federal Street  
Dover, Delaware 19901

We have performed the procedures enumerated below, which were agreed to by you solely to assist you in evaluating compliance with the Delaware Code, the State Aid to Local Law Enforcement Fund Manual, and the Emergency Illegal Drug Enforcement Fund Manual. Management is responsible for the Town's compliance with those requirements for the State Fiscal Years ended June 30, 2011 (Fiscal Year 2011) and June 30, 2010 (Fiscal Year 2010).

This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Controller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures described below is solely the responsibility of those parties specified in this 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 were as follows:

### **Municipal Street Aid Funds (MSAF)**

- 1. Ascertain if the municipality maintains a separate bank account designated as MSAF [30 Del. C. §5165(a)].**

**Results:** We verified that the Town currently has one account that is designated as MSAF – an interest-bearing checking account. We obtained copies of the bank statements designated as MSAF without exception.

- 2. Verify that the municipality furnished evidence to the Office of the State Treasurer that the municipal employees authorized to expend MSAF are bonded in an amount as may be required by the charter of the municipality [30 Del. C. §5165(b)(1)].**

**Results:** We obtained copies of the public official bonds for individuals authorized to expend MSAF, that were furnished to the Office of the State Treasurer for Fiscal Years 2010 and 2011. The Town furnished appropriate documentation to the Office of the State Treasurer, as required by Section 12(c) of the Town charter.

3. **Obtain evidence that the municipality submitted an annual expenditure report to the Office of the State Treasurer no later than October 1 that reflected the expenditures of the MSAF for the period under review [30 Del. C. §5165(b)(2)].**

*Results:* We obtained copies of the annual expenditure reports for Fiscal Years 2010 and 2011 that were submitted to the Office of the State Treasurer by the Town. The report for Fiscal Year 2010 was submitted prior to the October 1<sup>st</sup> deadline. However, the report reflected total expenditures of \$16,630, \$2,388 more than total MSAF expenditures per the Town's general ledger detail. The report for Fiscal Year 2011 was submitted in February 2012 and incorrectly reported amounts received and expended based on activity for Calendar Year 2011, not Fiscal Year 2011. The report reflected total expenditures of \$1,345, \$1,267 more than total MSAF expenditures per the Town's general ledger detail.

4. **Obtain a schedule prepared by the municipality of all MSAF expenditures, including the cancelled checks and supporting documentation for the engagement period, to ensure that an amount not exceeding 30% of the annual grant was used for the following:**
  - a. **Construction, installation, repair, maintenance, replacement of water and sewer systems.**
  - b. **Preparation or revision of comprehensive plans for urban renewal.**
  - c. **Payment of principal and interest on any bonds issued for purpose of subdivision [30 Del. C. §5165(a)(1)].**

*Results:* The Town did not expend MSAF for any of the above categories during either Fiscal Year 2010 or 2011.

5. **In addition to expenditures authorized in the step above, review 10% (but at minimum 1) of cancelled checks (using a random selection method) and trace them to the supporting documentation to determine that they were restricted to the following categories:**
  - a. **Street improvements.**
  - b. **Lighting of streets and all expenses related thereto.**
  - c. **Payment of principal and interest on any bonds issued for street improvements [30 Del. C. §5165(a)(2)].**

**Inspect the internal records maintained by the municipality and supporting documentation to determine whether expenditures out of the MSAF account were paid timely in accordance with the State of Delaware *Budget and Accounting Manual*.**

*Results:* We reviewed two cancelled checks totaling \$2,556 from a population of 15 transactions totaling \$14,242 for Fiscal Year 2010. We traced the cancelled checks to the supporting documentation and determined that they were restricted to the categories noted above. We inspected the internal records maintained by the Town and supporting documentation noting that expenditures out of the MSAF account were made within the grant period and paid timely in accordance with the State of Delaware *Budget and Accounting Manual*.

This procedure is not applicable to Fiscal Year 2011. There was no cancelled check activity for the period.

- 6. Review the bid process to determine if street improvement contracts were awarded in accordance with 29 Del. C. ch. 69 and 30 Del. C. §5165(b)(3).**

*Results:* This procedure was not applicable. The Town did not award any MSA-funded street improvement contracts subject to the bid process included in 29 Del. C. ch. 69 and 30 Del. C. §5165(b)(3) during Fiscal Years 2010 and 2011.

- 7. Request the MSAF bank statement to determine if any excess funds were invested in short-term, government securities, or deposited in a bank or savings and loan, interest bearing account, or agency of the U.S. government. If so, determine that the interest earned was expended in an approved program category [30 Del. C. §5165(c)].**

*Results:* We obtained the MSAF bank statements for Fiscal Years 2010 and 2011. In Fiscal Years 2010 and 2011, \$1 was earned in interest income each year. Interest earned was expended in approved program categories.

- 8. Obtain from the DOT a copy of the affidavit signed by the municipality and ensure the affidavit is submitted to the DOT no later than May 15. Review supporting documentation maintained by the municipality and agree to the population and street data reported [30 Del. C. §5165(b)(4)].**

*Results:* MSAF grants were not appropriated during Fiscal Year 2010; therefore, an affidavit was not required. The Town did not submit an affidavit to DOT for Fiscal Year 2011. In addition, the Town did not maintain supporting documentation for population or street data reported.

- 9. Obtain the DOT's allocation of the MSAF. Recalculate the municipality's share of funds to verify the accuracy of the computation [30 Del. C. §5163].**

*Results:* We obtained the DOT's allocation of the MSAF. We recalculated the municipality's share of funds and verified the accuracy of the computation. We found no exception as a result of applying this procedure for Fiscal Years 2010 and 2011.

#### **State Aid to Local Law Enforcement Funds (SALLE)**

- 1. Obtain from the municipality a schedule of SALLE grants received or expended during the two fiscal years under review. The schedule should detail each grant by year of award and include any amounts received, expended, and remaining during each fiscal year under review, to the extent that time has passed (see example schedules).**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

- 2. For any new police officers employed during the two fiscal years under review, inspect the personnel records and document that the officer has a certificate of completion from a police academy certified by the Council on Police Training [11 Del. C. §8405].**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

3. **Inspect 10%, or a minimum of five, of the personnel records of all police officers employed during the two fiscal years under review and document the training courses attended by those officers during that period [11 Del. C. §8405].**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

4. **Review appropriate payroll records to determine if all police salaries paid during the two fiscal years under review are equal to or above the minimum required salary [SALLE Manual, Chapter II, 3].**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

5. **Obtain a copy of the “SALLE Statement of Sworn Officers” document for the two fiscal years under review and agree the number of full-time, sworn officers who have been certified and were on the municipality’s payroll as of July 1 [SALLE Manual, Chapter III, 2].**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

6. **For all SALLE funds expended during the two fiscal years under review, select ten (or all if less than ten) expenditure transactions and supporting documentation for each fiscal year from the cancelled checks to verify that funds expended were not used for prohibited items. Also review all expenditure transactions and supporting documentation over \$5,000. [Guidance for allowable and unallowable expenditures can be found in Chapter IV of the SALLE Manual.] Determine if expenditures were made timely in accordance with the State of Delaware *Budget and Accounting Manual*.**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

7. **Verify that all SALLE grants fully expended during the two fiscal years under review submitted a “Final Report Form” to the DSHS [SALLE Manual, Chapter V, 6].**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

8. **Ascertain that, if the SALLE funds were used to match federal funds, the federal funds to be matched were identified at the time the SALLE grant was submitted. A letter must be submitted to the Grant Administrator requesting permission to match a federal program prior to the SALLE funds being used [SALLE Manual, Chapter V, 6].**

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

9. If SALLE funds from the prior fiscal year were not expended, obtain support from the municipality that the Grant Administrator was notified that the funds would be carried over to the next fiscal year(s) [SALLE Manual, Chapter V, 7].

*Results:* This procedure is not applicable. The Town did not receive or expend SALLE funds for Fiscal Years 2010 or 2011.

**Emergency Illegal Drug Enforcement Funds (EIDE)**

1. Obtain from the municipality a schedule of EIDE grants received or expended during the two fiscal years under review. The schedule should detail each grant by year of award and include any amounts received, expended, and remaining during each fiscal year under review, to the extent that time has passed (see example schedules).

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

2. For any new police officers employed during the two fiscal years under review, inspect the personnel records and document that the officer has a certificate of completion from a police academy certified by the Council on Police Training [11 Del. C. §8405].

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

3. Inspect 10%, or a minimum of five, of the personnel records of all police officers employed during the two fiscal years under review and document the training courses attended by those officers during that period [11 Del. C. §8405].

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

4. Review appropriate payroll records to determine if all police salaries paid during the two fiscal years under review are equal to or above the minimum required salary [EIDE Manual, Chapter II, 3].

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

5. Obtain a copy of the “EIDE Statement of Sworn Officers” document for the two fiscal years under review and agree the number of full-time, sworn officers who have been certified and were on the municipality’s payroll as of July 1 [EIDE Manual, Chapter III, 2].

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

6. For all EIDE funds expended during the two fiscal years under review, select ten (or all if less than ten) expenditure transactions and supporting documentation for each fiscal year from the cancelled checks to verify that funds expended were not used for prohibited items. Also review all expenditure transactions and supporting documentation over \$5,000.

[Guidance for allowable and unallowable expenditures can be found in Chapter IV of the EIDE Manual.] Determine if expenditures were made timely in accordance with the State of Delaware *Budget and Accounting Manual*.

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

7. **Verify that all EIDE grants fully expended during the two fiscal years under review submitted a “Final Report Form” to DSHS.**

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

8. **Ascertain that, if the EIDE funds were used to match federal funds, the match did not exceed 25% of the total grant [EIDE Manual, Chapter IV, 2].**

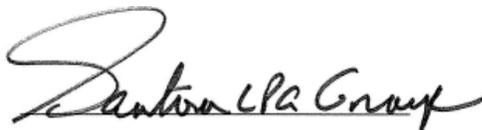
*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

9. **If EIDE funds from the prior fiscal year were not expended, obtain support from the municipality that the Grant Administrator was notified that the funds would be carried over to the next fiscal year(s) [EIDE Manual, Chapter V, 4].**

*Results:* This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2010 or 2011.

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 the specified criteria. 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 Town’s management and council members, the Department of Safety and Homeland Security, the Office of the State Treasurer, and the Office of Auditor of Accounts, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del. C., §10002(1), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, and the Office of Management and Budget.



July 16, 2013

*MSAF Expenditures as of June 30, 2011*

<b>Date</b>	<b>Vendor</b>	<b>Amount</b>	<b>Description of Expenditure</b>
7/30/10	Wilmington Trust	\$ 18	Bank Service Charges
4/29/11	Wilmington Trust	20	Bank Service Charges
5/31/11	Wilmington Trust	20	Bank Service Charges
6/29/11	Wilmington Trust	20	Bank Service Charges

**TOTAL MSAF**                      \$                      78

***MSAF Expenditures as of June 30, 2010***

<b>Date</b>	<b>Vendor</b>	<b>Amount</b>	<b>Description of Expenditure</b>
7/1/09	Delmarva Power	\$ 1,274	Street Lights
7/20/09	Delmarva Power	1,370	Street Lights
7/29/09	Delmarva Power	1,271	Street Lights
8/27/09	Delmarva Power	1,271	Street Lights
9/21/09	Delmarva Power	1,271	Street Lights
10/26/09	Delmarva Power	1,271	Street Lights
12/2/09	Delmarva Power	1,271	Street Lights
1/6/10	Delmarva Power	1,281	Street Lights
2/6/10	Delmarva Power	1,285	Street Lights
2/6/10	Delmarva Power	1,293	Street Lights
3/10/10	Wilmington Trust Co.	18	Bank Service Charges
3/10/10	Delmarva Power	1,312	Street Lights
4/30/10	Wilmington Trust Co.	18	Bank Service Charges
5/28/10	Wilmington Trust Co.	18	Bank Service Charges
6/30/10	Wilmington Trust Co.	18	Bank Service Charges

**TOTAL MSAF**                      **\$ 14,242**

## Appendix A

Fiscal Year 2010 and Fiscal Year 2011 State of Delaware Municipal Grants Awarded <sup>4</sup>						
Municipality	Fiscal Year 2010 MSAF <sup>5</sup>	Fiscal Year 2010 SALLE	Fiscal Year 2010 EIDE	Fiscal Year 2011 MSAF	Fiscal Year 2011 SALLE	Fiscal Year 2011 EIDE
Arden	\$ -	\$ -	\$ -	\$ 14,116	\$ -	\$ -
Ardencroft	-	-	-	4,794	-	-
Ardentown	-	-	-	8,743	-	-
Bellefonte	-	-	-	7,565	-	-
Bethany Beach	-	4,451	3,730	86,912	4,264	3,596
Bethel	-	-	-	6,599	-	-
Blades	-	3,161	3,081	23,124	3,421	3,199
Bowers Beach	-	-	-	8,285	-	-
Bridgeville	-	4,129	3,567	39,476	3,983	3,464
Camden	-	4,935	3,973	52,749	4,686	3,795
Cheswold	-	3,484	3,243	9,338	3,421	3,199
Clayton	-	4,129	3,567	31,036	3,843	3,397
Dagsboro	-	3,323	3,162	14,287	3,281	3,132
Delaware City	-	3,484	3,243	35,558	3,421	3,199
Delmar	-	4,935	3,973	28,309	4,686	3,795
Dewey Beach	-	4,129	3,567	13,982	4,124	3,530
Dover	-	17,836	10,457	526,814	15,360	8,830
Ellendale	-	-	-	13,569	-	-
Elsmere	-	4,613	3,811	85,666	4,405	3,663
Farmington	-	-	-	1,382	-	-
Felton	-	3,645	3,324	25,475	3,562	3,265
Fenwick Island	-	3,484	3,243	9,338	3,421	3,199
Frankford	-	4,129	3,567	31,036	3,843	3,397
Frederica	-	3,323	3,162	14,287	3,281	3,132
Georgetown	-	3,484	3,243	35,558	3,421	3,199
Greenwood	-	4,935	3,973	28,309	4,686	3,795
Harrington	-	4,129	3,567	13,982	4,124	3,530
Hartly	-	17,836	10,457	526,814	15,360	8,830
Henlopen Acres	-	-	-	13,569	-	-
Houston	-	4,613	3,811	85,666	4,405	3,663
Kenton	-	-	-	1,382	-	-

<sup>4</sup> The schedule was prepared by AOA from information gathered from various sources. We retrieved the data related to MSAF from the Delaware Department of Transportation – Projects webpage (<http://deldot.gov/information/projects/msa/index/.shtml>). DSHS provided the data related to the SALLE and EIDE funds. No additional work was performed, using this table, outside of the previously stated audit procedures.

<sup>5</sup> MSA Funds were not appropriated during Fiscal Year 2010.

<b>Fiscal Year 2010 and Fiscal Year 2011 State of Delaware Municipal Grants Awarded</b>						
<b>Municipality</b>	<b>Fiscal Year 2010 MSAF</b>	<b>Fiscal Year 2010 SALLE</b>	<b>Fiscal Year 2010 EIDE</b>	<b>Fiscal Year 2011 MSAF</b>	<b>Fiscal Year 2011 SALLE</b>	<b>Fiscal Year 2011 EIDE</b>
Laurel	\$ -	\$ 5,580	\$ 4,297	\$ 59,046	\$ 5,107	\$ 3,994
Leipsic	-	-	-	3,874	-	-
Lewes	-	5,096	4,054	83,461	4,686	3,795
Lewes BPW	-	-	-	-	-	-
Little Creek	-	-	-	1,595	-	-
Magnolia	-	-	-	1,680	-	-
Middletown	-	7,354	5,189	271,283	7,073	4,921
Milford	-	7,838	5,432	183,800	6,933	4,855
Millsboro	-	5,258	4,135	46,297	4,685	3,795
Millville	-	-	-	1,655	-	-
Milton	-	4,451	3,730	42,251	4,264	3,596
New Castle	-	5,741	4,378	87,617	5,388	4,126
Newark	-	12,998	8,026	385,376	12,130	7,307
Newport	-	4,129	3,567	21,777	3,983	3,464
Ocean View	-	4,290	3,648	75,646	3,983	3,464
Odessa	-	-	-	7,987	-	-
Rehoboth Beach	-	6,064	4,540	93,314	5,247	4,060
Seaford	-	7,354	5,189	146,384	6,652	4,723
Selbyville	-	4,129	3,567	47,516	4,124	3,530
Slaughter Beach	-	-	-	6,724	-	-
Smyrna	-	6,548	4,783	157,965	6,231	4,524
South Bethany	-	3,968	3,486	41,170	3,702	3,331
Townsend	-	-	-	14,129	-	-
Viola	-	-	-	3,028	-	-
Wilmington	-	54,927	29,101	890,234	45,981	23,274
Woodside	-	-	-	2,119	-	-
Wyoming	-	3,645	3,324	21,022	3,562	3,265
<b>TOTAL</b>	<b>\$ -</b>	<b>\$233,268</b>	<b>\$167,981</b>	<b>\$4,000,000</b>	<b>\$212,682</b>	<b>\$154,208</b>