

Santora CPA Group

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

Fiscal Years Ended June 30, 2013 and 2012

Issued: October 1, 2014

Background

Municipal Street Aid Fund (MSAF)¹

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.

In State Fiscal Years Ended June 30, 2012 (Fiscal Year 2012) and June 30, 2013 (Fiscal Year 2013), two types of MSAF were allocated to municipalities, unrestricted and restricted. Restricted MSAF amounts are dedicated solely to improvements involving respective municipalities' roads and bridges as well as sidewalks and crosswalks associated with those projects. The Town of Hartly (the Town) did not receive restricted MSAF for Fiscal Years 2012 and 2013.

State Aid to Local Law Enforcement (SALLE) Grant Fund²

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. ch. 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

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

² SALLE Manual, Chapter I

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.

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 Fund³

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. ch. 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 for the Fiscal Years 2012 and 2013.

³ *EIDE Manual, Chapter I*

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Raymond H. Morris
President, Town Council
Town of Hartly
P.O. Box 84
Hartly, Delaware 19953

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 Fiscal Years 2012 and 2013.

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: The Town could not provide copies of bank statements to demonstrate that the Town maintains a separate bank account designated as MSAF.

- 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: The Town did not furnish evidence to the Office of the State Treasurer for Fiscal Years 2012 and 2013 that the Town Treasurer was bonded as required by Section 24 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: The Town did not submit annual expenditure reports to the Office of the State Treasurer for Fiscal Years 2012 and 2013. In addition, the Town could not provide a prepared schedule detailing all MSAF expenditures for Fiscal Years 2012 and 2013.

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 could not provide a prepared schedule detailing all MSAF expenditures for Fiscal Years 2012 and 2013. In addition, the Town did not provide cancelled checks or supporting documentation for MSAF expenditures for the periods under review. As a result, the Town could not demonstrate whether they were in compliance with the 30% requirement.

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: The Town could not provide a prepared schedule detailing all MSAF expenditures for Fiscal Years 2012 and 2013. In addition, the Town did not provide cancelled checks, supporting documentation, or internal records for MSAF expenditures for the periods under review. As a result, we could not verify that expenditures were restricted to the above categories or if they were paid timely in accordance with the State of Delaware *Budget and Accounting Manual*.

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: The Town could not provide a prepared schedule detailing all MSAF expenditures for Fiscal Years 2012 and 2013. In addition, the Town did not provide documentation to demonstrate that street improvement contracts, if applicable, were awarded in compliance with 29 Del. C. ch. 69 and 30 Del. C. §5165(b)(3) during Fiscal Years 2012 and 2013.

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: The Town could not provide copies of bank statements to demonstrate that the Town maintains a separate bank account designated as MSAF. As a result, we could not verify whether interest was earned in Fiscal Years 2012 or 2013, and if so, that the 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: DOT confirmed that they did not receive affidavits signed by the Town for Fiscal Years 2012 and 2013. 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 MSAF. We recalculated the municipality's share of funds and verified the accuracy of the computation. We found no exceptions as a result of applying this procedure for Fiscal Years 2012 and 2013.

State Aid to Local Law Enforcement (SALLE) Funds

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

Emergency Illegal Drug Enforcement (EIDE) Funds

- 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 2012 and 2013.

- 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 2012 and 2013.

- 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 2012 and 2013.

- 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 2012 and 2013.

- 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 2012 and 2013.

- 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 2012 and 2013.

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 2012 and 2013.

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 2012 and 2013.

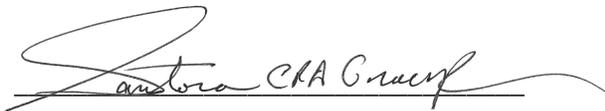
9. **If EIDE funds from the prior fiscal year were not expended, obtain support from the municipality that the Grant Administrator was notified that the funds would be carried over to the next fiscal year(s) [EIDE Manual, Chapter V, 4].**

Results: This procedure is not applicable. The Town did not receive or expend EIDE funds for Fiscal Years 2012 and 2013.

We made several attempts to contact the Town to obtain the information necessary to complete the agreed-upon procedures. No information or response was received from the Town.

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 21, 2014

Appendix A

Fiscal Year 2012 and Fiscal Year 2013 State of Delaware Municipal Grants Awarded ⁴						
Municipality	Fiscal Year 2012 MSAF	Fiscal Year 2012 SALLE	Fiscal Year 2012 EIDE	Fiscal Year 2013 MSAF	Fiscal Year 2013 SALLE	Fiscal Year 2013 EIDE
Arden	\$ 16,949	\$ -	\$ -	\$ 16,883	\$ -	\$ -
Ardencroft	5,519	-	-	5,499	-	-
Ardentown	10,332	-	-	10,292	-	-
Bellefonte	7,031	-	-	7,016	-	-
Bethany Beach	109,298	4,683	3,877	108,900	4,542	3,800
Bethel	8,022	-	-	7,990	-	-
Blades	29,022	3,561	3,292	28,916	3,578	3,300
Bowers Beach	9,912	-	-	9,875	-	-
Bridgeville	50,196	4,496	3,780	50,013	4,542	3,800
Camden	66,345	4,683	3,877	66,340	4,542	3,795
Cheswold	11,880	3,374	3,195	11,851	3,193	3,100
Clayton	41,469	4,309	3,682	41,336	4,542	3,800
Dagsboro	19,649	3,561	3,292	19,577	3,578	3,300
Delaware City	43,890	3,561	3,292	43,729	3,578	3,300
Delmar	36,256	5,057	4,072	36,125	5,506	5,300
Dewey Beach	16,999	4,496	-	16,956	4,542	-
Dover	659,172	25,644	11,673	663,952	25,964	15,907
Ellendale	17,125	-	-	17,058	-	-
Elsmere	106,643	4,870	3,975	106,280	5,120	4,100
Farmington	1,605	-	-	1,599	-	-
Felton	30,991	3,561	3,292	30,966	3,771	3,400
Fenwick Island	32,801	4,309	3,682	32,682	4,349	3,700
Frankford	17,126	-	-	17,066	3,386	3,200
Frederica	14,057	-	-	14,009	-	-
Georgetown	145,652	5,244	4,170	145,126	5,699	4,400
Greenwood	25,949	3,374	3,195	25,853	3,578	3,300
Harrington	72,205	4,683	3,877	71,950	4,928	5,000
Hartly	436	-	-	435	-	-
Henlopen Acres	14,534	-	-	14,474	-	-
Houston	10,653	-	-	10,613	-	-

⁴ The schedule was prepared by AOA from information gathered from various sources. AOA retrieved the data related to MSAF from the Delaware Department of Transportation – Projects webpage (<http://deldot.gov/information/projects/msa/index.shtml>) for Fiscal Year 2012. The Department of Transportation provided the Fiscal Year 2013 MSAF data. DSHS provided the data related to the SALLE and EIDE funds. No additional work was performed, using this table, outside of the previously stated agreed-upon procedures.

Fiscal Year 2012 and Fiscal Year 2013 State of Delaware Municipal Grants Awarded						
Municipality	Fiscal Year 2012 MSAF	Fiscal Year 2012 SALLE	Fiscal Year 2012 EIDE	Fiscal Year 2013 MSAF	Fiscal Year 2013 SALLE	Fiscal Year 2013 EIDE
Kenton	\$ 5,476	\$ -	\$ -	\$ 5,456	\$ -	\$ -
Laurel	71,771	5,431	4,267	71,521	5,331	4,200
Leipsic	4,371	-	-	4,356	-	-
Lewes	96,030	5,431	4,267	95,661	5,506	-
Little Creek	2,332	-	-	2,326	-	-
Magnolia	2,151	-	-	2,145	-	-
Middletown	343,926	8,423	5,826	348,293	8,591	7,901
Milford	228,167	8,610	5,924	224,441	8,591	5,901
Millsboro	68,184	5,057	4,072	67,951	4,735	3,900
Millville	3,206	-	-	3,199	-	-
Milton	63,798	4,496	3,780	63,263	5,120	4,100
New Castle	108,635	73,135	40,986	106,822	73,226	40,906
Newark	479,737	14,781	9,140	479,177	15,916	9,701
Newport	25,421	4,309	3,682	25,328	4,349	3,700
Ocean View	99,355	4,496	7,559	98,959	3,771	3,400
Odessa	10,428	-	-	10,389	-	-
Rehoboth Beach	114,655	5,805	4,462	114,256	5,892	4,500
Seaford	182,017	8,049	5,631	181,344	8,205	5,701
Selbyville	57,268	4,309	3,682	57,093	4,157	3,600
Slaughter Beach	9,538	-	-	9,508	-	-
Smyrna	188,232	7,114	5,144	194,283	7,241	5,200
South Bethany	50,722	4,122	3,585	50,533	4,157	3,600
Townsend	24,030	-	-	23,958	-	-
Viola	3,689	-	-	3,675	-	-
Wilmington	1,095,765	63,403	34,478	1,093,427	63,144	34,206
Woodside	2,242	-	-	2,235	-	-
Wyoming	27,136	3,561	3,292	27,040	3,578	3,300
TOTALS	\$5,000,000	\$323,998	\$216,000	\$5,000,000	\$330,448	\$220,318