

State of Delaware Office of Auditor of Accounts

Delaware Military Academy

Special Investigation

Fieldwork End Date: February 13, 2013
Issuance Date: February 19, 2013

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts





State of Delaware
Office of Auditor of Accounts
R. Thomas Wagner, Jr., CFE, CGFM, CICA

At a Glance

Working Hard to Protect YOUR Tax Dollars

Report Fraud, Waste, and Abuse

Citizens have the right to demand that their tax dollars are properly spent. Fight fraud, waste, and abuse in State government by contacting our confidential Fraud Hotline with supporting evidence.

Our Fraud Hotline can be anonymously reached through the following options:

1-800-55-FRAUD
or
auditor.delaware.gov

Working together, we can save your tax dollars!

This investigation was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Investigations*.

For further information on this release, please contact:

Kathleen A. Davies
(302) 857-3919

Why We Did This Review

The Office of Auditor of Accounts (AOA) received a complaint that Jack Wintermantel, the Superintendent of the Delaware Military Academy (DMA), receives large sums of unusual reimbursements through the school's financial system.

What We Found

AOA substantiated that Superintendent Wintermantel obtained excessive direct reimbursements for organizational expenditures. The Superintendent continued this organization-wide practice despite express written instructions outlined in the both the Charter School and State Accounting Manuals. The Secretary of Finance also directly informed the Superintendent on two separate occasions to stop issuing employee reimbursements. After committing to discontinue the reimbursements in March of 2011, the Superintendent still persisted with the practice. This is very consistent with his "I'll do what I want until they catch me" motto, which was known by many.

We identified significant problems in the control environment, including the Superintendent's inappropriate habit of requesting and receiving two reimbursements for the same purchase. Once AOA brought the matter to his attention, he insisted that there was no way a duplicate reimbursement could happen.

During our investigation, AOA reviewed the most recent activity, which was also the most egregious amount of reimbursements, to determine if inappropriate activity was presently occurring and to report timely information.¹ We reviewed \$255,239 of \$604,720 direct reimbursements received by Superintendent Wintermantel and found extensive inappropriate activity, including duplicate reimbursements totaling \$26,061. Additional investigative procedures were offered by AOA to DMA on the remaining balance of \$349,481 in direct reimbursements to the Superintendent and an additional \$194,899 in reimbursements to other employees.

In the meantime, the control environment that allowed this and other issues to persist needs immediate corrective action to ensure that the pay-and-chase scenario does not continue.

¹ Investigative procedures of this nature require a time consuming and extensive review of records including third party validation and obtaining individual bank and credit card records.

Table of Contents

Background	1
Allegations and Results	2
AOA's Evaluation of the DMA Board's Response	10
Appendix A	11
Appendix B	13

The conclusion of the allegation is defined as follows:

Substantiated:	The allegation has been verified by competent evidence.
Partially Substantiated:	A portion of the allegation has been verified by competent evidence; however, competent evidence to verify the entire allegation could not be provided by the agency or obtained by AOA, or competent evidence was found to dispute a portion of the allegation.
Unsubstantiated:	Competent evidence was found to dispute the allegation.
Unable to Conclude:	Competent evidence to verify the allegation could not be provided by the agency or obtained by AOA.

Background

Delaware Military Academy

The Delaware Military Academy (DMA) is a publicly funded charter high school in Wilmington, Delaware, and enrolls approximately 560 cadets in grades 9 through 12. All cadets are required to participate in the Naval Junior Reserve Officers Training Corps (NJROTC), and DMA also offers a naval science class to all cadets. The school offers the same type of classes as a traditional high school (e.g. Math, Science, and Spanish).²

In keeping with the military atmosphere of the school, cadets are introduced early to the concept of “core values.” Mirroring the Navy, DMA maintains the core values of “honor, courage, and commitment.” Cadets are expected to adhere to these values at all times when representing DMA, whether actually in school or not.¹

According to their handbook, “A DMA cadet will not lie, cheat, or steal, nor tolerate those who do.” The code itself defines and expands upon the concepts of lying, cheating, stealing, and toleration.

Charter School Funding

Limited State funding is available to charter schools; therefore, the school must raise funds for capital improvements and student activities through donations and fees. Federal funds are also received and, in most cases, funneled through the Department of Education. The School’s Superintendent often meets with military groups regarding financial assistance for the school.¹

According to 14 Del. C. § 509 (b), “A charter school shall receive payment with respect to each of its students (based on the annual student unit count)...The State shall advance 75% of the anticipated [State] funding...at the beginning of each fiscal year.” Further, 14 Del. C. § 509 (g) states, “Any payment received by a charter school pursuant to this section may be used for current operations, minor capital improvements, debt service payments, or tuition payments.”

Financial Oversight

According to the November 2010 Delaware Charter School Technical Assistance Manual, “[in] Delaware, public charter schools are viewed as state entities. This means that the board of directors of a Delaware charter school assumes responsibility in ensuring that the fiduciary duties associated with the receipt and disbursement of public funds and the responsibilities (especially those related to payroll, benefits, and pension) associated with state employment are faithfully undertaken.” Further, DMA’s Charter places responsibility on the Board Treasurer to supervise the accounting and bookkeeping and to report the financial condition and results of operations to the Board of Directors. The Red Clay Consolidated School District holds DMA’s charter, which means they also have an oversight responsibility for the school.

DMA Superintendent

The school is directed by a Superintendent who oversees the financial matters and also serves on the school board. As the school’s co-founder, the Superintendent has been employed at DMA since 2003.

² “Delaware Military Academy.” *Wikipedia*. N.p., n.d. Web. 27 Oct 2011.
<http://en.wikipedia.org/wiki/Delaware_Military_Academy>.

Allegation and Results

Allegation – Substantiated

Jack Wintermantel, the current Superintendent at DMA, receives large sums of unusual reimbursements through the school's financial system.

Results of Our Review

Despite the Secretary of Finance personally instructing Superintendent Wintermantel twice to cease his practice in February and March 2011, DMA continued to process excessive amounts of employee reimbursements to the Superintendent. Each year, until we started our investigation, the amount of reimbursements grew. “I’ll do what I want until they catch me,” is reportedly his motto. The Superintendent’s explanations for such practice include the unavailability of start-up funds and the transition to the new accounting system on July 1, 2010, but the pattern of reimbursements in Table 1 discredits both excuses.

As illustrated in Table 1, the Superintendent’s pattern of processing reimbursements steadily increased since the school’s inception in 2003.

Table 1: Superintendent Reimbursements³	
July 1 – June 30,	Total Reimbursements
2003	\$ 8,220.51
2004	12,935.97
2005	39,569.92
2006	44,245.37
2007	70,130.93
2008	83,389.95
2009	90,988.62
2010	106,889.99
2011	129,897.64
July 1 – November 9, 2011	18,451.53
Total	\$ 604,720.43

The Superintendent was dominating and discouraged involvement of his staff. Interviews with multiple staff members revealed that they “can’t complain to [the Superintendent]”, they expect an “automatic no”, and they simply do what is requested without question because, as one individual stated, “I want to keep my job.” One employee also described the Superintendent’s approach to the school’s finances as a “one-man show.” Consequently, the former Commandant⁴ who was responsible for approving the Superintendent’s reimbursements was clearly informed by the Superintendent that his role was education, not finances; therefore, he was not invited to attend Board or PTA meetings.

After DMA’s external auditors provided financial statement findings in 2010 and 2011 for the Superintendent’s self-approved and inadequately supported reimbursements, the Board instructed the Commandant to start reviewing the Superintendent’s purchase orders and vouchers. Refer to Appendix A for the financial statement findings.

³ AOA’s data reconciliations to the State’s accounting system did not occur prior to fiscal year 2007.

⁴ In the military, a Commandant is a commanding officer. In comparison to a traditional high school, DMA’s Commandant is similar to a principal.

Duplicate Reimbursements

DMA's Accounting Procedure's Manual states, "To avoid duplication of payment, all payments should be made on the basis of original invoices....," yet we found 12 instances, totaling \$26,061, where the Superintendent was reimbursed twice for the same purchase. We reviewed 100% of the Superintendent's reimbursements for the period July 2009 through November 2011, totaling \$255,239, and included two examples from our testwork to demonstrate the manner in which the double reimbursements were processed.

In one example, the Superintendent submitted a print out of an online shopping cart, dated August 17, 2010 (see Exhibit 1), for a \$4,980 purchase of vocabulary books. His reimbursement was processed on August 23, 2010.

Exhibit 1: Duplicate Reimbursement 1 – Shopping Cart

Sadlier-Oxford Catalog https://www.sadlier-oxford.com/catalog/checkout.cfm

Sadlier-Oxford
Educational Publishing from PreK-12+

Browse

By Keyword or ISBN

By Category

About Us Sales Events News Contacts

Home : Log Out Price & Ordering Info : My Account **Shopping Cart 524 items**

1. Billing Address > 2. Shipping Address > 3. Payment Method > 4. Confirmation

Confirmation

Your Order:

QTY	Item	ISBN	Price	Subtotal
97	Vocabulary Workshop, Grades 6 - 12+: Student Text - Level E	978-0-8215-7110-1	\$8.64	\$838.08
135	Vocabulary Workshop, Grades 6 - 12+: Student Text - Level F	978-0-8215-7111-8	\$8.64	\$1,166.40
142	Vocabulary Workshop, Grades 6 - 12+: Student Text - Level G	978-0-8215-7112-5	\$8.64	\$1,226.88
20	Vocabulary Workshop, Grades 6 - 12+: Student Text - Level H	978-0-8215-7113-2	\$8.64	\$172.80
130	Vocabulary Workshop, Grades 6 - 12+: Student Text - Level D	978-0-8215-7109-5	\$8.64	\$1,123.20
Subtotal				\$4,527.36
Shipping Estimate				\$452.74 *
Total				\$4,980.10 *

524 TOTAL

The total price shown here is not your final total. If this order is eligible for any discounts based on unit volume or promotions, those discounts are not reflected in the subtotal. If this order is subject to sales tax, that tax has not yet been applied. The correct total price will be applied to your order and appear on your final shipping invoice.

* California contract prices are allowable for educational institutions only and include shipping and handling in the book prices. Items not included in the California submission are charged shipping and handling as follows: Subtotals below \$60.01 at \$7.95, above \$60 and below \$1000 at 12% and greater than \$1000 at 10%.

1 of 2

8/17/10 9:37 AM

He then presented the original invoice for \$4,980, dated August 23, 2010 (see Exhibit 2), from the same vendor for an identical purchase. His reimbursement was processed for this purchase on September 8, 2010, approximately two weeks after the first reimbursement.

Exhibit 2: Duplicate Reimbursement 1 – Original Invoice



William H. Sadlier, Inc.
1-800-221-5175
 FEI# 13-5363840
 www.sadlier.com

Invoice
0000179896

Page 1 of 1

Bill To

DELAWARE MILITARY ACADEMY
 112 MIDDLEBORO
 WILMINGTON DE 19804-1621

Ship To PVH198040745

DELAWARE MILITARY ACADEMY
 112 MIDDLEBORO
 WILMINGTON DE 19804-1621

LATE CHARGES OF 1.5% PER MONTH MAY BE ADDED TO THIS INVOICE IF NOT PAID BY THE DUE DATE POSTED BELOW

Invoice Date	Account Number	Sales Order	Customer P.O.	Ordered By	Order Date	Due Date
8/23/2010	1848089	0001152541	CREDIT CARD		8/20/2010	9/22/2010
Item	Item Description	ISBN Number	Ordered	Qty Shipped	Price	Amount
7113-2	Voc Wkshp ©2005 SE H (12+)	978-0-8215-7113-2	20 Each ✓	20 Each	8.6400	172.80
7110-1	Voc Wkshp ©2005 SE E (10)	978-0-8215-7110-1	97 Each ✓	97 Each	8.6400	838.08
7112-5	Voc Wkshp ©2005 SE G (12)	978-0-8215-7112-5	142 Each ✓	142 Each	8.6400	1,226.88
7111-8	Voc Wkshp ©2005 SE F (11)	978-0-8215-7111-8	135 Each ✓	135 Each	8.6400	1,166.40
7109-5	Voc Wkshp ©2005 SE D (9)	978-0-8215-7109-5	130 Each ✓	130 Each	8.6400	1,123.20
LAST ITEM						
Applied From	Transaction Date	Discount Taken	Applied Amount	Total		
3143611112-CR	8/23/2010	0.00	4,980.10	4,980.10		
				4,980.10		

Both of the Superintendent's requests were approved and processed, resulting in a total reimbursement of \$9,960 for a \$4,980 purchase. The English department also confirmed that approximately 500 vocabulary workshop books are ordered each school year; however, the Superintendent was reimbursed for the cost of 1,000 books.

In another example, Superintendent Wintermantel submitted a hand-written note and was reimbursed \$748.65 on August 24, 2010 for the purchase of 10 math books (see Exhibit 3).


Exhibit 3: Duplicate Reimbursement 2 – Handwritten Note

Math Books
 Foerster Calculus
 have 23
 10 copies - solution manual
 1-55953 654 3
 Copyright - 2005
 978-1-55953-657-8
 Calculus Concepts & Applications 4895
 850-995 - MATH

5748.65

He also presented the original \$748.65 invoice for an identical purchase of math books approximately two weeks later. The invoice was dated August 26, 2010; however, it was not submitted and processed for reimbursement until September 8, 2010.

Exhibit 4: Duplicate Reimbursement 2 – Original Invoice



FOLLETT
Educational Services®
A Follett Corporation Company

INVOICE

Turn your surplus textbooks into Follett credit.
You could have enough surplus textbooks to pay
for your next order!
Call 1-800-621-4272 for more information.

INVOICE NUMBER

728395A

PLEASE REFER TO THIS NUMBER WHEN
MAKING AN INQUIRY

1433 Internationale Parkway Woodridge, Illinois 60517-4199 1-800-621-4272

SOLD TO: DELAWARE MILITARY ACADEM
112 MIDDLEBORO RD
WILMINGTON, DE 19804-1621

82-98700 304315 **PAGE 1**

SHIPPED TO: DELAWARE MILITARY ACADEM
ATTN: SARAH NOVICK
112 MIDDLEBORO RD
WILMINGTON, DE 19804-1621

PO# NONE

DATE	TYPE OF ORDER	BILLER	TERMS	30 DAYS NET
08/26/10	FEDEX GROUND ON 08/26/10	HEATHERT	IS1	08/26/10

QUANTITY	BOOK	UNIT PRICE	TOTAL
SHIPPED 1 CARTON(S) ON 08/26/10 F.O.B. DESTINATION			
1	KEY 05 SOL MAN FOR CALCULUS CONCEPTS AND APPLICATIONS (P) ISBN# 1-55953-657-8 EAN# 9781559536578	32.70	\$32.70
10	KEY 05 CALCULUS CONCEPTS AND APPLICATIONS ISBN# 1-55953-654-3 EAN# 9781559536547	65.10	\$651.00
-----			-----
11	TOTAL		\$683.70
SHIPPING:			\$64.95

* INVOICE TOTAL			\$748.65
* CREDIT CARD PAYMENT			\$748.65
* BALANCE DUE			\$.00

We presented the second example to the Superintendent and asked him to explain the difference in the purchases. He responded, “But you should have the invoices, because I copied every one of them... So, I don’t know what you’re saying with this.”

We confirmed that each vendor only received one payment for each instance of duplicate reimbursement. Further, a review of the Superintendent’s personal accounts indicated that he only incurred each expense once.

One person mentioned, “If a paperclip or stamp goes missing from his office, [he] knows about it.” Another person stated that if a staff member asked for a box of staples, he frugally handed over one row of staples. However, when questioned about an \$11,523 duplicate reimbursement for math books, the Superintendent responded, “There’s no way I was paid twice without putting the money back in.” We found seven other instances during our review where the Superintendent issued a refund to DMA because he was incorrectly reimbursed, indicating he was aware that he received double payments in the past.

Despite his declaration that he was not paid twice without refunding the school, the day after our interview, Superintendent Wintermantel provided AOA with a *copy* of his un-cashed refund check to

DMA for \$13,259.18, which is the sum of the duplicate reimbursements we presented to him. A week later, the Superintendent represented that he performed a more thorough review of his reimbursement activity and provided AOA with a copy of an additional refund check to DMA for \$4,082.05.⁵ After two weeks, we verified that the refund checks had not been deposited into DMA's account; however, we later found that the refund was deposited on the same date of our inquiry.

Unsubstantiated Cell Phone Reimbursements

We found that the Superintendent received reimbursements totaling \$10,171 for AT&T invoices that were addressed to his personal residence. DMA personnel confirmed that only two of the four phone lines were used by DMA employees. When we asked the Superintendent about the remaining two lines, he informed us that both phones were "dead." He claimed that one phone line was used by the former Commandant. Although the Commandant retired on June 30, 2009, a monthly billing statement showed that this phone incurred 419 minutes and over 3,000 text messages almost a year after his retirement.⁶ The second phone line had no call or text messaging activity during the month reviewed. The Superintendent failed to see the prudence of ensuring that the phone lines were used for school purposes or cancelling the phones once they were no longer in use. DMA conveniently transferred the two substantiated phone lines to a business account in January 2012 after we began our investigation.

Alcohol Purchases with School Money

On December 23, 2010, staff members attended an annual Christmas party at James Street Tavern, where DMA used school funds to pay for a \$323 bar tab (see Exhibit 5).

Exhibit 5: James Street Tavern Receipt

Christmas Party
JAMES STREET TAVERN
Bar
80141600

Date: 12/23/2010 Time: 03:04:50 PM
Check: 86360 Table: R2138
Covers: 25 Person#: 1
Server #: 46 Opened: 12:39:00 PM
Tab Name: **COLONEL**

2	Diet Coke	3.00
14	Guinness Drft	70.00
4	RED HEADED SLUT	16.00
6	Crane Lake GLS	21.00
4	Miller Lite DFT	10.00
7	Yuengling DFT	24.50
2	PINN BLUE MX	9.50
2	Lauquita GLS	8.00
2	Corona BTL	7.00
3	OPEN LIQUOR	18.00
3	DEWARS DBL	21.00
4	Relax GLS	24.00
1	3 Blind Moose GLS	6.00
2	Dundee Festive Ale	4.00
2	Blue Moon Draft	8.00
1	WALKER RED SHT	5.00
2	Hoegaarden BTL	7.00
1	JACK DBL	7.50
SUB TOTAL		269.50
TOTAL		269.50

269.50

In a separate instance, DMA also hosted an employee recognition barbecue on June 14, 2011, at Delaware Park, totaling \$1,588. The event package offered a choice of draft beers and also included a horse race

⁵ Given the magnitude of the issues found, we expect this practice to continue.

⁶ AOA reviewed one month of AT&T phone records for the billing cycle 05/20/2010 through 06/19/2010.

named after the school. We could not quantify the amount paid for liquor for this particular event since the Superintendent failed to provide a detailed receipt with his reimbursement request. While many State employees participate in an annual State-funded recognition event, alcohol is never an acceptable purchase with taxpayers' money.

Improper Use of Funds

The lenient internal controls over the reimbursement process also resulted in the following inappropriate reimbursements to the Superintendent:

- flower purchases totaling \$1,059.88 and a parking ticket payment of \$105.00, which are expressly prohibited per 29 Del. C. § 6505 (c)
- over reimbursement of \$253.08 for unsupported expenditures
- purchase of \$89.56 for margarita pizza, beef jerky, razor blades, and toothpaste from Costco with the annotation of "Veteran's breakfast"
- reimbursement of \$285.00 that was issued four months *before* he incurred the expense

Other Employee Reimbursements

In addition to the Superintendent's reimbursements, the School issued direct reimbursements to other employees. Table 2 shows direct reimbursements since DMA's inception, not including tuition reimbursements, which in aggregate were greater than \$10,000 for 7 employees.

Table 2: Summary of DMA Employee Reimbursements Exceeding \$10,000 from July 1, 2002 through June 30, 2011											
Employee	2003	2004	2005	2006	2007	2008	2009	2010	2011	Grand Total	Nature of Reimbursements
1	\$ 664	\$ 307	-	\$12,601	\$17,357	\$2,375	\$33,565	-	-	\$66,869	NJROTC field trips and supplies, uniform tailoring, and dry cleaning
2	-	-	-	-	-	500	1,129	20,394	39,370	61,393	NJROTC field trips and supplies, uniform tailoring, and dry cleaning
3	-	-	-	175	9,169	8,434	-	-	-	17,778	Travel
4	-	-	-	-	11,880	-	-	-	-	11,880	Laptops, Software, Calculators
5	-	-	-	-	10,321	1,155	-	-	-	11,476	Books, Prom
6	-	-	1,730	487	2,754	2,523	3,636	1,540	2,083	14,753	Books, School Supplies, Travel
7	-	-	-	797	9,895	-	-	58	-	10,750	Travel
Aggregate Amount of Employee Reimbursements Exceeding \$10,000 During Their Tenure, Excluding the Superintendent										\$194,899	

To the extent feasible, DMA should review the documentation for the employee reimbursements described above to ensure that inappropriate activity did not occur. In addition, efforts should be made to ensure that all operating expenditures are directly processed through the accounting system.

Disregard for Accounting Manuals

DMA established an Accounting Procedures Manual (APM) to supplement the State of Delaware *Budget and Accounting Manual* (BAM); however, the school had no regard for following either manual. Based on the documents AOA reviewed, we discovered numerous issues not previously identified in DMA's financial statement audits. We observed that DMA:

- **Did not obtain a second approval** on six Superintendent reimbursements, but processed them with only a self-approval. The Superintendent was also included as one of two approvers on 100% of his reimbursements reviewed. (BAM Section 2.1.2)
- **Did not maintain adequate supporting documentation** for 48 reimbursements. They also did not require support to show the Superintendent actually incurred the expense before processing several vouchers. (BAM Sections 2.3.1 and 7.14; APM Section V)
- **Did not process the initial payroll for six newly hired employees** in September 2008, but instead paid them a double paycheck the following pay period. (BAM Section 2.1; APM Section VIII)
- **Did not pay one employee according to her credentials** for the first five years of her employment, resulting in an underpayment of \$6,491. DMA does not have a formal or approved compensation scale. Although it is not unanimously supported, we have obtained a legal opinion that states charter schools are obligated by 14 Del. C. §1302 to follow the State salary scale that is set forth in 14 Del. C. §1305. (BAM Section 2.1; APM Section VIII)
- **Did not reimburse travel at the \$.40 rate** required by 29 Del. C. §7102, but rather at \$.51 per mile on four instances. The Superintendent received reimbursements totaling \$847.72 for payments he reimbursed to another employee for travel to in-State meetings. (BAM Section 11.3)
- **Did not follow State procurement**, as required by 29 Del. C. Chapter 69 and the Charter School Technical Assistance Manual. They also failed to take advantage of other State discounts, including the office supplies contract with Staples, and the pre-sort postage discount of 6.5 cents per first class mailing. (BAM Section 5.2.1)
- **Did not track the amount of funds received or used for student activities**, such as prom or field trips, separate from operating expenditures. In one example, the Superintendent received a direct reimbursement from DMA because he wrote a personal check to a teacher for \$417. The teacher reportedly used the cash for field trip expenses and was not required to provide any receipts. We found that this was a common practice. DMA also advertised their preference for parents to pay for student activities in cash, rather than checks. (BAM Section 9.3.1)
- **Did not consistently issue purchase orders**. (BAM Sections 7.2 and 7.3; APM Section III)

Additionally, a significant amount of the reimbursements were paid through a personal credit card, earning rewards points for luxury items. When asked why he chose to submit for reimbursement rather than using the State's credit card, the Superintendent responded there was "no particular reason." DMA's failure to use the State's purchase card prevented the State from earning their incentive rebates.⁷

These accounting practices usurp internal controls, impede segregation of duties, and mitigate the safeguards the State has put in place. It is ironic that the school develops characteristics in their cadets

⁷ According to Section 12.1 of the State of Delaware Budget and Accounting Manual, "The State of Delaware...has contracted with JPMorgan Chase Bank to provide state agencies with a VISA card program for procurements and/or travel purchases with a total state spending limit of \$25 million per cycle." It further explains that state employees, who receive a paycheck through the State's payroll system, are eligible for participation in the SuperCard program. This section also states that rebates are earned for timely payments.

such as strength of character, individual excellence, and responsible leadership⁸, yet some of the administration is not upheld to the same standards.

⁸ About Delaware Military Academy. (n.d.). Retrieved December 6, 2012, from Delaware Military Academy: <http://www.demilacad.org/about-us.htm>

AOA's Evaluation of the DMA Board's Response⁹

We are saddened by the DMA Board of Directors' response that downplays, and in some cases completely ignores, the most significant facts identified in the case. The Board failed to acknowledge that, because one person controlled all fiscal processes, the double dipping matter would not have been discovered without AOA's investigation. When confronted by AOA regarding the inappropriate payments, Superintendent Wintermantel insisted the duplicate reimbursements could never happen and that all payments were legitimate.

For some inexplicable reason, the Board seems to believe that the previous and continued success of DMA's educational program is solely attributed to one individual, Superintendent Wintermantel. AOA maintains, however, that it is patently inappropriate for the Superintendent to take DMA funds that belong to the academic program.

Although we offered to assist DMA with reviewing additional reimbursements, the DMA Board's response appears to decline our assistance. AOA should further point out that the investigative tools AOA used, such as subpoena power, are not available to an audit firm or third party vendor. Rather, they are forced to rely on accounting records solely maintained by the Superintendent to determine if additional inappropriate payments were made.

AOA has forwarded the results of this case to the Attorney General's Special Investigations Unit and has recommended that Red Clay School District, in consultation with Department of Education, review the provisions of its charter. Ongoing resistance to addressing valid concerns presented in this report could unfortunately put DMA at risk for revocation of their charter under 14 Del. C. §516.

⁹ The Board's response, in addition to AOA's comments, can be found in its entirety in Appendix B.

Appendix A

Fiscal Year End June 30, 2010 DMA Financial Statement Finding

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Recommendation

We recommended that the School implement procedures to more accurately evaluate operation performance by revising current budgeting procedures to provide for the following:

- Keeping the original budget as initially prepared.
- Preparing an amended budget when making changes to the original budget.
- Discussing any changes to the budget with the Board.
- Retaining all documentation including both original and amended budgets and Board approval.

Status

This finding is still applicable for the current year.

Corrective Action Plan

Management agrees that the budget will be changed only if significant changes occur during the year. In addition, these changes will be approved by the Board.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

LACK OF SUPPORTING DOCUMENTATION FOR REIMBURSABLE EXPENDITURES

10-1 Finding

During our current year audit, we observed that there was a lack of support for personal expense reimbursements made during the year. During our testing, we noted five instances of 35 reimbursements tested for which a receipt or invoice was not provided with the reimbursement request. We further noted that the Superintendent's personal expense reimbursements were approved by the Superintendent.

Recommendation

We recommend that the School formalize policies and procedures requiring employees to provide adequate documentation for reimbursable expenses to prevent unallowable employee reimbursements. We further recommend that the Superintendent's expense reimbursements be approved by the Commandant or a member of the Board of Directors.

Corrective Action Plan

Management will make sure that all receipts are remitted along with the employee request for reimbursement. Effective July 1, 2010, all payment vouchers are entered and approved electronically by two independent individuals. However, to safeguard the Superintendent's request for reimbursement, the Commandant will sign off on the hard copy of the payment voucher to evidence the approval process.

Fiscal Year End June 30, 2011 DMA Financial Statement Finding

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONSRecommendation

We recommended that the School implement procedures to more accurately evaluate operation performance by revising current budgeting procedures to provide for the following:

- Keeping the original budget as initially prepared.
- Preparing an amended budget when making changes to the original budget.
- Discussing any changes to the budget with the Board.
- Retaining all documentation including both original and amended budgets and Board approval.

Status

This finding is no longer applicable.

LACK OF SUPPORTING DOCUMENTATION FOR REIMBURSABLE EXPENSES**10-1** Finding

During our prior year audit, we observed that there was a lack of support for personal expense reimbursements made during the year. We further noted that the Superintendent's personal expense reimbursements were approved by the Superintendent.

Recommendation

We recommended that the School formalize policies and procedures requiring employees to provide adequate documentation for reimbursable expenses to prevent unallowable employee reimbursements. We further recommended that the Superintendent's expense reimbursements be approved by the Commandant and a member of the Board of Directors.

Status

During our current year testing, we noted one instance of 25 reimbursements tested for which a receipt or invoice was not provided with the reimbursement request. We further noted that there was a duplicate payment in the amount of \$884.40 which has been subsequently reimbursed to the School. We did note that the Commandant is now approving the Superintendent's reimbursable expenses. However, we continue to recommend that all reimbursable expenses be supported with the proper documentation and that the Treasurer, in addition to the Commandant, approve the Superintendent's reimbursable expenses.

Corrective Action Plan

Management will make sure that all receipts are remitted along with the employee request for reimbursement. In order to safeguard the Superintendent's request for reimbursement, the Commandant and Treasurer will sign off on the hard copy of the payment voucher to evidence the approval process.

Appendix B



Delaware Military Academy

January 17, 2013

Mr. R. Thomas Wagner, Jr.
Auditor of Accounts
Office of Auditor of Accounts
State of Delaware
401 Federal Street
Townsend Building, Suite 1
Dover, DE 19901

Dear Auditor Wagner:

We, the Board of Directors of the Delaware Military Academy (DMA), hereby submit our written response to be included in your issued report and our requests for revisions to your draft report. We would appreciate an opportunity to further respond to your revisions, if any, to your report prior to issuance. Thank you for this opportunity to comment.

Our written response:

Mission, Leadership, and Outcomes:

The mission of the Delaware Military Academy is to prepare young men and women for their next level of education and to provide them with a foundation that leads to good citizenship. In addition, we furnish them with a healthy mental and physical environment with military training as a requisite for a better understanding of the obligations of citizenship and self-discipline and to afford them opportunities for proper social activities and exposure to moral ideas.

The Delaware Department of Education rates the Delaware Military Academy "Superior". The United States Navy awarded the School a "Distinguished Unit with Academic Honors" designated. 94% of DMA's 10th graders meet State Standards in Reading and 90% of the DMA's 10th graders meet State Standards in Math. (The Delaware State Average of students meeting standards is 72% in Reading and Math.) More than 85% of DMA's graduates have gone on to higher education. (The Delaware State Average of graduates is 54%.) DMA students also have a 96% daily attendance rate. The results of the School are outstanding by any measurement.

All major subjects, English, Reading, Science, Math, Civics and Government, are all taught (100%) by teachers considered "Highly Qualified" by the Delaware Department of Education. Over 75% of DMA faculty have over five years of public school teaching experience. One-third of this faculty has more than fifteen years of experience. Turnover of faculty and staff has averaged less than 9% over the last five years which percentage includes five people retiring.

In no way do we substantiate or refute that the school has an outstanding academic reputation – our focus was on the School's lack of fiscal responsibility, not their academic achievements.

Page 1 of 3

LEADERSHIP • CITIZENSHIP • SCHOLARSHIP

112 Middleboro Road • Wilmington, DE 19804 • 302-998-0745 • 302-998-3521 Fax • www.demilacad.org

The fiscal leadership of the school has resulted in an intolerable amount of inappropriate activity.

While the Board should take responsibility for the breakdown of internal controls, the Superintendent is solely accountable for the act of reimbursing himself twice for the same purchase on 12 separate occasions, totaling \$26,061.

Clearly, DMA's procedures to strengthen internal processes have yet to prove successful since the Superintendent continued to receive direct reimbursements and duplicate payments after these processes were implemented.

Leadership and management styles vary. However, any approach must also be measured by outcomes. DMA fulfills its mission admirably. And DMA's leadership, faculty and staff, and its Board are committed passionately to this mission. The State Auditor cannot dispute the results of DMA and its leadership.

The board of Directors is cognizant that forms of management can be perceived differently, especially if only a cursory view is taken over a very short period of time. Specifically, the Board believes that the State Auditor's comments with regard to School Leadership creating "an unapproachable and intimidating environment", are based on such limited observation and are contrary to the above facts, outcome, faculty and staff qualification and limited turnover. The Board requests that all comments relating to leadership and oversight be removed from your report. These comments simply conflict with all facts and circumstances at DMA.

Reimbursement Procedures Previously Followed:

First and foremost, DMA's Board of Directors has focused on the heart and substance of your findings. It is clear both that reimbursements occurred that should not have, and that the school had limited segregation of duties to prevent or timely react to those reimbursements. Ultimately, the Board shares responsibility for any duplicate reimbursement that occurred. First, all duplicate reimbursements that have been found to date, both through your investigation and through our own initial internal review, have been repaid to the school. In addition, we are undertaking a full third party review of all reimbursements for the past several years in order to verify that there have been no other duplicate reimbursements. If this review reveals any additional duplicate reimbursements, such amounts will be repaid immediately. Second, as of July 1, 2011, based upon recommendations we receive from the School's outside auditors, we installed procedures to assure that duplicate reimbursements will not happen again. These procedures strengthen our internal processes and controls, including requiring a second party approval for all reimbursement requests. (We do note that only one of your findings, a phone bill of \$349.27, occurred subsequent to the July 1, 2011, date.) As a result of your report, we continue to strengthen these controls. Finally, we have followed your recommendation to apply for and use the State's credit card program for most future purchases as we believe that this will naturally decrease, if not all but eliminate, future reimbursement activity. With these steps and others, we hope again to capture the trust of those who have come to expect the best from Delaware Military Academy and its officials.

Requests for Revisions to Draft Report:

In light of these meaningful improvements and our commitment to continue to be vigilant in financial matters involving the school, we would ask that you reconsider some of the less important – but nevertheless impactful – portions of the report. If you propose to include the smaller, ancillary findings, please consider the following:

We strongly disagree with the Board's opinion that our review was "cursory," which Webster's Dictionary defines as, "done in a hurry and without attention to details." Our investigation included a thorough review of 100% of the Superintendent's reimbursement activity from July 2009 through November 2011, and included vendor confirmations, a review of his personal accounts, and a comprehensive analysis of DMA's financial records. Further, our procedures spanned more than 20% of the school's lifespan.

It is understandable that the Board is uncomfortable with findings of this magnitude; however, we have a duty to report the facts to the public as they occurred.

The Board does not have the support to make such a statement regarding the quotes used. Their statement is inaccurate as we have record of more than a dozen confidential interactions extending beyond DMA employees.

- What is gained by departing from the facts you uncovered and instead quoting apparently disgruntled current and former employees without attribution or context, or including unnecessary (even loaded) language and innuendo throughout (*i.e.* phone bills conveniently” transferred; reference in footnote 4 that you “expect this practice to continue”; reward point for “luxury” items; the final sentence on page 8 referencing a supposed “irony;” and other such examples)? We think nothing, and believe the report will be stronger – and more fair to *all* those affected – if this language is removed and the report sticks to the known facts. (Please note faculty and staff qualifications, experience and turnover conflict with such quotes.) (In addition, we note on your website with numerous past audit reports of both public and charter schools, those reports focus only on the facts. We ask that you extend the same courtesy to DMA using only objective language.)
- The finding that “(DMA) did not pay one employee according to her credentials” is incorrect. Charter schools are not obligated to pay on any particular scale, and the employee in question was paid according to the written contract she entered into with the school before commencing her employment
- The finding that “(DMD) did not follow State procurement” is incorrect or incomplete. While true, it does not observe that charter schools are not required to comply with the provisions of Chapter 69. There are competing legal opinions on this subject, and this legal question should not be the subject of a finding by your office.
- The finding that flower purchases and a “parking ticket” (actually, a ticket for a red light camera violation incurred by a student during our Driver’s Ed program) were inappropriate is also incorrect or incomplete. Neither expense was paid with State money and the former (for funerals and graduation) were paid in whole or part with private contributions to the school while the latter was neither a parking ticket nor incorrectly paid by the school.

The interviewees spoke highly of the school’s academic program, but, as illustrated in the report, expressed several concerns about its fiscal operations.

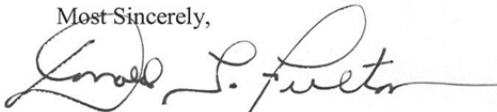
14 Del. C. §509 and §1703 requires charter schools to follow the State salary schedule.

There are no statutory provisions that exempt charter schools from State procurement laws. The Charter School Technical Assistance Manual also requires that charter schools use State procurement.

These purchases and other payments that the Board did not mention, such as the bar tab, were a wasteful use of taxpayer dollars.

The Board will continue to evaluate whether additional improvements to its practices and procedures should be made, and we look forward to working with the Auditor’s office in our efforts. If we can be of further assistance, or if further conversations or communications will be helpful, please do not hesitate to contact us.

Most Sincerely,



Donald T. Fulton, Chairman
Board of Directors
Delaware Military Academy.