

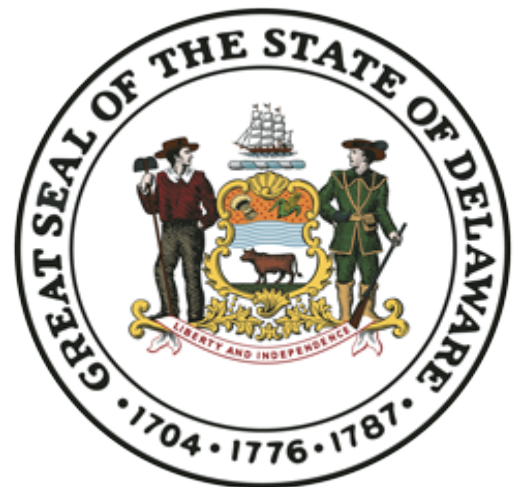
State of Delaware
Office of Auditor of Accounts

Family Foundations Academy

Inspection

Fiscal Year Ended June 30, 2012 through January 31, 2015
Issuance Date: December 9, 2015

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





State of Delaware
Office of Auditor of Accounts
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At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This

AOA received various allegations, inquiries, and observed months of news report asserting fraud, waste and abuse at Family Foundations Academy.

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

For further information on this release, please contact:

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What We Found

AOA found Family Foundations Academy's (the Academy) fiscal operations lacked any semblance of fiscal compliance or propriety. To say there were problems with internal controls would grossly underestimate the magnitude of the problem. Despite the Academy's complete inability to justify and support expenditures, AOA was unable to obtain information regarding more than \$1.3 million of the expenditures incurred over the engagement period. More than \$141 thousand worth of transactions proved to be personal purchases. The other \$1.2 million remained unsubstantiated as legitimate business purchases, but lacked definitive characteristics of personal purchases. For example, various electronic and computer equipment purchases may have been used in schools or for personal use.

This report also outlines a variety of issues throughout the organization that demonstrate wastefulness, disregard for sensitive student records, widespread payroll infractions, and undisclosed personal relationships.

It is unconscionable that any public entity, much less one charged with educating our children, would operate with such complete disregard for fiscal responsibility, accountability, and transparency.

All of the school board members who served during our inspection period have been removed and replaced by new members. Since the beginning of 2015, the Academy has indicated they worked closely with Department of Education to remediate their fiscal operations.

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Abbreviations

AOA	Auditor of Accounts
ATM	Automated Teller Machine
BAM	Budget and Accounting Manual
CMO	Charter Management Organization
CSAC	Charter School Accountability Committee
CSTAM	Charter School Technical Assistance Manual
DCSN	Delaware Charter School Network
DOA	Division of Accounting
DOE	Department of Education
DSBA	Delaware School Board Association
ELA	English Language Arts
FERPA	Family Educational Rights and Privacy Act
FSF	First State Financials
JPMC	JPMorgan Chase
NSF	Non-Appropriated Special Funds
OMB	Office of Management and Budget
PCard	State Procurement Card
PE	Personal Expense
PHRST	Payroll/Human Resource Statewide Technology

Background

Family Foundations Academy (the Academy) is a charter school within the State of Delaware (State) offering instruction for students, grades kindergarten through eighth. The Academy opened in 2006 after their charter was approved by the Delaware Department of Education (DOE) and State Board of Education. The average class size at the Academy is approximately 25 students, with a student to adult ratio of 18 to 1. As with many public schools, the Academy offers the basic curriculum of math, science, english language arts (ELA), and social studies.¹

According to their Bylaws, the Academy shall not have less than three or more than 15 members on the board. The directors serve for a three-year term, or until resignation or removal. In the case of the initial directors elected during the 2014-2015 school year, they shall be elected for one, two, or three year terms in order to create a staggered election system. The directors shall be elected at the annual meeting of the board. The board should include at least one person who is a parent or guardian of a student attending the Academy and at least one person who is a teacher at the Academy. The Director of the Academy shall be an ex officio non-voting member of the board and shall not count against the limit of members.

Although the Board of Directors has responsibility for the management of a charter school, they may elect to contract with an outside Charter Management Organization (CMO) to assist in the management of a charter school. The Academy did not contract with a CMO for assistance with management of the school.

The Academy receives State and local funds appropriated through the Annual Appropriations Act (Budget Bill), and from local school districts based on an annual pupil count performed every September 30th. The Academy also receives federal funding, as well as private gifts and donations. Refer to Table 1 below for a list of funding received by the Academy as stated in their annual financial statement audit reports.

Source	FY 2012	FY 2013	FY 2014
<i>Revenues from Local School Districts</i>	\$ 2,186,324	\$ 2,437,586	\$ 2,926,946
<i>State Support</i>	4,787,723	4,918,327	5,570,969
<i>Federal Support</i>	105,452	350,973	416,353
<i>Other Sources</i>	251,562	341,552	236,008
Total	\$ 7,331,061	\$ 8,048,438	\$ 9,150,276

Charter School Oversight and Governance

DOE has the authority to define the application and approval criteria for charter schools.² DOE is required by 14 Del. C. §511(a) to present applicants seeking a charter with a “charter contract that clearly defines the respective roles, powers, and responsibilities of the school and the approving

¹ This information was obtained from the Academy’s website at <http://www.familyfoundationsacademy.org/curriculum.html> on September 17, 2014.

² Per 14 Del. C. §505(b)

authority and incorporates the provisions of the performance agreement entered into between the charter school and its approving authority...”

In addition, 14 Del. C. §510 also states that DOE:

- (a) ...shall distribute information announcing the availability of the charter school program, explaining the powers and responsibilities of a charter school contained in this chapter, and describing the application process to each school district and public post-secondary educational institution, and through press releases to each major newspaper in the State.
- (b) ...shall provide technical assistance to potential charter school applicants upon request.
- (c) ...shall provide technical and other forms of assistance to charter schools on the same basis as to school districts.
- (d) ...shall, in concert with the approving authority and the applicant, apply for available federal or foundation grants providing funding for the planning and start-up of charter schools and DOE shall administer such funds as may be appropriated by the General Assembly for the purpose of assisting in the planning and start-up of charter schools.

The charter school applications are submitted to and approved by either public school districts or DOE.³ The approving authority is then charged with oversight of the charter school and is also required to conduct financial, programmatic, or compliance reviews no less than every three years.⁴ This was confirmed by a DOE representative who stated, “Pursuant to 14 Del. Code § 515(a), the Department of Education is responsible for the oversight of the charter schools it approves. This responsibility includes review of financial transactions and board oversight.”

Each year DOE “...shall prepare a report for the Governor, the General Assembly, and the State Board of Education on the success or failure of charter schools and propose changes in state law necessary to improve or change the charter school program.”⁵

Charter School Accountability Committee (CSAC)

The CSAC is formed by the approving authority of a charter school after the approving authority has reached a decision to review an application or has initiated a formal review of a charter school. As outlined in 14 Del. C. §515, the CSAC functions as follows:

- (b) “... the approving authority may notify a charter school of potential violations of its charter and submit the charter to formal review to determine whether the charter school is violating the terms of its charter and whether to order remedial measures pursuant to [14 Del. C. §515 (f)].
- (c) “...an accountability committee appointed by the approving authority shall conduct the initial review pursuant to [14 Del. C. §515 (b)]. The accountability committee's reports to the approving authority shall address the relevant criteria set forth in [14 Del. C. §§512 and 516]. The committee shall meet with the applicant in the course of its investigation and provide the applicant the opportunity to review and comment on the committee's initial report 15 days before it is issued to the approving authority. The committee's final report

³ Per 14 Del. C. §511(c)

⁴ Per 14 Del. C. §513(c) and 14 Del. C. §515(a)

⁵ Per 14 Del. C. §514

shall be provided to the applicant, the approving authority, and made available to the public.

- (d) “If the accountability committee's report presents probable grounds for remedial measures, the approving authority shall hold public hearings to assist in its decision whether the criteria set forth for remedial action in [14 Del. C. §516] have been satisfied, after giving the charter school 15 days' notice. The school shall be given the opportunity to respond to the accountability committee's final report at the hearing. Members of the public shall be given the opportunity to comment at the hearing.
- (e) “If the accountability committee's report asserts that the school has complied with its charter and the criteria set forth in [14 Del. C. §512], the approving authority shall approve or disapprove the final report's conclusion at a public meeting after giving the charter school 15 days' notice. If the approving authority disapproves the report, it shall identify the reasons for that decision with particularity. Thereafter, the approving authority shall hold a hearing, within 30 days, to assist in its decision of the appropriate remedy pursuant to [14 Del. C. §515 (f)].”

According to DOE personnel, each approving authority has their own CSAC; therefore, if DOE holds the charter, they select the members of the committee. Likewise, if Red Clay Consolidated School District holds a charter, they have their own CSAC. DOE personnel also stated that they generally try to hold at least one public hearing for a particular charter school in the county where the school is located.

Technical Assistance from DOE

Prior to July 2014, DOE provided charter schools with a Charter School Technical Assistance Manual (CSTAM), detailing DOE programs and services, State administrative and financial systems, charter school law, evaluation of charter schools, and more. In July 2014, DOE replaced the CSTAM with the Charter School Reference Manual, which provides, at best, contacts for various agencies and departments but does not provide sufficient guidance to charter schools with regards to day-to-day operations.

Organizational Performance Framework Guidance

DOE's Organizational Performance Framework Guidance begins by stating that “Charter schools are public entities that must maintain the public's trust as they are implementing their education program, spending public funds responsibly, practicing sound governance, and adhering to laws and charter requirements regarding employees, students, and the school environment.” In addition, the Organizational Performance Framework Guidance provides requirements for charter schools with applicable Delaware Code references, including the following:

- “A check register shall be posted on the charter's website in accordance with 14 Del. C. §1509.”
- “The charter school's financial and administrative operations must meet or exceed the same standards, procedures, and requirements as a school district...and adhere to the accounting standards in the Budget and Accounting Manual.”

- “The charter school must develop a Citizen Budget Oversight Committee (CBOC) in compliance with the requirements of 14 Del. C. §1508...”
- “Board members must comply with training requirements of 14 Del. C. §512(15) which includes financial responsibility training required by 14 Del. C. §1803.”

DOE's Delaware Financial Performance Framework report for Family Foundations Academy provided an overall rating of 'Meets Standard' for Fiscal Years 2011, 2013, and 2014, and an overall rating of 'Does Not Meet Standard' for Fiscal Year 2012.

Board of Directors

As with public schools throughout the State, charter schools are managed by a Board of Directors, which should be independent of any school board. According to the State Administrative and Financial Systems section of the CSTAM, the Board of Directors for each charter school assumes responsibility for the receipt and disbursement of public funds and all responsibilities associated with State employment.

When a charter school is organized, the approving authority reviews the charter to determine that the founding board is qualified to start and operate a charter school.⁶

Charter School Legislation

As stated in 14 Del. C. §501, charter schools were created to provide “...an alternative to traditional public schools operated by public school districts and improve public education overall by establishing a system of independent “charter” schools throughout the State.” Several requirements are listed in 14 Del. C. c 5 that explain how charter schools may operate. The requirements applicable to our inspection include, but are not limited to:

- Charter schools may not charge tuition. (14 Del. C. §506 (a)(1))
- Any public funds received by a charter school may be used for current operations, minor capital improvements, debt service payments or tuition payments. (14 Del. C. §509 (g))
- If State funds are allocated to a charter school for extra time, professional development, driver education or disciplinary programs, the school shall provide such programs. (14 Del. C. §509 (i))
- Charter school board members and founders shall be required to complete criminal background checks in a manner consistent with 11 Del. C. §8571 (a). (14 Del. C. §511 (r))
- All charter schools shall operate within the State’s official financial management system, which includes First State Financials (FSF) and Payroll/Human Resource Statewide Technology (PHRST), and be subject to all of the same policies and procedures which govern other agencies operating within such systems. If a charter school chooses to operate outside of the State retirement system established by 29 Del. C. c. 55, they must execute a memorandum of understanding with specified parties. (14 Del. C. §512(9)) Charter school employees are considered State employees since their compensation is processed in PHRST. AOA confirmed with PHRST that all charter schools operate on the State’s retirement system.

⁶ 14 Del. C. §512(1)

A legal opinion dated July 30, 2007, and reaffirmed in subsequent updates from the Attorney General's Office, states, "...Delaware charter schools are subject to the State procurement laws set forth in Chapter 69 of Title 29 of the *Delaware Code*..." as there is no statutory provision that exempts a charter school from following these laws. Government Support Services, the State agency responsible for oversight of State procurement, established statewide central contracts with vendors who typically establish a listing of items available for purchase. However, there are times an item needed by a charter school is not available on the central purchasing list. For example, an art teacher is not likely to find specific art supplies purchased on the Staples purchasing list. If a purchase like this were to occur, it should not usurp the procurement requirements for professional services, sole source procurement, etc.

Also, 29 Del. C. §6505(c) prevents the use of State funding for purchases such as gratuities, greeting cards, flowers, or tickets to athletic events.

A charter is subject to revocation or probation, after the exercise of due diligence and good faith, for the following reasons:

- (1) The school, or its representatives, has committed a material fraud on the approving authority or misappropriated federal, state or local funds; or
- (2) The school fails to comply with its charter or to satisfy, in its operation of the school, the criteria set forth in 14 Del. C. §512.

If the approving authority determines that the criteria for remedial action set forth above is satisfied, it may revoke the charter and manage the school directly until alternative arrangements are made. (14 Del. C. §515 (f))

Charter School Funding

Charter schools consistently receive instruction from DOE, Division of Accounting (DOA), and OMB that they may use their local funds as they deem appropriate, which is inconsistent with laws and regulations. In addition, we were provided with correspondence from DOA to a charter school stating that "if an agency does not meet an exception for food related purposes [in the BAM] but pays for the event out of local funds and not state funds," that is an acceptable practice.

The misconception that "local funds" received from the taxpayers are not considered State money is included in Section 3.2 of the BAM, issued by OMB, which states "donations, gifts, local school funds, and various trust funds are examples of [non-appropriated special fund⁷ (NSF)] monies, and "NSF is not considered State monies." However, these funds are all held in the State's pooled cash account, maintained by the Office of the State Treasurer, and are therefore considered State money.

Regardless of the classification of the funds, charter schools have a responsibility to be fiscally prudent in their spending.

⁷ Section 3.2 of the BAM defines NSF funds as "a special fund type with no legislative spending limits. Generally, any monies on hand may be expended, yet encumbrances may only be made against actual cash receipts."

The Budget and Accounting Manual⁸

Section 1.7 of the State Budget and Accounting Manual (BAM) defines organizations as “[State] agencies (both merit and non-merit), school districts, charter schools, and higher education.” Given this definition, charter schools within the State are thereby required to abide by the policies and procedures in the BAM, unless otherwise specified in the Delaware Code or throughout the BAM. In addition, charter schools, as is with all departments and agencies within the State, should establish their own policies and procedures which include the school’s process for evaluating risk and monitoring compliance. No State organization can satisfy good internal controls by relying exclusively on the BAM.

State Procurement Card (PCard)

The State, through DOA, has contracted with JPMorgan Chase (JPMC) Bank to provide State organizations with a Visa card program for procurement and/or travel purchases. The State is able to manage the PCard program through JPMC’s online card administration software.⁹

The State is liable for use of the PCard; therefore, only State employees are eligible to participate in the PCard program. Employees may enroll in the program, without the completion of a credit check, by completing a PCard Enrollment Request form and receiving proper approval from their organization.

Chapter 12 of the BAM provides rules governing the PCard, and all PCard transactions must comply with accounting procedures and State laws governing purchases. Section 12.4.1 places restrictions on PCard usage and specifically states that it is not to be used for personal or unauthorized purchases, such as alcoholic beverages or other expenses not authorized for State business. Splitting purchases into multiple charges, or combining charges from several PCards, to circumvent purchase limits or State procurement law is strictly prohibited. The BAM also states, “The PCard may not be used to charge expenses for family members or others who may be accompanying the employee on official State business, even if the intention is to reimburse the State”.

Any cardholder who intentionally makes unauthorized purchases or accidentally uses the PCard is liable for the total dollar amount of such unauthorized transactions and would be subject to both disciplinary and criminal actions for those transactions. Any personal or unauthorized transactions must be reimbursed by the employee within 30 days of the transaction, and a copy of the reimbursement check and deposit slip should be filed with the monthly PCard statements in case of an audit.

The BAM also details each organization’s PCard monitoring requirements. Regardless of the reason or type of purchase, all PCard receipts must be kept for reconciliation purposes. PCard

⁸ The Budget and Accounting Manual is updated frequently throughout the year without any notice to the users and the Office of Management and Budget does not maintain an archive of previous versions. Therefore, AOA used the following versions during our inspection: Chapter 1 version 2.9, Chapter 3 version 2.8, Chapter 7 version 4.24, Chapter 11 version 4.19, and Chapter 12 version 5.8.

⁹ Section 12.1 of the BAM

activity is included in FSF and is to be reconciled in accordance with charter school policies and procedures.¹⁰

Travel Policy

Chapter 11 of the BAM discusses the State's policies surrounding authorized travel expenses incurred while conducting State business. Each organization's management is responsible for control over and approval of travel-related expenditures. Organizations' internal controls must include policies covering the designation of approval authorities for travel expenditures. Chapter 11 of the BAM specifically exempts the Legislative Branch, Judicial Branch, and School Districts.¹¹ The scope of the State's travel policy, as stated in Section 11.1.2 of the BAM, does not specifically exempt charter schools; therefore, charter schools must follow all policies relating to travel for State business.

The travel policy discusses topics such as appropriate per diem expenses¹², meals and incidentals¹³, and travel expense reimbursements¹⁴. Further, Section 11.1.3 requires that all out-of-state travel that extends beyond one day shall be detailed on the Travel Authorization Form. The authorization form should be properly submitted and approved prior to traveling.

Personal Expense Reimbursements

Although the PCard is OMB's preferred choice for travel expenses, direct reimbursement is also acceptable. Delaware's travel policy states that in cases where the PCard was not used for travel-related expenses, those expenses would be reimbursed using a Personal Expense Reimbursement (PE) voucher.¹⁵

The BAM is silent on employee reimbursements for non-travel related expenses.

Food Consumed In-State¹⁶

State employees shall not be provided or reimbursed for food consumed in-state during normal working hours, with the exception of the following:

- Employees of State agencies who regularly receive wages-in-kind in addition to their salaries;
- Employees of the Delaware Economic Development Office;
- Food provided as part of employee recognition events as established by 29 Del. C. §5950;
- Food provided during agency training events held away from the agency's home location
- State Police recruits during the period of their training; or
- Circumstances where the Director of the Office of Management and Budget and the Controller General has granted approval.

¹⁰ According to section 12.2.3 of the BAM, organizations are required to indicate reconciliation procedures, including the frequency which may be no less than monthly.

¹¹ AOA confirmed with an OMB representative responsible for the BAM that the school district exemption includes only the 19 Delaware public school districts because they are able to use local funds to cover travel expenses.

¹² Section 11.4 of the BAM

¹³ Section 11.4.2 of the BAM

¹⁴ Section 11.5 of the BAM

¹⁵ Section 7.6.6.1 of the BAM

¹⁶ 29 Del. C. §5112 and Section 7.6.6.2 of the BAM

Gift Cards¹⁷

Cash advances, which include any instance where funds are disbursed prior to the receipt of a good or service, are strictly prohibited. Examples of cash advances include, but are not limited to, Automated Teller Machine (ATM) withdrawals, money orders, and gift cards.

Delaware Archives Guidance

The Delaware Code¹⁸ states, “It shall be the responsibility of every public official and employee to:

1. Adequately document the transaction of public business and the services and programs for which such persons are responsible;
2. Retain and adequately protect all public records in their custody; and
3. Cooperate with the Delaware Public Archives and records officers in the establishment and maintenance of an active and continuous program for the economical and efficient management of public records.”

A "public record" is defined by 29 Del. C. §502 (7) as ... “any document, ...paper, ...or other material regardless of physical form or characteristics, including electronic records ... collected or received in connection with the transaction of public business or in any way related to public purposes by any officer or employee of this State or any political subdivision thereof.”

Archives’ retention schedule for school districts states that the records related to the processing of accounting and financial records should be retained for five years. The retention instructions state that these documents are to be retained at the agency until a successful audit, and then are to be transferred to the State Records Center for the remainder of the retention period. After the fifth year, the records are allowed to be destroyed.

Charter Schools’ Relationship to the State - Discretely Presented Component Unit¹⁹

Charter schools are organized as a separate legal entity under the Delaware Corporation Law;²⁰ however, they are fiscally dependent upon the State because they do not have the power to levy taxes or set tuition rates or charges.²¹ As a result, the analysis performed by AOA in June 2015 revealed that charter schools are considered a discretely presented component unit of the State. This means that while 14 Del. C. §513(a) requires each charter school to have an annual audit of their individual financial statements, the financial activities of all the charter schools are reported collectively in a separate column in the State’s Comprehensive Annual Financial Report.

¹⁷ Section 7.2.2 of the BAM

¹⁸ 29 Del. C. §504

¹⁹ Per analysis performed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 61. The detailed analysis is available on AOA’s website at http://www.auditor.delaware.gov/gasb_61/FY16/Entity%20Determination%20Memo%20-%20Charter%20Schools%2006_30_15.pdf.

²⁰ 14 Del. C. §504(a)

²¹ 14 Del. C. §503 and 14 Del. C. §506(a)(1)

The Delaware Charter School Network (DCSN)²²

According to their website, the DCSN is a non-profit organization created in 2001 as ... “Delaware’s statewide charter support organization.” By collecting donations from foundations and members across the State, the DCSN is able to serve over 11,000 children in 21 charter schools and provide essential services to all levels of public charter schools – boards, leaders, staff, and parents. The DCSN strives to “...help improve and expand existing schools, encourage the creation of new charters, and ensure that all of Delaware’s charter schools remain accountable and high performing.”

According to FSF, the DCSN received the following amounts from charter schools throughout the State for each fiscal year ending June 30:

Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Grand Total
\$ 90,082.50 ^a	\$ 79,009.00 ^b	\$ 141,991.50	\$ 311,083.00

^a - Includes \$50.00 paid from the “Department of Education” department ID

^b - Includes \$365.00 paid from the “Education Block Grants” department ID

Delaware School Board Association (DSBA)²³

According to their website, the DSBA is an association created “...to encourage and foster equity of thought and action of Delaware school boards and to further educational interests in the State.”

One of the primary duties of the DSBA is to study school needs and solicit the appropriate legislative support to provide those needs. The DSBA “...provide[s] on-going board member training, facilitates policy research, assists with superintendent selection processes, provides guidelines for board and superintendent evaluations, and serves as a liaison with other educational organizations.”

Membership to the DSBA is optional and members pay dues based on their September 30 unit count as detailed in Table 3:

Number of Units	Dues per Unit
1-50	\$52.00
51-100	\$39.00
101-150	\$26.00
151 or more	\$13.00

Based on payments in FSF, only a handful of charter schools participated with the DSBA during Fiscal Year 2014 and Fiscal Year 2015.²⁴ There were no payments to the DSBA from charter schools during Fiscal Year 2013.

²² <http://www.decharternetwork.org/>, as of June 30, 2015

²³ <http://edsba.org/>, as of June 30, 2015

²⁴ July 1, 2014 through June 30, 2015

Procedures and Results

AOA’s inspection revealed the administration at Family Foundations Academy (the Academy) seemingly operated in its own universe during the period July 1, 2011 through January 31, 2015. For example, the Academy opened credit card accounts, authorized “cash awards” to employees without the Board’s approval, spent school funds frivolously, and hired employees and consultants without regard for related party procedures and disclosures. The Academy’s cash receipt environment also did not have controls in place to deter fraud.²⁵ Current employees state there was “little to no communication between employees and the finance team” regarding financial policies and procedures.

The two former co-directors, Sean Moore and Tennell Brewington, did not foster an environment of transparency, honesty, integrity, and ethical behavior.²⁶ Their reign was plagued with personal relationships and an attitude that being a co-director of the Academy justified their actions and entitled them to operate outside of State requirements. The personal relationships extended into the Board of Directors, impairing their ability to make sound judgment on oversight responsibilities. The Board exercised a sense of “blind trust” towards the two former co-directors.

The Academy paid SB & Company, LLC, an external audit firm from Hunt Valley, Maryland, a total of \$64,000 to perform the annual financial statement audits for fiscal years 2012, 2013, and 2014. These reports contain unqualified audit opinions and no findings on internal controls and compliance over financial reporting.

The balance of the report outlines additional problems found at the Academy.

Questionable Purchases at the Academy

	Personal	Unverifiable
State Purchasing Cards (PCards)	\$ 29,383.80	\$ 246,823.89
American Express (Amex)	87,027.88	15,366.64
Vouchers	18,766.11	942,860.87
WSFS Bank Activity	5,924.29	22,733.11
Grand Total	\$ 141,102.08	\$ 1,227,784.51

Employees of the Academy racked up more than \$141,000.00 in personal purchases between July 1, 2011 and January 31, 2015. To evaluate questionable purchases, AOA performed various procedures, including, but not limited to, review of school records, confirmations with third party vendors, and interviews of key individuals. Any transaction that was not clearly for personal or school use was classified as unverifiable.

²⁵ There is no cash receipt trail to reconstruct the records to determine whether cash was misappropriated.

²⁶ Mr. Moore and Ms. Brewington were terminated from the Academy, effective January 12, 2015. Similarly, the Board of Directors was replaced with new members in January 2015.

Personal Purchases from PCards

Of the \$141,102.08 in personal purchases, \$29,383.80 was spent using the State PCards, as illustrated in Table 2 below.

Table 2: PCard Personal Purchases: July 1, 2011 - January 31, 2015

<i>Category</i>	<i>Sean Moore</i>	<i>Tennell Brewington</i>	<i>Kiana Simmons²⁷</i>	<i>Chris Cooke²⁸</i>	<i>Unknown User</i>	<i>Total per Category</i>
	<i>Former Co-Director</i>	<i>Former Co-Director</i>	<i>Middle School Secretary</i>	<i>Former IT Director</i>		
Automotive	\$ -	\$ -	\$ -	\$ 91.59	\$ -	\$ 91.59
Cellular	431.97	74.98	86.51	784.82	-	1,378.28
Debt Collections	960.00	-	-	-	680.61	1,640.61
Electronics	4,423.89	644.95	314.94	1,412.18	-	6,795.96
Events/ Entertainment	-	560.85	-	-	-	560.85
Florist	-	717.86	-	-	268.00	985.86
Grocery	-	82.97	-	-	-	82.97
Home Décor	-	1,223.37	-	-	-	1,223.37
Home Theater	1,456.00	-	-	69.09	-	1,525.09
Information Technology	-	-	-	3,218.00	-	3,218.00
In-State Meals	818.79	2,935.61	-	-	3,825.54	7,579.94
Lender	-	1,019.05	-	-	-	1,019.05
Office Supplies	3.58	39.98	-	-	-	43.56
Retail	-	105.94	1,033.47	-	-	1,139.41
Sorority	-	165.00	-	-	-	165.00
Storage	-	-	728.00	-	-	728.00
Vehicle Finance ²⁸	340.36	865.90	-	-	-	1,206.26
Total per Employee	\$ 8,434.59	\$ 8,436.46	\$ 2,162.92	\$ 5,575.68	\$ 4,774.15	\$ 29,383.80

Some of the more egregious purchases included in Table 2 are outlined below:

Sean Moore

- Cell phone and accessories - \$431.97
- VAIO Duo 13 all-in-one laptop/tablet with extended warranty - \$3,024.99
- Google Nexus Tablet - \$399.90
- Surface Pro 2 - \$999.00
- A home theatre installed at his personal residence - \$1,456.00
- 8 in-state meal purchases - \$818.79

Tennell Brewington

- Cell phone accessories - \$74.98

²⁷ Tennell Brewington's PCard was used to for personal purchases and payments on personal accounts. These items were identified by the service/shipping address listed on the invoices.

²⁸ Academy employees confirmed that the school never owned a vehicle.

- Tablet docking stations and accessories - \$644.95
- Three tickets from the Michael Jackson One by Cirque de Soliel show in Las Vegas - \$560.85
- A souvenir shirt from the Michael Jackson One by Cirque de Soliel show in Las Vegas - \$105.94
- Home décor items such as curtains, pillows, chair cushions, etc. - \$1,223.37
- 30 in-state meal purchases - \$2,935.61

Kiana Simmons

- Monthly payments and late fees for a storage unit in Ms. Simmons' name - \$728.00
- A monthly payment on a personal cell phone account for an individual residing with Ms. Simmons - \$86.51
- An Acer Chromebook laptop - \$326.98
- Hair extensions - \$757.33
- Clothing, jewelry, and accessories - \$264.10.

Chris Cooke

- Blu-Ray DVD Burner, external re-writer, and numerous rewritable discs - \$430.89
- Cell phones and accessories - \$784.82
- A fax modem - \$82.98
- Surround sound headphones - \$94.98
- A Microsoft® Surface Power Cover - \$154.36
- Home theatre - \$69.09
- Graphics cards - \$353.98
- Electronic accessories - \$294.99

Mr. Cooke also purchased a TeamViewer® software program for \$3,218.00 which was intended to be for school use, but he took it with him after his termination by the Academy. This software program provided Mr. Cooke with remote access to the school computers until it was removed by the current IT Director after Mr. Cooke's termination.

Unknown User - Due to record retention limitations, PCard transactions dated prior to May 2012 were not available. AOA relied on data pulled from FSF which did not provide the cardholder's name for transactions.

Personal Purchases from American Express Credit Cards (Amex Cards)

Of the \$141,102.08 in personal purchases, \$87,027.88 was spent by both Sean Moore and Tennell Brewington using the Amex cards, as illustrated in Table 3 below.

Table 3: American Express Personal Purchases: July 1, 2011 - January 31, 2015

<i>Category²⁹</i>	<i>Sean Moore</i>	<i>Tennell Brewington</i>	<i>Total per Category</i>
Auto Payments	\$ 5,506.35	\$ 949.86	\$ 6,456.21
Auto Services & Accessories	5,525.05	1,535.96	7,061.01
Bookstore	783.84	-	783.84
Cleaning Services	-	93.80	93.80
Collections Agency	-	270.08	270.08
Credit Balance Refund	174.83	-	174.83
Credit Reporting Agency	39.90	-	39.90
Custom Regalia Apparel	294.45	-	294.45
Dental Services	461.60	-	461.60
Electronics	11.13	-	11.13
Entertainment	2,660.19	-	2,660.19
Freemason Items & Apparel	393.11	-	393.11
Fruit Rolls/Fruit Leather Snacks	369.60	-	369.60
Fuel	2,340.38	130.02	2,470.40
Gifts & Collectibles	1,999.46	184.98	2,184.44
Groceries	4,482.53	448.14	4,930.67
Heating Fuel	-	778.00	778.00
Home Improvement	12,262.26	5,901.82	18,164.08
Hotel	759.75	225.18	984.93
In-State Meal	2,026.90	988.79	3,015.69
Jewelry Store	626.37	1,184.98	1,811.35
Membership & Late Fees	2,573.27	1,248.86	3,822.13
Optometrist Services	-	882.50	882.50
Out-of-State Meal ³⁰	142.71	-	142.71
Paintball	783.00	-	783.00
Quicken Loans	500.00	-	500.00
Retail	15,807.03	6,071.10	21,878.13
Shoe Store	1,411.85	107.50	1,519.35
Software	89.99	-	89.99
Spa Services	-	1,416.00	1,416.00
Train Tickets	240.00	-	240.00
Unknown	-	325.00	325.00
US Tax 1040 Preparation Fee	42.32	-	42.32
US Treasury Tax Payment	1,800.00	-	1,800.00
Video Games	89.97	87.47	177.44
Total per Employee	\$ 64,197.84	\$ 22,830.04	\$ 87,027.88

Some of the more egregious purchases included in Table 3 are outlined below:

Sean Moore

- Down payment on a 2008 Mercedes Benz - \$2,500.00
- Additional payments to Mercedes Benz of Wilmington and West Chester - \$3,006.35

²⁹ AOA confirmed with current Academy employees that the Academy has never owned a vehicle.

³⁰ This amount includes \$38.00 in alcohol charges, which is prohibited by Section 12.4.1 of the BAM.

- TransUnion and Equifax credit reports - \$39.90
- Dental work for Mr. Moore’s relatives at Progressive Dental Diagnostic - \$461.60
- Two WWE SmackDown floor seats at the Wells Fargo Center - \$359.18
- Alicia Keys and John Legend concert tickets - \$1,736.06³¹
- Fuel purchases - \$2,340.38
- Gift Cards and Fees³² - \$912.75
- Acme Markets (including 19 purchases of snow crab clusters and seasoning) - \$2,627.21
- Mattress and headboard set, table and chair set, tv chest and chaise set, dresser, mirror, nightstand, sofa, loveseat, and an ottoman shipped to Mr. Moore’s personal address - \$6,725.33
- Six in-state hotel reservations³³ - \$759.75
- 39 in-state restaurants and fast food purchases³⁴ - \$2,026.90 (includes \$96.39 in alcohol³⁵)
- Edible Arrangements³⁶ (see Figures 1 and 2 below) - \$192.99

Figure 1: Edible Arrangements Invoice

Edible Arrangements - 721
Website Order
 Monday, August 10, 2015 9:05 AM

W0019259401-1 Placed on Wed, 2/13/2013 1:45 PM First Reviewed on Wed, 2/13/2013 2:15 PM
 INET-721-13596

Delivery on Thursday, 02/14/2013

Customer: **Sean Moore**, 1101 Delaware Street, New Castle, DE 19720
 Recipient: **Moore**
 Other Information: **Paid by AMEX Card**, Heard: Existing Customer, Status: Delivered (Thu, 2/14/2013 6:15 PM), CC Status: Processed, Please process the order in SMSx through EAconnect Internet.

Product	Qty	Price	Discount	Total
Blooming Hearts & Berries Bouquet™ - Regular	1	\$68.00	\$0.00	\$68.00
- Dipped Strawberries: Semisweet Chocolate (Half Dipped)	1	\$17.00	\$0.00	\$17.00
- Balloon Bundles: Valentine's Day Bundle	1	\$12.99	\$0.00	\$12.99

Card Message: Happy Valentine's Day to the woman that I love with all of my heart!
 Delivery Instructions: No Instruction
 Delivery Charge: \$12.00
 Discount: \$0.00
Total: \$109.99

Figure 2: Edible Arrangements Invoice

Edible Arrangements - 480
Website Order
 Monday, August 10, 2015 9:07 AM

W0025197437-1 Placed on Thu, 11/7/2013 9:41 AM First Reviewed on Thu, 11/7/2013 9:45 AM
 INET-480-24445

Academy Employee

Delivery on Thursday, 11/07/2013

Customer: **Sean Moore**, 1101 Delaware Street, New Castle, DE 19720
 Recipient: **Family Foundations Academy, 1 Fallon Avenue, Wilmington, DE 19804**
 Other Information: **Paid by AMEX Card**, Heard: Not Specified, Status: Delivered (Thu, 11/7/2013 5:52 PM), CC Status: Processed, Please process the order in SMSx through EAconnect Internet. Customer does not wish to receive email promotions or news.

Product	Qty	Price	Discount	Total
1 Dozen Swizzle Berry Chocolate Roses Semisweet Chocolate - Semi Sweet Chocolate	1	\$59.00	\$0.00	\$59.00
- Cinnamon the Reindeer™ Plush: Cinnamon the Reindeer™ Plush	1	\$12.00	\$0.00	\$12.00

Card Message: Enjoy! Until we meet again!
 Delivery Instructions: No Instruction
 Delivery Charge: \$12.00
 Discount: \$0.00
Total: \$83.00

³¹ \$816.06 on Alicia Keys tickets in West Hollywood, CA. \$920.00 for John Legend tickets in New York, NY.

³² Prohibited by Section 7.2.2 of the BAM.

³³ Prohibited by Section 11.4.4 of the BAM.

³⁴ Prohibited by 29 Del. C. §5112 and Sections 7.6.6.2 & 11.4.4 of the BAM.

³⁵ Prohibited by Section 12.4.1 of the BAM.

³⁶ Prohibited by Section 7.2.2 of the BAM.

Tennell Brewington

- Carman Ford Auto Group payment - \$949.86
- Fuel purchases - \$130.02
- Sympathy Flowers ³⁷ - \$114.98
- Optical glasses from BJ's Wholesale - \$164.99
- Awe Oil for Ms. Brewington's personal address - \$778.00
- Three in-state hotel charges ³⁸ - \$225.18
- Five in-state meals ³⁹ - \$988.79

An American Express credit card is not compliant with Section 7.5.8 of the BAM, stating "Agencies and school districts may not use credit cards registered in the name of the employee, agency, school district, or State which could create an obligation of the State, except as specifically and duly authorized by the Secretary of Finance." AOA confirmed with Secretary Cook that the Department of Finance has not approved any charter schools to hold credit cards aside from the State PCard. However, there may be some instances where a credit card (e.g. Staples) with a very small limit (e.g. \$200) is necessary for minimal purchases. Secretary Cook agreed that "there are certainly instances for latitude, but there needs to be a process in place and an accountability system [to ensure funds are spent properly]."

Personal Purchases from Vouchers

Of the \$141,102.08 in personal purchases, \$18,766.11 was spent using FSF vouchers, as illustrated in Table 4 below.

<i>Category</i>	<i>Sean Moore</i>	<i>Tennell Brewington</i>	<i>Unknown User⁴⁰</i>	<i>Total per Category</i>
Verizon Wireless	\$ 570.69	\$ 66.88	-	\$ 637.57
Voucher	8,798.85	-	9,329.69	18,128.54
<i>Total per Employee</i>	<i>\$ 9,369.54</i>	<i>\$ 66.88</i>	<i>\$ 9,329.69</i>	<i>\$ 18,766.11</i>

Some of the more egregious purchases included in Table 4 are outlined below:

Sean Moore

- Verizon Wireless (including ringback tones, rhapsody music subscriptions, and premium messaging charges) - \$570.69
- Laptops and Computers - \$3,069.96
- Tablets and a docking station - \$4,287.94
- Cameras - \$1,020.98

³⁷ Prohibited by Section 7.2.2 of the BAM.

³⁸ Prohibited by Section 11.4.4 of the BAM.

³⁹ Prohibited by 29 Del. C. §5112 and Sections 7.6.6.2 & 11.4.4 of the BAM.

⁴⁰ The invoices provided by the Academy to support these purchases did not identify the purchaser.

Tennell Brewington

- Verizon Wireless ringback tones and app downloads - \$66.88

Unknown User

- Automatic wine opener - \$19.99
- Bluetooth headsets - \$228.95
- Speakers, including a shower speaker - \$299.97
- Cameras - \$673.89
- Televisions - \$1,398.99
- Beats headphones - \$199.95
- Remote Controlled Helicopter - \$79.99
- Quicken Premier and Willmaker Plus - \$174.98
- iPod Touch - \$389.00

Personal Purchases from the Academy's WSFS Account

Of the \$141,102.08 in personal purchases, \$5,924.29 was spent, using funds from the school's WSFS bank account. Some of the personal purchases are described below:

- A check, signed by only Tennell Brewington, to a debt collection agency - \$3,701.42
- A 42 inch television (purchaser could not be identified) - \$499.99
- Bluetooth Audio Player (purchaser could not be identified) - \$307.91

Settlement Agreement

In February 2015, the Board of Directors reached settlement agreements with Sean Moore and Tennell Brewington for \$67,008.33 and \$18,921.12, respectively, in an effort to recover some of the personal expenditures incurred by these individuals. As of October 9, 2015, Mr. Moore and Ms. Brewington have only paid back \$13,400.00 and \$9,460.56, respectively.

Unverifiable Purchases

Between July 1, 2011 and January 31, 2015 the Academy expended more than \$1.2 million in suspicious purchases, as illustrated in Table 5 below. The Academy had nothing on record to demonstrate they were legitimate purchases. Conversely, we were unable to obtain sufficient evidence to classify them as personal.

Table 5: Unverifiable Purchases: July 1, 2011 - January 31, 2015

<i>Category</i>	<i>PCard</i>	<i>Amex</i>	<i>Vouchers</i>	<i>WSFS and PNC</i>	<i>Total per Category</i>
Advertising	\$ 11,739.68	\$ -	\$ -	\$ -	\$ 11,739.68
Appliances	249.97	-	-	-	249.97
Cable/Phone/ Internet	610.62	3,743.14	-	-	4,353.76
Carpeting	59.00	-	-	-	59.00
Cellular	33,296.93	-	-	-	33,296.93
Electronics	16,844.06	7,157.71	25,202.27	-	49,204.04
Equipment	145.89	-	-	-	145.89
Events/ Entertainment	5,980.00	-	-	-	5,980.00
Facilities	27,237.44	-	-	-	27,237.44

Fuel	131.96	-	-	-	131.96
Furniture	1,460.00	-	-	-	1,460.00
Gift Cards ⁴¹	5,693.60	-	14,060.39	-	19,753.99
Grocery	8,664.90	-	28,446.70	-	37,111.60
IT Support Services	-	-	23,231.35	-	23,231.35
Mailing Services	-	246.64	-	-	246.64
Memberships	150.00	-	-	-	150.00
Moving Services	412.32	-	-	-	412.32
Music Store	-	244.89	-	-	244.89
Office Supplies	22,611.06	-	-	-	22,611.06
Out-of-State Meals	2,673.83	1,053.75	-	-	3,727.58
Parking Fees	-	35.00	-	-	35.00
Party Supplies	342.26	-	-	-	342.26
Photos	283.41	-	-	-	283.41
Religious	1,425.00	-	-	-	1,425.00
Retail	5,071.72	-	-	-	5,071.72
Satellite	205.38	-	-	-	205.38
Software	-	69.95	-	-	69.95
Supplies	-	683.71	-	-	683.71
Travel	38,824.84	1,386.77	-	-	40,211.61
Unknown	61,940.09	745.08	851,920.16	22,733.11	937,338.44
Wall Graphics	769.93	-	-	-	769.93
Total per Account	\$ 246,823.89	\$ 15,366.64	\$ 942,860.87	\$ 22,733.11	\$ 1,227,784.51

- *Cellular* - Sprint Wireless account invoices included charges for 13 phone lines belonging to users who could not be identified as employees of the Academy. Two of these phone lines were in the name of a relative of Kiana Simmons, which was included above in Table 2.
- *Electronics* - Since the school lacked an inventory system to track electronics, AOA was unable to verify whether the various keyboards, mice, and printers were purchased for school or personal purposes. Since these items may have been purchased for either personal or school use, they could not be classified as being for school or personal purposes.
- *Grocery* - The school maintained that drinks and snacks were purchased for before and after school care, the school also had a snack cabinet located in Tennell Brewington's office for staff members. The food and snack purchases included crackers, chips, cookies, candy, and cereal which may have been for either student or faculty use, and also included coffee and five hour energy drinks which were likely purchased for staff and not considered a prudent use of State funds.
- *IT Services* - School personnel confirmed that Sean Moore had the school's phone systems serviced through Staples, but a valid reason for IT services from an outside vendor could not be provided.

⁴¹ The school failed to maintain an inventory system for gift cards; therefore, AOA could not determine whether these items were used for school or personal purposes.

- *WSFS and PNC Account* - The unverifiable payments include payments to an American Express account not reviewed by AOA, and a closeout check signed by Sean Moore from the school's PNC account for \$1,724.96 which could not be traced to another school account.

Related Party Transactions

The Academy contracted with The WorkWise Group, a consulting firm owned by Patricia Brooks. Despite the fact that Ms. Brooks is the wife of the Academy's former Board of Directors President Byron Brooks, the Academy entered into the contract on October 14, 2013, *during* Mr. Brooks' term as Board President. During our scope alone, the Academy paid \$110,919.51 for contracted services related to communications, marketing, professional development, and recruiting; however, the school was unable to produce any records to validate the services provided.

A majority of The WorkWise Group's invoices only listed dates, lacking sufficient detail showing the actual services performed. One Academy employee stated that they were aware the school entered into a contract with Ms. Brooks, but "did not know why she was needed," and was unsure how often Ms. Brooks was even at the school.

Wasteful Use of School Funds

The Academy demonstrated that they were fiscally irresponsible with purchases. For example, we identified \$22,867.33 in PCard purchases that could be attributed solely to two graduation ceremonies. Of this amount, \$15,775.00 was paid to the Double Tree Hotel in Wilmington to hold one of the 8th grade graduation ceremonies at their venue. Another \$13,460.32 was spent on events held at the school and included items such as DJs, bounce houses, carnival attractions, food, decorations, and costumes. Additionally, the Academy spent \$11,129.18 on food for staff functions including Board meetings and PTA meetings, as well as \$1,025.00 to sponsor a "Paint Night" for staff as a team building exercise.

Payments for Purchases Made by Another Company - The school paid Office Depot \$780.69 for products invoiced and shipped to a company in Hialeah, Florida. AOA did not find any relation between the company and the Academy. The Academy also incorrectly paid two vendors, for services performed by other vendors, costing the school \$1,171.17.

Additionally, the school's lack of a documented inventory process lead to a wasteful use of school resources in duplicate purchases. This was observed by AOA during an inspection of the contents of the storage units where multiple computer monitors were found as well as unopened boxes of text books, electronics, corkboards, and whiteboards, and a treadmill. Below is an illustration of some of these items located within the storage units.

Figure 3: Unopened boxes of books



Figure 4: Treadmill



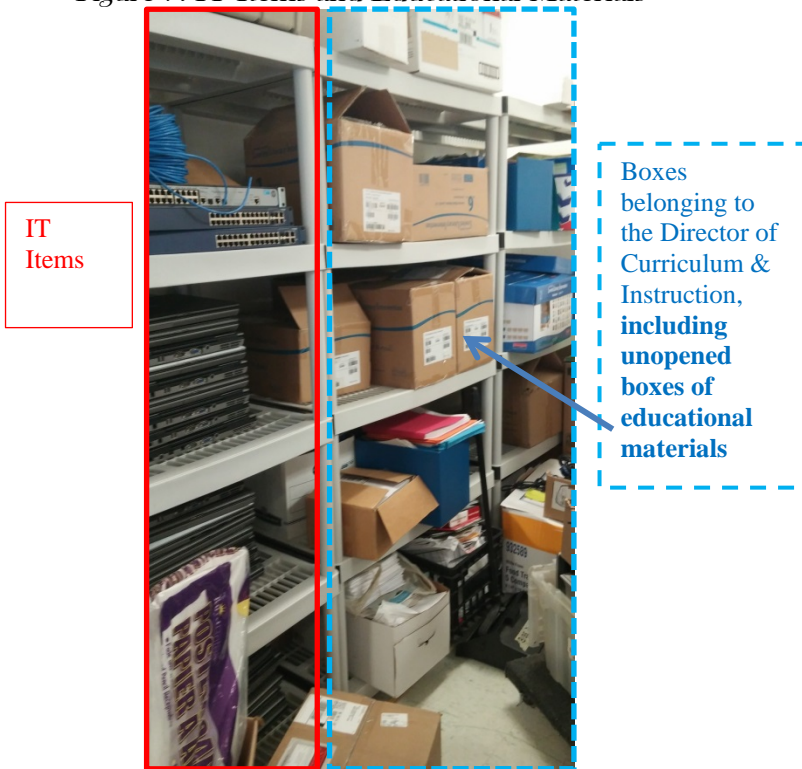
Figure 5: Computer Monitors



Figure 6: Computer Monitors



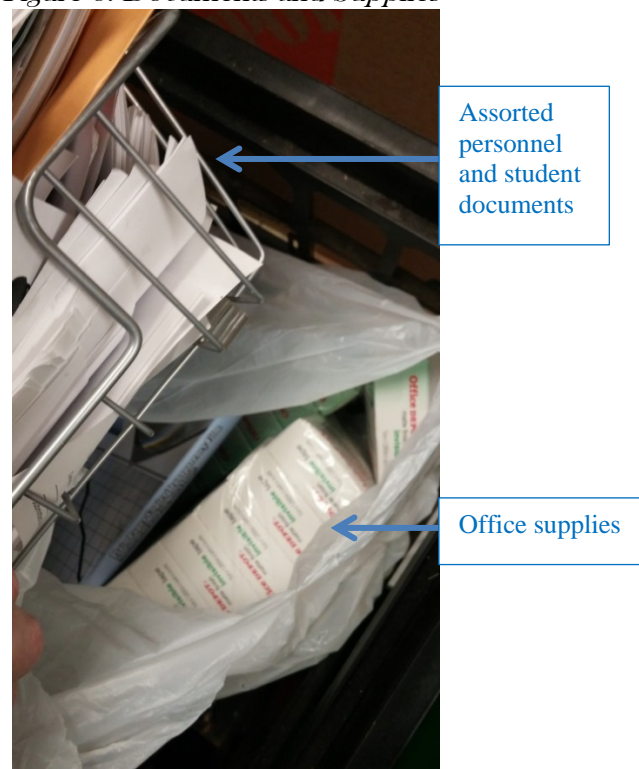
Figure 7: IT Items and Educational Materials



IT
Items

Boxes
belonging to
the Director of
Curriculum &
Instruction,
**including
unopened
boxes of
educational
materials**

Figure 8: Documents and Supplies



Assorted
personnel
and student
documents

Office supplies

Payroll

AOA found several questionable payments within the Academy’s payroll data found in the State’s Payroll/Human Resource Statewide Technology System (PHRST) that were not supported with any documentation. In addition, Sean Moore was reportedly the only individual who processed payroll in PHRST for the Academy from June 2014 through December 2014.

The Academy paid salaries of \$1,413,251.71 to employees without a contract from July 1, 2011 through January 31, 2015. The Academy could not provide 23 of the 28 employment contracts requested by AOA. Of the five employment contracts provided to AOA for review, we found that one employee was paid an annual salary amount over \$1,000 higher than the contracted salary amount.

As illustrated in Table 8 below, the Academy paid various employees a total of \$528,162 beyond their regular salary for which the school was unable to provide support or a purpose for the payments, and Board of Director approval could not be identified in the available Board meeting minutes.⁴² The Academy did not maintain support for payroll transactions prior to December 2014, at which time they began keeping timesheets for select employees.

⁴² The Academy did not maintain Board meeting minutes prior to Fiscal Year 2014; therefore, they were unable to provide AOA with any meeting minutes prior to this time.

Table 8: Payments Made to Family Foundations Academy Employees in Excess of their Regular Salary Payments, for which No Support was Maintained

<i>Earncode</i>	<i>Definition</i>	<i>FY2012</i>	<i>FY2013</i>	<i>FY2014</i>	<i>FY2015 through January 31, 2015</i>	<i>Grand Total</i>
ACA	Employee Cash Award	\$ 11,500	\$ 31,000	\$ -	\$ -	\$ 42,500
ARO	Adjustment to Regular Pay	17,376	(5,305)	5,852	936	\$ 18,859
ARP	Retroactive Payment	8,269	6,942	-	1,346	\$ 16,557
ASA	School Adj. Mid Year Contract Hire	(2,662)	-	-	-	\$ (2,662)
ATU	True up Amount	14,958	29,297	3,615	17,032	\$ 64,902
EAS	Ed. After School Pay	11,242	-	-	-	\$ 11,242
EDP	Ed. After School Detention Pay	2,330	-	-	-	\$ 2,330
EPR	Ed. Extra Pay Extra Responsibility	69,228	35,941	72,817	33,267	\$ 211,253
ESE	Ed. Salary Stipend Earning	-	33,400	56,678	53,500	\$ 143,578
ESI	Ed. Summer School Pay	15,774	-	-	-	\$ 15,774
ETP	Ed. Testing Pay	1,050	-	-	-	\$ 1,050
T10	Overtime 1.0x	1,158	-	-	-	\$ 1,158
T15	Overtime 1.5x	-	-	-	1,623	\$ 1,623
Total Payments		\$ 150,223	\$ 131,275	\$ 138,962	\$ 107,704	\$ 528,164

Direct Reimbursements

AOA reviewed 12 direct reimbursements paid by the Academy during the period July 1, 2011 through January 31, 2015, and found that 8 of those reimbursements, totaling \$7,726.36, violated State policy.

Table 9: Direct Reimbursements paid to Academy Employees in Violation of State Policy: July 1, 2011 - January 31, 2015

<i>Exception</i>	<i>State Policy</i>	<i>Description of Purchases</i>	<i>Value of Exception</i>
<i>Direct reimbursements lacking adequate support.</i>	The lack of support for the transactions violates 29 Del C. § 6504 requiring support for financial transactions.	Due to a lack of support, AOA was unable to identify the nature of these items.	\$ 4,312.16
<i>In-State Meal Purchase</i>	29 Del. C. § 5112 requires approval for the purchase of in-state meals, none of which had been received.	This reimbursement was for a food purchase for an employee training day held at the Academy.	630.20
<i>Airfare purchased in excess of the most economical class and lack of a Travel Authorization Form</i>	Budget and Account Manual (BAM) section 11.2.2 requires State employees to purchase the most economical class of airfare. In addition, section 11.1.3 of the BAM requires State employees to complete a Travel Authorization Form detailing the anticipated expenses for each trip.	This purchase included four airfare tickets for Academy employees. Due to a lack of a Travel Authorization Form, AOA was unable to determine the reason for the trip.	2,784
Total Direct Reimbursement Findings:			\$ 7,726.36

Records Security and Retention

When locating the Academy's financial files, AOA spotted several cardboard boxes, sealed with tape and labeled "Confidential, Personnel Files" or "Termination Files" as well as other boxes that said "1st grade" or "2nd grade" in the school's cafeteria. The school was in the process of moving their middle school and used the cafeteria for storage; however, these confidential personnel files and student records were out in the open with no security measures for protection.

Below is an illustration of some of the boxes found in the school's cafeteria.

Figure 9: Termination Records

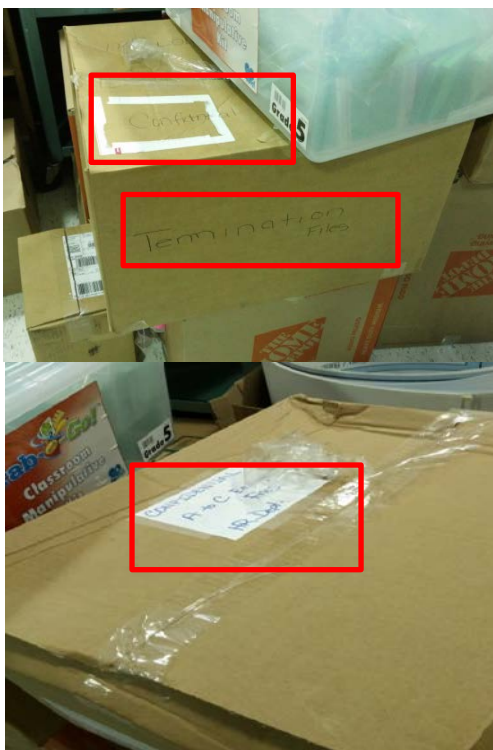


Figure 10: Personnel Records



The lack of security over these documents is in violation of the Family Educational Rights and Privacy Act (FERPA) established by the federal government.⁴³ The Delaware Code references compliance with FERPA and declares that:

Educational records of students in all public and private schools in this State are deemed to be confidential. Educational records may be released, and personally identifiable information contained therein disclosed, only in accordance with rules and regulations of the Department of Education,⁴⁴ and that:

Each school district, charter school and private school shall develop, adopt, and maintain a written policy regarding the educational records of its students. This policy shall address access

⁴³ 34 CFR Part 99

⁴⁴ 14 Del. C. §4111(a)

*to such records, the confidentiality of such records, and the method by which the records may be amended.*⁴⁵

These FERPA violations could result in the loss of federal funds issued to the school.⁴⁶

AOA also found prolific violations of the Records Retention Schedule issued by the Delaware Public Archives under the authority of 29 Del. C. §524. The Records Retention Schedule for Accounting and Financial Records of School Districts stipulates that financial records including, but not limited to, Payment Vouchers, Purchase Orders, Intergovernmental Vouchers, Expenditure Corrections, Reports of Cash Receipts, Personal Expense Reimbursements, and Deposit Slips, should be retained at the agency for five years or until a successful audit, at which time the records should then be transferred to the State Records Center for remainder of retention period. After the five year retention period the records can then be destroyed.⁴⁷

⁴⁵ 14 Del.Admin.C. §251 (2.1)

⁴⁶ 20 U.S.C. §1232g (b)(1)

⁴⁷ School District General Records Retention Schedule (Accounting and Financial Records) issued by Delaware Public Archives.