



# APPOQUINIMINK SCHOOL DISTRICT

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LOCAL FUNDS PERFORMANCE AUDIT  
FOR YEAR ENDED JUNE 30, 2021

# Report Summary

## Appoquinimink School District Local Funds Performance Audit For Year Ended June 30, 2021



### What Was Performed?

A performance audit of the design and operation of Appoquinimink School District's internal controls over Local Funds and compliance with the requirements of the *Delaware Code*, *State of Delaware Administrative Code*, *State of Delaware Budget and Accounting Policy Manual*, School District Accounting Policies, and the School District Budget.

### Why This Engagement?

The State Auditor is authorized under 29 Del. C., §2906 to conduct post-audits of local school district tax funds budgets and expenditures. Delaware Code provides for school districts and vocational-technical school districts to levy and collect additional taxes for school purposes upon the assessed value of real estate in the district with some exceptions. For purposes of this report, real estate taxes levied for school purposes are referred to as "Local Funds." The school districts' authority to levy taxes is governed by 14 Del. C., c. 19 for nonvocational districts and by 14 Del. C., c. 26 for vocational districts.

There were four objectives established for the performance audit of the school district:

1. School district internal controls over the expenditure of Local Funds were designed and operated based on requirements in the Delaware Code, State of Delaware Administrative Code, State of Delaware Budget and Accounting Policy Manual, School District Accounting Policies, and the School District Budget.
2. The school district's internal controls over the receipt of Local Funds were designed and operated in accordance with the requirements.
3. The school district's real estate taxes were approved and calculated in accordance with the requirements.
4. The school district's tuition tax funds were calculated and spent in accordance with the requirements.

### What Was Found?

Based on the work performed, the following findings were identified:

- **Lack of Proper Approvals in State Accounting System:** Forty non-tuition local tax fund disbursement transactions were tested, one disbursement transaction for minor capital, totaling \$720.00, lacked proper approval by the State of Delaware DOE's Capital Projects Management.
- **Lack of compliance with State and District Purchasing and Procurement Requirements:** Five purchase orders were tested, three did not comply to the requirements. Two exceeded the \$100,000 procurement threshold for public works (\$360,320 for HVAC and plumbing; \$231,650 for electrical services) and one exceed the \$25,000 threshold (\$57,400 for wi-fi access points) for materials and non-professional services.
- **Match tax receipts were expended on purchases not authorized in the requirements:** \$138,000 in local funds with restricted purposes were transferred to the Technology Match appropriation from the Match Tax Hold appropriation (\$100,000) and the Extra Time appropriation (\$38,000). The Technology Match appropriation was fully expended during FY21 and transferred funds were not returned to the original appropriations from which they were borrowed.

The Appoquinimink School District Local Funds Performance Audit for Fiscal Year Ended June 30, 2021 can be found on our website: [Click Here](#)

For any questions regarding the attached report, please contact [OAOA\\_Comms@delaware.gov](mailto:OAOA_Comms@delaware.gov).

**APPOQUINIMINK SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**JUNE 30, 2021**

	<u>Page No.</u>
<b>Independent Auditors' Report</b>	1
Performance Audit Overview	2
Background	2
District Specific Summary	4
Audit Objectives	5
Audit Scope	5
Audit Methodology and Results	5
Schedule of Findings and Recommendations	11
Conclusion	15
Management Response	16



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*Independent Auditors' Report*

Matthew Burrows, Ed. D., Superintendent  
Appoquinimink School District  
118 S. Sixth Street  
Odessa, Delaware 19730

Dear Dr. Burrows:

We present the attached report which provides the results of our performance audit of the Appoquinimink School District's Local Funds' design and operation of internal controls and compliance with applicable state and District regulations and policies during the year ended June 30, 2021. The Office of Auditor of Accounts engaged Belfint, Lyons & Shuman, P.A. to conduct a Performance Audit of the Appoquinimink School District's Local Funds under OAOA Contract Number 22-CPA01\_SDLOCALFUNDS.

The Office of Auditor of Accounts is authorized under 29 Del. C., §2906(f) to perform post-audits of local school district tax funds' budget and expenditures. Appoquinimink School District's management is responsible for the design and operation of internal controls over Local Funds and compliance with the applicable Delaware Code sections.

We conducted this performance audit in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended solely for the information and use of the Appoquinimink School District, the Delaware Department of Education, and the Office of Auditor of Accounts, and is not intended to be, and should not be, used by anyone other than these specified parties. Under 29 Del. C. §10002, this report is a matter of public record, and its distribution is not limited. This report, as required by statute, will be provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, General Assembly, and Office of Management and Budget.

*Belfint, Lyons & Shuman, P.A.*

July 21, 2022

Wilmington, Delaware

cc: Kathleen McGuiness, RPh, CFE - State Auditor  
Eric Loftus - Director of Finance

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT**  
**JUNE 30, 2021**

**PERFORMANCE AUDIT OVERVIEW**

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

**BACKGROUND**

**Overview** - Any Delaware School District may, in addition to the amounts apportioned to it by the Department of Education (DOE) or appropriated to it by the General Assembly, levy and collect additional taxes for school purposes upon the assessed value of all taxable real estate in the district except real estate exempt from taxation per 14 Del. C., §1902 and 14 Del. C., §2601. The purpose of this performance audit is to determine whether internal controls over the collection and use of these real estate tax funds were designed and operated in accordance with Delaware law and District Policy. For purposes of this report, real estate taxes levied for school purposes are referred to as “Local Funds.” Although there are other types of Local Funds, they are not included in the scope of our performance audit.

**Laws and Regulations** - The School District’s authority to levy taxes is governed by 14 Del. C., c. 19 for nonvocational districts and by 14 Del. C., c. 26 for vocational districts. The legislative provisions and other policies relevant to local school taxes are summarized below. There are four categories of local school taxes: current expense, debt service, tuition, and match taxes.

**Current Expense** - Current expense tax rates are levied for general operation expenses incurred by the School District. Rate increases are approved via voter referendum. Vocational school districts do not require a referendum to increase their current expense rate as the rate is established by 14 Del. C., §2601.

**Debt Service** - Debt service tax rates are levied to cover the local share of the principal and interest payments on bonds funding major capital projects, which per Delaware Administrative Code 401 *Major Capital Improvement Program* are projects costing \$750,000 or more. The local share of major capital projects is between 20% and 40% of the total cost per 29 Del. C., §7503(b) with the remaining balance financed by the State of Delaware. The project must be approved by the DOE and bond issuances are authorized via voter referendum. Per 14 Del. C., §2116 and §2118(a), with a passing referendum, districts are authorized to levy a debt service tax sufficient to cover the local share of annual principal and interest payments plus 10% for expected delinquencies.

Vocational schools do not require a referendum to increase their debt service rate. Per 29 Del. C., §7503(b), the bond authorization act in which the project is included authorizes the vocational district to levy taxes sufficient to cover the local share of principal and interest bond payments.

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED**  
**JUNE 30, 2021**

**BACKGROUND - CONTINUED**

*Debt Service - Continued*

The District is required to maintain debt service reserve, within a range of at least four months to 110% of the following fiscal year's debt service payments based on the following opinions issued by the State of Delaware Attorney General:

- Attorney General Opinion 89-I017 from 1989 stated that, per the DOE, a sufficient reserve is at least four months of the following fiscal year's debt service payments.
- Attorney General Opinion 1W-024 from 1975 stated that a reserve is considered excessive when it is greater than 110% of total debt expenditures in the following year as districts' powers to levy taxes for debt service are limited per 14 Del. C., §2116 and §2118(a) to principal and interest and 10% for delinquencies.

*Tuition* - Tuition tax rates are levied to cover educational expenses for in-district and out-of-district placements of students in special programs and schools. The rate is set annually by the school board based on anticipated needs in the district and does not require a voter referendum. Per 14 Del. C., §2601(b), vocational school districts are not authorized to levy tuition taxes.

*Match* - Match funds provide a local match to State appropriations where required or allowed by law. Examples of Match programs include technology, minor capital improvements (MCIs), extra time, reading and math resource teachers, student success block grants and opportunity funds.

*Technology* - These funds are intended to support the purchase and replacement of technology, technology maintenance through personnel or services, professional learning, or other technology needs intended to improve the school district. The FY 1999 Bond and Capital Improvements Act authorized appropriations for education technology and authorized school districts to indefinitely levy up to one half of the rate required to meet the district's match. Technology match taxes are currently set by a Delaware DOE memo issued in December 1998.

*Minor Capital* - Per Delaware Administrative Code 405 *Minor Capital Improvement Program*, minor capital pertains to projects costing less than \$750,000, intended to keep assets in their original condition. The maximum local share for minor capital expenditures is 40% per 29 Del. C., §7528(b). The State of Delaware provides the remaining balance up to a maximum dollar amount is included in the Delaware Capital Budget annually.

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED**  
**JUNE 30, 2021**

**BACKGROUND - CONTINUED**

*Match - Continued*

Extra Time and Reading Resource and Math Resource Teachers - The FY 2021 Operating Budget Epilogue authorizes school districts to levy a local match for Extra Time as well as Reading Resource Teachers and Mathematics Resource Teachers which were originally established by the following:

- Per the FY 2008 Operating Budget Epilogue, the extra time appropriation is intended for additional instruction for low achieving students and school districts were encouraged to match on a 70% state and 30% local basis.
- Per the FY 2010 Operating Budget Epilogue, the reading and math resource teacher appropriations are intended to fund state salaries for resource teachers in each school and districts were encouraged to match on a 70% state and 30% local basis.

Student Success Block Grant - The State of Delaware FY 2021 Operating Budget Epilogue authorizes school districts to assess a local match for costs relating to the Student Success Block Grant appropriations, which are intended for basic special education in grades K-3 and reading assistance in grades K-4.

Opportunity Fund - The State of Delaware FY 2021 Operating Budget Epilogue authorizes school districts to assess a local match for costs associated with Opportunity Fund appropriations intended to cover staffing, contractual services, materials and supplies for English learner and low-income students. Per a June 2019 Delaware DOE Memo, schools are allowed to match on a 70% state and 30% local basis.

**Capitation** - Districts may also levy a school capitation tax on all persons 18 years of age and older, determined by the board, provided that such school capitation tax is approved by the voters of the district in the same manner as required for the levy of taxes on the assessed value of real estate, per 14 Del. C., §1912.

**DISTRICT SPECIFIC SUMMARY**

The Appoquinimink School District, located in New Castle County, operates PK-12 schools with over 12,000 students. The Appoquinimink School District employs over 1,800 employees to educate and support its students. Appoquinimink has five early education centers, eight elementary schools, four middle schools, and three high schools. The Appoquinimink District Board of Education is the governing body of the District. The School Board includes five elected members who serve five-year terms. For the purposes of this report, Appoquinimink School District is referred to as the “District.”

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED**  
**JUNE 30, 2021**

**AUDIT OBJECTIVES**

The objectives established for the performance audit of the School District were:

**Objective 1** - School District internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements of the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *Budget and Accounting Policy Manual*, School District Accounting Policies, and the School District Budget (the requirements).

**Objective 2** - School District internal controls over the receipt of Local Funds were designed and operated in accordance with the requirements.

**Objective 3** - School District real estate taxes were approved and calculated in accordance with the requirements.

**Objective 4** - School District tuition tax funds are calculated and spent in accordance with the requirements.

**AUDIT SCOPE**

The period covered by the Performance Audit was July 1, 2020 through June 30, 2021. We sampled and examined transactions from the populations of expenditures and receipts of Local Funds for the period from July 1, 2020 through June 30, 2021. In sampling these transactions, we relied on documentation provided by the School District, the DOE and the State of Delaware's financial accounting and human resources systems.

**AUDIT METHODOLOGY AND RESULTS**

To address the audit objectives of this performance audit, we performed the following procedures:

- A. Planning Phase: The audit relied on various sources of information and methods to properly plan the audit and to obtain an understanding of and assess Local Funds' processes for the School District, including the following:
  - 1. Reviewed the applicable sections of the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *Budget and Accounting Policy Manual (BAM)*, School District Accounting Policies, and the School District Budget to gain an understanding of the legal and policy requirements governing Local Funds.
  - 2. Inquired about whether there were any findings and recommendations in reports resulting from previous audits that relate to the objectives of this audit and whether the recommendations have been implemented.
  - 3. Reviewed the minutes of the Board of Education's meetings for the audit period.

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED**  
**JUNE 30, 2021**

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

4. Identified and reviewed contracts, agreements, and other important documents.
  5. Performed risk assessment procedures such as:
    - a. Obtained and documented an understanding of the School District and its environment and identified risks,
    - b. Completed engagement team discussions, including discussions about the possibility of error or fraud involving Local Funds,
    - c. Made inquiries of management and others about risks (including fraud risks, related-party transactions, unusual transactions, and compliance with laws, regulations, contracts, and grant agreements),
    - d. Obtained and documented an understanding of the School District's internal control system over Local Funds by performing walkthroughs.
  6. Identified key internal controls over the District's Local Funds for testing.
- B. Performance Assessment: Based on the information gathered, we developed the following procedures to assess the design and operation of material controls over Local Funds with respect to the audit objectives.
1. To assess the design and operation of disbursement internal controls, we sampled and tested transactions from the population of expenditures from Local Funds and local tuition tax funds to determine that transactions complied with state and District requirements.
  2. To assess the design and operation of payroll internal controls, we sampled and tested transactions from the population of payroll expenditures from Local Funds for the following attributes:
    - a. Verified employee education and experience, which are the main drivers of salaried pay.
    - b. Agreed hourly pay to timecard evidence.
    - c. Tested a sample of bi-weekly payroll expenditures for management's reconciliation, review and approval.
  3. To assess the design and operation of internal controls over the approval and calculation of real estate taxes, including tuition tax:
    - a. We compared taxes levied per official tax warrants to supporting rate calculations, budgets, and amounts authorized by referendum, relevant legislation (including tax revenue reserve limits) and School District approval.
    - b. Analyzed tax revenue reserves at the beginning and end of the fiscal year.
    - c. Verified local tax fund receipts were properly recorded to the related tax appropriation based on the official tax warrant.

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED**  
**JUNE 30, 2021**

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

**Objective 1** - School District internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements.

Results - We found the design of the key internal controls over the expenditure of Local Funds, including payroll, non-payroll and debt service, was in accordance with the requirements, for the period from July 1, 2020 through June 30, 2021.

To assess the operation of the internal controls over non-payroll expenditures of Local Funds, we selected a random sample of 40 disbursement transactions (excluding transactions from tuition Local Funds tested in Objective 4). Except as detailed in Finding #1, our testing of the selected transactions determined that the purchases both complied with State and District requirements and that the transactions were properly approved at the District level as evidenced by approval on invoices and receipts as well as in First State Financials (FSF), the Delaware State accounting system. We found the District did not obtain additional DOE approvals for one of the transactions.

Refer to the Finding #1 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

We also examined a sample of the five largest purchase orders against local funds. We found three of the purchase orders did not comply with State and District purchasing and procurement requirements.

Refer to the Finding #2 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

To assess the operation of the internal controls over payroll expenditures from Local Funds, we selected a random sample of 40 employees paid from Local Funds. To test the employees' salaries, we compared each employee's salary profile in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), to education and experience verifications provided by the District. We also compared each employee's salary to the District's approved FY 2021 salary schedules. We agreed hourly pay or extra pay received by the employees to approved timecards without any exceptions.

We reviewed evidence of the District's bi-weekly payroll reconciliation and approval process for a random sample of four bi-weekly payroll cycles and determined that authorized personnel at the District performed and maintained evidence of a review of bi-weekly payroll expenditures.

**APPOQUINIMINK SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED**  
**JUNE 30, 2021**

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 1 - Continued***

*Results - Continued*

We examined the requirement that the District maintain its debt service reserve, within a range of at least four months and no more than 110% of the following fiscal year's debt service payments. We also compared budget to actual debt service expenditures, at the District level, during our analysis of debt service real estate tax rate calculations in Objective 3. Because the payment of debt service is managed and initiated at a statewide level by the State of Delaware Department of Finance, it is outside of the scope of this performance audit, and we did not assess the design or operation of internal controls over debt service expenditures.

***Objective 2*** - School District internal controls over the receipt of Local Funds were designed and operated in accordance with the requirements.

*Results* - We obtained the New Castle County Remittance of Collected School District Taxes Reports, recalculated the District's distribution of its receipts among the four categories of local taxes, and determined that the District accurately distributed its receipts for current expense, tuition, and debt service based on the official warrants and code requirements. We found the District transferred \$100,000 from its Match Tax Hold appropriation and \$38,000 from its Extra Time appropriation to its Technology Match appropriation to fund Technology expenses. The District records Reading Resource, Student Success, and Opportunity Fund match taxes to the Match Tax Hold appropriation. The funds were expended on technology costs and were not subsequently returned to the Match Tax Hold and Extra Time appropriations.

Refer to the Finding #3 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

***Objective 3*** - School District real estate taxes were approved and calculated in accordance with the requirements.

*Results* - To determine if real estate taxes were approved and calculated in accordance with the requirements, we obtained the official tax warrant for FY 2021 and concluded the following:

- The District's current expense rate was supported by a referendum passed in December 2019.
  
- The District assesses a local match tax for the following: Minor Capital, Technology, Reading and Math Resource Teachers, Extra Time, Student Success Block Grant, and Opportunity Fund. We found the District's match tax rates were consistent with relevant legislation and guidance.

**APPOQUINIMINK SCHOOL DISTRICT  
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED  
JUNE 30, 2021**

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

*Objective 3 - Continued*

Results - Continued

- We compared debt service collections based on the debt service rate to bond principal and interest schedules for FY 2021 and FY 2022 and determined that the rate was sufficient to cover debt services expenditures in FY 2021 and provided the District with a reserve equal to 107.9% of FY 2022 debt payments as summarized below. District Debt service reserves held as of June 30, 2021 were within the maximum range of 110% of FY 2022 debt payments set by the State of Delaware Attorney General.

	FY 2021 Debt Service Tax Collections	FY 2021 Debt Service Principal and Interest
	<u>\$ 8,404,196</u>	<u>\$ 9,078,511</u>
Debt Service Reserves at June 30, 2021	FY 2022 Debt Service Principal and Interest	Reserve to Expected Future Payments
<u>\$ 10,643,498</u>	<u>\$ 9,868,767</u>	<u>107.9%</u>

The sources of the information we accumulated to meet this audit objective are as follows: The FY 2021 Debt Service Collections were obtained from the June 30, 2021, YTD Cumulative Budgetary Report (Document Direct Report DGL011), which is a cumulative report of transaction detail by ledger group and appropriation. The FY 2020 and FY 2021 Debt Service Reserves were obtained from the June 30, 2020 and June 30, 2021 Daily Validity Report (Document Direct Report DGL060), respectively, which is a daily report on the status of appropriations. The FY 2021 and FY 2022 Debt Service Principal and Interest were obtained from debt service schedules presented in the District's FY 2022 Final Budget.

- We compared actual tuition tax expenditures and funds transferred out to special programs and other districts to the tuition tax rate and determined that the rate appeared to be consistent with the related criteria. The District had approximately \$2.35 million of tuition tax reserves at the end fiscal year 2021. We compared actual transfers out to special programs per the general ledger and actual expenditures per *Budget to Actual* reports for FY 2021. We found that the reserve is sufficient to cover expected tuition-based costs for at the least the first two months of the following fiscal year while the District waits for most of its anticipated receipts, which are due in September. In the comparison on the following page, the two-month reserve amount is calculated based on Total FY 2021 transfers and expenditures.

**APPOQUINIMINK SCHOOL DISTRICT  
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED  
JUNE 30, 2021**

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 3 - Continued***

*Results - Continued*

\$ 2,152,338	Transfers Out to Special Programs and Other Districts
<u>12,358,710</u>	Private Placements and In-District Expenditures
<u>\$ 14,511,048</u>	Total FY 2021 Transfers and Expenditures
<u>\$ 2,418,508</u>	Two Months of Expenditures

The sources of the information we accumulated to meet this audit objective are as follows: The FY 2021 Transfers Out to Special Programs were obtained from the YTD Cumulative Budgetary Report (Document Direct Report DGL011) and the expenditures for private placements and in-District tuition-based expenditures were obtained from the June 2021 FY 2021 Appropriation Expenditures by Operating Unit Report (Document Direct Report DGL010).

***Objective 4*** - School District tuition tax funds are calculated and spent in accordance with the requirements.

*Results* - We examined a random sample of 25 disbursement transactions from tuition tax funds and determined that the purchases both complied with state and District requirements and that the transactions were properly approved by the District, as evidenced by approval on invoices and receipts, as well as in FSF.

We examined payroll expenditures made from tuition tax funds in conjunction with the procedures performed over nontuition payroll expenditures. Results are reported in Objective 1.

We examined tuition tax fund calculations in conjunction with procedures performed over the nontuition Local Funds. Results are reported in Objective 3.

**APPOQUINIMINK SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2021**

***Finding Number 1 - Minor Capital Disbursements Lacked Proper Approval in FSF***

**Condition:** Of the forty non-tuition local tax funds disbursements that we tested for compliance with the requirements, one disbursement for \$720 from appropriation 91151 MCI - Local (Minor Capital Improvement - Local) was not approved by the State of Delaware DOE's Capital Projects Management. The purchase was funded on a 60% State and 40% local basis as authorized by the Delaware Code.

**Criteria:** The *BAM* Chapter 6, *Approvals*, Section 6.6.5 *Capital Improvements*, requires DOE Capital Projects Management to approve all Minor Capital Improvement purchase orders, change orders, and direct claim vouchers.

**Cause:** The DOE's approval is an ad-hoc approval that is manually inserted into the FSF approval workflow by the District. The FSF system does not automatically route voucher workflow for Minor Capital Improvement - Local to the DOE for approval.

**Effect:** The District's minor capital purchase, which was made with both state and local funds, was not in compliance with the requirements of *BAM*.

**Recommendation:** We recommend that District implement procedures to ensure that all Minor Capital Improvement purchase orders, change orders, and direct claim vouchers are routed to the DOE after the District's approval for payment.

**View of Responsible District Officials and Planned Corrective Actions:** Refer to Management Response section.

***Finding Number 2 - Purchases Did Not Comply with State and District Purchasing and Procurement Requirements***

**Condition:** Of the five purchase orders tested for compliance with the requirements, three did not comply with State and District purchasing and procurement requirements. We found the following:

- The District purchased \$360,320 in HVAC and plumbing repair services and \$231,650 in electric repair services from two separate vendors using state and local funds. A separate purchase order was created for each vendor and all purchases made during the fiscal year were made under that same purchase order. The cumulative totals of the repair services purchased from each vendor exceeded the \$100,000 public works procurement threshold for a formal bid. The District did not procure these services as the result of a formal bid because it applied the formal bid threshold to the individual expenditures rather than to the cumulative total. The District did not enter a formal contract with the vendors that included the prevailing wage requirements or performance bonding requirements.

**APPOQUINIMINK SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**JUNE 30, 2021**

*Finding Number 2 - Continued*

**Condition - Continued**

- The District purchased \$57,400 of wi-fi access points in June 2020. This purchase exceeded the \$25,000 materials and non-professional services threshold for a formal bid. The District selected a vendor that was able to meet the District’s needs without a formal bid process.

**Criteria:** The District adheres to the procurement and purchasing requirements of the *BAM* and 29 Del. C. c. 69 *State Procurement*.

The following requirements are applicable to the repair service purchases:

- The purchases are considered public works per 29 Del. C., §6902(22) and §6902(23), which state “Public funds” means funds of the State, of any agency within the State, of any public school district, of or from the United States government or of or from any department or representative body thereof” and “Public works contract” means construction, reconstruction, demolition, alteration and repair work and maintenance work paid for, in whole or in part, with public funds”, respectively.
- In accordance with the thresholds set by the Contracting and Purchasing Advisory Council (CPAC) per 29 Del. C., §6913(d)(4), the purchases were subject to the requirements of 29 Del. C. , §6962 *Large public works contract procedures*.
- Chapter 5 *Procurement*, Section 5.3.2 *Public Works Thresholds* of the *BAM* requires that purchases related to public works projects that are \$100,000 and over on a contract basis for fiscal year 2021 are procured through a formal bid. Section 5.5. *Public Works Contracts* of the *BAM* states that contracts greater than \$100,000 are large public works contracts. These are the thresholds set by the CPAC.
- Per 29 Del. C., §6962, the purchases were subject to the formal bidding procedures outlined in the section as well as formal contract and performance bond requirements.
- In accordance 29 Del. C., §6960 *Prevailing Wage Requirements*, a provision for prevailing wage requirements is required for every contract or aggregate of contracts in excess of \$45,000 for repairs. The purchases met this threshold.

**APPOQUINIMINK SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**JUNE 30, 2021**

*Finding Number 2 - Continued*

**Criteria - Continued**

The following requirement is applicable to the wi-fi access point purchase:

- Chapter 5 *Procurement*, Section 5.3.1 *Material and Non-Professional Services Thresholds* of the *BAM*, requires formal bid procedures for purchases of \$25,000 and over.

**Cause:** The repair and maintenance service purchases were initiated by the District's Facilities Department, which applied the procurement threshold for services to each individual service incident rather than the aggregate expected services. This resulted in the District not procuring these services through a formal bid as required by the *BAM* and Delaware Code. The District did not prepare contemporaneous written documentation to justify an emergency procurement.

In June 2020, the District experienced difficulty finding a service provider able to supply the necessary wi-fi access points. The District procured the wi-fi access points from a vendor that was able to supply the necessary wi-fi access points as required by the District after obtaining quotes and performing a cost analysis.

**Effect:** The District did not adhere to State and District purchasing and procurement requirements.

**Recommendation:** We recommend the District implement the following:

- Procedures to ensure that purchases initiated at the department and school level are thoroughly reviewed by the District management.
- Procedures to properly evaluate purchases for compliance with formal procurement requirements.
- Procedures to contemporaneously document District decisions when relying on acceptable exemptions from procurement requirements.

**View of Responsible District Officials and Planned Corrective Actions:** Refer to Management Response section.

**APPOQUINIMINK SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**JUNE 30, 2021**

***Finding Number 3: Match Tax Receipts were Expended on Purchases Not Authorized in the Requirements***

**Condition:** Our test of the operation of the District’s internal controls over the receipt of Local Funds revealed that the District transferred approximately \$138,000 in local tax funds to its Technology Match appropriation from other match tax appropriations. \$100,000 was transferred from the Match Tax Hold appropriation, in which the District records receipts for its Reading Resource, Student Success Block Grant (SSBG), and Opportunity Fund match taxes, and approximately \$38,000 was transferred from its Extra Time match tax appropriation. The District’s Technology match appropriation was fully expended during the year ended June 30, 2021. The transferred funds were not returned to the original appropriations.

**Criteria:** The District is authorized by the State of Delaware Operating Budget to assess local match taxes for Reading Resource Teachers, SSBG, Opportunity Fund, and Extra Time. As defined in the Background section of the report, these match taxes are restricted to purchases other than general technology costs.

**Cause:** The District transferred match taxes with restricted purposes to meet its technology related obligations for purchases and personnel costs without subsequently returning the transferred funds to the original appropriation from which they were borrowed.

**Effect:** By expending the funds transferred to the technology match appropriation and not subsequently returning the funds to the intended match tax appropriations, the District did not use the funds in accordance with the restricted purposes and as a result is not in compliance with the requirements of the statute.

**Recommendation:** We recommend that the District develop a plan to return the \$138,000 to the intended appropriations and to implement formal procedures to ensure that match taxes are distributed to the intended appropriations throughout the fiscal year.

**View of Responsible District Officials and Planned Corrective Actions:** Refer to Management Response section.

**APPOQUINIMINK SCHOOL DISTRICT**  
**CONCLUSION**  
**JUNE 30, 2021**

Based on the work performed in connection with this performance audit, we concluded the following:

***Objective 1*** - The School District's internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements with the exception of one expenditure for which the District did not obtain additional DOE approvals in FSF, which are only required for certain circumstances, and the exception of three purchase that did not comply with State and District purchasing and procurement requirements.

***Objective 2*** - The School District's internal controls over the receipt of Local Funds were designed and operated in accordance with the requirements with the exception that match taxes were not expended in accordance with restricted purposes.

***Objective 3*** - The School District's real estate taxes were approved and calculated in accordance with the requirements.

***Objective 4*** - The School's District's tuition tax funds were calculated and spent in accordance with the requirements.



# Appoquinimink School District

THE WORLD IS OUR CAMPUS

Tony J. Marchio Administration Building | apposchooldistrict.com  
313 South Fifth Street, PO Box 4010, Odessa, DE 19730-4010 | 302.376.4128

Belfint Lyons & Shuman, P.A.  
1011 Centre Road, Suite 310  
Wilmington, DE 19805

This response letter is provided in connection with the findings from the performance audit of the Appoquinimink School District internal controls and compliance with applicable state regulations and policies for the year ended June 30, 2021.

### ***Finding #1: Minor Capital Disbursement Lacked Proper Approval in FSF***

The District acknowledges that an error was made regarding the voucher that lacked proper approval. We have reviewed our guidelines and procedures and have discussed the incident internally with the appropriate people. The District feels confident that this was a one time error and that, overall, guidelines and procedures are followed to ensure proper approval on all vouchers.

### ***Finding #2: Purchases Did Not Comply with State and District Purchasing Requirements***

After discussing the issue with the audit team, the District will look into some type of bid process for maintenance work. The District's stance was that the two vendors in question never had a single invoice that met the threshold for a formal bid. The District also has explained that it has never done a bid for this work because the nature of the use of these vendors has always been single jobs done sporadically throughout any given year, many times needed in an emergency with a plumbing or electrical problem. However, after discussing with the auditors, the District will look into some type of price per typical job bid process to ensure the spending is being done as responsibly as possible.

### ***Finding #3: Match Tax Receipts were Expended on Purchases Not Authorized in the Requirements.***

This finding is basically that the district moved match tax hold revenue out of reading/math resource funds to cover a negative balance in the tech support match tax. The District disputes the use of purchases, as these match tax funds are used specifically to help cover the salary of math/reading teachers and tech support employees. The District also disputes the use of the wording "Not Authorized" since both types of salary expense are authorized under match tax. However, the District was in error of not moving funds back into math/reading teacher funds once property taxes were collected that would have allowed the District to do so. The District will return \$130,000 back

Matt Burrows, Ed.D.  
Superintendent

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Richard Forsten, Esq.  
Michelle Wall  
Kelly Wright

#### ADMINISTRATION

Tony J. Marchio Building  
Marion E. Proffitt Training Center

#### PRESCHOOL

Age 3-4

Appoquinimink Preschool Center  
Brick Mill ECC

#### ELEMENTARY

Early Childhood Centers /  
Kindergarten

Brick Mill ECC  
Cedar Lane ECC  
Spring Meadow ECC  
Townsend ECC

Grade 1-5 Schools

Brick Mill Elementary  
Bunker Hill Elementary  
Cedar Lane Elementary  
Crystal Run Elementary (Fall '23)  
Lorewood Grove Elementary  
Old State Elementary  
Olive B. Loss Elementary  
Silver Lake Elementary  
Townsend Elementary

#### SECONDARY

Grade 6-8 Schools

Alfred G. Waters Middle  
Cantwell's Bridge Middle  
Everett Meredith Middle  
Louis L. Redding Middle

Grade 9-12 Schools

Appoquinimink High  
Middletown High  
Odessa High

#### ADULT CONTINUING EDUCATION

James H. Groves High



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to the reading/math teacher hold appropriation and develop a procedure to ensure that this issue is resolved moving forward.

  
\_\_\_\_\_  
Signature

Dir. Finance  
\_\_\_\_\_  
Title

7/21/22  
\_\_\_\_\_  
Date

Matt Burrows, Ed.D.  
Superintendent

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