

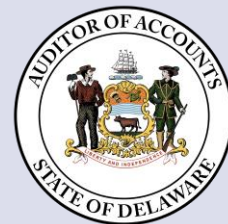
# COLONIAL SCHOOL DISTRICT

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LOCAL FUNDS PERFORMANCE AUDIT  
FOR YEAR ENDED JUNE 30, 2021

# Report Summary

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



### What Was Performed?

A performance audit of the design and operation of Colonial 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 finding was identified:

- **Purchases Non-Compliant with the State and District Purchasing/Procurement Requirements:** Two of five purchase orders tested did not comply as follows:
  - One purchase order was for a lease agreement with a lease payment of \$71,568 and total expenditures over the total life of the lease of \$357,840 did not have bids for lease or documentation of a cost analysis prior to entering the lease.
  - One purchase order for \$55,562 exceeded the professional services threshold for a formal RFP.
- **Local Salary Not in Agreement to Education/Experience Verifications and Documentation:** Three out of forty employee salaries tested did not meet the requirements as follows:
  - One employee was credited with an added fifteen graduate-level credits due to a clerical error.
  - One employee did not have transcript documentation of a completed pre-service program.
  - One ROTC employee's annual pay determination for FY21 salary was not documented.

The Colonial 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).

**COLONIAL 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	5
Audit Objectives	5
Audit Scope	5
Audit Methodology and Results	6
Schedule of Findings and Recommendations	12
Conclusion	16
Management Response	17



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*Independent Auditors' Report*

Jeffrey D. Menzer, Ed.D., Superintendent  
Colonial School District  
318 East Basin Road  
New Castle, Delaware 19720

Dear Dr. Menzer:

We present the attached report which provides the results of our performance audit of the Colonial 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 Colonial School District 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. Colonial 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 Colonial 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, General Assembly, Office of the Attorney General and Office of Management and Budget.

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

November 8, 2022  
Wilmington, Delaware

cc: Dennis Greenhouse - State Auditor  
Emily Falcon, Chief Financial Officer

**COLONIAL 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.

Brandywine, Christina, Colonial and Red Clay Consolidated School Districts share an additional current expense rate for the New Castle County School District, which remains a school district for tax purposes only. These four districts were created pursuant to a 1981 federal court order to reorganize the New Castle County School District per 14 Del. C., §1028(k). The shared current expense rate is the rate that was in effect in 1981, and the collections are pooled and distributed by the DOE to the four districts based on unit counts in accordance with 14 Del. C., §1925.

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

**BACKGROUND - CONTINUED**

**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.

The District is required to maintain its 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

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

**BACKGROUND - CONTINUED**

***Match - Continued***

Technology - Continued - 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 which is included in the Delaware Capital Budget annually.

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.

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

**DISTRICT SPECIFIC SUMMARY**

The Colonial School District, located in New Castle County, operates Pre-K-12 schools with over 9,500 students. The Colonial School District employs over 1,200 employees to educate and support its students. The Colonial School District has eight elementary schools, three middle schools, and one traditional comprehensive high school. In addition, the District is home to the John G Leach School, the Wallin School and the Colonial Early Education Program at the Colwyck Center. The Colonial School District Board of Education is the governing body of the District. The School Board includes seven elected members who serve five-year terms. For the purposes of this report, Colonial School District is referred to as the “District”.

**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.



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

**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.
  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.

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

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.

***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). Our review of the selected transactions determined that the purchases complied with both 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 First State Financials (FSF), the State's accounting system. We also examined the five largest purchase orders against local funds. We found that two purchase orders did not comply with State and District purchasing and procurement requirements. One of these non-compliant purchase orders was funded with tuition tax funds.

Refer to Finding Number 1 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 found two instances in which the local portion of the employee's annual pay did not agree with the employee's education and experience verifications. We also found one instance in which the local annual pay for the employee was not supported with contemporaneous documentation in the employee file.

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

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 1 - Continued***

**Results - Continued**

We agreed hourly pay or extra pay received by a sample of employees to approved timecards without exception.

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.

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** - Colonial School District is one of four districts that comprise the New Castle County School District. We recalculated the DOE distribution of receipts to the four New Castle County School Districts and determined that the DOE accurately distributed the receipts based on the official warrants and code requirements. We found the District properly transferred match tax collections into the corresponding appropriations upon receipt based on its match tax calculations.

***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 June 2017. The New Castle County District shared current expense rate was agreed to support provided by the DOE and to the District's FY 2021 budget.

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 3 - Continued***

*Results - Continued*

- 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.
- We compared debt service collections based on the debt service rate to 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 provide the District with a reserve of approximately 79.23% of FY 2022 debt payments as summarized below. District Debt service reserves held as of June 30, 2021, were within the range set by the State of Delaware Attorney General.

	FY 2021 Debt Service Tax Collections	FY 2021 Debt Service Principal and Interest
	<u>\$ 4,359,850</u>	<u>\$ 4,314,869</u>
Debt Service Reserves at June 30, 2021	FY 2022 Debt Service Principal and Interest	Reserve to Expected Future Payments
<u>\$ 3,300,149</u>	<u>\$ 4,165,170</u>	<u>79.23%</u>

The FY 2021 Debt Service Collections and FY 2021 Debt Service Reserves were obtained from the June 30, 2021, Daily Validity Report (Document Direct Report DGL060), 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 2021 Final Budget and FY 2022 Preliminary Budget, respectively.

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 3 - Continued***

*Results - Continued*

- We compared actual tuition tax expenditures, including transfers to other districts, to the tuition tax rate and determined that the rate appeared to be consistent with the District's anticipated need as specified by the requirements. As summarized in the following chart, we found the District had a tuition Local Fund reserve of approximately \$2.663 million as of June 30, 2021. The District's tuition reserve is sufficient to cover approximately three months of expected tuition-based costs.

District Special Program Expenditures	\$ 4,055,236
Transfers Out to Other Districts	2,179,419
John G. Leach FY 2021 Expenditures*	<u>4,883,222</u>
Total FY 2021 Transfers and Expenditures	<u>\$ 11,117,877</u>
Tuition Reserve Balance as of June 30, 2021	\$ 2,331,281
John G. Leach School Tuition Reserve Balance as of June 30, 2021	<u>331,825</u>
Tuition Reserve Balance as of June 30, 2021	<u>\$ 2,663,106</u>
Approximate Number of Months of Expenditures Covered by Reserves	3

*\*John G Leach School FY 2021 Expenditures include expenses funded by other School Districts that send students to the John G Leach School. During FY 2021, the District received \$372,863 from other Districts.*

The sources of the information we accumulated to meet this audit objective are as follows: The FY 2021 Transfers Out to Special Programs and Other Districts were obtained from the YTD Cumulative Budgetary Report (Document Direct Report DGL011) and the District Special Program expenditures and John G Leach expenditures were obtained from the June 30, 2021, Daily Validity Report (Document Direct Report DGL060).

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

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

*Results* - We examined a random sample of 26 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 purchased orders with purchases disbursed from tuition tax funds in conjunction with the procedures performed over non-tuition payroll expenditures and found that one purchase order did not comply with State purchasing and procurement requirements. Results are reported in Objective 1.

We examined payroll expenditures made from tuition tax funds in conjunction with the procedures performed over non-tuition 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.

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

***Finding Number 1 - Purchases Did Not Comply with State and District Purchasing and Procurement Requirements***

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

- The District entered a 60-month lease agreement in June 2018 for GPS equipment and software licenses to track school bus arrivals and departures. The lease payments in FY 2021 totaled \$71,568 from Local Funds and the total expenditures over the life of the lease are expected to total \$357,840. The District did not obtain bids for the lease as required by the District's purchasing policy. Further, the District did not maintain documentation of the cost analysis performed prior to entering the lease, as required by the *BAM*.
- The District purchased \$55,562 in consulting services with tuition tax funds during FY 2021. The District's contract piggybacked on another district's contract with the same vendor, that had expired on June 30, 2020. The FY 2021 contract exceeded the District's \$50,000 professional services threshold for a formal Request For Proposal (RFP).

**Criteria:** School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C., c. 69, *State Procurement*.

The following requirements are applicable to the leased equipment:

- District Purchasing Policy Procedure No. 3400, Issued May 15, 1991 and revised March 21, 2011 and February 14, 2019, requires the following purchasing procedures for materials and nonprofessional services:  
*All purchases over \$10,000 are subject to bidding. The bid request must be discussed with the Director of Business before processing. Bid requests must include complete and exact information on the product or service desired, the estimated cost of the product or service, and the names and addresses of the vendors who could supply the product or service.*
- Chapter 5 *Procurement*, Section 5.8.2 *Equipment Leases* of the *BAM* requires that "(...public school districts...) must conduct an analysis of available financing alternatives from several potential vendors and select the vendor with the lowest financing cost."
- Chapter 5 *Procurement*, Section 5.2.6 *Contract Documentation* of the *BAM* requires that "Each Organization must retain in their files all pertinent documents and correspondence relating to the contract bid process, in order that these supporting documents may be available for audit or review by a State official at all times."

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

***Finding Number 1 - Purchases Did Not Comply with State and District Purchasing and Procurement Requirements  
- Continued***

**Criteria - Continued:**

The following requirements are applicable to the professional services contract:

- Colonial District Procedure No. 3400 Purchasing, as of February 14, 2019, requires that all purchases of professional services that are \$50,000 or greater are subject to a formal RFP process.
- Per 29 Del. C. §6904(e):  
*“If no state contract exists for a certain good or service, covered agencies may procure that certain good or service under another agency’s contract so long as the arrangement is agreeable to all parties. Agencies, other than covered agencies, may also procure such goods or services under another agency’s contract when the arrangement is agreeable to all parties.”*
- Chapter 5 *Procurement*, Section 5.3.3 *Professional Services Thresholds* of the *BAM* requires a formal RFP for professional services purchases that are \$50,000 and over on a contract-by-contract basis.
- 29 Del. C. §6902(20) defines Professional Services as services which generally require specialized education, training or knowledge and involve intellectual skills.

**Cause:** The District did not maintain evidence of the quotes obtained from other vendors for GPS tracking services for the school buses nor did it document its decision-making process and the cost analysis of the quotes. The District did not consider the entirety of the lease contract and did not subject the purchase to its own policy requiring formal bidding.

The District piggybacked on another district’s consulting agreement that had expired on June 30, 2020. The District did not have processes in place to ensure that, when using contracts negotiated by other districts, those contracts had been renewed and were still active.

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

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

- Procedures to maintain pertinent documentation related to purchases in the contract files. This includes the District’s analysis of all quotes to show it is getting the best deal and documentation of its decision-making process.



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

***Finding Number 1 - Purchases Did Not Comply with State and District Purchasing and Procurement Requirements - Continued***

**Recommendation - Continued:**

- Evaluate purchases based on the entirety of the contracts and apply the most restrictive purchasing standard.
- Procedures to properly evaluate contracts procured by other school districts and to ensure that the contracts are active and have not been terminated.

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

***Finding Number 2 - Local Salary Did Not Agree to Employee Education and Experience Verifications and Formal Documentation of Local Pay Was Not Maintained***

**Condition:** Of the 40 employees' Local Fund salaries we tested for compliance with the requirements, we found the following:

- One teacher's annual pay was placed on the District's local teacher salary scale for Bachelor's Degree plus 30 graduate credits, but the employee only held a level of education of a Bachelor's Degree plus 15 graduate credits.
- A school psychologist employed with the District was credited with a year of experience on the District's local salary scale for graduating from a pre-service program, but transcript evidence of the employee's completion of the program was not maintained in the employee file.
- The District employs an Air Force Junior Reserve Officer's Training Corps (ROTC) Instructor. Contemporaneous documentation of the employee's annual pay determination for FY 2021 was not maintained in the employee file.

**Criteria:** The following requirements are applicable to the teacher:

- Article 17, Section 17:1:1 of the Collaborative Agreement between the Colonial School District Board of Education and the Colonial Education Association (CEA) for September 1, 2020 through August 31, 2021, sets the locally funded salary rates for teachers employed with the District. The District's locally funded salary rates are based on years of experience and level of education.

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

***Finding Number 2 - Local Salary Did Not Agree to Employee Education and Experience Verifications and Formal Documentation of Local Pay Was Not Maintained - Continued***

**Criteria - Continued:**

The following requirement is applicable to the psychologist and ROTC Instructor:

- The District's policy requires the preparation of contemporaneous documentation and the preparation of an Employee Action Form supported by documentation.

**Cause:** The conditions above were caused by the following:

- The District credited the employee with an education level of bachelor's degree and 30 graduate-level coursework credits because of a clerical error.
- The District did not maintain evidence of the employee's completion of a pre-service program in the District's employee file.
- The District did not contemporaneously document the ROTC employee's annual salary for FY 2021. The total annual salary is not determined by a collective bargaining agreement nor documented in a salary scale for the position.

**Effect:** The District expended more Local Funds than necessary during FY 2021 for the two employees whose local salaries did not agree to education and experience verifications. Without formal documentation memorializing the annual pay for unique positions like ROTC Instructors, the District increases its risks of unauthorized or incorrect pay.

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

- Procedures to maintain pertinent documentation related to employee salary decisions.
- Procedures to review and verify employee information is correctly input on human resource forms that are used to enter pay information into PHRST.
- Formally document management's approval of annual pay for unique employees such as ROTC Instructors whose annual pay is not determined by a District salary scale or bargaining unit agreement. Develop and formally document District policies and procedures for the initial determination and changes in unique pays.

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

**COLONIAL 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 the following: two instances of employee pay that did not agree to employee education and experience verifications, one instance of employee pay that was not documented contemporaneously, and one purchase order 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.

***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, with the exception of one purchase order that did not comply with State and District purchasing and procurement requirements.

**MEMORANDUM**

To: Belfint Lyons & Shuman, P.A.  
From: Emily Falcon, Chief Financial Officer  
Date: November 4, 2022  
Subject: FY21 Local Funds Audit – Response to Findings

**Finding Number 1 – Purchases Did Not Comply with State and District  
Purchasing and Procurement Requirements**

**GPS Equipment for Buses**

Colonial engaged with three vendors to participate in a presentation and submit quotes to provide GPS equipment and licensing to track bus departure and arrivals. During this process, a change in the scope of services occurred which we did not realize would affect the procurement thresholds until it was too late. While we did follow the requirements of receiving quotes from three vendors, we neglected to maintain the documentation from 2018.

**Piggybacking on Expired Contract**

Acknowledged. We have recently tightened our procedures around contracting, specifically for piggybacking on contracts outside of the school district. We are confirming with the originating agency that their contract is valid and the originating agency plans to extend the services into the following year.

**Finding Number 2 – Local Salary Did Not Agree to Employee Education and Experience Verifications and Formal Documentation of Local Pay Was Not Maintained**

**Air Force Junior Reserve Officer's Training Corps (ROTC) Instructor**

ROTC Instructors are a special type of employee with rules regarding their salary set forth by the Air Force. This particular employee has been employed with the Colonial School District for many years. We acknowledge that the documentation for Instructor pay changes has not been adequately maintained during this time period.

