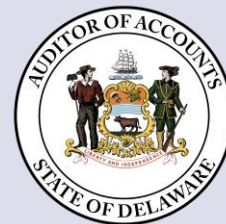


INDIAN RIVER SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT
FOR YEAR ENDED JUNE 30, 2021

Report Summary

Indian River School District Local Funds Performance Audit For Year Ended June 30, 2021



What Was Performed?

A performance audit of the design and operation of Indian River 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:

- **Lack of compliance with State and District Purchasing and Procurement Requirements:** Five purchase orders were tested; one did not comply with the requirements. The district exceeded the \$100,000 procurement threshold for public works (\$178,622 HVAC repair services cumulative in FY2021 under multiple purchase orders including one purchase order for \$70,000). The services were not competitively bid, purchased services were not an extension of a previous contract between the vendor and the district, and a formal contract was not entered with the vendor.

The Indian River 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.

INDIAN RIVER SCHOOL DISTRICT
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JUNE 30, 2021

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Independent Auditors' Report

Jay F. Owens, Ed.D., Superintendent
Indian River School District
31 Hosier Street
Selbyville, Delaware 19975

Dear Dr. Owens:

We present the attached report which provides the results of our performance audit of the Indian River 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 Indian River 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. Indian River 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 Indian River 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, General Assembly, Office of the Controller General, Office of the Attorney General and Office of Management and Budget.

Belfint, Lyons & Shuman, P.A.

November 22, 2022
Wilmington, Delaware

cc: Dennis Greenhouse - State Auditor
Tammy Smith, CPA, CFE - Director of Business

INDIAN RIVER 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.

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

BACKGROUND - CONTINUED

Debt Service - Continued

The school 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 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.

INDIAN RIVER 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 Indian River School District, located in Sussex County, operates PK, K-12 schools with over 10,600 students. The Indian River School District employs over 1,300 employees to educate and support its students. The District has one early education center, seven elementary schools, three middle schools, and two traditional comprehensive high schools. In addition, the District is home to the Howard T. Ennis School and Southern Delaware School of the Arts. The Indian River School District Board of Education is the governing body of the District. The School Board includes ten elected members who serve five-year terms. For the purposes of this report, Indian River School District is referred to as the “District.”

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT OBJECTIVES

The objectives established for the performance audit of the 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 (BAM)*, 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 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 District, including the following:
 - 1. Reviewed the applicable sections of the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *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.

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

5. Performed risk assessment procedures such as:
 - a. Obtained and documented an understanding of the 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 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 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.

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

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 of Delaware's accounting system.

We also examined the five largest purchase orders against Local Funds. Except as detailed in Finding Number 1, we determined that the District complied with both state and district procurement requirements and the purchase orders were properly approved as evidenced by approvals on supporting contracts as well as in FSF. We found one purchase order did not comply with State and District purchasing and procurement requirements.

Refer to Finding Number 1 in the *Schedule of Findings and Recommendations* for details of the deficiency identified and related recommendation.

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 and Tuition 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 selected 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.

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

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 Sussex County Reports of Local Property Tax Collections, recalculated the District's distribution of its receipts among the four categories of local taxes and determined that the District accurately distributed the receipts based on the official warrant and code requirements.

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 March 2017.
- The District assesses a local match tax for Minor Capital. We found the District's Minor Capital match tax rate was 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 equal to 47.45% 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		FY 2021	
Debt Service		Debt Service	
Tax Collections		Principal and Interest	
<u>\$ 3,736,478</u>		<u>\$ 3,157,736</u>	
FY 2022			
Debt Service Reserves	Budgeted Debt Service	Reserve to Expected	
at June 30, 2021	Principal and Interest	Future Payments	
<u>\$ 2,724,125</u>	<u>\$ 5,740,832</u>	<u>47.45%</u>	

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 3 - Continued

Results - Continued

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.

- 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 District's anticipated need as specified by the requirements. We compared actual transfers out to special programs per the general ledger and actual expenditures per *Budget to Actual* reports for FY 2021. As summarized in the following chart, we found the District had a tuition Local Fund reserve of approximately \$5.55 million as of June 30, 2021. The District's tuition reserve is sufficient to cover approximately nine months of expected tuition-based costs.

Howard T. Ennis School FY 2021 Expenditures*	\$ 3,448,867
Transfers Out to Other Districts	1,804,772
District Special Program Expenditures	<u>2,303,685</u>
Total FY 2021 Transfers and Expenditures	<u>\$ 7,557,324</u>
Tuition Reserve Balance, as of June 30, 2021	\$ 2,622,214
Howard T. Ennis School Tuition Reserve Balance, as of June 30, 2021	<u>2,934,127</u>
Total FY 2021 Reserves	<u>\$ 5,556,341</u>
Approximate Number of Months of Expenditures Covered by Reserves	9

**Howard T. Ennis School FY 2021 Expenditures includes expenses funded by other School Districts that send students to the Howard T. Ennis school. During FY 2021, the District received \$1,117,370 from other Districts and the District transferred \$3,403,677 to Howard T. Ennis School for students attending Howard T. Ennis School.*

INDIAN RIVER SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 3 - Continued

Results - Continued

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 Howard T. Ennis School expenditures were obtained from the June 30, 2021, Daily Validity Report (Document Direct Report DGL060).

Objective 4 - School District tuition tax funds are calculated and spent in accordance with Delaware Code, State of Delaware *BAM* and District Policies.

Results - We examined a random sample of 25 disbursement transactions from tuition tax funds and 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 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.

INDIAN RIVER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2021

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

Condition: Of the five purchase orders that we tested for compliance with the requirements, one did not comply with State and District procurement requirements.

We found the District purchased \$70,000 in HVAC repair services using state and local funds from one vendor under one purchase order. Cumulatively, the District purchased \$178,622 of HVAC repair services in FY 2021 using state and local funds from the vendor under multiple purchase orders. The purchases made under the selected purchase order were not competitively bid by the District and the purchased services were not an extension of any other contract the District holds with the vendor. The cumulative total of the purchases in FY 2021 exceeded the \$100,000 public works procurement threshold for a formal bid. The District did not enter a formal contract with the vendor that included the prevailing wage requirements or performance bonding requirements.

Criteria: The District adheres to the procurement and purchasing requirements of the *BAM*.

- The purchases are considered public works per 29 Del. C., §6902(22) and §6908(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.
- 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, per contract, 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 with 29 Del. C., §6960, 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.

INDIAN RIVER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2021

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

Cause: The District purchased the HVAC repair services from the vendor that completed the District's HVAC upgrades in FY 2019 and FY 2020.

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

Recommendation: We recommend that the District implement procedures to evaluate purchases for compliance with formal procurement requirements, specifically, purchases for similar services from the same vendor should be combined and evaluated against the procurement requirements in total.

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

INDIAN RIVER 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 vendor's services that were not procured in accordance with the State's 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 District's tuition tax funds were calculated and spent in accordance with the requirements.

INDIAN RIVER SCHOOL DISTRICT

"A Model of Excellence"



Jay F. Owens, Jr. Ed.D.
Superintendent

Karen T. Blannard
Assistant Superintendent

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

In connection with the Fiscal Year 2021 Indian River School District Local Funds Performance Audit, the Indian River School District's response to Finding Number 1 is as follows:

In 2019, Indian River School District embarked on an Energy Services Company (ESCO) project to make energy efficiency improvements for almost all of the district's school buildings, which is projected to save the district hundreds of thousands of dollars in energy costs. As repairs and maintenance have been needed on the equipment installed during that project, the district has continued to use the same vendor that manufactured and installed that equipment to ensure that the parts are appropriate for that equipment. Keeping school buildings open and available for students to learn is critical and the district must ensure that HVAC equipment is properly functioning. These repairs are ad hoc repairs that are discovered as equipment breaks and must be remedied immediately. Therefore, the district cannot accurately predict what the cost of needed repairs will be each year, especially when operating 15 school buildings. With that being said, the district has been actively working toward assessing and revamping the district's entire procurement process to ensure with compliance with State and district regulations. The district will take HVAC repairs into consideration during this project.

Sincerely,

A handwritten signature in blue ink, reading "Tammy B. Smith".

Tammy B. Smith, CPA, CFE
Director of Business & Finance

31 Hosier Street, Selbyville, Delaware 19975 • (302) 436-1000 • Fax (302) 436-1034

The Indian River School District is an Equal Opportunity Employer and does not discriminate or deny services on the basis of race, color, national origin, sex, gender, creed, religion, veteran status, sexual orientation, marital status, citizenship status, pregnancy, age, ancestry, disability, gender identity, genetic information, military status or any other characteristic protected by law.