

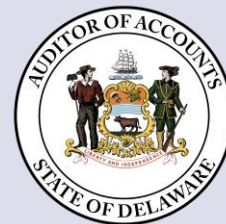
# LAKE FOREST SCHOOL DISTRICT

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LOCAL FUNDS PERFORMANCE AUDIT  
FOR YEAR ENDED JUNE 30, 2021

# Report Summary

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



### What Was Performed?

A performance audit of the design and operation of Lake Forest 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:

- **P-Card Disbursement Lacked Proper Approval In FSF:** One of forty non-tuition local tax fund disbursement transactions for minor capital lacked proper approval by the State of Delaware DOE's Capital Projects Management in the FSF state accounting system.
- **Purchases Non-Compliant with the State and District Purchasing Requirements:** Nine out of forty non-tuition local tax fund disbursements that exceeded \$2,000 did not have a district approved purchase order.

The Lake Forest 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).

**LAKE FOREST SCHOOL DISTRICT**  
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**JUNE 30, 2021**

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*Independent Auditors' Report*

Dr. Steven V. Lucas, Superintendent  
Lake Forest School District  
5423 Killens Pond Road  
Felton, Delaware 19943

Dear Dr. Lucas:

We are pleased to present the attached report which provides the results of our performance audit of the Lake Forest 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 Lake Forest School District under OAOA Contract Number 22-CPA01 SD\_LOCALFUNDS.

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. Lake Forest 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 Lake Forest 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 18, 2022  
Wilmington, Delaware

cc: Dennis Greenhouse - State Auditor  
Kurt Kelemen, MBA - Chief Financial Officer

**LAKE FOREST 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.

**LAKE FOREST 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.

**LAKE FOREST 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.

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

**DISTRICT SPECIFIC SUMMARY**

The Lake Forest School District, located in Kent County, operates K-12 schools with over 3,500 students. Lake Forest has one early education center, four elementary schools, one middle school, and one traditional comprehensive high school. The Lake Forest School 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, Lake Forest 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 (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 School District, the DOE and the State of Delaware’s financial accounting and human resources systems.



**LAKE FOREST 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 *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.

**LAKE FOREST 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). Except as detailed in Finding Number 1 and Finding Number 2, 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 State of Delaware's accounting system. We found the District did not obtain additional DOE approvals for one disbursement and did comply with the District's purchase order requirements.

Refer to the Finding Number 1 and Finding Number 2 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 and determined that the District complied with both State and District procurement requirements and that the purchase orders were properly approved, as evidenced by approvals on supporting contracts as well as in FSF.

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. For each employee, we determined that the employee's salary profile in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), accurately reflected the employee's education and experience level by examining education and experience verifications performed by the District. For most salaried employees in the District, pay is driven by the employee's education level and years of experience. We also agreed hourly pay or extra pay received by the employees to an

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 1 - Continued***

Results - Continued - approved timecard without any exceptions. We compared each employee's salary or hourly compensation to the District's approved FY 2021 salary schedules 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 - We recalculated the tax revenue from Kent County to confirm that the correct amount was received. We also observed transfers of receipts to relevant appropriations 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 operating expense referendum occurred in 2012 and the last Current Expense Tax increase occurred in Fiscal Year 2016.. The District's current expense tax rate was agreed to historical reports provided by the DOE.
- The District assesses a local match tax for the following: Minor Capital, Technology Maintenance, Reading, Math, K-3 Resource Teachers, and Extra Time. We found that the District's match tax rates were consistent with relevant legislation and guidance.

**LAKE FOREST 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 principal and interest schedules for FY 2021 and FY 2022 and determined that the rate was sufficient to cover FY 2021 debt services expenditures and provide the District with a reserve of approximately 52% 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 Tax Collections		Debt Service Principal and Interest
<u>\$ 486,841</u>		<u>\$ 479,794</u>

Debt Service Reserves at June 30, 2021	FY 2022 Debt Service Principal and Interest	Reserve to Expected Future Payments
<u>\$ 242,333</u>	<u>\$ 466,432</u>	<u>52%</u>

Per Kent County (County) Code Part II, General Legislation, c. 105, districts within the County that are impacted by construction receive funds from surcharges on the proposed construction valuation of issued building permits. The funds are restricted by the County to fund the District's local share of capital improvements. The amounts presented above for Debt Service Reserves do not include the balance of unexpended surcharges received from the County. Additionally, FY 2021 actual and FY 2022 budgeted debt service are not adjusted for transfers of funds from the unexpended surcharges appropriation to the local debt service appropriation. During FY 2021, the District transferred \$204,590 between the appropriations.

The FY 2021 Debt Service Tax 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 the June 30, 2021 Daily Validity Report and FY 2022 Preliminary Budget, respectively.

**LAKE FOREST 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 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. As of June 30, 2021, the District had a \$1.3 million tuition reserve. 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 at least six months of expected tuition-based costs for the District given that tax receipts are not due until September 30, which is three months after the start of the fiscal year.

\$ 1,098,283	Transfers Out to Special Programs and Other Districts
<u>1,158,302</u>	Private Placements Expenditures and Encumbrances
<u>\$ 2,256,585</u>	Total FY 2021 Transfers, Expenditures, and Encumbrances
<u>\$ 376,098</u>	Two Months of Expenditures

The FY 2021 Transfers Out to Special Programs were obtained from the YTD Cumulative Budgetary Report (Document Direct Report DGL011) and the Expenditures and Encumbrances for Private Placements, were obtained from the June FY 2021 Budget to Actual Report provided by the District.

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

*Results* - We examined a random sample of six 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.

**LAKE FOREST 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, we found one PCard disbursement from appropriation 91151 MCI - Local (Minor Capital Improvement - Local) that was not approved by the DOE's Capital Projects Management.

**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:** One Minor Capital Improvement purchase made by the District, 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.

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

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

**Condition:** Of the forty non-tuition local tax funds disbursements that we tested for compliance, we found nine disbursements that exceeded \$2,000 did not have a District approved purchase order.

**Criteria:** Lake Forest *Board of Education Policy DJ - Purchasing* requires the District to adhere to the Delaware Code and the *BAM*. In addition, the policy requires the following:

*“An approved purchase order is required for purchases exceeding \$2,000 (individually or in aggregate) in a given fiscal year.”*

**Cause:** For two of the disbursements, we found that, during the year ended June 30, 2021, the District was in the process of amending *Board of Education Policy DJ - Purchasing* to change the purchase threshold from \$2,000 to \$5,000. The Board of Education approved this policy in the year ended June 30, 2022; however, the policy was implemented by management during the year ended June 30, 2021.

For seven of the disbursements, we found that the District applied *BAM* purchase order exceptions. The District’s purchasing policy does not provide for exceptions to the purchase order requirement.

**Effect:** The District did not adhere to the District’s purchasing and procurement requirements and policy.

**Recommendation:** We recommend the District review and improve internal controls over the evaluation of purchases for compliance with the District’s formal procurement requirements.

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

**LAKE FOREST SCHOOL DISTRICT**  
**CONCLUSION**  
**JUNE 30, 2021**

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

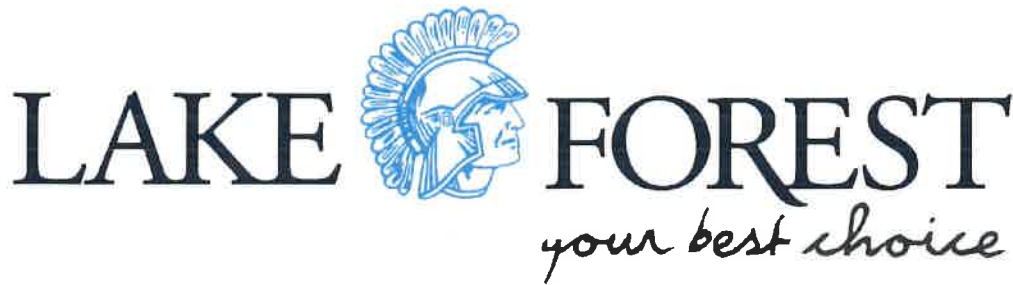
***Objective 1*** - The School District's internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements, with the exception of Findings Number 1 and 2.

***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.





*The vision of the Lake Forest School District is to be the model of excellence in education.*

Dear Auditor McGuiness,

In reference to the Fiscal Year 2021 Local Funds Performance Audit findings, the Lake Forest School District presents the following responses:

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

Of the 40 local funds disbursements tested, the District processed one Minor Capital Improvement (MCI) PCard disbursement that was not approved by the DOE's Capital Projects Management.

**District Response:**

MCI disbursements are not automatically routed in the First State Financials (FSF) accounting system to the DOE Capital Projects person and the user must manually add this additional approval level for these expenses. The person who manually adds this approval level cannot perform this function when a PCard is used for an MCI expense. In fact, the first opportunity to manually add this approval level does not occur until the PCard voucher reaches the business manager as the district's final workflow approval step. This introduces more opportunity for error on MCI Pcard transactions because all prior review/approval steps are bypassed. Finally, the District was not aware of the capability in FSF to manually add the DOE Capital Projects person at the Business Manager approval level. All MCI purchase orders and direct claim vouchers are already processed through DOE, but MCI PCard transactions will also be added for this additional approval step.

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

The District did not have an approved purchase order for two disbursements exceeding \$2,000 which exceeded the purchasing threshold outlined in District Board Policy DJ.

**District Response:**

The District purchasing threshold requiring a purchase order was revised from \$2,000 to \$5,000 while an amended Board policy was being processed for approval. This threshold change occurred prior to the amended policy receiving final Board approval. The purchases did comply with the new internally set threshold and were still well below the Division of Accounting threshold of \$10,000. The District will review their internal controls and ensure they match what is authorized in Board policy.

Please let me know if we can be of any further assistance.

**Superintendent**

**Steven V. Lucas, Ed.D.**  
**Central Business Office**  
**5423 Killens Pond Road**  
**Felton, Delaware 19943-9801**  
**Office: 302-284-3020 Ext. 104, Fax: 302-284-5831**

**Board of Education**

**Earle Dempsey, President**  
**James L. Rau, Vice President**  
**Phillip Thomas**  
**Sarah Starkey**  
**Jordan McCloskey**

# LAKE FOREST

*your best choice*

*The vision of the Lake Forest School District is to be the model of excellence in education.*



Kurt J. Kelemen  
Chief Financial Officer  
Lake Forest School District

## **Superintendent**

**Steven V. Lucas, Ed.D.**  
**Central Business Office**  
**5423 Killens Pond Road**  
**Felton, Delaware 19943-9801**  
**Office: 302-284-3020 Ext. 104, Fax: 302-284-5831**

## **Board of Education**

**Earle Dempsey, President**  
**James L. Rau, Vice President**  
**Phillip Thomas**  
**Sarah Starkey**  
**Jordan McCloskey**

Lake Forest School District does not discriminate in employment or in educational programs, services or activities based on race, color, national origin, sex, age, or disability in accordance with state and federal laws. Inquiries should be directed to the Human Resources Director, Lake Forest Central Business Office, 5423 Killens Pond Road, Felton, DE 19943. Telephone: (302)284-3020. Persons with disabilities or other special needs are encouraged to make contact as soon as possible, in order that reasonable accommodations can be made.