

WOODBIDGE SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2022



WOODBIDGE SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2022

BACKGROUND

Performance audits are used to evaluate the efficiency and effectiveness of an organization's operations. The objective of this performance audit is to provide management, the Woodbridge School District Board of Education and the State of Delaware with information to improve performance, public accountability, and transparency.

The purpose of this performance audit is to determine whether the District's operations over the collection and spending of local school district property tax funds complied with relevant laws and regulations. Our performance audit addressed the following areas:

- The tax rate setting process
- Payments for services and supplies
- Employee compensation and payroll processing

The Auditor of Accounts is mandated by 29 Del. C., §2906(f) to perform annual audits of local school district tax funds. Under Delaware Code, school districts may levy and collect taxes for school purposes upon the assessed value of all taxable real estate in the district.

KEY INFORMATION AND FINDINGS

Performance audit testing of the rate-setting process revealed the District's management and Board of Education analyzed expected spending and set the FY 2022 tax rates to provide adequate revenues, as summarized here.

- The District's FY 2022 current expense tax rate was set by referendum in 2019.
- Revenues from the District's debt service and tuition tax rates were consistent with expenditures.
- The District's debt service reserve of \$406,814 as of June 30, 2022 complied with the State of Delaware requirements.

WOODBIDGE SCHOOL DISTRICT QUICK FACTS

K-12 Schools

4

Students Served

2,400

Employees

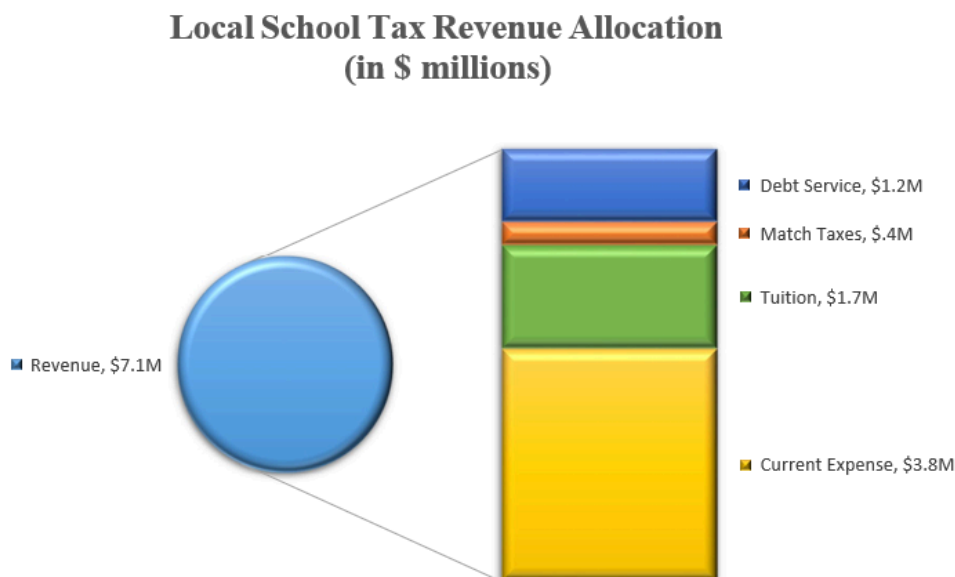
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WOODBIDGE SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2022

KEY INFORMATION AND FINDINGS CONTINUED

The District allocates the local property tax funds received by their intended purpose (current expense, debt service, tuition, and match taxes). We found that the allocation was consistent with the tax rates approved by the Board of Education. The four components of local school tax revenue allocations are summarized below:



Findings may involve deficiencies in internal control; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or instances of fraud. Performance audit testing of the District's expenditures did not uncover fraud, waste or abuse. The audit relied on various sources of information and methods to obtain an understanding of and assess Local Funds' processes for the School District, including inquiry, document reviews, risk assessment, and identification and performance assessment of key controls.

Testing identified the following conditions that are reported as findings:

- District payroll policies do not require appropriate review and approval of payroll changes.
- Documentation supporting District changes to employee pay was not maintained.
- District purchasing decisions for supplies were not documented as required by state procurement laws.

The potential exposure to the State of the weaknesses in payroll internal controls, described above, is that they increase the risk of error and fraud occurring, and not being detected, in the payroll process. The potential exposure to the State of the weaknesses in the purchasing and transfer internal controls, including not maintaining supporting documentation, is that they increase the risk that the District would make purchases without first obtaining the best prices and terms.

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022

WOODBRIIDGE SCHOOL DISTRICT
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Independent Auditors' Report

Mr. Heath Chasanov
Superintendent
Woodbridge School District
16359 Sussex Highway
Bridgeville, Delaware 19933

Dear Mr. Chasanov:

We present the attached report which provides the results of our performance audit of the Woodbridge 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, 2022. The Office of Auditor of Accounts engaged Belfint, Lyons & Shuman, P.A. to conduct a Performance Audit of the Woodbridge 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. The Woodbridge 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 Woodbridge 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(o), 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.

January 18, 2024
Wilmington, Delaware

cc: Lydia E. York - State Auditor
Ms. Jamie Sizemore, Coordinator of Business Affairs

WOODBRIIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT
JUNE 30, 2022

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 Delaware 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., Ch. 19 for nonvocational districts and by 14 Del. C., Ch. 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 summarized as follows:

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 former 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.

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

BACKGROUND - CONTINUED

Laws and Regulations - 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 Section 401, *Major Capital Improvement Program*, are projects costing \$1,000,000 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 fund 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 debt service reserve, within a range of at least four months to no more than 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 grant, and opportunity fund.

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

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 DOE memo issued in December 1998.

Minor Capital Improvements - Per Delaware Administrative Code 405, *Minor Capital Improvement Program*, minor capital pertains to projects costing less than \$1,000,000, 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 - In accordance with 14 Del. C., §1902(b), the State of Delaware FY 2022 Operating Budget Epilogue sec. 357 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 State of Delaware 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 State of Delaware 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 2022 Operating Budget Epilogue sec. 366 authorizes school districts to assess a local match for costs relating to the Student Success Block Grant appropriations which are intended for reading assistance in grades K-4.

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

Opportunity Fund - The State of Delaware FY 2022 Operating Budget Epilogue Sec. 363 authorizes school districts to assess a local match for costs associated with Opportunity Fund appropriations intended enhance services and provide additional supports to English Learner and low-income students, as well as be used for mental health services and/or for additional reading supports for grades K-5. Per a June 2019 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 Woodbridge School District, located in Kent and Sussex Counties, operates K-12 schools with over 2,400 students. The Woodbridge School District employs over 300 employees to educate and support its students. Woodbridge has one early education center, one elementary school, one middle school, and one traditional comprehensive high school. The Woodbridge 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, Woodbridge School District is referred to as the “School District” or “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.

WOODBRIIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT OBJECTIVES - CONTINUED

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, 2021 through June 30, 2022. We sampled and examined transactions from the populations of expenditures and receipts of Local Funds for the period from July 1, 2021 through June 30, 2022. In sampling these transactions, we relied on documentation provided by the School District, the DOE and the State of Delaware's financial accounting and human resources systems.

AUDIT METHODOLOGY AND RESULTS

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

- A. Planning Phase: The audit relied on various sources of information and methods to properly plan the audit and to obtain an understanding of and assess Local Funds' processes for the School District, including the following:
 - 1. Reviewed the applicable sections of the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *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 Board of Education's meeting minutes 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.

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- 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 risk-based approach to assess the design and operation of internal 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 were properly documented, authorized and properly recorded; that products and services were received, and that the transactions complied with State and District requirements.
 - 2. To assess the design and operation of procurement internal controls, we analyzed disbursements to vendors made from the District's State, Local and Federal Funds' (excluding purchases made using State-wide contracts, those entered into by the Office of Management and Budget's, Government Support Services Division). Our analysis included all District funding (local, State, and federal) because the procurement requirements apply regardless of funding source. We analyzed procurements as follows:
 - a. Cumulative expenditures by purchase order, to test whether the cumulative amounts may have exceeded the applicable procurement thresholds;
 - b. Vendors receiving payments under multiple purchase orders to test whether multiple purchase orders for similar products or services may have exceeded the applicable procurement thresholds;
 - c. Vendors receiving direct claim payments (purchases without purchase orders) to test whether multiple payments for similar products or services may have exceeded the applicable procurement thresholds;

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- d. Payments made via Purchasing Cards to test whether single payments (or multiple payments for similar products or services) may have exceeded the applicable procurement thresholds;
- e. Payments to Single Payment Suppliers (suppliers that are paid only once) to test whether payments may have exceeded the applicable procurement thresholds.

In addition, we selected the following types of vendor transactions for testing:

- a. A random sample of vendor transactions with cumulative purchase amounts meeting or exceeding the State and District procurement thresholds.
 - b. A judgmental sample of unusual or higher risk vendor transactions.
3. To assess the design and operation of payroll internal controls, we sampled and tested transactions from a population of current year payroll change events, affecting local funds' payroll expenditures for the following:
- a. Employees' annual salary increases agreed to published and approved salary tables.
 - b. Changes to payroll, other than annual salary increases, agreed to supporting documentation and were properly approved.
 - c. Management's reconciliation, review, and approval of bi-weekly payrolls.
4. To assess the design and operation of internal controls over the approval and calculation of real estate taxes, including tuition tax:
- a. 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, as applicable.
 - c. Verified local tax fund receipts were properly recorded to the related tax appropriation based on the official tax warrant.

WOODBRIIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT METHODOLOGY AND RESULTS - CONTINUED

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

Results - We found the design of the key internal controls over the expenditure of Local Funds, including payroll, non-payroll and debt service, was in accordance with the requirements, for the period from July 1, 2021 through June 30, 2022 except for the deficiencies noted in Finding Number 1 in the *Schedule of Findings and Recommendations*.

Non-Payroll Expenditures - 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 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 First State Financials (FSF), the Delaware State accounting system.

Procurement - To assess the District's compliance with both State and District procurement requirements, we analyzed the District's total FY 2022 disbursement population and, using a risk-based approach, we selected the following samples:

- A haphazardly selected sample of one purchase order (only one in the population) with a purchase amount exceeding the \$10,000 procurement threshold per the *BAM* (this is the lowest threshold that requires competitive purchasing).
- A judgmentally selected sample of three vendors with multiple purchase orders.
- A haphazardly selected sample of three purchases made without purchase orders, to vendors that had cumulative purchases during the fiscal year exceeding the \$10,000 procurement threshold.
- There were no procurement card purchases exceeding the \$10,000 procurement threshold; therefore, a sample was not selected.
- There were no single-payment vendor purchases made by the District that the exceeded \$10,000 procurement threshold; therefore, a sample was not selected.

We examined documentation for each of the transactions selected and found the purchasing process for goods and services was not in compliance with State and District procurement requirements. Refer to Finding Number 2 in the *Schedule of Findings and Recommendations*.

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Payroll Expenditures - To assess the operation of the internal controls over payroll expenditures from Local Funds, we selected a random sample of 40 Local Funds pay rate changes, processed during the fiscal year, other than an annual salary increase.

The District indicated that changes were not reviewed and approved in accordance with the District's Budget and Accounting Policies and Internal Control Procedures document. Additionally, the District did not provide documentation of other preparation and review procedures that the District indicated were being performed. Refer to Finding Number 1 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

To test the employees' annual increases, we selected a random sample of 10 annual step increases and agreed each employee's salary in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), to the District's approved FY 2022 salary schedules.

We requested evidence that the District's bi-weekly payroll is reconciled and approved for a random sample of four bi-weekly payrolls. We determined that the District did not maintain evidence of review of bi-weekly payroll expenditures; however, on a monthly basis, a budget to actual comparison of payroll expenditures is performed and provided to the Board. We consider this to be an adequate compensating control.

Debt Service 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 statewide by the State of Delaware Department of Finance, it is outside of the scope of this performance audit, and we did not assess the design or operation of internal controls over debt service expenditures.

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

Results - We obtained the Kent and Sussex County School District Reports of Local Property Tax Collections. We 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 warrants and code requirements. We also observed transfers of restricted current expense receipts to the relevant appropriations.

WOODBRIIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT METHODOLOGY AND RESULTS - CONTINUED

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 warrants for FY 2022 and concluded the following:

- The District's current expense rate was supported by a referendum passed in 2019.
- The District assesses a local match tax for the following: Minor Capital, Technology, Reading and Math Resource Teachers, Extra Time, and Student Success Block Grants. We found the District's local match tax revenues were consistent with the prior year and were determined to be immaterial to total Local Fund revenues.
- We compared debt service tax collections based on the debt service rate to principal and interest schedules for FY 2022 and FY 2023 and determined that the rate was sufficient to cover debt services expenditures in FY 2022 and provide the District with a reserve equal to approximately 30% of its FY 2023 debt service payments, enough to cover the first four months of the fiscal year, as summarized below. District debt service reserves held as of June 30, 2022, were within the range set by the State of Delaware Attorney General.

July 1, 2021 Debt Service Reserve Balance	\$ 446,962
FY 2022 Debt Service Activity	
Receipts	1,213,804
Expenditures	<u>(1,253,952)</u>
June 30, 2022 Debt Service Reserve Balance	<u>\$ 406,814</u>
Budgeted FY 2023 Debt Service	<u>\$ 1,345,586</u>
Reserve to Expected Future Payments Ratio	<u>30%</u>
Debt Service Payments Required for first four months of FY 2023 per Amortization Schedule	<u>\$ 312,683</u>
Excess of Reserve over Required Debt Service	<u>\$ 94,131</u>

We accumulated information from the following sources to meet this audit objective:

WOODBIDGE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2022

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 3 - Continued

Results - Continued

The FY 2022 Debt Service Tax Collections and FY 2022 Debt Service Reserves were obtained from the June 30, 2022 Daily Validity Report (Document Direct Report DGL060), which is a daily report on the status of appropriations. The FY 2022 and FY 2023 Debt Service Principal and Interest were obtained from debt service schedules presented in the District's FY 2022 Final Budget and FY 2023 Preliminary Budget, respectively.

- We compared actual tuition tax expenditures and funds transferred out to special programs and other districts to both actual revenues and budgeted expenditures and determined that the rate appeared to be sufficient to meet the District's obligations. Actual expenditures and revenues were obtained from the June 30, 2022 Daily Validity Report and budgeted expenditures from the District's FY 2022 Final Budget.

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

Results - We examined one individually significant disbursement transaction and a random sample of three additional disbursement transactions, out of a population of 36 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 also examined the District's compliance with State and District procurement requirements in conjunction with procedures performed over nontuition Local Funds. Results are reported in Objective 1. Refer to Finding Number 2 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

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

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

WOODBIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2022

Finding Number 1 - Lack of Supporting Documentation, Evidence of Review and Proper Segregation of Duties for Pay Rate Changes

Condition: We found the following deficiencies in the operation of the District's payroll controls:

The District indicated that its payroll secretaries make changes to payroll and that they usually review each other's work. The Assistant Superintendent does not review the pay rate changes made by the payroll secretaries. This is not consistent with the District's Budget and Accounting Policies and Internal Control Procedures document. Additionally, the District could not provide documentation of the payroll secretaries' preparation or review of the changes. The District did not provide supporting documentation or documented evidence of review for 38 pay rate changes out of the 40 that were sampled. The District indicated that it is implementing a process to initial, check and date the reviews performed.

Criteria: The District's Budget and Accounting Policies and Internal Control Procedures document includes the following:

- The Assistant Superintendent oversees the Human Resource Department. All new hires, employment status, and pay changes, as well as changes in degree, certification, etc. that would require payroll adjustments are submitted to the PHRST payroll specialist by Human Resources (HR). At no time, do HR employees enter or modify payroll data. Such input is done by the payroll specialist. All salary entries and modifications are verified by the Assistant Superintendent.
- The payroll specialist enters all data in PHRST. This would include changes for new hires, employment status, education, pay and benefits. Changes are initiated based upon information received from the Personnel Office or the employee and reviewed by the Superintendent and/or Assistant Superintendent. At no time is the payroll specialist permitted to modify their own information.
- In addition, Chapter 14 *Payroll Compliance*, Section 14.2.1 *Controls* of the *BAM* states "Organizations should ensure an appropriate segregation of duties and monitoring throughout the payroll process. This includes establishing separate roles within the Organization for payroll approvers and payroll processes."

Cause: The District does not appear to be following the procedures set forth by its Budget and Accounting Policies and Internal Control Procedures document or the *BAM*. Possible causes of this may be the small size of the payroll staff or unfamiliarity of the District staff and management with the requirements.

WOODBRIIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2022

Finding Number 1 - Lack of Supporting Documentation, Evidence of Review and Proper Segregation of Duties for Pay Rate Changes - Continued

Effect: The absence of proper segregation of duties, evidence of supervisory review, and approved supporting documentation increases the possibility that error or fraud could occur and not be detected. The procedures that the District is performing do not appear to include a supervisory review, which is required in its Budget and Accounting Policies and Internal Control Procedures document and the *BAM*. By not documenting the procedures that are performed, it cannot be determined if those procedures were actually performed as intended. By not providing supporting documentation for pay rate changes, it cannot be determined if those changes were properly supported.

Recommendation: We recommend the District revise its procedures so that they are consistent with the Budget and Accounting Policies and Internal Control Procedures document and the *BAM*. Additionally, we recommend that the District ensure that contemporaneous documentation of the preparation and review of changes is created and maintained.

View of Responsible District Officials and Planned Corrective Actions: Refer to the Corrective Action Plan section.

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

Condition: We found the District's purchasing decisions for goods and services from one vendor did not comply with the State's and District's procurement requirements. We found the District purchased \$61,466 of sports equipment from a vendor, operating under two names, during FY 2022. The combined purchases exceeded the \$50,000 material and non-professional services threshold, requiring a formal bid. The purchases for the prior year with this vendor also exceeded the formal bid threshold.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C., Ch. 69. The District's Procurement policy included in the District's Budget and Accounting Policies and Internal Control Procedures document states:

- The District follows the State Procurement Policy as well as State of Delaware Bid Laws. The District utilizes the State contract list when it is most beneficial to the District.

The following requirements are applicable to the materials and non-professional purchases:

- Effective September 1, 2021, Chapter 5 *Procurement*, Section 5.3.1 of the *BAM*, requires three written quotes for purchases between \$10,000 and \$49,999 based on yearly cumulative limits.

WOODBRIIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2022

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

Criteria - Continued:

- Effective September 1, 2021, Chapter 5 *Procurement*, Section 5.3.1 of the *BAM*, requires formal bid procedures for purchases of \$50,000 and over based on yearly cumulative limits.

Cause: The District indicated their practice is to initiate purchase orders for most transactions individually, not in aggregate, because budgets are tracked by individual operating units with multiple fund managers.

Effect: The District may not have obtained the best deal or price for these materials and services.

Recommendation: We recommend that the District implement procedures to properly 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 thresholds and other requirements in total.

View of Responsible District Officials and Planned Corrective Actions: Refer to the Corrective Action Plan section.

WOODBIDGE SCHOOL DISTRICT
CONCLUSION
JUNE 30, 2022

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

Objective 1 - Except for the conditions noted in Findings 1 and 2 in the *Schedule of Findings and Recommendations*, the School District's internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements.

Objective 2 - The School District's internal controls over the receipt of Local Funds were designed and operated in accordance with the requirement.

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, with the exception of deficiencies in the operation of the District's internal controls over payroll and the noncompliance with the District's procurement policy as described in Findings 1 and 2 in the *Schedule of Findings and Recommendations*.

WOODBIDGE SCHOOL DISTRICT

Quality Education for Quality Children



16359 Sussex Hwy • Bridgeville • Delaware • 19933 • (302) 337-7990 • Fax (302) 337-7998

January 18, 2024

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

In reference to the Fiscal Year 2022 Local Funds Performance Audit findings, the Woodbridge School District (the District) presents the following responses:

Finding Number 1 – Lack of Supporting Documentation, Evidence of Review and Proper Segregation of Duties for Pay Rate Changes

The District will revisit its internal policies and procedures to ensure this issue is resolved moving forward.

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

The District will develop and implement a practice to review annual expenditures to ensure compliance with procurement requirements. The District will also work with the other school districts and the State of Delaware's Government Support Services to create a statewide contract for commonly used services and/or equipment.

The District recognizes the importance of sound internal controls. We will continue to evaluate our processes to ensure compliance with the State's *Budget and Accounting Policy Manual* and procurement requirements.

Sincerely,

Kimberly Judy, CPA, CFE
Director of Administrative Services