

BRANDYWINE SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2022





BRANDYWINE SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2023

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 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 2023 tax rates to provide adequate revenues, as summarized here.

- The District's FY 2023 current expense tax rate was set by referendum in 2016.
- Revenues from the District's debt service and tuition tax rates were consistent with expenditures.
- The District's debt service reserve of \$4,629,7859 as of June 30, 2023 complied with the State of Delaware requirements.

Brandywine School District Quick Facts

K-12 Schools

16

Special Schools

2

Students Served

10,000

Employees

1,000

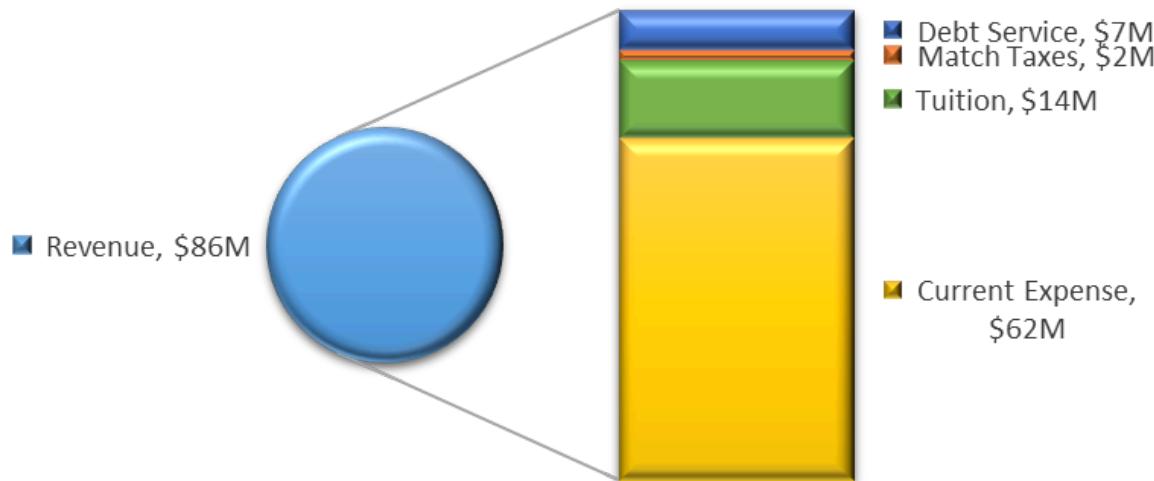


BRANDYWINE SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2023

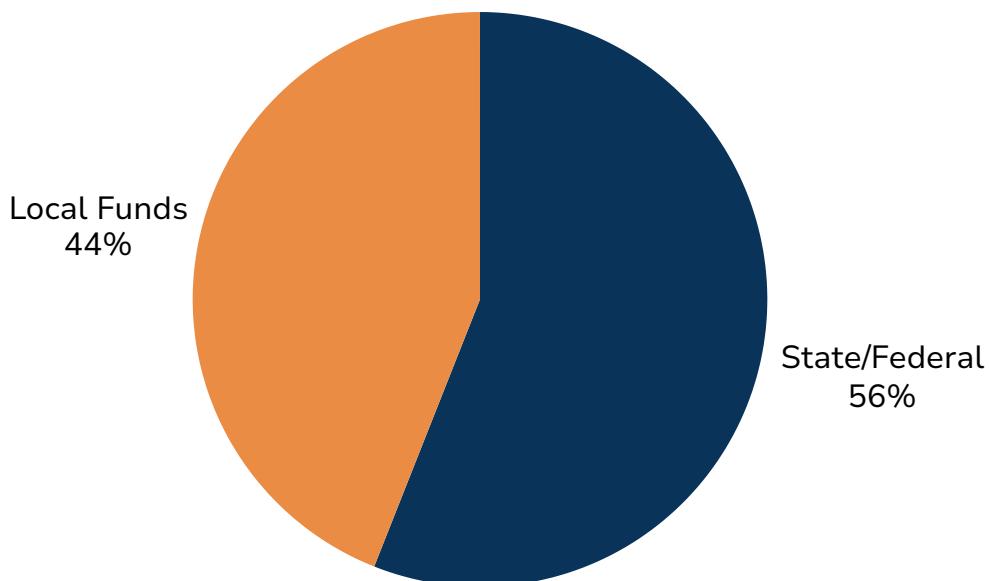
KEY INFORMATION AND FINDINGS CONTINUED

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:

**Local School Tax Revenue Allocation
(in \$ millions)**



FY23 Revenue Sources





BRANDYWINE SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2023

KEY INFORMATION AND FINDINGS CONTINUED

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 policies requiring the use of purchase orders were not consistently followed.
- District purchases of professional services, supplies and equipment, and repairs service did not follow District policy or state procurement laws.
- District payroll policies do not properly segregate responsibilities of the payroll function.
- 14 of 40 payroll transactions tested were not properly approved in accordance with District Policy.

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 internal controls is that they increase the risk that the District would make purchases without first obtaining the best prices and terms.

BRANDYWINE SCHOOL DISTRICT

**LOCAL FUNDS PERFORMANCE AUDIT AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2023

BRANDYWINE SCHOOL DISTRICT
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JUNE 30, 2023

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Independent Auditor's Report

Lisa A. Lawson, Ed.D, Superintendent
Brandywine School District
1311 Brandywine Boulevard
Wilmington, Delaware 19809

Dear Dr. Lawson:

We present the attached report which provides the results of our performance audit of the Brandywine 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, 2023. The Office of Auditor of Accounts engaged Belfint, Lyons & Shuman, P.A. to conduct a Performance Audit of the Brandywine School District's Local Funds under OAOA Contract Number 22-CPA01_SDLOCALFUND\$.

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 Brandywine 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.

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Recommendations*. The District's response was not subject to the other auditing procedures applied in the performance audit.

Superintendent
Brandywine School District

This report is intended solely for the information and use of the Brandywine 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, Office of the Controller General, General Assembly, Office of the Attorney General, and Office of Management and Budget.

Belfint, Lyons & Shuman, P.A.

September 10, 2025

Wilmington, Delaware

cc: Lydia York - State Auditor
Daniel McCoy, CPA - Chief Financial Officer

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT
JUNE 30, 2023

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. 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. 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.

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.

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

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Debt Service - Continued - 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.

The District is required to maintain debt service reserves, 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.

Match - Match funds provide a local match to State appropriations where required or allowed by law. The following summarizes match taxes authorized for the year ended June 30, 2023:

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.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

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.

Enhanced Minor Capital Improvements - The FY 2023 State of Delaware Capital Budget appropriated additional minor capital improvements funds to the school districts. The funds are not subject to the \$1,000,000 minor capital improvement restriction. An amendment to the FY 2023 State of Delaware Capital Budget authorizes districts to assess a local match on a 60% state and 40% local basis either in one fiscal year or over multiple fiscal years through fiscal year ending June 30, 2025. Districts must obligate their minor capital improvement funds prior to utilizing the enhanced minor capital improvement funds, except for the purpose of remediating lead contaminated drinking water infrastructure.

Extra Time and Reading Resource and Math Resource Teachers - In accordance with 14 Del. C., §1902(b), the FY 2023 Operating Budget Epilogue Sec. 361 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 FY 2023 Operating Budget Epilogue Sec. 370 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 through 4.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

Opportunity Fund - The FY 2023 Operating Budget Epilogue Sec. 367 authorizes school districts to assess a local match for costs associated with Opportunity Fund appropriations intended to 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 through 5. Per a June 2019 DOE Memo, schools are allowed to match on a 70% state and 30% local basis.

Substitute Teacher Block Grant - The State of Delaware FY 2023 Operating Budget Epilogue Sec. 391 authorizes school districts to assess a local match for costs associated with the Substitute Teacher Block Grant appropriations, which are intended to fund salaries for full-time substitute teachers in high need elementary, middle and high schools, with populations of 50 percent or more low-income students.

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 Brandywine School District, located in New Castle County, operates PK-12 schools with over 10,000 students. The Brandywine School District employs over 1,000 employees to educate and support its students. Brandywine has one early education center, nine elementary schools, three middle schools, and three traditional comprehensive high schools. In addition, the District provides vocational training and opportunities through the SITE Program (Skills for Independence, Transition, and Employment) for 18-21 year-old students with special needs. The Brandywine School District Board of Education is the governing body of the District. The School Board includes seven elected members who serve four-year terms. For the purposes of this report, Brandywine 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

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT OBJECTIVES - CONTINUED

Objective 1 - Continued - *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, 2022 through June 30, 2023. We sampled and examined transactions from the populations of expenditures and receipts of Local Funds for the period from July 1, 2022 through June 30, 2023. 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.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT METHODOLOGY AND RESULTS - CONTINUED

5. Performed risk assessment procedures such as:
 - a. Obtained and documented an understanding of the School District and its environment and identified risks.
 - b. Conducted 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 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 Statewide contracts, those entered into by the Office of Management and Budget's (OMB), Government Support Services Division (GSS)). 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 vendor, with consideration to multiple purchase orders and multiple direct claim payments (purchases without purchase orders) for similar products and services, to test whether the cumulative amounts may have exceeded the applicable procurement thresholds.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- b. 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.
- c. Payments to Single Payment Suppliers (suppliers that are paid only once) to test whether payments may have exceeded the applicable procurement thresholds.
- d. In addition, we selected the following types of vendor transactions for testing:
 - i. A judgmental sample of vendors with cumulative purchase amounts meeting or exceeding the State and District procurement thresholds.
 - ii. A judgmental sample of unusual or higher risk vendor transactions.
 - iii. A judgmental sample of purchasing card transactions and single payment supplier transactions meeting or exceeding the State and District procurement thresholds.

For vendor relationships governed by Statewide contracts, we selected and tested a sample of significant transactions to verify that District's purchases complied with the terms of the agreements entered into by the OMB's GSS Division.

- 3. To assess the design and operation of payroll internal controls:
 - a. Sampled and tested transactions from a population of current year payroll change events, affecting local funds' payroll expenditures for the following:
 - i. Employees' annual salary increases agreed to published and approved salary tables.
 - ii. Changes to payroll, other than annual salary increases, agreed to supporting documentation and were properly approved.
 - b. Sampled and tested transactions from a population of current year payroll expenditures from Tuition Local Funds to verify employees, whose salaries and wages during the fiscal year were funded with Tuition Local Funds, responsibilities were consistent with the District's special education programs.
 - c. Sampled and tested management's reconciliation, review, and approval of bi-weekly payrolls.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT METHODOLOGY AND RESULTS - CONTINUED

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.

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

Results - Except as detailed in the *Schedule of Findings and Recommendations*, we found the design of the key internal controls over payroll, non-payroll, and debt expenditures of Local Funds were designed and operated in accordance with the requirements during the period from July 1, 2022 through June 30, 2023.

Non-Payroll Expenditures - To assess the operation of the internal controls over non-payroll expenditures of Local Funds, we selected a random sample of 35 disbursement transactions (excluding transactions from tuition Local Funds tested in Objective 4). Our review of selected transactions revealed that purchases generally complied with both State and District requirements and had proper District approval, with evidence found on invoices, receipts, and in First State Financials (FSF), the Delaware State accounting system. However, as noted in Finding Number 1 in the *Schedule of Findings and Recommendations*, we identified deficiencies and made recommendations concerning the District's adherence to its purchase order policy, which mandates an approved official purchase order for all goods and services.

We also selected five transactions from a population of nontuition Local Fund disbursements made to vendors with Statewide contracts in conjunction with the procedures performed over procurement. We compared the terms of the invoices and the District's contracts to the Statewide contracts determined that the transactions were properly approved by the District as evidenced by approval on invoices and receipts as well as in FSF, and that the District's purchases complied with the agreements entered into with the vendors by the OMB's GSS Division; and therefore, were in compliance with State and District procurement requirements.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Procurement - To assess the District's compliance with both State and District procurement requirements, we analyzed the District's total FY 2023 disbursement population and, using a risk-based approach, we selected the following samples:

- A judgmentally selected sample of 25 vendors with cumulative expenditures exceeding the \$10,000 procurement threshold per the *BAM* (this is the lowest threshold that requires competitive purchasing).
- There were no procurement card purchases made by the District that exceeded \$10,000 and required procurement actions; therefore, a sample of these transactions was not selected.
- There were no single-payment supplier purchases made by the District that exceeded \$10,000 and required procurement actions; therefore, a sample of these transactions was not selected.

We examined documentation for each of the vendor transactions selected and found that the purchasing process for 18 vendors was not in compliance with State and District procurement requirements. Purchases from three of these vendors were at least partly funded with tuition tax funds. Refer to Finding Number 2 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Payroll Expenditures - We found deficiencies in the design of payroll internal controls. Refer to Finding Number 3 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

To assess the operation of the internal controls over payroll expenditures made from Local Funds, we selected a random sample of 40 Local Funds pay rate changes processed during the fiscal year, other than annual salary increases. Our examination of the transactions determined that pay rate changes were supported; however, a certain number of the changes tested were not properly approved in accordance with the requirements. Refer to Finding Number 4 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Payroll Expenditures - Continued

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 2023 salary schedules.

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.

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 during our analysis of debt service real estate tax rate calculations in Objective 3. Because the payment of debt service is managed and initiated at a statewide level by the State of Delaware Department of Finance, it is outside of the scope of this performance audit, and we did not assess the design or operation of internal controls over debt service expenditures.

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

Results - We obtained the New Castle County School District Reports of Local Property Tax Collections for FY 2023. Brandywine School District is one of four districts that comprise the New Castle County School District. We recalculated the DOE distribution of receipts of the New Castle County School Tax to the four New Castle County School Districts. We also recalculated the DOE distribution of receipts of the Brandywine School District Tax. We determined that the DOE accurately distributed the receipts based on the official warrants and code requirements.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

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 warrant for FY 2023 and concluded the following:

- The District's current expense rate was supported by a referendum passed in May 2016. The New Castle County School District shared current expense rate was agreed to historical reports provided by the Delaware Department of Education and to the District's FY 2023 budget.
- The District assesses a local match tax for the following: Technology, Minor Capital Improvements, and Reading Resource Teachers. 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 2023 and FY 2024 and determined that the rate was sufficient to cover debt services expenditures in FY 2023 and provide the District with a reserve equal to approximately 78% of its FY 2024 debt payments as summarized below. District debt service reserves held as of June 30, 2023, were within the range set by the State of Delaware Attorney General.

July 1, 2022 Debt Service Reserve Balance	\$ 4,157,958
FY 2023 Debt Service Activity	
Receipts	7,503,251
Expenditures	<u>(7,031,424)</u>
June 30, 2023 Debt Service Reserve Balance	\$ 4,629,785
Budgeted FY 2024 Debt Service	
	<u><u>\$ 5,969,443</u></u>
Reserve to Expected Future Payments Ratio	
	<u><u>78%</u></u>

We accumulated information from the following sources to meet this audit objective - The FY 2023 Debt Service Tax Collections, FY 2023 Debt Service Expenditures, and FY 2023 Debt Service Reserves were obtained from the June 30, 2023 Daily Validity Report (Document Direct Report DGL060), which is a daily report on the status of appropriations. The FY 2024 Debt Service Principal and Interest were obtained from debt service schedules presented in the FY 2024 Preliminary Budget.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

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 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, 2023 Daily Validity Report and budgeted expenditures from the District's FY 2023 Final Budget.

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

Results - We examined a random sample of 25 disbursement transactions made from tuition tax funds and determined that the purchases 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 found that the District did not conform to its own purchase order policy requiring an approved official purchase order for purchases of all goods and services. Refer to Finding Number 1 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

We also examined the District's compliance with State and District procurement requirements, in conjunction with procedures performed over nontuition Local Funds. We found purchases from three vendors 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 deficiencies identified and related recommendations.

We examined payroll expenditures made from tuition tax funds in conjunction with the procedures performed over nontuition payroll expenditures. We found deficiencies in the design and operation of payroll internal controls. Results are reported in Objective 1. Refer to Finding Number 3 and Finding Number 4 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

We also examined employee files for a random sample of ten employees and determined that the employees' responsibilities were consistent with the functions of the District's special education programs and that the employees' salaries and wages were appropriately funded with tuition Local Funds.

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

BRANDYWINE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2023

Finding Number 1 - Lack of Purchase Orders for Vendors

Condition: We found the District did not comply with its policy requiring an approved official purchase order prior to creating a vendor order. As summarized in the following chart, we found the District did not comply with its policy in the expenditure of the following Local Tax funded appropriations: Tuition, Match Taxes (Technology & MCI), and Current Expense during the year ended June 30, 2023.

Local Tax Funded Purchases July 1, 2022 through April 12, 2023

	Vendor Count	Purchase Order	No Purchase Order	Total Purchases
Purchase Order(s) for all Purchases	410	\$ 6,043,002	\$ -	\$ 6,043,002
Purchase Order(s) for some Purchases	200	7,649,249	874,548	8,523,797
No Purchase Order	234	-	1,784,847	1,784,847
	844	\$ 13,692,251	\$ 2,659,395	\$ 16,351,646

Criteria: The Brandywine purchasing policies in the District Financial Procedure Manual required the following during FY 2023:

- The manual, adopted on November 1, 2021, which was in effect through July 11, 2022, and the manual, adopted July 12, 2022, which was in effect through April 12, 2023, requires *“Orders may not be placed with a vendor until the Purchase Order has received all required approvals and a PO number assigned.”*
- The manual was revised on April 13, 2023, to require the following: *“Orders should not be placed over \$500 with a vendor until the Purchase Order has received all required approvals and a PO number assigned.”*

Cause: The District applied certain exceptions to the District Financial Procedure Manual for specific types of transactions. These exceptions were not documented or formally adopted by the District .

Effect: By not requiring purchase orders for purchases of goods and services, the District was not in compliance with its Financial Procedure Manual.

Recommendation: We recommend the District implement the following:

- Strengthen its controls over the review and approval of purchases to ensure that approved purchase orders are in place.
- Document and formally adopt exceptions to policies in the Financial Procedure Manual.

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

BRANDYWINE SCHOOL DISTRICT
SCHEUDLE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

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

Condition: We found the District's purchasing decisions for 18 of 25 vendors selected for testing did not comply with the State's and District's procurement requirements as summarized in the following chart:

District's Procurement Action Type of Purchase	Required Procurement Action			
	Three Written Quotes	Formal Bid or RFP	Documented Use of a Statewide Contact	Documented Use of Other Agency Contract
<u>Open Market Purchase</u>				
Professional Services	-	1	-	-
Materials and				
Non-Professional Services *	8	-	-	-
Public Works	6	-	-	-
<u>Sole Source Determination Did Not Comply with the Requirements</u>				
Professional Services	-	1	-	-
<u>Undocumented use of a Statewide Contract</u>				
Material *	-	-	1	-
<u>Undocumented use of Another Agency's Contract</u>				
Professional Services	-	-	-	1
Material	-	-	-	1
	<u>14</u>	<u>2</u>	<u>1</u>	<u>2</u>

* The District's purchases from one vendor were made using a Statewide contract. Contemporaneous documentation of the use of the Statewide contract was not maintained. The District continued to purchase materials from the vendor after the Statewide contract expired on October 31, 2022. These purchases met the materials procurement threshold requiring the District to obtain three written quotes during the period from November 1, 2022 through June 30, 2023.

The District's open market public works procurements from five vendors, included in the chart above, which exceeded \$45,000, did not include the prevailing wage rate requirements.

BRANDYWINE SCHOOL DISTRICT
SCHEDEULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

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

Condition - Continued:

Professional services purchased from three of the vendors included in the chart above were partly funded with tuition funds.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C. Ch. 69. The Brandywine District Financial Procedure Manual indicates that the District adheres to existing bid laws of the State of Delaware.

The following requirements are applicable to the materials purchases:

- 29 Del. C., §6902(19) defines “Materiel” as materials, equipment, tools, supplies, or any other personal property.
- Chapter 5, *Procurement*, Section 5.3.1, *Material and Non-Professional Services Thresholds* required the following:

Procurement Requirement	Effective through	Effective	Effective
	February 15, 2023	February 16, 2023 through April 13, 2023	April 13, 2023
Open Market	Less than \$10,000	Less than \$10,000	Less than \$50,000
3 Written Quotes	\$10,000 - \$49,999	\$10,000 - \$99,999.99	\$50,000 - \$99,999.99
Formal Bid	\$50,000 and over	\$100,000 and over	\$100,000 and over

The following requirements are applicable to professional services purchases:

- 29 Del. C., §6902(23) defines “Professional Services” as services which generally require specialized education, training or knowledge and involve intellectual skills.

BRANDYWINE SCHOOL DISTRICT
SCHEDEULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

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

Criteria - Continued:

- Chapter 5, *Procurement*, Section 5.3.3, *Professional Services Thresholds* required the following:

Procurement Requirement	Effective through	Effective	Effective
	February 15, 2023	February 16, 2023 through April 13, 2023	April 13, 2023
Open Market	Less than \$100,000	Less than \$150,000	Less than \$150,000
3 Written Quotes	N/A	N/A	N/A
Formal Bid	\$100,000 and over	\$150,000 and over	\$150,000 and over

The following requirements are applicable to the public works purchases:

- The purchases are considered public works per the following:
 - 29 Del. C., §6902(25) “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
 - 29 Del. C., §6902(26) “Public works contract” means construction, reconstruction, demolition, alteration and repair work and maintenance work paid for, in whole or in part, with public funds.
- Chapter 5, *Procurement*, Section 5.3.2, *Public Works Thresholds* required the following:

Procurement Requirement	Effective through	Effective	Effective
	February 15, 2023	February 16, 2023 through April 13, 2023	April 13, 2023
Open Market	Less than \$50,000	Less than \$50,000	Less than \$150,000
3 Written Quotes	\$50,000 - \$149,999	\$50,000 - \$249,999	\$150,000 - \$249,999
Formal Bid	\$150,000 and over	\$250,000 and over	\$250,000 and over

- In accordance 29 Del. C., §6960, *Prevailing Wage Requirements*, a provision for prevailing wage requirements is required for every contract or aggregate of contracts in excess of \$45,000 for public works contracts which includes construction, repairs, alterations, and demolition. The purchases met this threshold.

BRANDYWINE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

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

Criteria - Continued:

Sole Source Procurement - 29 Del. C., §6925 allows State of Delaware agencies to award a professional service contract without competition. The following excerpt details the requirements applicable to this exception:

Per 29 Del. C., §6925:

“(a) A contract may be awarded for a professional service without competition if the agency head, prior to the procurement, determines in writing that there is only 1 source for the professional service. Sole source procurement shall not be used unless there is sufficient evidence that there is only 1 source for the required professional service and that no other type of professional service will satisfy the requirements of the agency. The agency shall examine cost or pricing data prior to an award under this section. Sole source procurement shall be avoided, except when no reasonable alternative sources exist. A written determination by the agency stating the basis for the sole source procurement shall be included in the agency contract file.

(b) An agency seeking a sole source procurement shall prepare written documentation citing the existence of a sole source condition. The document shall include the specific efforts made to determine the availability of any other source and an explanation of the procurement need.

(c) The agency shall negotiate with the single supplier, to the extent practicable, a contract advantageous to the agency. The agency shall enter into a formal contract stating the terms and conditions of the procurement.”

BRANDYWINE SCHOOL DISTRICT
SCHEDEULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

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

Criteria - Continued:

Statewide Contracts - Per Chapter 5, *Procurement*, Section 5.2.1, *State Contracts* of the *BAM*, School districts are allowed, but not required to use Statewide contracts procured by the OMB's GSS Division.

Chapter 5, *Procurement*, Section 5.2.6, *Contract Documentation* of the *BAM* requires that "Each Organization must retain in their files all pertinent documents and correspondence relating to the contract bid process, in order that these supporting documents may be available for audit or review by a State official at all times."

Other Agency Contracts - 29 Del. C., §6904(e) allows State of Delaware agencies to use each other's contracts. The following excerpt of 29 Del. C., §6904(e) details the requirements applicable to this arrangement:

"If no state contract exists for a certain good or service, covered agencies may procure that certain good or service under another agency's contract so long as the arrangement is agreeable to all parties. Agencies, other than covered agencies, may also procure such goods or services under another agency's contract when the arrangement is agreeable to all parties."

Documentation Requirements - Chapter 5, *Procurement*, Section 5.2.6, *Contract Documentation* of the *BAM* requires that "Each Organization must retain in their files all pertinent documents and correspondence relating to the contract bid process, in order that these supporting documents may be available for audit or review by a State official at all times."

Chapter 5, *Procurement*, Section 5.2.6, *Contract Documentation* of the *BAM*, through May 13, 2024, required that "If a purchase is supported by a contract, the contract number must be listed on the requisition/purchase order/direct claim voucher."

Cause: The District did not procure the goods and services in accordance with the requirements. The conditions were also caused by the following:

- The memo documenting the District's sole source procurement of legal services did not include any information regarding steps taken to identify suitable alternatives.
- The District did not maintain contemporaneous documentation memorializing its decision to utilize the Statewide contract to purchase materials and the other agency's contracts for materials and professional services.

BRANDYWINE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

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

Effect: The District did not adhere to State and District purchasing and procurement requirements. The District may not have obtained the best prices and terms for these purchases.

Recommendation: We recommend that the District implement the following:

- 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.
- Procedures to document the District's decisions when procuring services under State-wide contracts.
- Procedures to document its decisions when procuring services under another agency's contract.
- Procedures to review sole source procurements to ensure the purchases comply with the requirements.

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

BRANDYWINE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

Finding Number 3 - Lack of Segregation of Duties in Human Resources Responsibilities for Payroll Functions

Condition: We found the design of the District's payroll controls assigns certain incompatible functions to the same employees.

We found the District's Payroll and Benefits staff are responsible for entering new employees into PHRST, updating employee salary information in PHRST, and processing payroll. The updating of employee information and processing of payroll are incompatible responsibilities that should be segregated.

Criteria: Chapter 14, *Payroll Compliance*, Section 14.2.1, *Controls*, of the *BAM* states that "Organization should ensure an appropriate segregation of duties and monitoring throughout the payroll process."

Cause: The PHRST system's Human Resource, Payroll, and Benefits Administration modules are available to all Payroll and Benefits staff in edit mode.

Effect: The existence of incompatible functions without mitigating controls puts the District's payroll at risk of error or fraud occurring without detection.

Recommendation: We recommend the District review and update payroll functions to ensure proper segregation of duties or implement mitigating internal controls.

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

BRANDYWINE SCHOOL DISTRICT
SCHEDEULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2023

Finding Number 4 - Lack of Proper Review and Approval of Changes to Employee Payroll

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

The District's controls over the authorization of payroll changes prior to PHRST entry are not operating as designed by the District's internal control policies. Of the 40 transactions tested, we found fourteen transactions were not reviewed and approved by the Human Resource Supervisor and/or the Board of Education (BOE) prior to being processed by the Payroll and Benefits staff. The following summarizes the fourteen transactions:

- Ten transactions were teacher pay increases for education levels.
- Two transactions were paraprofessional pay increases for obtaining paraeducator permits.
- One transaction was a nurse pay increase for becoming a National Certified School Nurse.
- One transaction was a custodian pay increase for completing custodial training.

Criteria: The District Financial Procedure Manual (revised November 1, 2021, July 12, 2022, and April 13, 2023), requires *“Personnel transactions approved by the Director of Human Resources and/or the Brandywine School District Board of Education are forwarded to the Payroll and Benefits Department for processing in the PHRST system.”*

Cause: For education and certificate based transactions, the Human Resource Department forwards certifications from the DOE's credentialing division to the Payroll and Benefits staff for processing in PHRST. Evidence of the Human Resource Supervisor's review and approval of these transactions for processing in PHRST was not memorialized.

Effect: By not properly memorializing approval of employee payroll changes, the District increases the risk that erroneous or fraudulent information may be entered into PHRST. By not documenting the approval of pay changes, evidence to subsequently verify changes were approved is not available.

Recommendation: We recommend the District review its procedures over the preparation and approval of payroll changes to ensure that all change to pay are properly approved prior to submission to Payroll for processing.

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

BRANDYWINE SCHOOL DISTRICT
CONCLUSION
JUNE 30, 2023

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

Objective 1 - Except for Finding Number 1 through Finding Number 4, as detailed 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 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, with the exception of deficiencies in the design and operation of the District's internal controls over payroll and the noncompliance with State purchasing and procurement requirements as reported in Objective 1.



BRANDYWINE SCHOOL DISTRICT

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September 10, 2025

Please find below Brandywine School District's responses to findings in connection with the Local Funds Performance Audit for the fiscal year ended June 30, 2023.

Finding Number 1: Lack of purchase orders

Management Response: When a purchase order is not present, District purchasers are required to complete a direct claim form; the direct claim form is then reviewed and signed by their Supervisor. After the direct claim form is fully signed, the voucher is created, and all documentation is reviewed and approved by the CFO or Manager of Finance. At no point in the process are funds being spent by the District without multiple levels of review. With that said, the District Financial Procedure Manual was too restrictive in its language with the use of *may not*, this has been revised to *should not* to allow for unique circumstances. The change in language, as well as the controls already in place, should satisfy this finding.

Finding Number 2: Purchases did not comply with state purchasing and procurement requirements

Management Response: The District acknowledges that better record-keeping can alleviate the issues this finding references. In many of the instances identified, appropriate steps were taken to ensure financial stewardship and procurement compliance on the part of the District; however, the steps were not included in the documentation associated with the purchases.

Additionally, the District will continue its vigilance for vendors whose aggregate purchase totals approach threshold amounts.

Finding Number 3: Lack of segregation of duties in Human Resource responsibilities for Payroll functions.

Management Response: The District segregates the responsibilities for entering new employees and payroll input by function and staff member. However, due to limitations of the PHRST state payroll system, employees have the same access levels, and it is not possible to turn the access on and off without significant delays. This is not feasible for timely payroll entry. During high-volume input or absences, it may be necessary for cross-over functions among a staff of three people. When cross-over occurs outside of a staff member's assigned function (HR entry or payroll), all entries are reviewed by a different staff member. The District is currently taking steps in the 2025-2026 school year to establish a position in Human Resources to address this finding; we expect it to be an audit finding until 2025-2026.



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Finding Number 4: Lack of proper review and approval of changes to employee payroll

Management Response: Pay changes due to a change in education level, obtaining permits/certifications, or additional training are all confirmed by the Delaware Department of Education. Proof of confirmation is received by the Human Resources Department and passed to Payroll for processing. At no point are pay rates changed without multiple levels of confirmation. The true cause of this finding is that the District's Financial Procedure Manual must be updated to reflect the actual process. The District will ensure the Manual aligns with practice.

Daniel McCoy
Chief Financial Officer