

CAESAR RODNEY SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2023



CAESAR RODNEY 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 2015.
- Revenues from the District's debt service and tuition tax rates were consistent with expenditures.
- The District's debt service reserve of \$1,089,457 as of June 30, 2023 complied with the State of Delaware requirements.

Caesar Rodney School District Quick Facts

K-12 Schools

12

Special Schools

2

Students Served

8,000

Employees

1,300



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

KEY INFORMATION AND FINDINGS CONTINUED

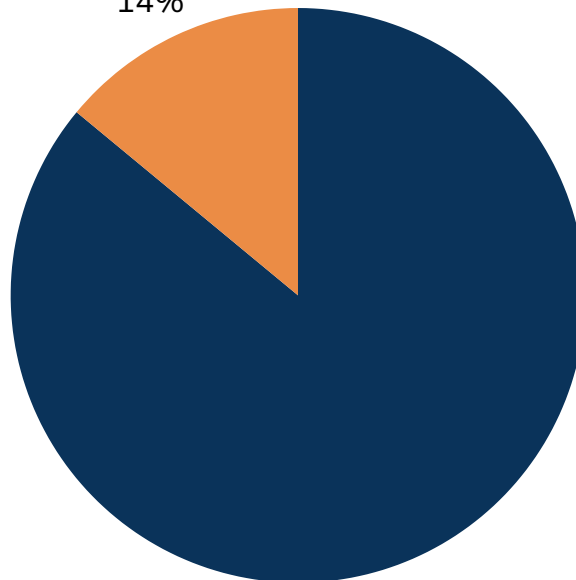
The District allocates the local property tax funds received by their intended purpose (current expense, debt service, tuition, and match taxes). We found that the allocation was consistent with the tax rates approved by the Board of Education. The four components of local school tax revenue allocations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

Local School Tax Revenue Allocation
(in \$ millions)



FY23 Revenue Sources

Local Funds
14%



State/Federal
86%



CAESAR RODNEY 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:

- The District did not retain evidence that 12 of 13 procurements selected for testing were performed in accordance with the requirements.
- The District did not retain evidence supporting 5 of 40 payroll transactions selected for testing. For 13 of 40 payroll transactions selected for testing, the District did retain evidence of the required managerial approval.

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. 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.

CAESAR RODNEY SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

CAESAR RODNEY SCHOOL DISTRICT
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JUNE 30, 2023

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Independent Auditor's Report

Dr. Corey Miklus, Superintendent
Caesar Rodney School District
7 Front Street
Wyoming, Delaware 19934

Dear Dr. Miklus:

We present the attached report which provides the results of our performance audit of the Caesar Rodney School District's Local Funds' design and operation of internal controls and compliance with applicable State and District regulations and policies during the fiscal year ended June 30, 2023. The Office of Auditor of Accounts engaged Belfint, Lyons & Shuman, P.A. to conduct a Performance Audit of the Caesar Rodney 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 Caesar Rodney 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 requires 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.

This report is intended solely for the information and use of the Caesar Rodney 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.

May 19, 2025
Wilmington, Delaware

cc: Lydia E. York - State Auditor
Meaghan Brennan - Director of Business and Finance

CAESAR RODNEY 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 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.

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 cover the local share of annual principal and interest payments plus 10% for expected delinquencies.

Vocational schools do not require a referendum to increase their debt service rate. Per 29 Del. C., §7503(b), the bond authorization act in which the project is included authorizes the vocational district to levy taxes sufficient to cover the local share of principal and interest bond payments.

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

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Debt Service - Continued

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. 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), enhanced minor capital improvements, extra time, reading and math resource teachers, student success block grant, opportunity fund and substitute teacher block grant. The following summarizes the significant 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.

CAESAR RODNEY 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 purposes of remediating lead contaminated drinking water infrastructure.

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

CAESAR RODNEY 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-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 Caesar Rodney School District, located in Kent County, operates K-12 schools with over 8,000 students. The Caesar Rodney School District employs over 1,300 employees to educate and support its students. Caesar Rodney has one early education center, seven elementary schools, four middle schools, and one traditional comprehensive high school. In addition, the District is home to the John S. Charlton Program School and provides service to students on the Dover Air Force Base. The Caesar Rodney 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, Caesar Rodney 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).

**CAESAR RODNEY SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023**

AUDIT OBJECTIVES - CONTINUED

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.

CAESAR RODNEY 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 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 (OMB's), 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.

CAESAR RODNEY 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 State-wide contracts, we selected and tested a sample of significant transactions to verify that the 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 we:
 - 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.

CAESAR RODNEY 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 Findings Numbers 1 and 2 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 the selected transactions determined that the purchases complied with both State and District requirements and that the transactions were properly approved by the District as evidenced by approval on invoices and receipts as well as in First State Financials (FSF), the Delaware State accounting system.

We also selected five significant 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 and found that the District's purchases complied with State and District procurement requirements.

CAESAR RODNEY 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 13 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; therefore, a sample of these transactions was not selected.
- There were no single-payment supplier purchases made by the District that exceeded \$10,000; therefore, a sample of these transactions was not selected.

The District could not provide evidence that the purchasing process for goods and services purchased from 12 vendors during the fiscal year was in compliance with State and District procurement requirements. Refer to Finding Number 1 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Payroll Expenditures - 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. We found evidence of approval of pay rate changes could not be provided for 13 of the sampled changes. Additionally, for five of those changes, supporting documents showing the reason for the pay rate change could not be provided. These deficiencies in the operation of internal controls over payroll expenditures could result in error or fraud occurring and not being detected. Refer to Finding Number 2 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 profile in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), to the District's approved FY 2023 salary schedules.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Payroll Expenditures - Continued

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

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

Results - We obtained the Kent 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. The District's capitation tax, was not considered to be material, so it was excluded from testing.

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 June 2015.
- The District assesses a local match tax for the following: Technology, Minor Capital Improvements, Extra Time, Reading and Math Resource Teachers, Student Success Block Grant and Opportunity Grant. We found the District's local match tax revenues were consistent with the prior year and with the requirements.

**CAESAR RODNEY SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023**

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 3 - Continued

Results - Continued

- 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 52% of 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	\$ 1,022,934
FY 2023 Debt Service Activity	
Receipts	2,529,960
Expenditures	<u>(2,463,437)</u>
June 30, 2023 Debt Service Reserve Balance	<u>\$ 1,089,457</u>
Budgeted FY 2024 Debt Service	<u>\$ 2,115,200</u>
Reserve to Expected Future Payments Ratio	<u>52%</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 District's FY 2024 Preliminary Budget.

- 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.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

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

Results - We examined a random sample of 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 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.

We examined payroll expenditures made from Tuition tax funds in conjunction with the procedures performed over nontuition payroll expenditures. Results are reported in Objective 1.

We 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.

CAESAR RODNEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2023

Finding Number 1 - Lack of Adequate Supporting Documentation for Procurement

Condition: The District could not provide evidence that required procurement procedures were performed for 12 of the 13 vendors selected for procurement testing.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C., Ch. 69. The District Expenditures section of in the District’s Internal Accounting Manual states:

“All purchases are subject to the purchasing laws and requirements as specified in the Delaware Code, the State’s *Budget and Accounting Policy Manual*, and policies of the District Board.” 29 Del. C., Ch. 69 6923 (k)(7) states “A record showing the basis for determining the successful bidder shall be retained in the agency procurement file.”

Cause: The District experienced significant turnover after FY 2023, this included hiring a new Superintendent and new Directors of Human Resources and Finance. The personnel that oversaw the procurement decisions in FY 2023 were not available. The current Directors of Human Resources and Finance represented the requested procurement documentation could not be located. The District indicated they reached out to former employees to attempt to locate any documentation that may be available and the former employees could not provide or assist with locating the documentation.

Effect: Without the retention of the documentation supporting 12 of the 13 procurements sampled, there is no evidence that the District obtained the best deal or price for the materials and services purchased. Furthermore, there is no evidence that the District followed the requirements in the State Code or the *BAM* designed to protect the District from waste, fraud, and abuse of tax funds.

Recommendation: We recommend the District ensure that its policies and procedures over procurement and document retention are being followed.

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

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

Finding Number 2 - Lack of Adequate Supporting Documentation and Approval for Pay Rate Changes

Condition: We selected a sample of 40 pay rate changes for proper approval and for adequate supporting documentation. We found the following.

- For 13 of the sampled changes, the District could not provide evidence of required approvals by the Chief Financial Officer, Human Resources Director, or the Board of Education.
- For five of the sampled changes, the District could not provide supporting documentation for the pay rate change.

In the prior year's performance audit, there was a finding that the District had employed a paraeducator and a teacher during FYs 2021, 2022, and 2023 without completing required employee qualification verifications. Ultimately, the required verifications could not be completed. The District employed the paraeducator for 10 months and the teacher for 20 months.

Criteria: The Payroll section of the Internal Accounting Manual in the District's Internal Accounting Manual document states:

“The Payroll staff reviews all position authorization forms and employee source documents provided by HR employees to ensure accuracy and completeness of content prior to entry into PHRST. Once all required documentation is completed and reviews are performed, Payroll enters data into PHRST from all source documents received during the biweekly pay period timeframe. Once data entry processes overnight, each member of Payroll fund checks each other's data entry.”

Cause: The District experienced significant turnover after FY 2023, this included hiring a new Superintendent and new Directors of Human Resources and Finance. The personnel that oversaw the payroll changes in FY 2023 were not available and the documentation of those changes could not be located.

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. 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.

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

Finding Number 2 - Lack of Adequate Supporting Documentation and Approval for Pay Rate Changes - Continued

Recommendation: We recommend the District review the sampled transactions and provide after-the fact approvals by the Director of Business and Finance, Human Resources Director, or the Board of Education that the missing pay rate changes were, in fact, legitimate. The District should also enforce its policies and procedures to ensure payroll change procedures and document retention policies are being followed.

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

CAESAR RODNEY 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 Findings Numbers 1 and 2 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 - Except for Finding Number 2 detailed in the *Schedule of Findings and Recommendations*, the School District's tuition tax funds were calculated and spent in accordance with the requirements.



CAESAR RODNEY SCHOOL DISTRICT

District Office

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7 Front Street, Wyoming, Delaware 19934

Dr. Corey Miklus
Superintendent

May 22, 2025

Auditor's Office
401 Federal Street, Suite 1
Dover, DE 19901

Dear Auditor York,

We acknowledge the audit finding regarding lack of adequate supporting documentation for procurement. The district has faced staffing challenges which make the cumbersome process of putting forth multiple request for proposals difficult. In addition, having multiple fund managers across 14 schools and various programs made it difficult to identify and plan for emergency procurement needs and readily identify the need for RFPs in advance of a purchase. Over the past year, the Caesar Rodney School District has taken significant steps to improve compliance and address these challenges.

Corrective Actions to Date:

- **Tracking Vendor Spending:** As of the start of Fiscal Year 2025, we implemented a system to track spending by vendor. This has enhanced our visibility into procurement activities and supports adherence to threshold requirements and competitive procurement rules.
- **Request for Proposals (RFPs):** We have 11 active contracts as a result of RFPs issued to date between Fiscal Year 2024 and 2025, reflecting a more structured and compliant approach to procuring goods and services.
- **Staff Training:** The Finance Department has conducted multiple procurement training sessions over the past year to increase staff knowledge and awareness regarding procurement requirements and best practices.

We acknowledge the audit finding concerning the lack of adequate supporting documentation and approval for pay rate changes. The district understands that staff turnover in Human Resources and Finance Administration has posed difficulties in readily providing employee source documents. The Director of Human Resources reviewed the five sampled changes and found the pay rate changes reasonable. To address this, the Caesar Rodney School District has implemented significant measures over the past year to strengthen the segregation of duties and ensure that appropriate supporting documentation is consistently maintained for all pay rate changes.

The Caesar Rodney School District is an Equal Opportunity Employer and does not discriminate in employment or educational programs, services or activities based on race, color, religion, national origin, gender, age, veteran or marital status, disability, sexual orientation, gender identification or genetic information in accordance with State and Federal laws. Inquiries about compliance should be made to the Title IX, District 504 and ADA Compliance Officers: Paul L. Dunbar Administrative Building, 7 Front Street, Wyoming DE, 19934. Phone (302) 698-4800

Corrective Actions to Date:

- **Archived Microsoft Access:** The Payroll Department transitioned from Microsoft Access to Microsoft Excel and the Data Service Center (DSC) Human Resource (HR) Staff Tracking module in August 2024.
- **Pay Rate Changes and Approval:** New hires, resignations, retirements, position transfers, and extra duty appointments are approved by the Board of Education, HR and Finance implement the changes. HR Financial Secretaries record employee pay and benefit changes on a limited-access Google Sheet, which Payroll downloads to Excel for the Director of HR's signature.
- **Pay Change Calculation and Approval:** The Financial Specialist and Supervisor of Business and Finance independently calculate and verify pay changes, creating data input forms and salary letters for review by the Director of Business and Finance.
- **PHRST Entry of Payroll Processing:** Approved input forms are then provided to HR and Payroll for entry into PHRST. HR provides documentation detailing the pay rate change. Payroll retains a copy of the salary letter, and the original is mailed to the employee following pay confirmation. Payroll calculates and processes pay changes, updating salary worksheets accordingly.
- **Verification of Payroll Input:** After pay changes are entered into PHRST and processed overnight, a different payroll team member verifies the data's accuracy.
- **Final Review/DPR011 Comparison:** Finally, FSF Financial Secretaries II confirm the accuracy of PHRST entries by comparing the DPR0011 report to the salary Excel sheets; these Financial Secretaries have view-only access to PHRST.

Dr. Corey Miklus
Superintendent
Caesar Rodney School District

