

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

JUNE 30, 2023

CHRISTINA SCHOOL DISTRICT
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Independent Auditor's Report

Dr. Diedra Joyner, Superintendent
Christina School District
600 N. Lombard Street
Wilmington, DE 19801

Dear Dr. Joyner:

We present the attached report which provides the results of our performance audit of the Christina 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 Christina 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 Christina 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 Christina 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.

August 25, 2025
Wilmington, Delaware

cc: Lydia York, Esq., CPA - State Auditor
Robert Vacca - Chief Financial Officer

**CHRISTINA 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

CHRISTINA 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.

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.

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

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

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.

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.

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

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

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 Christina School District, located in New Castle County, operates K-12 schools with over 13,500 students. The Christina School District employs over 3,300 employees to educate and support its students. Christina has three early education centers, 14 elementary schools, two elementary/middle schools, three middle schools, and three traditional comprehensive high schools. In addition, the District is home to the Brennen School/Delaware Autism Program, Christina REACH Program, Delaware School for the Deaf, Douglass School, Middle School Honors Academy at Christiana High School, Montessori Academies at Christina, Networks School for Employability Skills, and Sarah Pyle Academy. The Christina 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, Christina School District is referred to as the “School District” or “District.”

AUDIT OBJECTIVES

The objectives established for the performance audit of the School District were:

Objective 1 - School District internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements of the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *Budget and Accounting Policy Manual (BAM)*, School District Accounting Policies, and the School District Budget (the requirements).

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

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

AUDIT OBJECTIVES - CONTINUED

Objective 3 - School District real estate taxes were approved and calculated in accordance with the requirements.

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

AUDIT SCOPE

The period covered by the Performance Audit was July 1, 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.
 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.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- 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.
 - 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.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- 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.
- 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.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- 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 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). We found the selected transactions 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, except as noted in Finding Number 1 in the *Schedule of Findings and Recommendations*, where we reported deficiencies and related recommendations, where the District did not conform to its purchase order policy, requiring an approved, official purchase order for purchases of all goods and service.

School districts are allowed, but not required to use Statewide contracts procured by the OMB's GSS Division. We found a deficiency in the design of internal controls over the use of contracts procured by OMB's GSS Division. Refer to Finding Number 2 in the *Schedule of Findings and Recommendations* for details of the deficiency identified and related recommendations. We also selected five significant transactions from a population of 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.

CHRISTINA 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 26 vendors with cumulative expenditures exceeding the \$10,000 procurement threshold per the *BAM* (this is the lowest threshold that requires competitive purchasing).
- A judgmentally selected sample of two purchase card purchases made by the District that exceeded the \$10,000 procurement threshold per the *BAM*.
- 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 procurement actions for 12 vendors were not in compliance with State and District procurement requirements. Purchases from seven of these vendors were at least partly funded with tuition tax funds.

One of the 12 procurement actions for professional services identified above was also found to be , at the request of the Christina Board of Education, the subject of an Advisory Opinion issued by the Delaware State Public Integrity Commission (PIC) and violated the District's conflict of interest policies. Refer to Finding Number and Finding Number 4 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Payroll Expenditures - We found deficiencies in the design and operation of payroll internal controls. Refer to Finding Number 5 in the *Schedule of Findings and Recommendations* for details of the design deficiency 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 certain of

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Payroll Expenditures - Continued - the pay rate changes tested did not agree to documentation maintained in the employee file and other transactions, although supported, were not properly approved in accordance with District policies. Refer to Finding Number 6 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

To test the employees' annual increases, we selected a random sample of 10 annual step increases and agreed each employee's salary in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), to the District's approved FY 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, 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 New Castle County School District Reports of Local Property Tax Collections for FY 2023. Christina 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 Christina School District Tax. We determined that the DOE accurately distributed the receipts based on the official warrants and Delaware Code requirements.

CHRISTINA 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 June 2020. The New Castle County School District shared current expense rate was agreed to historical reports provided by the DOE.
- The District assesses a local match tax for the following: Minor Capital, Enhanced Minor Capital, Technology, Reading and Math Resource Teachers, Extra Time, Student Success Block Grant, Opportunity Fund, and Substitute Teacher Block Grant. 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 service expenditures in FY 2023 and provide the District with a reserve equal to approximately 71% 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	\$ 3,591,404
FY 2023 Debt Service Activity	
Receipts	4,163,791
Expenditures	<u>(4,585,679)</u>
June 30, 2023 Debt Service Reserve Balance	<u>\$ 3,169,516</u>
Budgeted FY 2024 Debt Service	<u>\$ 4,438,645</u>
Reserve to Expected Future Payments Ratio	<u>71%</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.

CHRISTINA 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, except as noted in Finding Number 1 in the *Schedule of Findings and Recommendations*, where we reported deficiencies and related recommendations, where the District did not conform to its purchase order policy, requiring an approved, official purchase order for purchases of all goods and service.

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. As further described in Finding Number 2, Finding Number 3, and Finding Number 4, we found the following:

- Deficiencies in the design and operation of procurement internal controls.
- Purchases from seven vendors did not comply with State and District purchasing and procurement requirements.
- Purchases from one vendor violated the District's conflict of interest policies.

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 5 and Finding Number 6 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 4 - Continued

Results - Continued

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.

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

Finding Number 1 - Lack of Purchase Orders for Vendors

Condition: During FY 2023, the District expended a total of \$34,217,007 on non-payroll related purchases, exclusive of inter- and intra-governmental vouchers and utilities, from Local Tax funded appropriations. We found \$33,051,771 was disbursed to 215 individual vendors whose cumulative purchases during FY 2023 were more than \$10,000. These vendors met the District’s policy criteria requiring an approved, official purchase order for the vendor.

As summarized in the following chart, of the 215 vendors with cumulative purchases in excess of \$10,000 in FY 2023, 63 vendors had approved purchase order(s) in FSF, 142 vendors had approved purchase order(s) for a portion of the purchases made during the fiscal year, and 10 vendors did not have an approved purchase order in FSF.

	Vendor Count	Purchase Order	No Purchase Order	Total Purchases
Purchase Order(s) for all Purchases	63	\$ 8,481,198	-	\$ 8,481,198
Purchase Order(s) for some Purchases	142	19,893,573	4,352,555	24,246,128
No Purchase Order	10	-	324,445	324,445
	<u>215</u>	<u>\$ 28,374,771</u>	<u>\$ 4,677,000</u>	<u>\$ 33,051,771</u>

Context: A similar finding was reported in the prior year’s Performance Audit. The District’s purchasing policies, *BUS - P250 Purchasing (Purchase Orders)* and *BUS - P350 Policy for a Manual Voucher*, were revised as of February 1, 2024 to formally adopt exceptions to purchasing policies for purchases made without a purchase order that are funded with Local Tax funds.

Criteria: The District’s purchasing policy, in effect during this audit period, *BUS - P250 Purchasing (Purchase Orders)*, revised on February 22, 2017, states that “all goods and services must be ordered via purchase order process.”

Cause: The District’s purchasing policy and payment policy conflict with each other. The District’s Policy *BUS - P350 Policy for a Manual Voucher*, allows payment vouchers to be prepared and processed for purchases without a purchase order while *BUS - P250 Purchasing (Purchase Orders)* requires purchase orders for purchase of all goods and services.

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

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

Finding Number 1 - Lack of Purchase Orders for Vendors - Continued

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.
- Consider implementing thresholds for purchases of goods and services that require purchase orders.
- Document and formally adopt exceptions to purchasing policies.

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

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

Finding Number 2 - Lack of Review to Verify that Purchases Comply with the Terms and Pricing of Statewide Contracts

Condition: We found the following deficiency in the design of the District’s purchasing controls:

We found the District does not verify purchases made using Statewide contracts are consistent with the terms and pricing contained in the contracts executed by OMB’s GSS Division prior to issuing a purchase order or making a payment.

Context: 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.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and the Delaware Code.

Per Chapter 7, *Purchasing and Disbursements*, Section 7.6, *Disbursements* of the *BAM*:

“Monies drawn from the State Treasury to pay employee salaries and expenses, to defray the expense of any Organization, on account of any contract for building or repairs, to purchase property, for work and labor performed, or for materials or supplies furnished to any Organization must be presented to, reviewed, and approved by an approving official of the Organization being charged (29 Del. C. §6515(a)) and by the Division of Finance (DOF), as required by this Manual.”

“The DOF may refuse to approve payment for an invoice or bill only, if the invoice or bill... is not in accordance with the contract under which the indebtedness was created...”

Cause: The District’s purchasing and procurement policies do not include procedures to verify that purchasers agree to the terms and pricing in the Statewide contracts used by the District to procure the goods and services.

Effect: The purchases may not comply with the Statewide contract and result in the District not receiving the best prices or terms for the purchases.

Recommendation: We recommend that the District review its purchasing and procurement policies and implement procedures to verify and document that its purchases comply with the terms and pricing of the Statewide contracts it uses to procure goods and services.

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

Finding Number 3 - Purchases Did Not Comply with State Purchasing and Procurement Requirements

Condition: We found the District’s purchasing decisions for 12 of 26 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 Contract	Documented Board Approval
<i>Materials</i>				
Open Market Purchase <i>The District purchased musical instruments and sporting goods (uniforms, equipment and other sports equipment) without performing the required procurement actions.</i>	2	1	-	-
Undocumented use of a Statewide Contract <i>The District utilized State of Delaware contracts without appropriate documentation of receiving the rates included in the State approved contract.</i>	-	-	1	-
<i>Public Works</i>				
Open Market Purchase <i>These Public Works procurements exceeded \$45,000 and did not include the required prevailing wage rate requirements.</i>	3	-	-	-
<i>Professional Services</i>				
Incomplete Sole Source Determination <i>The District's sole source determination memo did not include elements required to describe efforts made to identify alternative providers and the procurement need resulting a sole source procurement.</i>	-	1	-	-
Excess Contract Term Extension <i>The District extended two contracts for a fourth one-year term. District policy limits contracts to three one-year terms.</i>	-	2	-	-
<i>Property Lease and Leasehold Improvements</i>				
Undocumented Board Approval <i>Board of Education approval for these contracts that exceeded \$50,000 was not documented by the District.</i>	-	-	-	2
	<u>5</u>	<u>4</u>	<u>1</u>	<u>2</u>

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

Finding Number 3 - Purchases Did Not Comply with State Purchasing and Procurement Requirements - Continued

Condition - Continued:

Purchases from seven of the vendors included in the chart above were partially funded with local tuition tax funds. The District’s open market Public Works procurements, included in the chart above, which exceeded \$45,000, did not include the prevailing wage rate requirements.

Two of the purchases in the chart above were for greater than \$50,000 and related to a real estate lease with an outside organization - one for the payment for a lease extension and one for the payment to the landlord for the cost of leasehold improvements. Neither of these purchases had evidence of prior Board approval.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C. Ch. 69. The District’s policy *BUS PI30 Procurement*, revised as of September 1, 2021, indicates that the District is to adhere to procurement thresholds for formal bidding set by the Contracting and Purchasing Advisory Council (CPAC), which are defined in the *BAM*.

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:

<u>Procurement Requirement</u>	<u>Effective through February 15, 2023</u>	<u>Effective February 16, 2023 through April 12, 2023</u>	<u>Effective April 13, 2023</u>
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.

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

Finding Number 3 - 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:

<u>Procurement Requirement</u>	<u>Effective through February 15, 2023</u>	<u>Effective February 16, 2023 through April 12, 2023</u>	<u>Effective April 13, 2023</u>
Open Market	Less than \$100,000	Less than \$150,000	Less than \$150,000
Formal Bid	\$100,000 and Over	\$150,000 and Over	\$150,000 and Over

- The District’s policy *BUS P130 Procurement*, revised as of September 1, 2021, states “annual contracts may be extended for two (one year at a time) additional years without being formally bid. No contract will extend beyond three years.”

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 5.3.3, *Public Works Thresholds* required the following:

<u>Procurement Requirement</u>	<u>Effective through February 15, 2023</u>	<u>Effective February 16, 2023 through April 12, 2023</u>	<u>Effective April 13, 2023</u>
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

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

Finding Number 3 - Purchases Did Not Comply with State Purchasing and Procurement Requirements - Continued

Criteria - Continued:

- In accordance 29 Del. C., §6960, *Prevailing Wage Requirements*, requires that every contract or aggregate of contracts in excess of \$45,000 for repairs includes a provision for prevailing wage requirements.

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

Per 29 Del. C., §6904(i):

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

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.”

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

Finding Number 3 - 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."

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."

Board Approval - The District's Fiscal Management Policy 05.06, *Contracts and Real Estate Leases with Outside Organizations*, revised October 14, 2020, states "all contracts for \$50,000 or more must be approved by the Board prior to execution by the appropriate administrator or Board member."

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

- The District extended two professional service contracts that were originally procured through a formal request for proposal for three one-year terms.
- The memo documenting the District's sole source procurement was approved by management and was not identified as incomplete during the review and approval process.
- The District did not maintain contemporaneous documentation memorializing its decision to utilize the Statewide contract to purchase materials.
- The District did not maintain contemporaneous documentation memorializing the Board's approval of the contracts with the vendor (lessor).

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

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

Finding Number 3 - Purchases Did Not Comply with State Purchasing and Procurement Requirements - Continued

Recommendation: We recommend that the District review its purchasing and procurement policies and 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 review contracts and contract extensions for compliance with State and District procurement requirements.
- Procedures to contemporaneously document exceptions to procurement requirements, at the time of purchase.
- Procedures to document the District's decisions when procuring services under Statewide contracts.

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

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

Finding Number 4 - Purchases Did Not Comply with State and District's Conflict of Interest Policies

Condition: The District entered into five contracts with a single vendor for consulting services totaling \$349,551. The purchases were considered sole-source purchases by the District (refer to *Finding Number 3* regarding deficiencies noted in the sole source memo). In the case of one of these consulting firm contracts, the District administrator who submitted the sole source memo was also employed with the consulting firm during the time the District entered into contracts.

Context: During the audit process, current District management verbally provided the following additional information:

- A subsequent sole source memo was submitted by a subordinate of the conflicted administrator.
- All parties involved in approving the sole source memo were aware of the administrator's conflict.

Subsequent to the period of this audit, in January 2024, the Christina Board of Education requested the Delaware Public Integrity Commission review the District's purchases from a consulting firm, under contracts the District entered into in calendar years 2021, 2022, and 2023, for compliance with State procurement requirements. The PIC issued Advisory Opinion "24-07 Christina School District - Private Interest" on July 14, 2024 in response to the BOE's request. In the opinion, the PIC stated that state procurement laws are not within its jurisdiction but did conclude that the District administrator that was involved in the purchasing decisions and entered into the contract, on behalf of the District, had a conflict of interest and should have recused themselves from the purchasing decision, and that their involvement in the purchases created an appearance of impropriety.

Criteria: The District's policy, *BUS P050 Conflict of Interest*, effective July 1, 2020 requires the following:

"No employee can participate in the selection, award, or administration of a contract including approving a Purchase Order and authorizing payments using state, local or federal funds if he/she has a real or apparent conflict of interest."

"Conflict of interest includes but is not limited to the following:

- a. An employee or any member of his/her immediate family,*
- b. The employees' partner,*
- c. An organization which employs or is about to employ any of the parties indicated above or has a financial or other."*

29 Del. C. Ch. 58, *Laws Regulating the Conduct of Officers and Employees of the State*, Subchapter I., *State Employee's Officers' and Officials' Code of Conduct*, requires the following:

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

Finding Number 4 - Purchases Did Not Comply with State and District's Conflict of Interest Policies - Continued

Criteria - Continued:

§5805 Prohibitions relating to conflicts of interest:

Restrictions on exercise of official authority. - (1) No state employee, state officer or honorary state official may participate on behalf of the State in the review or disposition of any matter pending before the State in which the state employee, state officer or honorary state official has a personal or private interest, provided, that upon request from any person with official responsibility with respect to the matter, any such person who has such a personal or private interest may nevertheless respond to questions concerning any such matter. A personal or private interest in a matter is an interest which tends to impair a person's independence of judgment in the performance of the person's duties with respect to that matter.

Cause: The District administrator with the conflict of interest did not recuse themselves from the purchasing decisions with the vendor. The conflict of interest was not made known to the Board of Education prior to their approval of the contracts.

Effect: The purchase did not adhere to State and District conflict of interest policies. The District may not have selected the best firm for this contract and may not have obtained the best prices and terms for these contracts.

Recommendation: We recommend the District implement the following:

- Procure the services through a formal request for proposal.
- Strengthen its conflict of interest policies and its purchasing and procurement policies to implement procedures that identify potential conflicts of interest before contracts are entered into by the District.
- Reinforce District conflict of interest policies and remind all employees of their responsibility to enforce and follow the District's conflict of interest policy.
- Formally adopt policies that prohibit District administrators from being employed with any vendor doing business with the District.

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

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

Finding Number 5 - Segregation of Human Resources Responsibilities for Payroll Functions

Condition: We found the following deficiencies in the design of the District’s payroll controls:

The Payroll and Benefits Team is responsible for entering new employees into PHRST, updating employee salary information in PHRST, and processing payroll. The update of employee information and payroll processing in PHRST are incompatible responsibilities that should be segregated.

A similar finding was reported for the year ended June 30, 2022.

Criteria: The District’s Payroll Internal Control Policy, as of July 15, 2020, requires the following:

“Responsibilities associated with financial transactions within PHRST payroll system are segregated and assigned by the Supervisor of Payroll & Benefits...”

Cause: The PHRST system’s Human Resource, Payroll, and Benefits Administration modules are available to all Payroll and Benefits staff in edit mode because the District does not have sufficient resources to properly segregate duties during periods of high payroll volume.

Effect: The existence of incompatible functions without mitigating controls puts the District’s payroll at risk of error or fraud occurring and not being detected.

Recommendation: We recommend the District review and update Human Resources and Payroll functions to ensure proper segregation of duties. Consider transferring the responsibility for the update of employee information in PHRST to the Human Resources Team to ensure proper segregation of duties.

If resources cannot be allocated to enable appropriate segregation of duties, the District should evaluate options to implement mitigating internal controls to ensure only approved changes to payroll are entered into PHRST.

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

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

Finding Number 6 - Lack of Proper Review and Approval of Changes to Employee

Condition: We found the following deficiencies in the design and operation of the District’s payroll controls:

The District’s controls over the authorization of payroll changes prior to PHRST entry are not operating in the manner in which the District’s policies were designed. Of the 40 transactions tested, 29 transactions were required to have Personnel Action Form (PAF) reviewed and approved by the Human Resource Supervisor prior to being submitted to the Payroll and Benefits Team for processing. We found the following:

- Two transactions were changes to secretary pay and one transaction was to change a technology specialist’s pay. Annual increases in the employees’ pay were calculated in an Excel workbook maintained by the Payroll Supervisor and reviewed with the Administration verbally. This review and approval were not memorialized, and the changes were also not memorialized on Personnel Action Forms (PAFs) as required by District policies for salaried employees.
- Eighteen transactions were recorded on PAFs, and eight transactions were recorded on Human Resource Correction Request Forms that were authorized only by Human Resource (HR) Staff as source documents for data entry into PHRST. Evidence of the HR Supervisor’s review and approval was not memorialized on the PAFs or Human Resource Correction Request Forms.

The District does not have controls in place to review and approve changes entered in PHRST. Although the Payroll Supervisor performs subsequent overall reconciliations of payroll on a regular basis to mitigate the risk of fraudulent and erroneous entries, the Supervisor does not actively, and contemporaneously review and approve changes in PHRST.

Criteria: The following is applicable to the review and approval of changes to employee pay. The District’s Payroll Internal Control Policy, as of July 15, 2022, requires the following:

- “All financial documents processed in PHRST payroll system require an HR Supervisor’s approval.”
- “The HR Supervisor authorizes all hires and subsequent changes in employment status including employee pay and benefits changes by completing a PAF and submitting it to the Payroll and Benefits department for data entry into PHRST” for salaried employees.

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

Finding Number 6 - Lack of Proper Review and Approval of Changes to Employee Payroll - Continued

Cause: The conditions above were caused by the following:

- The HR Supervisor records changes to employee pay in an unsecured Excel workbook, indicating their review and approval. The workbook is utilized by staff to complete the PAFs, but the completed PAFs are not reviewed by the HR Supervisor.
- The District does not review changes to employee pay in PHRST as changes are entered.

Effect: By not properly reviewing, approving, and documenting changes to employee payroll, the District increases its risk that erroneous or fraudulent information is entered into PHRST.

Recommendation: We recommend the District implement the following:

- Review its preparation and review processes over payroll changes to ensure that changes are properly reviewed prior to submission to Payroll for processing.
- Procedures to subsequently review entries in PHRST.
- Memorialize, in writing, review and approval of administrator pay calculations.

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

CHRISTINA 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 1 through 6, 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 above.

Deirdra Joyner, ED.D.
Superintendent

Robert Vacca
Chief Financial Officer

August 25, 2025

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

Re: Management Response

On July 23, 2025 we met with you to complete our FY 2023 Local Funds Audit Exit Conference. In this meeting you reviewed your observations, findings and recommendations developed from your audit. For ease of reference, we have organized our responses in the same order of your report listing our **Audit Responses by Recommendation**.

Audit Response Recommendation 1

The State of Delaware Budget and Accounting Manual (BAM) 7.2.1 indicates; Federal and Local School Districts have the option of using POs to encumber available federal funds or local school district funds. Federal and local school district funds used for the purchase of capital assets must be encumbered.

While our procedure for purchasing goods and services is more stringent than the State of Delaware Budget and Accounting Policy Manual (BAM), we are still obligated to ensure we are following the BAM. The BAM indicates, "POs may not be presented simultaneously with Vouchers. POs must be approved and dispatched prior to the start of services or order of goods." Applying a purchase order to an invoice that indicates the goods and services were provided before the PO was approved and dispatched is considered after the fact.

To ensure we are not in violation of this procedure, we follow BAM 7.3 which states certain purchases may be made as Direct Claims, without the use of PO's. Direct Claim purchases are subject to all the State's purchasing and procurement policies, protocols, and guidelines, and all transactions require proper approvals for processing. While Organizations are encouraged to encumber funds, the following transaction types do not require a formal encumbrance of funds as a prerequisite to affecting a purchase or processing payment documents:

Deirdra Joyner, ED.D.
Superintendent

Robert Vacca
Chief Financial Officer

BAM 7.3.28

28. School district payments out of local funds (not including the purchase of capital assets)
29. Student private placement expenses, including tuition and transportation
30. Private carrier school, homeless, medical or athletic transportation
31. School bus contractors' payments

Christina School District will enhance our procedures to include the use of BAM 7.3 when a purchase is required to be processed as a direct claim. This additional procedure has been added to our procedures for Purchase Orders and Manual Vouchers.

Audit Response Recommendation 2

Each School/Department is required to let the Business Office know that the purchase of good and services received are in accordance with the quote or contract terms and pricing provided by the vendor. When obtaining quotes for goods and services we conduct analytical reviews to determine if the price provided is cost effective. It is our understanding that quotes provided by GSS contracts are based on the approved pricing provided during the RFP process. It is not cost effective to implement an additional procedure to verify and document that our purchases comply with the terms and pricing of the Statewide contracts when we are not required to use GSS contracts.

Audit Response Recommendation 3

Christina School District reviews the State of Delaware's Bids and Contracts website to identify if another agency has procured services, we are interested in obtaining. To document our decision process, we will implement a form that will be included in the vendor file.

Christina School District makes every effort to ensure we are operating within the guidelines of the Budget and Accounting Manual. When operating in a decentralized environment, it is difficult to analyze every purchase order by vendor daily.

Therefore, we have implemented a mitigating control to help us identify when multiple agencies are procuring the same or similar service from the same vendor. We will run quarterly reports to

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Deirdra Joyner, ED.D.
Superintendent

Robert Vacca
Chief Financial Officer

analyze spending amount by vendors. This process will help us ensure we are in compliance with State of Delaware Budget and Accounting Manual procurement requirements.

Audit Response – Recommendation 4

Christina School District agrees with and has already implemented several of these recommendations with the plan to complete all recommendations by April, 2026.

Audit Response – Recommendation 5

This response was also provided in the prior year audit response

The State Payroll Compliance Group (PCG) suggests a separation of PHRST user duties in order to ensure the highest quality of work performed while reducing the risk of fraud. They suggest a different user should enter human resource data from the user(s) entering payroll and benefits data into PHRST.

In an ideal application setting, all modules of PHRST - human resources, payroll and benefits administration – can be entered simultaneously up to the day before payday. That would allow for such a separation of user input. This is not the case in the State of Delaware’s version of PeopleSoft - PHRST. Overnight processing must occur between human resource and payroll data entry. That overnight process prevents simultaneous data entry between two critical modules of PHRST. The application then closes at noon the Monday before payday in order for the state to begin processing pay calculations, confirmations and the direct deposit ACH file.

These factors, along with the linear process of entering HR data a day prior to Payroll and Benefits Administration, abbreviate the data entry window in each pay cycle. This application design causes the need for payroll departments across the state to compromise the separation of duties in PHRST for deadline driven production priorities. All users can be required to perform all functions in order to ensure no employee impact.

Having said that, it is still an overarching policy to separate duties whenever possible and always during off-peak processing periods. It is only during deadline pressured periods or department absences where PHRST users may perform multiple sets of duties.

We see the failure to complete an employee entry into PHRST a far greater concern than the risk of error or the risk of fraud. These reports are run by the payroll supervisor to ensure accuracy of data entry and to prevent the risk of fraud. These reports have been in use for over

Deirdra Joyner, ED.D.
Superintendent

Robert Vacca
Chief Financial Officer

15 years with no fraud experienced and all human errors captured and corrected through adjustments to the employee record.

The recommendation(s) provided seem speculative in nature and would bring unnecessary additional cost to this operation with no guarantee it would improve an already exceptional quality level achieved. We feel we have a proven method to mitigate operational risk associated with separation of duties.

Audit Response – Recommendation 6

These recommendations were implemented upon the change in CFO, Payroll Supervisor and the introduction of the PHRST & FSF Business Analyst reporting to the CFO in September 2023.

Closing Comments

The historical evidence shows that Christina’s internal controls are working. In contrast, several of the recommendations provided in this report seem at best speculative in nature with no real evidence to suggest they would enhance the current controls used by the Business Office, HR, or the Payroll and Benefits Department.

We will always welcome and appreciate the opportunity to learn, collaborate and share best practices through our relationships with other state agencies and auditors. We will continue to work on process improvements, system enhancement and staff development to raise the bar of excellence we strive for.

Best Regards,



Robert A. Vacca
Chief Financial Officer
Christina School District