

COLONIAL SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2023





COLONIAL 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 2017.
- Revenues from the District's debt service and tuition tax rates were consistent with expenditures.
- The District's debt service reserve of \$2,600,672 as of June 30, 2023 complied with the State of Delaware requirements.

Colonial School District Quick Facts

K-12 Schools

12

Special Schools

3

Students Served

9,100

Employees

1,500

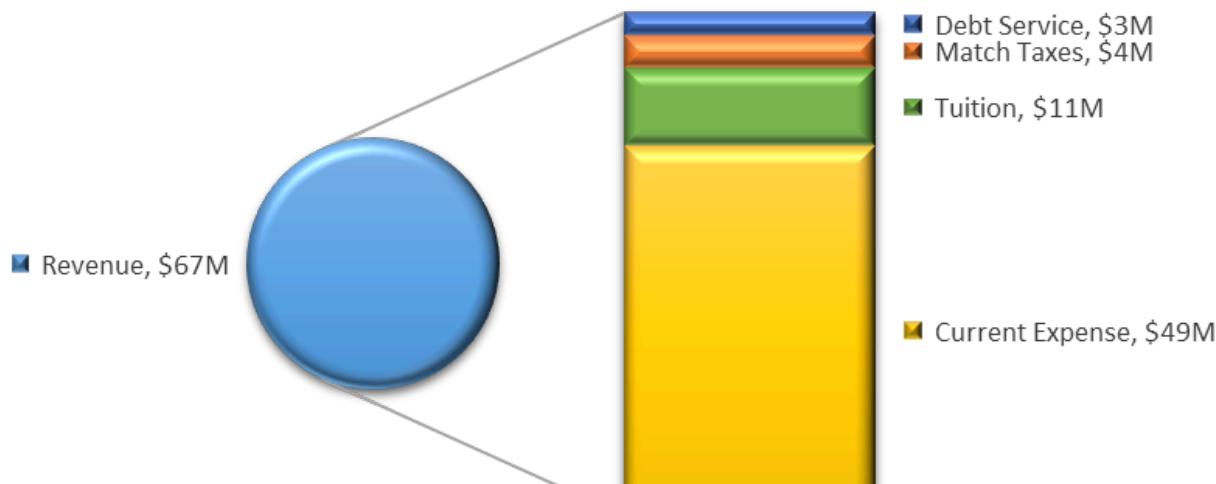


COLONIAL SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2023

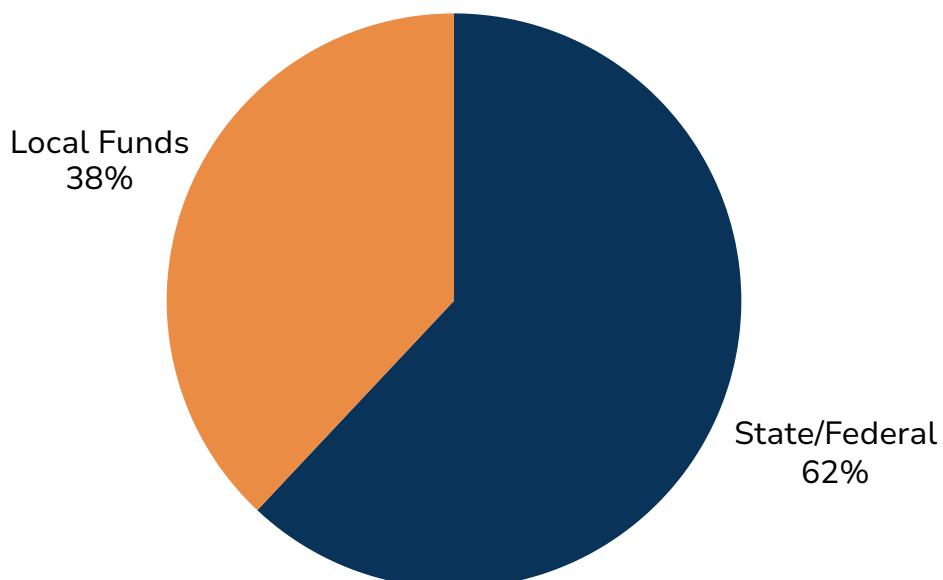
KEY INFORMATION AND FINDINGS CONTINUED

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





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

KEY INFORMATION AND FINDINGS CONTINUED

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

Testing identified the following conditions that are reported as findings:

- District policies requiring the use of purchase orders were not consistently followed.
- District purchases of equipment and supplies, repairs and maintenance, and professional services did not follow District and State purchasing and procurement policies.
- District payroll policies do not require appropriate review and approval of payroll changes.
- District internal transfers of Tuition Tax funds for transportation services lacked supporting documentation.

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

COLONIAL SCHOOL DISTRICT

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

JUNE 30, 2023

COLONIAL SCHOOL DISTRICT
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JUNE 30, 2023

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Independent Auditor's Report

Jeffrey D. Menzer, Ed. D
Superintendent
Colonial School District
318 East Basin Road
New Castle, Delaware 19720

Dear Dr., Menzer:

We present the attached report which provides the results of our performance audit of the Colonial 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 Colonial School District's Local Funds under OAOA Contract Number 22-CPA01_SDLOCALFUND\$.

The Office of the 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 Colonial 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 Colonial School District, the Delaware Department of Education, and the Office of the 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.

October 2, 2025
Wilmington, Delaware

cc: Lydia York - State Auditor
Emily Falcon - Chief Operating and Financial Officer

**COLONIAL 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.

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

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Debt Service - Debt service tax rates are levied to cover the local share of the principal and interest payments on bonds funding major capital projects which, per Delaware Administrative Code Section 401, *Major Capital Improvement Program*, are projects costing \$1,000,000 or more. The local share of major capital projects is between 20% and 40% of the total cost per 29 Del. C., §7503(b) with the remaining balance financed by the State of Delaware. The project must be approved by the DOE and bond issuances are authorized via voter referendum. Per 14 Del. C §2116 and §2118(a), with a passing referendum, districts are authorized to levy a debt service tax sufficient to 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.

COLONIAL 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 Section 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 funds for minor capital improvements 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.

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

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

Opportunity Fund - The FY 2023 Operating Budget Epilogue Sec. 367 authorizes school districts to assess a local match for costs associated with Opportunity Fund appropriations intended to enhance services and provide additional supports to English Learner and low-income students, as well as be used for mental health services and/or for additional reading supports for grades K through 5. Per a June 2019 DOE Memo, schools are allowed to match on a 70% state and 30% local basis.

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

Capitation - Districts may also levy a school capitation tax on all persons 18 years of age and older, determined by the board, provided that such school capitation tax is approved by the voters of the district in the same manner as required for the levy of taxes on the assessed value of real estate, per 14 Del. C., §1912.

DISTRICT SPECIFIC SUMMARY

The Colonial School District, located in New Castle County, operates Pre-K through 12 schools with over 9,100 students. The Colonial School District employs over 1,500 employees to educate and support its students. The Colonial School District has eight elementary schools, three middle schools, and one traditional comprehensive high school. In addition, the District is home to the John G. Leach School, the Wallin School, and the Colonial Early Education Program at the Colwyck Center. The Colonial 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, Colonial School District is referred to as the "District."

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

AUDIT OBJECTIVES

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

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

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

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

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

AUDIT SCOPE

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

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

3. Reviewed the Board of Education's meeting minutes for the audit period. Identified and reviewed contracts, agreements, and other important documents.
4. 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.
5. 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 on the next page:

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- 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.
- 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 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:
 - 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 are 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.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- 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.
 - 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). 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, 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 to require an approved official purchase order for purchases of all goods and services.

School districts are allowed, but not required, to use Statewide contracts procured by the OMB's GSS Division. We also selected five 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 and determined that the transactions were properly approved by the District as evidenced by approval on invoices and receipts as well as in FSF. We found that the District's purchases complied with the agreements entered into with the vendors

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Non-Payroll Expenditures - Continued - by the OMB's GSS Division; and therefore, compiled with State and District procurement requirements, with the exception that the District utilized a State of Delaware contract for its purchases from one vendor without appropriate documentation of receiving the rates included in the State approved contract. Refer to *Finding Number 2* in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

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 17 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 procurement 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 five vendors were not in compliance with State and District procurement requirements. Purchases from two of these vendors were at least partly funded with tuition tax funds. Refer to *Finding Number 2* in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Payroll Expenditures - 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 the pay rate changes tested did not agree to documentation maintained in the employee file and other transactions, although supported, did not have evidence of review and approval. Refer to *Finding Number 3* in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

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

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

Payroll Expenditures - Continued

To test the employees' annual increases, we selected a random sample of 10 annual step increases and agreed each employee's salary in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), to the District's approved FY 2023 salary schedules.

We determined that authorized personnel at the District did not maintain evidence of their review of bi-weekly payroll expenditures. Refer to *Finding Number 3* in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Debt Service Expenditures - We examined the requirement that the District maintain its debt service reserve within a range of at least four months and no more than 110% of the following fiscal year's debt service payments. We also compared budget to actual debt service expenditures, at the District level, during our analysis of debt service real estate tax rate calculations in Objective 3. Because the payment of debt service is managed and initiated statewide by the State of Delaware Department of Finance, it is outside of the scope of this performance audit, and we did not assess the design or operation of internal controls over debt service expenditures.

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

Results - We obtained the New Castle County School District Reports of Local Property Tax Collections for FY 2023. Colonial 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 Colonial School District Tax. We determined that the DOE accurately distributed the receipts based on the official warrants and code requirements.

COLONIAL 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 2017. The New Castle County District shared current expense rate agreed to historical reports provided by the DOE and to the District's FY 2023 Budget.
- 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. We determined that the rate was sufficient to cover debt service expenditures in FY 2023 and provide the District with a reserve equal to 62% of FY 2024 debt service 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	\$ 3,093,776
 FY 2023 Debt Service Activity	
Receipts	3,104,452
Expenditures	<u>(3,597,556)</u>
 June 30, 2023 Debt Service Reserve Balance	
	<u><u>\$ 2,600,672</u></u>
 Budgeted FY 2024 Debt Service	
	<u><u>\$ 4,221,062</u></u>
 Reserve to Expected Future Payments Ratio	
	<u><u>62%</u></u>

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

COLONIAL 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. We determined that the rate was 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 and one individually significant transaction from tuition tax funds. We determined that the purchases complied with both State and District requirements and that the transactions were properly approved by the District as evidenced by approval on invoices and receipts as well as in FSF, except that the District did not conform to its purchase order policy requiring an approved, official purchase order for purchases of all goods and services and that the supporting calculations for the individually significant transaction, which was an intra-governmental voucher, was not maintained. Refer to *Finding Number 1* and *Finding Number 4* in the *Schedule of Findings and Recommendations* for details of the deficiencies identified, and related recommendations.

We also examined the District's compliance with State and District procurement requirements, in conjunction with procedures performed over nontuition Local Funds. We found that purchases from two vendors did not comply with State and District purchasing and procurement requirements. Refer to *Finding Number 2* in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

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

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

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

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

Finding Number 1 - Lack of Purchase Orders for Vendors

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

Local Tax Funded Purchases for the Year Ended June 30, 2023

	Vendor Count	Purchase Order	No Purchase Order	Total Purchases
Purchase Order(s) for all Purchases	156	\$ 858,945	\$ -	\$ 858,945
Purchase Order(s) for some Purchases	147	4,224,924	1,622,363	5,847,287
No Purchase Order	485	-	3,338,109	3,338,109
	788	\$ 5,083,869	\$ 4,960,472	\$ 10,044,341

Criteria: Colonial School District's *Procedure No. 3400 - Purchasing & Purchase Orders (PO)*, revised April 22, 2022, required the following during FY 2023:

"A state of Delaware purchase order, accompanied by a P.O. approval form, initialed by the administrator in charge of the relevant budget, shall be used for the purchase of all materials, supplies, equipment, and services."

Cause: The District allowed certain exceptions to the purchase order policy and purchases were made without a purchase order; however, it did not formally document these exceptions and has not adopted a policy outlining these exceptions

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

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 used.
- When exceptions to the policies are considered necessary, document, justify and formally approve the exceptions to the policy requirements contained in its procedures manuals.

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

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

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

Condition: We found the following deficiencies in the design and operation of the District's purchasing controls:

- We found that the District's purchasing decisions for four of the 19 vendor relationships selected for procurement testing did not comply with the State's and District's procurement requirements and one of the 19 vendor relationships selected for procurement testing did not comply with best practices, with regard to contract renewals, as summarized in the following chart:

Type of Purchase District's Procurement Action	Required Procurement Action		
	Three Written Quotes	Formal Bid or RFP	Other Requirements
<i>Materials</i>			
Open Market Purchase *	2	-	-
<i>Public Works</i>			
Open Market Purchase / Three Written Quotes	1^	-	1^
<i>Professional Services</i>			
Excess Contract Term Extension *	-	1	-
<i>Total</i>			
	3	1	1

* The District's open market purchase of cellphone locking pouches and its professional services contract for translation services was at least partly funded with local tuition tax funds.

^ The District's contracts with the vendors did not include required compliance language for the State's Prevailing Wage Rate laws.

- The District does not have a policy limiting the number of times a contract can be extended without a new procurement and award process.

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

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

Condition - Continued:

- In conjunction with our disbursement testing and testing of the District's use of Statewide contracts, we found that the District purchased 200 laptops at a cost of \$179,800 without appropriate documentation verifying that it had received the rates included in the State-approved contract.

Context: A similar finding was reported in the fiscal 2022 performance audit report issued on February 20, 2024.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C. Ch. 69. The Colonial School District contract procedures documents indicate that the District follows the bid laws of the State of Delaware.

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

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

Procurement Requirement	Effective Through February 15, 2023	Effective February 16, 2023 Through April 12, 2023	Effective April 13, 2023
Open Market	Less than \$10,000	Less than \$10,000	Less than \$50,000
3 Written Quotes	\$10,000 - \$49,999	\$10,000 - \$99,999.99	\$50,000 - \$99,999.99
Formal Bid	\$50,000 and Over	\$100,000 and Over	\$100,000 and Over

The following requirements are applicable to the public works purchases:

- The purchases are considered public works per 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.

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

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

Criteria - Continued:

- *BAM, Chapter 5, Procurement, Section 5.3.2, Public Works Thresholds* required the following:

Procurement Requirement	Effective Through	Effective February 16, 2023	Effective Through	Effective April 13, 2023
	February 15, 2023	April 12, 2023		
Open Market	Less than \$50,000	Less than \$50,000	Less than \$150,000	
3 Written Quotes	\$50,000 - \$149,999	\$50,000 - \$249,999	\$150,000 - \$249,999	
Formal Bid	\$150,000 and Over	\$250,000 and Over	\$250,000 and Over	

- 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.

The following requirements are applicable to the 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.
- *BAM, Chapter 5, Procurement, Section 5.3.3, Professional Services Thresholds* required the following:

Procurement Requirement	Effective Through	Effective February 16, 2023	Effective Through	Effective April 13, 2023
	February 15, 2023	April 12, 2023		
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 State of Delaware, OMB/GSS's best practice is for contracts to be in force for a period of no more than to five years. However, there is no State that fixes a universal number of renewal years for all competitively awarded State of Delaware contracts. In practice, however, the State routinely limits the total contract term (initial term + all renewals) to five years for many professional service procurements.

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

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

Criteria - Continued:

The following requirements are applicable to the purchase made using the Statewide Contract:

- 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."
- Colonial School District's *Procedure No. 3400 - Purchasing & Purchase Orders (PO)*, revised April 22, 2022, requires that "Purchases from current state or district contracts require only a reference to the specific contract number on the purchase order."

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

- Purchases were not aggregated by vendor and period for evaluation of the purchasing decision.
- The District continued to extend the professional service contract that was originally procured through a formal request for proposal in fiscal year 2016.
- The District did not maintain contemporaneous documentation memorializing its decision to utilize the Statewide contract to purchase the materials.

Effect: The District did not adhere to State and District purchasing and procurement requirements and OMB/GSS best practices. As a result, the District may not have received the best prices and terms on the purchases. The District did not require two of its Public Works vendors that were subject to the State of Delaware Prevailing wage rate requirements. to comply with those requirements.

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

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

Recommendation: We recommend that the District implement procedures to properly evaluate purchases for compliance with formal procurement requirements, specifically, purchases for similar material and services from the same vendor should generally be combined and evaluated against the procurement requirements in total; approved exceptions from the requirements should be adequately documented. We also recommend that a policy be created to limit, to five years, the number of renewal terms, with extensions, for a vendor's contract and require a new procurement and award process or a documented board-level approval/exception.

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

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

Finding Number 3 - Lack of Proper Review and Approval of Changes to Employee Payroll

Condition: We found the following deficiencies in the design and operation of the District's payroll internal controls during fiscal year 2023:

- The District's controls requiring the authorization of changes to employee payroll prior to PHRST entry were not operating as specified by District policy. The District's forms are designed to memorialize appropriate preparation, review, and approval of changes to employee information by the Human Resources Department and the Superintendent's Office prior to processing the transactions in PHRST. The District indicated that management ended the practice after erroneously concluding that the memorialization of appropriate preparation, review, and approval internal controls was unnecessary. Of the 40 transactions tested, we found the following:
 - Thirteen payroll transactions were not appropriately reviewed and approved by the Human Resource Department.
 - Seventeen hiring transactions were not appropriately reviewed and approved by the Human Resource Department or the Superintendent's Office.
- The District indicated all employee payroll changes in PHRST are verified by the District's Payroll Manager; however, this is not memorialized and could not be tested. The District confirmed this verification process relies on unapproved forms and documents prepared by the Human Resources Department. Of the 40 transactions tested, we found the following:
 - Three hiring transactions were recorded on the District's forms and approved by the Human Resources Department or the Superintendent's Office; however, the employee's salary, determined by the employee's position and experience, did not agree to the approved forms and experience verifications maintained in the personnel file.
- The District does not memorialize the review of the bi-weekly payroll expenditures. The District indicated that the Finance Specialist, under the direction of the CFO, reviews the bi-weekly payroll reports; however, this process is not memorialized (with a signature, initials, memo, etc.). The District's Business Office receives payroll reports for review and approval. The Business Office only responds to these reports if a change or correction to the report is necessary.

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

Finding Number 3 - Lack of Proper Review and Approval of Changes to Employee Payroll - Continued

Context: A similar finding was reported in the fiscal 2022 performance audit report issued on February 20, 2024.

Criteria: Appropriate documentation is necessary to evidence that internal controls are operating and to support their enforcement. Chapter 14, *Payroll Compliance*, Section 14.2.1, *Controls* of the *BAM*, requires the following:

“Organizations are required to maintain and enforce effective internal controls to monitor Payroll related transactions. These internal controls must be documented in a Payroll Internal Controls Plan. Controls must include, but are not limited to, the review and approval of all wage payments...”

Cause: The conditions above were caused by the following:

- The District’s process for the review and approval of payroll transactions is not clearly defined or effectively operated.
- Review and approval of payroll transactions was not performed or documented (documentation was not available to determine if the required review was performed) due to weaknesses in the District’s payroll policies.

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

Recommendation: We recommend the District implement the following:

- Formally document review and approval procedures for payroll changes.
- Review its preparation and review processes over payroll changes to ensure that changes are properly reviewed prior to processing.
- Review its procedures to subsequently review payroll change entries in PHRST and implement procedures to memorialize the review.
- Strengthen its review procedures over the onboarding process to ensure that relevant information that influences pay is properly entered into PHRST.

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

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

Finding Number 4 - Supporting Documentation Was Not Maintained for an Intra-Governmental Disbursement

Condition: We found that supporting documentation was not maintained for a significant disbursement from tuition tax funds selected for testing. The District did not retain supporting documentation for a \$815,000 transfer of tuition tax funds from the John G. Leach School to the District to reimburse for the cost of transportation services.

Context: The District's Transportation Department executes transportation contracts with DOE-approved vendors. The District's Business Office is responsible for paying the vendors. At fiscal year end, the District's Transportation Office determines the amount attributed to transportation for the John G. Leach School and the District Business Office executes an intra-governmental voucher to bill the John G. Leach school for the services. A similar finding was reported in the fiscal 2022 performance audit report issued on February 20, 2024.

Criteria: Chapter 7, *Purchasing and Disbursements*, Section 7.21, *Documentation* of the *BAM*, states that "Organizations are responsible for maintaining supporting documentation for their transactions. Organizations are encouraged to attach (scan) supporting documents to all transactions in the State's financial management and accounting system, or Organizations may retain supporting hardcopy documents in compliance with the Document Retention schedules set forth by the Delaware Public Archives."

Cause: The District did not maintain evidence to support the amount transferred from the John G. Leach School appropriation to the District's appropriation for transportation services during the fiscal year.

Effect: The District's lack of appropriate supporting documentation increases the risk that the transfer was not made in the correct amount. This, in turn, increases the risk that tuition expense would be misstated and cause tax rates to be calculated incorrectly, in violation of the requirements for the determination of tuition tax rates.

Recommendation: We recommend that the District review its procedures over intra-governmental vouchers to ensure that supporting documentation is maintained as required by *BAM* and for audit purposes.

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

COLONIAL 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 the deficiencies detailed in *Finding Numbers 1, 2, and 3* 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 the deficiencies detailed in *Finding Number 4*, as well as the deficiencies in the design and operation of the District's internal controls over payroll and noncompliance with the District and State purchasing and procurement requirements as reported in Objective 1, the School District's tuition tax funds were calculated and spent in accordance with the requirements.

Date: September 24, 2025

To: Michael Mast

Re: FY 2023 Local funds Performance Audit findings

Dear Michael,

In response to the FY 2023 Local funds performance audit findings, Colonial provides the following:

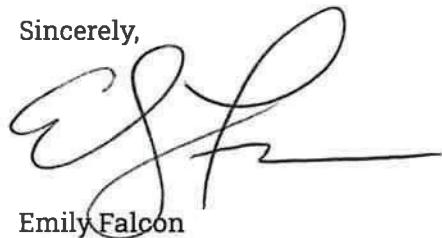
Finding #1 regarding use of Purchase Orders- this finding outlines that Colonial is not following its own procedure regarding the use of POs. We will make changes to our procedures to ensure more consistent compliance.

Finding #2 regarding procurement notes that there are only four transactions that are non-compliant while the details of five transactions are provided. The entire reference to the contract extension transaction should be removed as it is not a requirement but rather a 'best practice'.

Finding #3 regarding payroll internal controls- we continue to work collaboratively with our HR team to strengthen both our processes and the documentation around those processes to ensure accuracy.

Finding #4 regarding documentation of Leach transportation expenses being paid to the district- we have since changed our processes and Leach's transportation expenses will now be charged directly to Leach so this documentation will not be needed in the future.

Sincerely,



Emily Falcon