

# POLYTECH SCHOOL DISTRICT

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LOCAL FUNDS PERFORMANCE AUDIT  
FISCAL YEAR ENDED JUNE 30, 2023



# POLYTECH 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.

- Revenues from the District's debt service and tuition tax rates were consistent with expenditures.
- The District's debt service reserve of \$953,792 as of June 30, 2023 complied with the State of Delaware requirements.

#### Polytech School District Quick Facts

Students Served

**1,200**

Employees

**162**

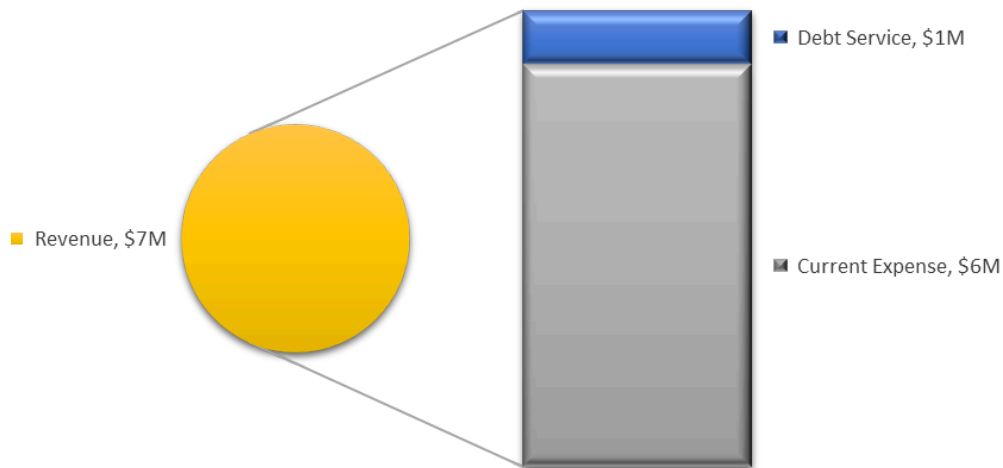


# POLYTECH SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2023

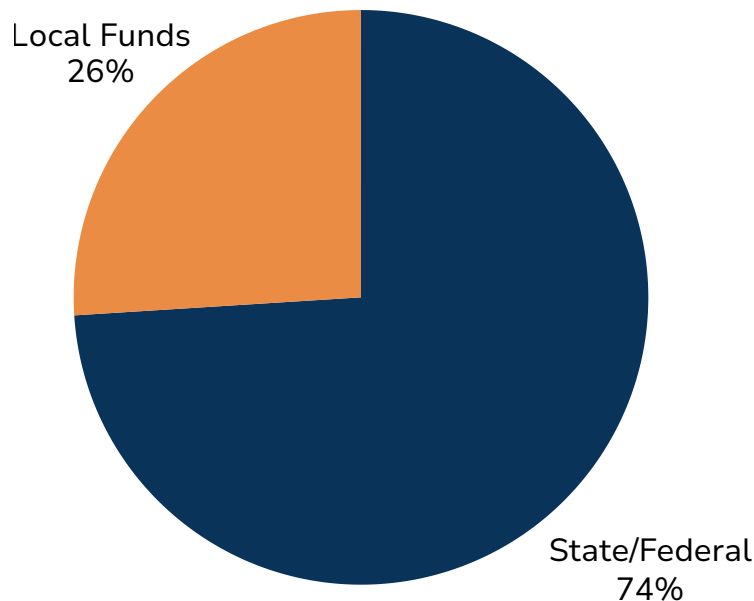
## KEY INFORMATION AND FINDINGS CONTINUED

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**





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

## KEY INFORMATION AND FINDINGS CONTINUED

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

**Testing identified the following conditions that are reported as findings:**

- The District purchase of certain equipment did not follow the state procurement laws.

The potential exposure to the State of the weaknesses in the purchasing internal controls is that they increase the risk that the District would make purchases without first obtaining the best prices and terms.

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

**JUNE 30, 2023**

**POLYTECH SCHOOL DISTRICT**  
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**JUNE 30, 2023**

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*Independent Auditor's Report*

Kevin Dickerson, Ed. D, Superintendent  
Polytech School District  
823 Walnut Shade Road  
Woodside, Delaware 19980

Dear Dr. Dickerson:

We are pleased to present the attached report which provides the results of our performance audit of the Polytech 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 Polytech School District 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. Polytech 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 Polytech 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.*

April 28, 2025  
Wilmington, Delaware

cc: Lydia York, Esq, CPA - State Auditor  
Nicholas Johnson, Director of Operations

**POLYTECH SCHOOL DISTRICT**  
**LOCAL FUNDS PERFORMANCE AUDIT**  
**JUNE 30, 2023**

**PERFORMANCE AUDIT OVERVIEW**

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

**BACKGROUND**

**Overview** - Any Delaware School District may, in addition to the amounts apportioned to it by the Delaware Department of Education (DOE) or appropriated to it by the General Assembly, levy and collect additional taxes for school purposes upon the assessed value of all taxable real estate in the district except real estate exempt from taxation per 14 Del. C., §1902 and 14 Del. C., §2601. The purpose of this performance audit is to determine whether internal controls over the collection and use of these real estate tax funds were designed and operated in accordance with Delaware law and District policy. For purposes of this report, real estate taxes levied for school purposes are referred to as “Local Funds.” Although there are other types of Local Funds, they are not included in the scope of our performance audit.

**Laws and Regulations** - The school district’s authority to levy taxes is governed by 14 Del. C., Ch. 19 for nonvocational districts and by 14 Del. C., Ch. 26 for vocational districts. The legislative provisions and other policies relevant to local school taxes are summarized below. There are four categories of local school taxes: current expense, debt service, tuition, and match taxes summarized as follows:

**Current Expense** - Current expense tax rates are levied for general operation expenses incurred by the school district. Rate increases are approved via voter referendum. Vocational school districts do not require a referendum to increase their current expense rate as the rate is established by 14 Del. C., §2601.

**Debt Service** - Debt service tax rates are levied to cover the local share of the principal and interest payments on bonds funding major capital projects which, per Delaware Administrative Code Section 401, *Major Capital Improvement Program*, are projects costing \$1,000,000 or more. The local share of major capital projects is between 20% and 40% of the total cost per 29 Del. C., §7503(b) with the remaining balance financed by the State of Delaware. The project must be approved by the DOE and bond issuances are authorized via voter referendum. Per 14 Del. C., §2116 and §2118(a), with a passing referendum, districts are authorized to levy a debt service tax sufficient to fund the local share of annual principal and interest payments plus 10% for expected delinquencies.



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

**BACKGROUND - CONTINUED**

*Laws and Regulations - Continued*

Debt Service - Continued

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

The District is required to maintain debt service reserves, within a range of at least four months to no more than 110% of the following fiscal year's debt service payments based on the following opinions issued by the State of Delaware Attorney General:

- Attorney General Opinion 89-I017 from 1989 stated that, per the DOE, a sufficient reserve is at least four months of the following fiscal year's debt service payments.
- Attorney General Opinion 1W-024 from 1975 stated that a reserve is considered excessive when it is greater than 110% of total debt expenditures in the following year as districts' powers to levy taxes for debt service are limited per 14 Del. C., §2116 and §2118(a) to principal and interest and 10% for delinquencies.

Tuition - Tuition tax rates are levied to cover educational expenses for in-district and out-of-district placements of students in special programs and schools. The rate is set annually by the school board based on anticipated needs in the district and does not require a voter referendum. Per 14 Del. C., §2601(b), vocational school districts are not authorized to levy tuition taxes.

Match - Match funds provide a local match to State appropriations where required or allowed by law. Examples of Match programs include technology, minor capital improvements (MCIs), enhanced minor capital improvements, extra time and reading and resource and math teachers, student success block grant, opportunity fund, and substitute teacher block grant. The following summarizes the significant match taxes authorized for the year ended June 30, 2023:

*Technology* - These funds are intended to support the purchase and replacement of technology, technology maintenance through personnel or services, professional learning, or other technological 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.

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

**BACKGROUND - CONTINUED**

*Laws and Regulations - Continued*

Match - Continued

*Minor Capital Improvements* - Per Delaware Administrative Code 405, *Minor Capital Improvement Program*, minor capital pertains to projects costing less than \$1,000,000, intended to keep assets in their original condition. The maximum local share for minor capital expenditures is 40% per 29 Del. C., §7528(b). The State of Delaware provides the remaining balance up to a maximum dollar amount which is included in the Delaware Capital Budget annually.

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

*Extra Time and Reading Resource and Math Resource Teachers* - In accordance with 14 Del. C., §1902(b), the FY 2023 Operating Budget Epilogue sec. 361 authorizes school districts to levy a local match for Extra Time as well as Reading Resource Teachers and Mathematics Resource Teachers which were originally established by the following:

- Per the FY 2008 Operating Budget Epilogue, the extra time appropriation is intended for additional instruction for low achieving students and school districts were encouraged to match on a 70% state and 30% local basis.
- Per the FY 2010 Operating Budget Epilogue, the reading and math resource teacher appropriations are intended to fund state salaries for resource teachers in each school and districts were encouraged to match on a 70% state and 30% local basis.

*Student Success Block Grant* - The FY 2023 Operating Budget Epilogue sec. 370 authorizes school districts to assess a local match for costs relating to the Student Success Block Grant appropriations, which are intended for reading assistance in grades K through 4.

**POLYTECH 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 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 Polytech School District serves Kent County and part of New Castle County. It operates grades 9 through 12 and also provides adult services. Polytech High School is a technical high school with about 1,200 students that offers specialty training in twenty technical programs. The District employs 162 employees to educate and support its students. The Polytech School District Board of Education is the governing body. The School Board includes seven members, appointed by the Governor of the State of Delaware, who serve seven-year terms. For the purposes of this report, Polytech School District is referred to as the “School District” or the “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).

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

**AUDIT OBJECTIVES - CONTINUED**

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

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

**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.

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

- b. Completed engagement team discussions, including discussions about the possibility of error or fraud involving Local Funds.
    - c. Made inquiries of management and others about risks (including fraud risks, related-party transactions, unusual transactions, and compliance with laws, regulations, contracts, and grant agreements).
    - d. Obtained and documented an understanding of the School District's internal control system over Local Funds by performing walkthroughs.
  - 6. Identified key internal controls over the District's Local Funds for testing.
- B. Performance Assessment: Based on the information gathered, we developed the following risk-based approach to assess the design and operation of internal controls over Local Funds with respect to the audit objectives.
- 1. To assess the design and operation of disbursement internal controls, we sampled and tested transactions from the population of expenditures from Local Funds 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 State-wide 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.

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

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

- a. A judgmental sample of vendors with cumulative purchase amounts meeting or exceeding the State and District procurement thresholds.
- b. A judgmental sample of unusual or higher risk vendor transactions.
- c. A judgmental sample of purchasing card transactions and single payment supplier transactions meeting or exceeding the State and District procurement thresholds.

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

3. To assess the design and operation of payroll internal controls we:
  - a. Sampled and tested transactions from a population of current year payroll change events, affecting local funds' payroll expenditures for the following:
    - i. Employees' annual salary increases agreed to published and approved salary tables.
    - ii. Changes to payroll, other than annual salary increases, agreed to supporting documentation and were properly approved.
  - b. Sampled and tested transactions from a population of current year payroll expenditures from Tuition Local Funds (if applicable) 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:
  - 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.

**POLYTECH 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 design of the key internal controls over payroll, non-payroll, and debt expenditures of Local Funds were designed and operated in accordance with the requirements during the period from July 1, 2022 through June 30, 2023.

*Non-Payroll Expenditures* - To assess the operation of the internal controls over non-payroll expenditures of Local Funds, we selected a sample of 40 disbursement transactions. Thirty-five of these transactions were selected randomly and five transactions were selected from a population of nontuition Local Fund disbursements made to vendors with State-wide contracts, in conjunction with the procedures performed over procurement. The results of our procedures over procurement are reported below. 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.

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

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 1 - Continued***

*Results - Continued*

*Procurement - Continued*

We examined documentation for each of the transactions selected and found that the purchasing process for goods and services purchased from one vendor during the fiscal year was not in compliance with State and District procurement requirements. Refer to Finding Number 1 in the *Schedule of Findings and Recommendations* for details of the deficiency identified and related recommendations.

In conjunction with the procedures performed over non-payroll expenditures, we selected a sample of five significant disbursements, from nontuition Local Funds, made to vendors with State-wide contracts. We compared the terms of the invoices to the State-wide contracts and found that the District's purchases complied with the agreements entered into with the vendors by the OMB's GSS Division.

*Payroll Expenditures* - To assess the operation of the internal controls over payroll expenditures made from Local Funds, we selected a random sample of 21 Local Funds pay rate changes processed during the fiscal year, other than annual salary increases. Our examination of the transactions determined that all the sampled changes were supported.

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

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.



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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

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

Results - Polytech School District serves Kent County and part of New Castle County. We recalculated the tax revenue from each county to confirm the correct amounts were received. We also observed transfers of receipts to the proper appropriations based on the official warrants and code requirements.

**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 assesses a Local Technology Match tax and Current Expense tax. We found the District's Match tax and Current Expense rates were consistent with relevant legislation and guidance.
- We compared debt service collections based on the debt service rate to principal and interest schedules for FY 2023 and FY 2024 and determined that the rate was sufficient to cover debt services expenditures in FY 2023 and provide the District with a reserve equal to approximately 106% 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	\$ 1,029,099
FY 2023 Debt Service Activity	
Receipts	812,449
Expenditures	<u>(887,756)</u>
June 30, 2023 Debt Service Reserve Balance	<u>\$ 953,792</u>
Budgeted FY 2024 Debt Service	<u>\$ 900,569</u>
Reserve to Expected Future Payments Ratio	<u>106%</u>

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

**AUDIT METHODOLOGY AND RESULTS - CONTINUED**

***Objective 3 - Continued***

*Results - Continued*

We accumulated information from the following sources to meet this audit objective - The FY 2023 Debt Service Tax Collections 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 2023 and FY 2024 Debt Service Principal and Interest were obtained from debt service schedules presented in the District's June 30, 2023 Daily Validity Report and FY 2024 Preliminary Budget, respectively.

**POLYTECH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2023**

***Finding Number 1 - Purchases Did Not Comply with State Purchasing and Procurement Requirements***

**Condition:** During January of 2023, the District purchased gym equipment totaling \$51,500 without following the formal bid process required by both State and District procurement policies.

**Criteria:** School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C. Ch. 69. The following requirements are applicable to the materials purchased:

- 29 Del. C., §6902(18) defines “Materiel” as materials, equipment, tools, supplies, or any other personal property.
- Chapter 5 *Procurement*, Section 5.3.1, *Materiel and Non-Professional Services Purchase Thresholds*, required the following during FY 2023:

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

**Cause:** The district purchased gym equipment without following the formal bid process.

**Effect:** By not following State and District procurement requirements, the District may not have obtained the best prices and terms for these purchases.

**Recommendation:** We recommend that the District follow the State and District purchasing and procurement requirements to obtain competitive pricing.

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

**POLYTECH SCHOOL DISTRICT**  
**CONCLUSION**  
**JUNE 30, 2023**

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

***Objective 1*** - Except for Finding Number 1 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.

April 22, 2025

## District Responses to Findings

### **Finding Number 1 – Purchases Did Not Comply with State Purchasing and Procurement Requirements**

**Recommendation:** We recommend that the District follow the State and District purchasing and procurement requirements to obtain competitive pricing.

**View of Responsible District Official and Planned Corrective Actions:** The District agrees that the aggregate expenses to maintain, repair, and replace exercise and gym equipment exceeded the State of Delaware's procurement thresholds during January of 2023. However, it is important to recognize that the procurement thresholds were updated twice during that same fiscal year, first in February, and again in April. These updates reflect the operational challenges the District and many other instrumentalities of the State of Delaware experience in small markets such as this, where obtaining multiple quotes or issuing formal bids, especially for specialized equipment, often leads to limited vendor response or participation. The District remains committed to maintaining compliance with all procurement requirements and will continue to regularly review its internal controls and processes to ensure alignment and compliance with current thresholds.