

**SUSSEX COUNTY VOCATIONAL TECHNICAL
SCHOOL DISTRICT**

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

JUNE 30, 2023

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
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Independent Auditor's Report

Dr. Kevin E. Carson, Superintendent
Sussex County Vocational Technical School District
17099 County Seat Highway
Georgetown, Delaware 19947

Dear Dr. Carson:

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

March 6, 2025
Wilmington, Delaware

cc: Lydia E. York, Esq., CPA - State Auditor
Kristen Hatfield - Business Manager

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT
JUNE 30, 2023

PERFORMANCE AUDIT OVERVIEW

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

BACKGROUND

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

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

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

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

SUSSEX COUNTY VOCATIONAL TECHNICAL 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, 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), extra time, reading and math resource teachers, student success block grant, and opportunity fund.

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.

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

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

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

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

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

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

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match Taxes - Continued

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

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

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

DISTRICT SPECIFIC SUMMARY

The Sussex County Vocational Technical School District, located in Sussex County, operates Sussex Technical High School which offers 18 technical areas of study. The district serves about 1,300 students with about 200 full and part-time staff. The Sussex County Vocational Technical School District Board of Education is the governing body of the District. 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, Sussex County Vocational Technical 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).

SUSSEX COUNTY VOCATIONAL TECHNICAL 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.

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2023

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- b. Conducted engagement team discussions, including discussions about the possibility of error or fraud involving Local Funds.
 - c. Made inquiries of management and others about risks (including fraud risks, related-party transactions, unusual transactions, and compliance with laws, regulations, contracts, and grant agreements).
 - d. Obtained and documented an understanding of the School District's internal control system over Local Funds by performing walkthroughs.
 - 6. Identified key internal controls over the District's Local Funds for testing.
- B. Performance Assessment: Based on the information gathered, we developed the following risk-based approach to assess the design and operation of internal controls over Local Funds with respect to the audit objectives.
 - 1. To assess the design and operation of disbursement internal controls, we sampled and tested transactions from the population of expenditures from Local Funds and Local Tuition Tax funds to determine that transactions were properly documented, authorized and properly recorded; that products and services were received and that the transactions complied with State and District requirements.
 - 2. To assess the design and operation of procurement internal controls, we analyzed disbursements to vendors made from the District's State, Local and Federal Funds (excluding purchases made using State-wide contracts, those entered into by the Office of Management and Budget's (OMB's) Government Support Services Division (GSS)). Our analysis included all District funding (local, state and federal) because the procurement requirements apply regardless of funding source. We analyzed procurements as follows:
 - a. Cumulative expenditures by vendor, with consideration to multiple purchase orders and multiple direct claim payments (purchases without purchase orders) for similar products and services, to test whether the cumulative amounts may have exceeded the applicable procurement thresholds.
 - 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.

SUSSEX COUNTY VOCATIONAL TECHNICAL 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 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 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:

- 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.

SUSSEX COUNTY VOCATIONAL TECHNICAL 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 Finding number 1 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 Local Fund disbursements made to vendors with State-wide contracts in conjunction with the procedures performed over procurement. 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 six 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 purchase exceeding the \$10,000 procurement threshold per the *BAM*; therefore, a sample of these transactions was not selected.
- There were no single-payment supplier purchases made by the District that exceeded \$10,000; therefore, a sample of these transactions was not selected.

SUSSEX COUNTY VOCATIONAL TECHNICAL 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 five vendors during the fiscal year was not in compliance with State and District procurement requirements. Refer to Findings Number 1 and 2 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

In conjunction with the procedures performed over non-payroll expenditures, we selected a sample of five significant disbursements from 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 23 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 ten 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.

**SUSSEX COUNTY VOCATIONAL TECHNICAL 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 - We obtained the FY 2023 Sussex County School District Reports of Local Property Tax Collections. We recalculated the District’s distribution of its receipts among the four categories of local taxes and determined that the District accurately distributed the receipts based on the official warrants and code requirements.

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, Extra Time Match tax, and Current Expense tax. We found the District’s Current Expense tax rate was consistent with relevant legislation and guidance. The District’s Match and Extra Time Match taxes were consistent with the prior year and were determined to be immaterial to the District’s total Local tax revenue.
- 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 90% of FY 2024 debt payments as summarized below. District Debt Service Reserves held as of June 30, 2023, were within the range set by the State of Delaware Attorney General.

July 1, 2022 Debt Service Reserve Balance	\$	530,527
FY 2023 Debt Service Activity		
Receipts		2,280,782
Expenditures		(948,747)

June 30, 2023 Debt Service Reserve Balance	\$	1,862,562
Budgeted FY 2024 Debt Service	\$	2,063,322
Reserve to Expected Future Payments Ratio		90%

SUSSEX COUNTY VOCATIONAL TECHNICAL 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, Final Budget Report and FY 2024 Budget, respectively.

**SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMENDATIONS
JUNE 30, 2023**

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

Condition: We found the District made open-market purchases of sporting goods for \$31,543, without completing the required procurement actions which would have required obtaining three written quotes.

Context: A similar finding regarding the purchase of uniforms and sporting goods was reported in the previous year’s audit. However, the above purchases were made prior to the District receiving the FY 2022 audit report and making changes to its processes.

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 these materiel purchases:

- 29 Del. C., §6902(18) 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 Purchase Thresholds*, required the following during FY 2023:

<u>Procurement Requirement</u>	<u>Through February 15, 2023</u>	<u>Effective February 16, 2023, to April 12, 2023</u>	<u>Effective April 13, 2023</u>
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: Purchases were made without completing or documenting the required procurement actions.

Effect: By not adhering to the State procurement requirements, and by making purchases in multiple, small dollar amounts instead of aggregating these purchases at the overall District level, the District may not have received the best prices or terms on the materials purchased.

Recommendation: We recommend that the District implement procedures to annually evaluate purchases for compliance with State purchasing and procurement requirements. Specifically, multiple purchases of similar goods or services from the same vendor or purchasing category should be combined and evaluated, in aggregate, against the procurement thresholds and other requirements. While it is difficult to predict what specific needs the District will have for the year in advance, the District can make current-year estimates based on prior years’ purchases. These estimates can then be used as the basis to solicit open market purchases, three written quotes or formal bids depending on the amounts in each category.

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMENDATIONS - CONTINUED
JUNE 30, 2023

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

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

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

Condition: We selected a procurement sample of seven vendors which included four sole source procurements. We found the District's sole source procurement memos and documentation did not include the following elements required by Delaware code:

- Evidence that there is only one source for the goods or services.
- Documentation of the cost or pricing data examined.
- Evidence of specific efforts taken to identify alternative sources for the needed goods or services.

Testing of the four sole source procurements revealed the following:

- Two of the sole source procurements were for the purchase of items specifically exempted from procurement actions such as curriculum.
- Two of the sole source procurements required procurement actions in accordance with the *BAM* and Delaware code as follows:
 - Purchase of large fans in the amount of \$41,014, installed in the Auto Body and Auto Diesel shops to provide better air flow for students and instructors.
 - Purchase of branded iPad cases in the amount of \$196,064 for the District's One-to-One program.

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 these materiel purchases:

- 29 Del. C., §6904(i) states, "A contract may be awarded without competition if the agency head, prior to the procurement, determines in writing that there is only one source for the required contract. Sole source procurement shall not be used unless there is sufficient evidence that there is only one 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".

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMENDATIONS - CONTINUED
JUNE 30, 2023

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

- 29 Del. C., §6925 states:
 - (a) “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. The agency may, for confirmation, submit this documentation to the Section for review and comment prior to the intended date of award”.
 - (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.”

Cause: District personnel responsible for these purchases may not have been familiar with the requirements of the Code and the *BAM* for a sole source procurement.

Effect: By not adhering to the State procurement requirements or documenting their evaluation of other potential vendors, the District may not have received the best prices or terms on the goods purchased.

Recommendation: We recommend that, in the rare cases of sole-source procurements, the District implement procedures to document the steps taken to determine that a sole-source condition exists, the efforts made to locate other vendors, and the price negotiations conducted with the sole-source vendor are in accordance with the Code and the *BAM*.

SUSSEX COUNTY VOCATIONAL TECHNICAL 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 exceptions detailed in Finding Number 1 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.

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
JUNE 30, 2023

Sussex County Vocational Technical School District

17137 County Seat Highway · P.O. Box 351 · Georgetown, DE 19947

Kevin E. Carson, Ed.D.
Superintendent
302-856-2542
www.sussexvt.k12.de.us

March 18, 2025

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

To Whom It May Concern:

RE: "Audit Response"

We respectfully disagree with **Finding # 1 – Purchases Did Not Comply with State Purchasing and Procurement Requirements.**

We feel purchases of athletic equipment/supplies is a fluid process dependent upon multiple variables. Variables would include "wear and tear", number and size of students/athletes needing new uniforms, etc..., and therefore compliance adverse. In looking at prior year expenditures to this particular vendor, we did not feel we would go over our threshold; however, due to unforeseen circumstances, there were more purchases made than anticipated. We will continue to monitor our purchasing patterns.


We respectfully disagree with **Finding #2 – Purchases Did Not Comply with State Purchasing and Procurement Requirements – Sole Source.**

We feel we performed our due diligence in searching for other vendors who could provide a similar product with the specifications we felt were in the best interest for these purchases. The sole source "Big Ass Fans" and "Cellular Accessories for Less" products met our purchase standards. Sole source letters were provided as required by Delaware Code.

We would again suggest state contract (GSS Contract) options for the purchasing of at least athletic equipment/supplies to be made available to all 19 school districts and charter schools.

Respectfully,


Kristen Hatfield
Business Manager


Kevin E. Carson, Ed.D.
Superintendent

The Sussex County Vocational-Technical School District is an equal opportunity employer and does not discriminate on the basis of race, color, creed, religion, gender (including pregnancy, childbirth and related medical conditions), national origin, citizenship or ancestry, age, disability, marital status, veteran status, genetic information, sexual orientation, gender identity or upon any other categories protected by federal, state, or local law. Inquiries regarding non-discrimination policies, should be directed to the Superintendent.

SUSSEX COUNTY VOCATIONAL TECHNICAL SCHOOL DISTRICT
AUDITOR'S RESPONSE
JUNE 30, 2023

In response to the Sussex County Vocational Technical School District's response, we respectfully disagree with the auditee's response to Finding Number 2. The basis for this finding is clearly outlined in 29 Del. C. § 6904(i). While a contract may be awarded without competition if the Superintendent determines, in writing, in advance, that there is only one source for the required contract, sole source procurement is only appropriate when there is *sufficient evidence* demonstrating that there is only one source for the required contract and no other type of goods or service will satisfy the requirements.

For the purposes of demonstrating "*sufficient evidence*," we interpret the Code to require documentation such as:

- Substantiation of a thorough search for multiple vendors capable of supplying the needed product or service.
- Documentation outlining the required specifications that were communicated to potential vendors beyond the selected vendor.
- Written evidence from objective third-parties, such as industry reports or product reviews, that support the sole-source determination.
- An analysis of asset lifecycle costs that justifies the sole source selection.
- Documentation of negotiations with the selected vendor to ensure an advantageous contract.

The Sole Source memos provided by the District did not contain these elements.

Furthermore, we do not consider emails from the selected vendor asserting their status as the "sole source" for the product being purchased by the District to constitute "*sufficient evidence*". The selected vendor is not positioned to provide an objective determination, nor are they likely to possess comprehensive knowledge of how the Delaware Code defines and governs sole source procurement.