



Brandywine School District Local Funds Performance Audit For Year Ended June 30, 2021



L

O

C

A

L

Kathleen K. McGuinness, RPh, CFE
Delaware State Auditor



**KATHLEEN
McGUINNESS
DELAWARE
STATE AUDITOR**

Brandywine School District Local Funds Performance Audit For Year End June 30, 2021

What Was Performed? A performance audit of the design and operation of Brandywine School District's internal controls over Local Funds and compliance with the requirements of the *Delaware Code*, *State of Delaware Administrative Code*, *State of Delaware Budget and Accounting Policy Manual*, *School District Accounting Policies*, and the *School District Budget*.

Why This Engagement? The State Auditor is authorized under 29 Del. C., §2906 to conduct post-audits of local school district tax funds budgets and expenditures. Delaware Code provides for school districts and vocational-technical school districts to levy and collect additional taxes for school purposes upon the assessed value of real estate in the district with some exceptions. For purposes of this report, real estate taxes levied for school purposes are referred to as "Local Funds." The school districts' authority to levy taxes is governed by 14 Del. C., c. 19 for nonvocational districts and by 14 Del. C., c. 26 for vocational districts.

There were four objectives established for the performance audit of the school district:

1. School district internal controls over the expenditure of Local Funds were designed and operated based on requirements in the *Delaware Code*, *State of Delaware Administrative Code*, *State of Delaware Budget and Accounting Policy Manual*, *School District Accounting Policies*, and the *School District Budget*.
2. The school district's internal controls over the receipt of Local Funds were designed and operated in accordance with the requirements.
3. The school district's real estate taxes were approved and calculated in accordance with the requirements.
4. The school district's tuition tax funds were calculated and spent in accordance with the requirements.

In March 2020, the Governor of the State of Delaware declared a state of emergency to mitigate the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021 and included temporary school district closures. In response to the challenges faced by school districts related to teaching, remote learning, nutrition and emotional support to students, State Auditor McGuinness honored requests from school districts to delay this engagement. This accommodation not only fulfilled the needs of school districts but ensured the integrity of the engagement.

What Was Found? Based on the work performed, the following findings were identified:

- **Lack of Approved Purchase Orders for Vendors:** Forty-nine (49) vendors did not have an approved purchase order and 104 vendors had purchase orders for only a portion of the purchases in the state accounting system out of 279 tested vendors with cumulative purchases greater than \$5,000.
- **Non-Compliance with State Procurement Requirements:** One purchase order for \$346,844 did not have the required state procurement actions completed by the district out of five purchase orders tested. The district piggybacked on another School District's expired contract.

The Brandywine School District Local Funds Performance Audit for Fiscal Year Ended June 30, 2021 can be found on our website: [click here](#).

For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.

BRANDYWINE SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2021

	<u>Page No.</u>
Independent Auditors' Report	1
Performance Audit Overview	2
Background	2
District Specific Summary	5
Audit Objectives	5
Audit Scope	5
Audit Methodology and Results	6
Schedule of Findings and Recommendations	12
Conclusion	14
Management Response	15



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

Independent Auditors' Report

Lincoln Hohler, Superintendent
Brandywine School District
1311 Brandywine Boulevard
Wilmington, Delaware 19809

Dear Mr. Hohler:

We present the attached report which provides the results of our performance audit of the Brandywine 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, 2021. The Office of Auditor of Accounts engaged Belfint, Lyons & Shuman, P.A. to conduct a Performance Audit of the Brandywine 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. Brandywine 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.

This report is intended solely for the information and use of the Brandywine 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, 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, General Assembly, Office of the Controller General, Office of the Attorney General, and Office of Management and Budget.

Belfint, Lyons & Shuman, P.A.

August 30, 2022
Wilmington, Delaware

cc: Kathleen McGuinness, RPh, CFE - State Auditor
Angie Thomas - Manager of Finance

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT
JUNE 30, 2021

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 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., c. 19 for nonvocational districts and by 14 Del. C., c. 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.

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.

Brandywine, Christina, Colonial and Red Clay Consolidated School Districts share an additional current expense rate for the New Castle County School District, which remains a school district for tax purposes only. These four districts were created pursuant to a 1981 federal court order to reorganize the New Castle County School District per 14 Del. C., §1028(k). The shared current expense rate is the rate that was in effect in 1981, and the collections are pooled and distributed by the DOE to the four districts based on unit counts in accordance with 14 Del. C., §1925.

Debt Service - Debt service tax rates are levied to cover the local share of the principal and interest payments on bonds funding major capital projects, which per Delaware Administrative Code 401 *Major Capital Improvement Program* are projects costing \$750,000 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

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

BACKGROUND - CONTINUED

Debt Service - Continued - must be approved by the DOE and bond issuances are authorized via voter referendum. Per 14 Del. C., §2116 and §2118(a), with a passing referendum, districts are authorized to levy a debt service tax sufficient to cover the local share of annual principal and interest payments plus 10% for expected delinquencies.

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

The District is required to maintain debt service reserve, within a range of at least four months to 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), extra time, reading and math resource teachers, student success block grants and opportunity funds.

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 Delaware DOE memo issued in December 1998.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

BACKGROUND - CONTINUED

Match - Continued

Minor Capital - Per Delaware Administrative Code 405 *Minor Capital Improvement Program*, minor capital pertains to projects costing less than \$750,000, 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.

Extra Time and Reading Resource and Math Resource Teachers - The FY 2021 Operating Budget Epilogue 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 State of Delaware FY 2021 Operating Budget Epilogue authorizes school districts to assess a local match for costs relating to the Student Success Block Grant appropriations, which are intended for basic special education in grades K-3 and reading assistance in grades K-4.

Opportunity Fund - The State of Delaware FY 2021 Operating Budget Epilogue authorizes school districts to assess a local match for costs associated with Opportunity Fund appropriations intended to cover staffing, contractual services, materials and supplies for English learner and low-income students. Per a June 2019 Delaware DOE Memo, schools are allowed to match on a 70% state and 30% local basis.

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.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

DISTRICT SPECIFIC SUMMARY

The Brandywine School District, located in New Castle County, operates PK-12 schools with over 10,400 students. The Brandywine School District employs over 1,000 employees to educate and support its students. Brandywine has two early education centers, nine elementary schools, three middle schools, and three traditional comprehensive high schools. In addition, the District provides vocational training and opportunities through the SITE Program (Skills for Independence, Transition, and Employment) for 18-21 year-old students with special needs. The Brandywine Board of Education is the governing body of the District. The School Board includes seven elected members who serve five-year terms. For the purposes of this report, Brandywine School District is referred to as 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).

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, 2020 through June 30, 2021. We sampled and examined transactions from the populations of expenditures and receipts of Local Funds for the period from July 1, 2020 through June 30, 2021. 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.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

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 *Budget and Accounting Policy Manual*, 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 minutes of the Board of Education's meetings for the audit period.
 - 4. Identified and reviewed contracts, agreements, and other important documents.
 - 5. Performed risk assessment procedures such as:
 - a. Obtained and documented an understanding of the School District and its environment and identified risks.
 - b. 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 procedures to assess the design and operation of material 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 complied with state and District requirements.
 - 2. To assess the design and operation of payroll internal controls, we sampled and tested transactions from the population of payroll expenditures from Local Funds for the following attributes:
 - a. Verified employee education and experience, which are the main drivers of salaried pay.
 - b. Agreed hourly pay to timecard evidence.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

- c. Tested a sample of bi-weekly payroll expenditures for management's reconciliation, review and approval.
- 3. To assess the design and operation of internal controls over the approval and calculation of real estate taxes, including tuition tax:
 - a. We 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 School District approval.
 - b. Analyzed tax revenue reserves at the beginning and end of the fiscal year.
 - 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 - We found the design of the key internal controls over the expenditure of Local Funds, including payroll, non-payroll and debt service, was in accordance with the requirements, for the period from July 1, 2020 through June 30, 2021.

To assess the operation of the internal controls over non-payroll expenditures of Local Funds, we selected a random sample of 40 disbursement transactions (excluding transactions from tuition Local Funds tested in Objective 4). Our review of the selected transactions determined that the purchases complied with state 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 State of Delaware accounting system. We found that the District did not comply with its own policy requiring an approved, official purchase order for vendors with cumulative purchases in excess of \$5,000 during the fiscal year.

Refer to the Finding #1 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

We also examined a sample of the five largest purchase orders against local funds. We found one of the purchase orders did not comply with State purchasing and procurement requirements.

Refer to the Finding #2 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 1 - Continued

Results - Continued

To assess the operation of the internal controls over payroll expenditures from Local Funds, we selected a random sample of 40 employees paid from Local Funds. To test the employees' salaries, we compared each employee's salary profile in the State's payroll system, Payroll and Human Resource Statewide Technology (PHRST), to education and experience verifications provided by the District. We also compared each employee's salary to the District's approved FY 2021 salary schedules. We agreed hourly pay or extra pay received by the employees to approved timecards without any exceptions.

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.

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

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

Results - Brandywine School District is one of four districts that comprise the New Castle County School District. We recalculated the DOE's distribution of receipts to the four New Castle County School Districts and determined that the DOE accurately distributed the receipts based on the official warrants and code requirements. We found the District properly transferred match tax collections into the corresponding appropriations, upon receipt, based on its match tax calculations.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

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 2021 and concluded the following:

- The District's current expense rate was supported by a referendum passed in May 2016. The New Castle County School District shared current expense rate was agreed to support provided by the DOE and to the District's FY 2021 budget.
- The District assesses a local match tax for the following: Minor Capital, Technology, Reading and Math Resource Teachers, and Student Success Block Grant. We found the District's match tax 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 2021 and FY 2022 and determined that the rate was sufficient to cover debt service expenditures in FY 2021 and provided the District with a reserve of approximately 53.30% of FY 2022 debt payments as summarized below. District debt service reserves held, as of June 30, 2021, were within the range set by the State of Delaware Attorney General.

FY 2021		FY 2021
Actual Debt Service		Actual Debt Service
Tax Collections		Principal and Interest
<u>\$ 7,362,871</u>		<u>\$ 7,356,602</u>
FY 2022		
Debt Service Reserves	Budgeted Debt Service	Reserve to Expected
at June 30, 2021	Principal and Interest	Future Payments
<u>\$ 3,960,933</u>	<u>\$ 7,430,984</u>	<u>53.30%</u>

The sources of the information we accumulated to meet this audit objective are as follows. The FY 2021 Debt Service Collections and FY 2021 Debt Service Reserves were obtained from the June 30, 2021 Daily Validity Report (Document Direct Report DGL060), which is a daily report on the status of appropriations. The FY 2021 and FY 2022 Debt Service Principal and Interest were obtained from debt service schedules presented in the District's FY 2021 Final Budget and FY 2022 Preliminary Budget, respectively.

BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021

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 the tuition tax rate and determined that the rate appeared to be consistent with the District's anticipated need as specified by the requirements. The rate also created an approximately \$3.98 million reserve at the end of FY 2021. We compared actual transfers out to special programs per the general ledger and actual expenditures per Budget to Actual reports for FY 2021. We found that the reserve is sufficient to cover approximately three months of expected tuition-based costs for the District as summarized on the next page.

Transfers Out to Special Programs and Other Districts	\$ 1,607,491
District Expenditures	<u>12,165,613</u>
Total FY 2021 Tuition Tax Transfers and Expenditures	<u>\$ 13,773,104</u>
Total Reserves	<u>\$ 3,978,680</u>
Approximate Number of Months of Expenditures Covered by Reserves	3

The sources of the information we accumulated to meet this audit objective are as follows. The FY 2021 Transfers Out to Special Programs and Other Districts were obtained from the YTD Cumulative Budgetary Report (Document Direct Report DGL011) and the District expenditures were obtained from the June 30, 2021 Daily Validity Report (Document Direct Report DGL060).

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 from tuition tax funds and determined that the purchases complied with state requirements and that the transactions were properly approved by the District as evidenced by approval on invoices and receipts as well as in FSF. We found that the District did not conform to its own purchase order policy requiring an approved, official purchase order for vendors with cumulative purchases in excess of \$5,000 during the fiscal year.

Refer to the Finding #1 in the *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

**BRANDYWINE SCHOOL DISTRICT
LOCAL FUNDS PERFORMANCE AUDIT - CONTINUED
JUNE 30, 2021**

AUDIT METHODOLOGY AND RESULTS - CONTINUED

Objective 4 - Continued

Results - Continued

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

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

BRANDYWINE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2021

Finding Number 1 - Lack of Purchase Orders for Vendors with Cumulative Purchases in Excess of \$5,000

Condition: During FY 2021, the District expended a total of \$16,652,335 on non-payroll related purchases, exclusive of inter- and intra-governmental vouchers, from the following Local Tax funded appropriations: Tuition, Match Tax - Technology, Match Tax - MCIs and Current Expense. Of these purchases, \$15,953,404 were from 279 individual vendors whose cumulative purchases during FY 2021 were more than \$5,000. These vendors met the District's policy criteria requiring an approved, official purchase order for the vendor.

As summarized in the following chart, of the 279 vendors with cumulative purchases in excess of \$5,000 in FY 2021, 126 vendors had an approved purchase order(s) in FSF, 104 vendors had an approved purchase order(s) for a portion of purchases made during the fiscal year, and 49 vendors did not have an approved purchase order in FSF.

	Vendor Count	Purchase Order	No Purchase Order	Total Purchases
Purchase Order(s) for all Purchases	126	\$ 6,548,364	\$ -	\$ 6,548,364
Purchase Order(s) for some Purchases	104	6,813,275	1,041,762	7,855,037
No Purchase Order	49	-	1,550,002	1,550,002
	<u>279</u>	<u>\$ 13,361,640</u>	<u>\$ 2,591,764</u>	<u>\$ 15,953,404</u>

Criteria: The Brandywine Financial Procedure Manual, adopted on October 10, 2018, was in effect during FY 2021. The District's purchasing policy requires *"All purchases to a vendor for more than \$5,000 require an approved official purchase order prior to creating an order. An approved official purchase order is required for purchases made to any vendor whose cumulative total for a fiscal year will be more than \$5,000."*

Cause: The District applied certain exceptions to the Financial Procedure Manual for specific types of transactions. These exceptions were not documented or formally adopted by the District.

Effect: By not requiring purchase orders for vendors whose cumulative total for the fiscal year was greater than \$5,000, the District was not in compliance with the policies contained within its Financial Procedure Manual.

Recommendation: We recommend the District implement the following:

- Strengthen its controls over the review and approval of purchases under \$5,000 to ensure that approved purchase orders are in place for vendors with expected cumulative purchases that will exceed \$5,000.
- Document and formally adopt exceptions to policies in the Financial Procedure Manual.

View of Responsible District Officials and Planned Corrective Actions: Refer to Management Response section.

BRANDYWINE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED
JUNE 30, 2021

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

Condition: Of the five purchase orders tested for compliance with the requirements, one did not comply with the State's procurement requirements.

We found the District purchased \$346,844 in behavioral therapy services from Therapy Travelers during FY 2021 without completing the required procurement actions. The District "piggybacked" on another District's expired contract that was awarded to Therapy Travelers for physical and occupational therapy and speech-language pathology services in a prior year. Per the codification of the Individuals with Disabilities Education Act (IDEA) in Title 20, United States Code, Section 1401, these services are all defined as Related Services.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C. c. 69.

- Chapter 5 *Procurement*, Section 5.3.3 *Professional Services Thresholds* of the *BAM* requires a formal request for proposal (RFP) for professional service purchases that are \$50,000 and over on a contract-by-contract basis.
- 29 Del. C., §6902(20) defines Professional Services as services which generally require specialized education, training or knowledge and involve intellectual skills.
- 29 Del. C., §6904(e) states:
"If no state contract exists for a certain good or service, covered agencies may procure that certain good or service under another agency's contract so long as the arrangement is agreeable to all parties. Agencies, other than covered agencies, may also procure such goods or services under another agency's contract when the arrangement is agreeable to all parties."

Cause: The District did not procure the services in accordance with the *BAM* requirements. The District utilized another district's contract without first confirming the contract was still in effect and extended for FY 2021.

Effect: By not procuring the services through a formal RFP, the District increased its risk that it did not obtain the best price or quality for these services.

Recommendation: We recommend that the District implement the following:

- Procedures to properly evaluate purchases for compliance with formal procurement requirements.
- Procedures to document its decisions when procuring services under another agency's contract.

View of Responsible District Officials and Planned Corrective Actions: Refer to Management Response section.

BRANDYWINE SCHOOL DISTRICT
CONCLUSION
JUNE 30, 2021

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

Objective 1 - The School District's internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements with the exception that one purchase that did not comply with State purchasing and procurement requirements and the exception that the District did not comply with its own purchase order policy,

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

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

Objective 4 - The School's District's tuition tax funds were calculated and spent in accordance with the requirements, with the exception that the District did not comply with its own purchase order policy.

**BRANDYWINE SCHOOL DISTRICT**

1311 Brandywine Boulevard
Wilmington, DE 19809-2306

302-793-5000
brandywineschools.org

LINCOLN HOHLER
Superintendent

JOHN A. SKROBOT, III
President, Board of Education

JASON HELLER
Vice President, Board of Education

August 30, 2022

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

Dear Sir,

The Brandywine School District recognizes the importance of following both the State and district internal controls. Though the district complied with all State and Federal guidelines as it relates to purchasing, we do recognize that the districts' own internal procedure was outdated and needed to be increased above the previous \$5,000 threshold. We also recognize that though it has been our practice to allow for exceptions when approved by the Chief Financial Officer, that was not specifically stated in our internal control procedures. Both a threshold increase and a written statement related to the allowability of exceptions has been added to the districts' procedure manual that is consistent with existing practices. This should alleviate any further issues related to this matter.

The District also recognizes the importance of obtaining the necessary documentation related to "piggybacking" off of existing contracts. Though the district fully believes that we complied with this standard and were "piggybacking" off of another districts contract, we recognize that the documentation was not properly included along with the purchase. We will ensure moving forward that all the necessary documentation is attached. We will also ensure there is a careful review of the services provided by the existing contract vendor and ensure that the services performed are aligned with those services being sought. We recognize that many educational services and related services overlap creating ambiguity as it relates to the service provided.

Lincoln Hohler
Superintendent
Brandywine School District