

LAKE FOREST SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**STUDENT ACCOUNTING AND ENROLLMENT AS OF
SEPTEMBER 30, 2010**

**AUTHORIZED POSITIONS AND OCCUPATIONAL
VOCATIONAL FUNDS, FISCAL YEAR ENDED JUNE 30, 2010**

Issuance Date: May 5, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report on Applying Agreed-Upon Procedures



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The Honorable Lillian M. Lowery, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19901

Dr. Daniel D. Curry
Superintendent
Lake Forest School District
5423 Killens Pond Road
Felton, DE 19443

Dear Secretary Lowery and Dr. Curry:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Lake Forest School District (District), solely to assist you, the specified parties, in evaluating the compliance and effectiveness of the District's internal control over compliance with *Delaware Code*, Title 14, Chapters 13 and 17, Senate Bill 385 and *Delaware Administrative Code* Title 14, Subsections 525, 701 and 925. Procedures were performed for student accounting and enrollment as of September 30, 2010. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for Fiscal Year ended June 30, 2010. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Criteria

The State of Delaware *Budget and Accounting Policy Manual* states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual

Agreed-Upon Procedure Number 1 - continued:

Criteria - continued

states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware regulations provide guidance on processes it considers necessary for adequate written internal controls over preparing, reviewing and reporting the September 30 student count. Additional guidance is outlined in the *DOE's Instructions for Unit Count Reporting in eSchoolPlus* dated July 2010, and the *2010 Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30th Enrollment and Unit Computation*.

Condition

We obtained the District's written policies and procedures regarding the September 30 student count, and determined the District documented standardized attendance taking procedures within its September 30 student count policy manual; however, when schools printed their Full Student Register Reports standardized attendance codes were not being reflected on the report.

Cause

The District was unaware on how to adjust the Full Student Register Report in order for the standardized attendance codes to be correctly reflected.

Effect

Tardy students were reported as absent on the Full Student Register Report. As a result, the Full Student Register Report did not reflect accurate attendance information during the ten-day count period.

Recommendation: It is our recommendation the District require its schools to implement the use of standardized attendance codes when preparing their Full Student Register Report to ensure accurate attendance information is being retained and reported to the DOE.

District Response: Our attendance views are set to bucket each individual attendance code into the codes of TOTE or TOTU. This works in accordance with our attendance policy, in particular how we calculate days absent and is why you cannot see the specific codes on the Full Student Register Report. Each individual student's attendance report does specify the individual codes. In addition, the End-of-Day Teacher Status Report also provides the specific codes. We do require the buildings to have this report signed by teachers and on file. The District will look at our Attendance Views setup in *eSchoolPlus* to see if we can make an adjustment so the individual codes will show.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Criteria

Delaware Administrative Code, Title 14, Chapter 700, Subsection 701 entitled “Unit Count” mandates each school to assemble a comprehensive enrollment file that contains all necessary support materials to substantiate the enrollments reported. For students not in attendance at school during the last 10 school days of September during which students are required to be in attendance, specific information shall be on file to substantiate their inclusion in the enrollment count.

Condition

We obtained documentation from the District including attendance registers and other support to determine if students were properly included in or excluded from the enrollment figures. During our procedures, we found the District properly reported an enrollment figure of 3,953 students to the DOE.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE’s Special Education Regulations 922-929 and calculate the dollar impact of disallowed students, if applicable.

Criteria

Delaware Administrative Code, Title 14, Chapter 900, Subsection 925 entitled “Children with Disabilities Subpart D, Evaluations, Eligibility Determination, Individualized Education Programs”

Condition

We selected a total of 54 IEP files. All files were current and contained the required documentation in accordance with the *Delaware Administrative Code*, Title 14, Chapter 900, Subsection 925.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students’ files contain the required documentation in accordance with the DOE’s Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Agreed-Upon Procedure Number 4 - continued:

Criteria

Delaware Administrative Code, Title 14, Chapter 500, Subsection 525 entitled “Requirements for Career and Technical Education Programs”

Condition

We selected three Cooperative Education Program files, the entire population. All files were current and contained the required documentation in accordance with the DOE’s Administrative Directives.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District’s control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District’s control procedures for monitoring and tracking salaries charged to the State’s general fund are adequate.

Criteria

The State of Delaware *Budget and Accounting Policy Manual* states, “Department or agency heads are responsible for establishing and maintaining an effective system of internal control.” Further, the manual states, “A well designed system of controls must include written policies and procedures to ensure that each control objective is met.” State of Delaware’s regulations provide guidance on processes it considers necessary for adequate internal controls over monitoring, tracking and reconciling the number of employees and salaries charged to the State’s general fund.

Condition

We obtained the District’s written policies and procedures for monitoring, tracking and reconciling the number of employees and monitoring and tracking salaries charged to the State’s general fund. During our review of these procedures, we determined the District maintained written policies and procedures to ensure that each control objective is met.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per *Delaware Code*, Title 14, Chapter 13.

Criteria

Delaware Code, Title 14, Chapters 13 and 17 entitled “Salaries and Working Conditions of School Employees” and “State Appropriations”

Condition

For the Fiscal Year ended June 30, 2010, the District was authorized 375.57 positions as determined by the *Delaware Code*, Title 14, Chapters 13 and 17. According to the payroll report detailing wages paid on January 15, 2010, the District paid 355.82 state funded positions and was operating within its number of authorized positions by category for this pay period.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with *Delaware Code*, Title 14, Chapter 13:

Superintendents	100%
Assistant Superintendents	100%
Principals	100%
Directors	100%
Classroom Teachers	10%

Criteria

Delaware Code Title 14, Chapter 13 entitled “Salaries and Working Conditions of School Employees”

Condition

We recalculated the annual salaries of one superintendent, six principals, one director and 30 teachers, utilizing the payroll report detailing wages paid on January 15, 2010, in accordance with *Delaware Code*, Title 14, Chapter 13. Our calculation found these employees were paid in accordance with *Delaware Code*, Title 14, Chapter 13.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Agreed-Upon Procedure Number 1 - continued:

Criteria

Delaware Code, Title 14, Chapter 17, Subsection 1706 entitled “Determination of Amount of Division II Appropriation”

Condition

The District chose not to request a waiver from the DOE; therefore, the District must comply with the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding. Refer to Occupational-Vocational Unit Division II Funds *Agreed-Upon Procedures Number 2 and 3* for procedures performed regarding compliance with this requirement

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if Fiscal Years (FY) FY2009 and FY2010 occupational-vocational funds expended from July 1, 2009 through June 30, 2010 were (1) expended for State-approved occupational-vocational courses and programs within the District, (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS). Our sample was selected as follows:

For funds received during FY09 (0265-09 funding) but spent during FY10, and for funds received and spent during FY10 (0265-10 funding), select 10 transactions between the range of \$100 to \$1,000 and 20 percent of transactions greater than \$1,000 or a minimum of 5 transactions (whichever is greater).

Criteria

Delaware Code, Title 14, Chapter 17, Subsection 1706 entitled “Determination of Amount of Division II Appropriation”

Condition

We examined the following:

Funding Year	Number of Expenditures		Total Dollar Amount of Expenditures	
	Population	Sample	Population	Sample
FY 09	173	15	\$ 53,623	\$ 14,033
FY 10	178	15	42,005	18,164

Agreed-Upon Procedure Number 2 - continued:

Condition - continued

All expenditures were determined to be (1) expended for State-approved courses and programs within the District, (2) supported by adequate documentation and (3) were properly coded in DFMS.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY09 and FY10 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Criteria

Delaware Code, Title 14, Chapter 17, Subsection 1706 entitled "Determination of Amount of Division II Appropriation"

Condition

Our procedure determined that FY09 occupational-vocational funds were misappropriated as follows:

	<u>Fiscal Year 2009 Occupational- Vocational Funds Authorized</u>	<u>Fiscal Year 2009 Occupational- Vocational Funds Expended</u>
Lake Forest High School	\$75,631	\$81,155

Cause

The District failed to compare their manual calculation to the calculation prepared and reported to them by the State of Delaware. A comparison would have offered the District a chance to identify and correct the misappropriation.

Effect

Lake Forest High School expended a total of \$5,524 of FY09 occupational-vocational funding to which they were not entitled. As a result, W.T. Chipman Middle School did not receive \$5,524 of entitled FY09 occupational-vocational funding.

Recommendation: It is our recommendation that in order to comply with *Delaware Code*, Title 14, Chapter 17, Subsection 1706, the District repay \$5,524 from local funds to appropriation FY09 0265 and make those funds available to W.T. Chipman Middle School.

Agreed-Upon Procedure Number 3 - continued:

District Response: The District will contact the DOE for instruction on how they would like the District to proceed with the above recommendation.

Status of Prior Year Finding and Recommendation: No finding was reported in our prior report dated January 8, 2008.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, the Department of Finance, and the Office of the State Treasurer.

Bellini, Lyons & Shuman, P.A.

January 26, 2011
Wilmington, Delaware

Distribution of Report

Copies of this report have been distributed to the following public officials:

Executive Branch

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Thomas J. Cook, Secretary, Department of Finance
The Honorable Ann S. Visalli, Director, Office of Management and Budget
Mr. Kristopher Knight, Director, Division of Accounting, Department of Finance
The Honorable Lillian Lowery, Ed.D., Secretary, Department of Education
Ms. Karen Field Rogers, Associate Secretary, Financial Reform and Resource Management, Department of Education
Mr. Robert Czeizinger, Director, Technology Resources and Data Development, Department of Education
Ms. Emily Falcon, Director, Financial Reform and Resource Management, Department of Education
The Honorable R. Thomas Wagner, Jr., State Auditor, Office of Auditor of Accounts

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General
The Honorable Chipman Flowers, Jr., Esq., Treasurer, Office of the State Treasurer

Other

Mrs. Ronda A. Swenson, President, Lake Forest School District Board of Education
Mr. John A. Schulties, Vice President, Lake Forest School District Board of Education
Dr. Daniel D. Curry, Superintendent, Lake Forest School District

This report can be accessed online through the Auditor of Accounts (AOA) website at <http://auditor.delaware.gov>.