

CAPE HENLOPEN SCHOOL DISTRICT

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

**STUDENT ACCOUNTING AND ENROLLMENT AS OF
SEPTEMBER 30, 2011**

**AUTHORIZED POSITIONS AND OCCUPATIONAL -
VOCATIONAL FUNDS, FISCAL YEAR ENDED JUNE 30, 2011**

Report Issued: March 13, 2012

**B E L F I N T
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S H U M A N**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

Kevin E. Carson, Ed.D.
Superintendent
Cape Henlopen School District
1270 Kings Highway
Lewes, DE 19958

Dear Secretary Lowery and Dr. Carson:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Cape Henlopen 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, 2011. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for Fiscal Year ended June 30, 2011. 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 states, "A well-designed system of controls must include written policies

Agreed-Upon Procedure Number 1-continued:

Criteria-continued

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 2011, and the *2011 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. Our review determined that the necessary processes identified by the State of Delaware are included in the District's written policies and procedures.

DOE’s *Instructions for Unit Count Reporting in eSchoolPlus* requires each building administrator within the District to generate, print, verify, sign and maintain in their September 30 audit file a Full Student Attendance Register Report. Our procedures determined all building administrators within the District failed to sign their Full Student Attendance Register Report.

Cause

Building administrators believed their signature on their schools’ Needs Based Detail by School Report was sufficient to satisfy DOE requirements. We have consulted with DOE who has confirmed that in order for a District to be in compliance with DOE’s *Instructions for Unit Count Reporting in eSchoolPlus* both the Full Student Attendance Register and Needs Based Detail by School Reports must be signed.

Effect

All schools within the District failed to maintain an audit file meeting DOE requirements.

Recommendation: It is our recommendation the District implement a review process ensuring each school within the District has followed the DOE’s requirements for reporting and documenting September 30 enrollment figures.

District Response: The District agrees with the above recommendation and will update District procedures and policies so that similar findings do not occur in the future.

Status of Prior Year Finding and Recommendation: The District implemented the recommendation from our prior and most recent agreed-upon procedure report dated February 10, 2009, regarding the implementation of written policies and procedures over the District’s September 30 student count.

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 enrollment figures reported to the DOE. Our procedures determined the following:

| <u>School</u> | <u>Condition</u> |
|---------------------------|---|
| Cape Henlopen High School | One eleventh grade student who withdrew on September 20, 2011 was improperly included in the District's September 30 student count. |
| Cape Henlopen High School | One eleventh grade student who withdrew on March 8, 2011 was improperly included in the District's September 30 student count. |
| Cape Henlopen High School | One eleventh grade student whose expected return date was November 2, 2011 was improperly included in the District's September 30 student count. A student must have on file an expected return date no later than November 1 to be eligible for inclusion in the September 30 student count. |
| Cape Henlopen High School | Four eleventh grade students eligible to be included in the District's September 30 student count were improperly excluded. |
| Sussex Consortium | One third grade student was improperly reported in the District's September 30 student count as a second grade student. |

Cause

The District failed to properly review enrollment figures and ensure all reported students met the reporting requirements stated in *Delaware Administrative Code*, Title 14, Chapter 700, Subsection 701 entitled “Unit Count.”

Agreed-Upon Procedure Number 2-continued:

Effect

The District improperly reported enrollment figures to the DOE. As a result, the District incorrectly received .15 units, equivalent to \$10,914 in State funding.

Recommendation: It is our recommendation the District repay the State of Delaware \$10,914 and thoroughly review with its schools *Delaware Administrative Code*, Title 14, Chapter 700, Subsection 701 entitled "Unit Count."

District Response: The District agrees with the above finding and will take the necessary steps to address the recommendation.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported the district improperly reported nine students and recommended the District consult with the DOE regarding the repayment terms of \$36,080 as a result of the improper reporting. During our current year procedures, new District administration began the process of determining if our previous recommendation of the \$36,080 repayment was implemented. The District is still investigating this matter but has acknowledged that this recommendation will be implemented if the District cannot obtain support of an earlier repayment. In addition, the District has implemented a review process over the September 30 student count as a result of our prior year recommendation; however, similar findings were noted during our current year procedures.

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. 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, and Individualized Education Programs"

Condition

We selected a total of 84 IEP files. All files selected contained the required documentation in accordance with *Delaware Administrative Code*, Title 14, Chapter 900, Subsection 925.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported no finding and recommendation for this procedure.

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. Calculate the dollar impact of disallowed students, if applicable.

Criteria

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

Condition

We selected a total of 10 Cooperative Education and Diversified Education Program files. All files selected contained the required documentation in accordance with *Delaware Administrative Code*, Title 14, Chapter 500, Subsection 525.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported no finding and recommendation for this procedure.

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 the amount of salary expense 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. Our

Agreed-Upon Procedure Numbers 1 and 2-continued:

Condition-continued

review determined that the necessary processes identified by the State of Delaware are included in the District's written policies and procedures.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported no finding and recommendation for this procedure.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per *Delaware Code*, Title 14, Chapters 13 and 17.

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, 2011, the District's authorized number of positions as calculated per the *2010-2011 Position Entitlement Report* was 560.27. This amount must be adjusted down by the number of positions assigned to certain special needs programs that do not exist within the District. As a result, 560.27 of total authorized positions less .59 special needs positions not operational at the District resulted in an adjusted authorized position amount of 559.68 for the Fiscal Year ended June 30, 2011.

As determined by the payroll report detailing wages paid on March 26, 2011, the District paid 546.27 positions and was operating within its number of authorized positions by category.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported no finding and recommendation for this procedure.

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% |

Agreed-Upon Procedure Number 4-continued:

Criteria

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

Condition

We recalculated the annual salaries of 1 superintendent, 1 assistant superintendent, 2 directors, 8 principals, and 38 teachers utilizing the payroll report detailing wages paid on March 26, 2011. All employees selected, as detailed above, were found to have been paid in accordance with *Delaware Code*, Title 14, Chapter 13.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported a principal did not receive \$569 in entitled Fiscal Year 2008 salary compensation and recommended the District consult with the DOE and the principal to determine an appropriate form of restitution. This had not been completed; however, the District has indicated they will take the necessary steps to address and implement our previous recommendation.

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 ninety percent (90%) requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

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: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported no finding and recommendation for this procedure.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if Fiscal Years (FY) 2010 and 2011 occupational-vocational funds expended from July 1, 2010 through June 30, 2011 were (1) expended for State-approved occupational-vocational courses and programs within the District,

Agreed-Upon Procedure Number 2-continued: (2) supported by adequate documentation and (3) properly coded in the First State Financial System (FSF). Our sample was selected as:

For funds received during FY2010 (0265-10 funding) but spent during FY2011, and for funds received and spent during FY2011 (0265-11 funding), select 10 transactions between the range of \$100 to \$1,000 and twenty percent (20%) 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:

| <u>Funding Year</u> | <u>Number of Expenditures</u> | | <u>Total Dollar Amount of Expenditures</u> | |
|-------------------------|-------------------------------|---------------|--|---------------|
| | <u>Population</u> | <u>Sample</u> | <u>Population</u> | <u>Sample</u> |
| FY2010 | 39 | 15 | \$ 101,506 | \$ 72,526 |
| FY2011 | 164 | 15 | 77,325 | 14,519 |

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

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported no finding and recommendation for this procedure.

Agreed Upon Procedure Number 3: Review financial records to determine if FY2010 and FY2011 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”

Agreed Upon Procedure Number 3-continued:

Condition

Our procedure determined that FY2010 occupational-vocational funds were misappropriated as follows:

| | FY2010 Occupational- Vocational Funds Generated | FY2010 Occupational- Vocational Funds Expended | Misappropriation |
|---------------------------|--|---|------------------|
| Cape Henlopen High School | \$ 113,177 | \$ 136,239 | \$ 23,062 |
| Beacon Middle School | 15,001 | 5,629 | (9,372) |
| Mariner Middle School | 15,246 | 15,201 | (45) |
| Sussex Consortium | <u>19,385</u> | <u>5,740</u> | <u>(13,645)</u> |
| Total | <u>\$ 162,809</u> | <u>\$ 162,809</u> | <u>\$ -</u> |

Cause

The District failed to reconcile each school's occupational-vocational funds expenditures with each school's authorized amount.

Effect

Cape Henlopen High School expended \$23,062 of FY2010 occupational-vocational funds which it did not generate. As a result, Beacon Middle School, Mariner Middle School and Sussex Consortium did not receive the opportunity to expend the full amount of FY2010 occupational-vocational funds that their school generated.

Recommendation: It is our recommendation that the District repay through local funds \$9,372, \$45 and \$13,645 to Beacon Middle School, Mariner Middle School and Sussex Consortium, respectively.

District Response: The District agrees with the above finding and will take the necessary steps to address the recommendation.

Status of Prior Year Finding and Recommendation: In our prior and most recent agreed-upon procedure report dated February 10, 2009, we reported Beacon Middle School incorrectly expended \$481 of FY2008 occupational-vocational funding and recommended the District repay this amount through

Agreed Upon Procedure Number 3-continued:

Status of Prior Year Finding and Recommendation-continued: local funds making it available to the schools within the District that generated the funding. District officials could not verify or substantiate that our previous recommendation had been implemented. As a result, during current year procedures the District has taken the necessary steps for implementation.

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 Controller General, Office of Attorney General, Office of Management and Budget, the Department of Finance, and the Officer of the State Treasurer.

Belfint, Lyons & Shuman, P.A.

January 24, 2012
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

Legislative Branch

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

Other Elective Offices

The Honorable R. Thomas Wagner, Jr., State Auditor, Office of Auditor of Accounts
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

Dr. Sara Wilkinson, President, Cape Henlopen School District Board of Education
Mr. Andy Lewis, Vice President, Cape Henlopen School District Board of Education
Dr. Kevin E. Carson, Superintendent, Cape Henlopen School District

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