CHRISTINA SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2024

CHRISTINA SCHOOL DISTRICT LOCAL FUNDS PERFORMANCE AUDIT

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2024

BACKGROUND

Performance audits are used to evaluate the efficiency and effectiveness of an organization's operations. The objective of this performance audit is to provide management, the Christina School District Board of Education and the State of Delaware with information to improve performance, public accountability, and transparency.

The purpose of this performance audit is to determine whether the District's operations over the collection and spending of local school district property tax funds complied with relevant laws and regulations. Our performance audit addressed the following areas:

- The tax rate setting process
- Payments for services and supplies
- Employee compensation and payroll processing

The Auditor of Accounts is mandated by 29 Del. C., §2906(f) to perform annual audits of local school district tax funds. Under Delaware Code[1], school districts may levy and collect taxes for school purposes upon the assessed value of all taxable real estate in the district.

KEY INFORMATION AND FINDINGS

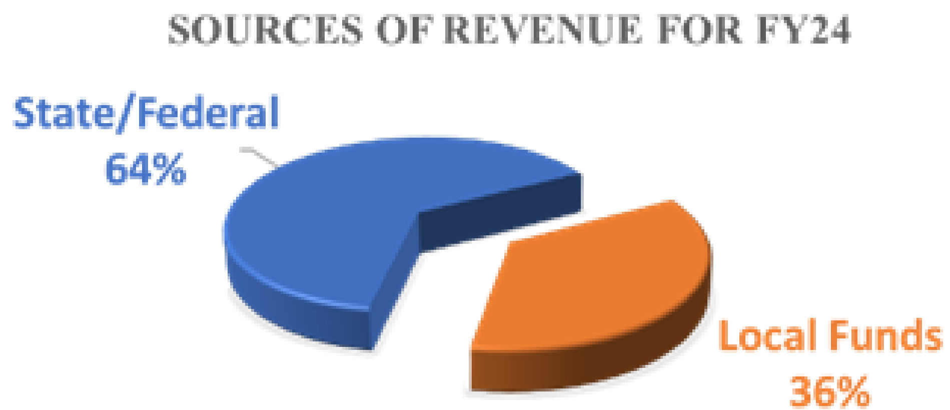
Performance audit testing of the rate-setting process revealed the District's management and Board of Education analyzed expected spending and set the FY 2024 tax rates to provide adequate revenues, as summarized here.

- The District's FY 2024 current expense tax rate was set by referendum in 2020.
- Revenues from the District's debt service and tuition tax rates were consistent with expenditures.
- The District's debt service reserve of $2,757,297 as of June 30, 2024 complied with the State of Delaware requirements.

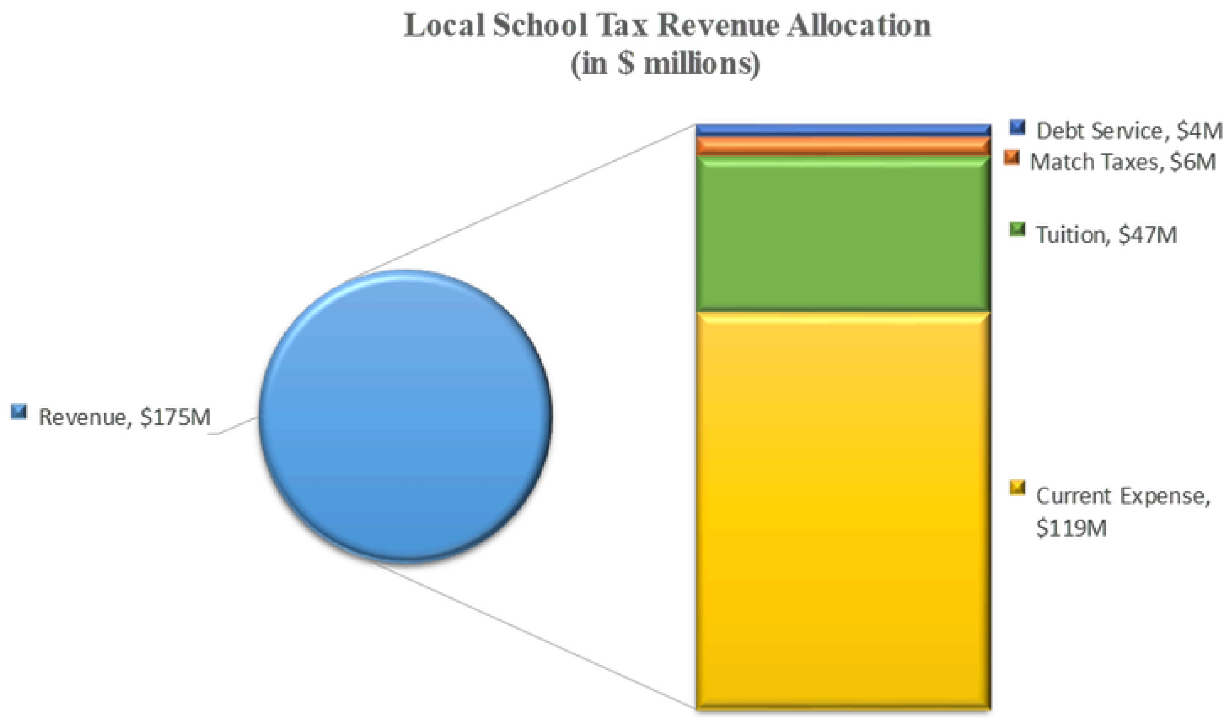
Christina School District Quick Facts

K-12 Schools	Special Schools	Students Served	Employees
22	11	13,264	3,300

KEY INFORMATION AND FINDINGS CONTINUED



The District allocates the local property tax funds received by their intended purpose (current expense, debt service, tuition, and match taxes). We found that the allocation was consistent with the tax rates approved by the Board of Education. The four components of local school tax revenue allocations are summarized below:



KEY INFORMATION AND FINDINGS CONTINUED

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

Testing identified the following conditions that are reported as findings:

- District purchases of repair and maintenance services did not follow state procurement laws and District procurement policies
- District payroll policies do not properly segregate responsibilities of the payroll function.
- District payroll policies do not require appropriate review and approval of payroll changes.
- District changes to administrator pay rates were not memorialized in accordance with District policy.

The potential exposure to the State of the weakness in purchasing internal controls is that it increases the risk that the District would make purchases without first obtaining the best prices and terms. The potential exposure to the State of the weakness in payroll internal controls, improper segregation of duties, described above, is that it increases the risk of error and fraud occurring, and not being detected, in the payroll process. The potential exposure to the State of the weaknesses in payroll internal controls, no proper review, approval, and documentation of changes to employee payroll, is that it increases its risk that erroneous or fraudulent information is entered into PHRST and not detected.

CHRISTINA SCHOOL DISTRICT

LOCAL FUNDS PERFORMANCE AUDIT AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2024

CHRISTINA SCHOOL DISTRICT
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JUNE 30, 2024

BELFINT • LYONS • SHUMAN
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Independent Auditor's Report

Dr. Deirdra Joyner, Superintendent
Christina School District
1899 S. College Avenue
Newark, Delaware 19702

Dear Dr. Joyner,

We present the attached report which provides the results of our performance audit of the Christina 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, 2024. The Office of Auditor of Accounts engaged Belfint, Lyons & Shuman, P.A. to conduct a Performance Audit of the Christina 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. The Christina 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 Christina School District, the Delaware Department of Education, and the Office of Auditor of Accounts, and is not intended to be, and should not be, used by anyone other than these specified parties. Under 29 Del. C. §10002(o), this report is a matter of public record, and its distribution is not limited. This report, as required by statute, will be provided to the Office of the Governor, Office of the Controller General, General Assembly, Office of the Attorney General, and Office of Management and Budget.

Belfint, Lyons & Shuman, P.A.

April 2, 2026
Wilmington, Delaware

cc: Lydia E. York - State Auditor
Robert Vacca - Chief Financial Officer

1011 Centre Road • Suite 310 | Wilmington • DE 19805 | Phone: 302.225.0600 | Fax: 302.225.0625

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[1]. 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. 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.
>
> Brandywine, Christina, Colonial, and Red Clay Consolidated School Districts share an additional current expense rate for the former 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.

[1] 14 Del. § 1902 authorizes School Districts to levy taxes for school purposes.

BACKGROUND - CONTINUED

Laws and Regulations - Continued

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.

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

- Attorney General Opinion 89-I017 from 1989 stated that, per the DOE, a sufficient reserve is at least four months of the following fiscal year's debt service payments.

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

Tuition - Tuition tax rates are levied to cover educational expenses for in-district and out-of-district placements of students in special programs and schools. The rate is set annually by the school board based on anticipated needs in the district and does not require a voter referendum.

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, opportunity fund, and substitute teacher block grant. The following summarizes the significant match taxes authorized for the year ended June 30, 2024:

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.

BACKGROUND - CONTINUED

Laws and Regulations - Continued

<u>*Match - Continued*</u>

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

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

Extra Time and Reading Resource and Math Resource Teachers - In accordance with 14 Del. C., §1902(b), the FY 2024 Operating Budget Epilogue Sec. 348 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 2024 Operating Budget Epilogue Sec. 357 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.

BACKGROUND - CONTINUED

Laws and Regulations - Continued

Match - Continued

Opportunity Fund - The FY 2024 Operating Budget Epilogue Sec. 354 authorizes school districts to assess a local match for costs associated with the Opportunity Fund appropriations intended to enhance services and provide additional supports to English Learner and low-income students, as well as be used for mental health services and/or for additional reading supports for grades K through 5. Per a June 2019 DOE Memo, schools are allowed to match on a 70% state and 30% local basis.

Substitute Teacher Block Grant - The State of Delaware FY 2024 Operating Budget Epilogue Sec. 370 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.

Year-End Required Reserves - Districts are required by 14 Del. §1507 to hold sufficient local reserves at the end of each fiscal year to satisfy the local portion of payroll expenditures during the period from July 1st through October 15th of the subsequent fiscal year plus one month's payroll expenditures after adjusting for 75% equalization funding (referred to as Division III Funding) expected to be received. If a deficit is projected, the district must report its plan to meet payroll. If the surplus is less than one month's local payroll, the district must report its plan to ensure a sufficient balance in the following fiscal year.

DISTRICT SPECIFIC SUMMARY

The Christina School District, located in New Castle County, operates K-12 schools with over 13,500 students. The Christina School District employs over 3,300 employees to educate and support its students. Christina has three early education centers, 14 elementary schools, two elementary/middle schools, three middle schools, and three traditional comprehensive high schools. In addition, the District is home to the Brennen School/Delaware Autism Program, Christina REACH Program, Delaware School for the Deaf, Douglass School, Middle School Honors Academy at Christiana High School, Montessori Academies at Christina, Networks School for Employability Skills, and Sarah Pyle Academy. The Christina School District Board of Education is the governing body of the District. The School Board includes seven elected members who serve four-year terms. For the purposes of this report, Christina 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).

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, 2023 through June 30, 2024. We sampled and examined transactions from the populations of expenditures and receipts of Local Funds for the period from July 1, 2023 through June 30, 2024. 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

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.

AUDIT METHODOLOGY - CONTINUED

3. Reviewed the Board of Education's meeting minutes for the audit period to identify unusual transactions or matters which impact activities funded by the District's Local real estate tax funds.

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.

    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.

7. We determined that we could rely on the internal controls in the State's First State Financials Accounting System (FSF) and the State's Payroll Human Resource Statewide Technology (PHRST) system for our Performance Audit. This conclusion was based on our review of the following documents:

    a. The State's System and Organizational Controls (SOC 1), Type II Report: Covering the period from April 1, 2023 through March 31, 2024, issued by the State's Independent Service Auditor.

    b. The State's Management Confirmation (Bridge Letter): Covering the subsequent period from April 1, 2024 through June 30, 2024, issued by the Department of Finance.

AUDIT METHODOLOGY - CONTINUED

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 and the requirements as defined previously. The following chart provides a summary of the Performance Assessment procedures performed:

Objective Testing Procedures	Key Areas Tested	Requirements Assessed
Objective 1: Expenditure Controls		
Disbursement testing, procurement testing, payroll testing.	Design and operation of controls over Local funds' and Local Tuition Tax funds' disbursements, including tests of purchasing cards, single payment suppliers, and procurement. Design and operation of controls over Local funds' and Local Tuition Tax funds' payroll, including payroll changes, and approvals.	Delaware Code, State Administrative Code, *BAM*, District Accounting Policies, District Budget
Objective 2: Receipt Controls		
Budgetary process, tax warrants and receipt recording testing.	Design and operation of controls over Local Fund receipts, including budgetary process, tax warrants, and monthly receipt recording.	Delaware Code, State Administrative Code
Objective 3: Real Estate Tax Approval and Calculation		
Budget, tax warrant, and reserve analysis.	Approval process, tax calculations, and reserve compliance.	Delaware Code, referendum requirements, Delaware Attorney General's opinions
Objective 4: Tuition Tax Calculation and Expenditure		
Tuition tax disbursement, payroll, budget, and reserve analysis.	Tuition tax calculations, expenditure alignment with special education purposes and reserve compliance.	Delaware Code, District policies

AUDIT METHODOLOGY - CONTINUED

I. To assess the design and operation of internal controls with respect to Audit Objectives 1 and 4, we conducted the following:

1. To assess the design of disbursement related internal controls, we analyzed the information gathered in the Planning Phase regarding the following internal control structures:

    a. Disbursements from all Local Funds including disbursements funded partly with State of Delaware General Fund or Federal appropriations.

    b. District Purchasing Procedures

2. To assess the operation of disbursement internal controls and the District's compliance with the requirements, we selected and tested random samples[2] of disbursement transactions funded with Local Taxes. We obtained supporting documents from the District to determine if the related products and services were received; transactions were properly documented, authorized, recorded; and that transactions complied with the requirements. We selected the following samples:

    a. A sample of disbursements funded by non-tuition tax funded appropriations: We identified purchases made using State-wide contracts (Contracts entered into by the Office of Management and Budget's (OMB), Government Support Services Division (GSS)). We selected a subsample of transactions with State-wide contract vendors to verify that District's purchases complied with the terms of the State-wide contracts.

    b. We selected a sample of disbursements funded by the District's tuition tax funds to determine if the expenditures were consistent with the purpose set forth for use of the tuition tax.

[2] We selected samples that are sufficient to provide a high level of reliance (95% confidence level) on the operational effectiveness of the internal controls and compliance requirements being tested for the audit period. Sample sizes are based on the degree of planned control reliance along with assessed risk to achieve sufficient evidence to support findings and conclusions.

AUDIT METHODOLOGY - CONTINUED

3. To assess operation of procurement internal controls, we summarized the District's purchases into risk-based categories. The following categories[3] were identified for sampling during the planning phase:

   a. Cumulative Purchasing Card expenditures by vendor, with consideration to other non-purchasing card payments to the vendor, to test whether single payments (or multiple payments for similar products or services) may have exceeded the applicable procurement thresholds. Purchasing Card expenditures are higher risk because employees could make purchases without following District procurement requirements. We selected a representative sample of Purchase Card transactions that exceeded the District's procurement threshold, if any.

   b. Payments to Single-Payment Suppliers (suppliers that were paid only once during the year) to test whether payments may have exceeded the applicable procurement thresholds. Single-Payment Suppliers are subject to increased risk because one-time payments could be used to circumvent the District's purchasing requirements. We selected a representative sample of Single Payment Suppliers that exceed the District's procurement threshold, if any.

   c. The remaining population of transactions was summarized by vendor. We analyzed cumulative expenditures by vendor, with consideration to multiple purchase orders and multiple direct-claim payments (purchases without purchase orders) for similar products and services. We reviewed the summary of purchases by vendor for vendor activity that exceeded the applicable procurement thresholds. District purchasing operations are decentralized, which increases the risk that similar cumulative vendor procurements could exceed the thresholds in the State's and District's purchasing requirements. We selected a representative sample of vendors that exceed the District's procurement threshold for testing.

4. To assess the design of internal controls over payroll, we analyzed the results of the information gathered in the Planning Phase to identify internal control weaknesses and opportunities for improvement. We specifically analyzed the following internal control processes:

   a. Employee hiring and approval.

   b. Salary determination.

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[3] Analysis of the District's purchasing activity has been performed at the District level and included all funding sources. Our analysis included all District funding (local, state, and federal) because the procurement requirements apply regardless of funding sources. While analysis was performed at the District level, our audit samples selected were made from Local Funds with consideration of the transaction materiality of the Local Funds only.

AUDIT METHODOLOGY - CONTINUED

c. Changes to employee salary related to changes in positions related to the achievement of additional education and certifications.

d. Payroll preparation and approval.

5. To assess the operation of payroll internal controls and compliance with the requirements, we performed the following:

a. Selected a sample of payroll transactions from the population of current year payroll change events[4] funded by Local Tax appropriations. We tested the selected payroll change events 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 DOE approvals, as appropriate.

iii. Proper approval was made, as required by District internal controls and the requirements.

b. Selected a judgmental[5] sample of employees, from the population of current year Tuition Local Fund payroll expenditures, to verify that those employees' responsibilities were consistent with the District's special education programs.

c. Sampled and tested management's reconciliation, review, and approval of bi-weekly payrolls.

II. To assess the design of internal controls over the approval of real estate taxes and internal controls over the receipt of Local Funds with respect to Audit Objectives 2, 3, and 4, we performed the following:

1. Reviewed evidence of the budgetary process by review of Board of Education minutes.

2. Obtained the preliminary and final District budgets for the Fiscal Year. This provides that the District undertook a process to analyze its financial needs and set tax rates that are estimated to provide sufficient resources to meet its obligations during the Fiscal Year.

[4] Payroll change events include promotions, new hires, position changes, and salary changes for the achievement of additional education or certification.
[5] A judgmental sample was selected for this testing. This sampling approach is sufficient because the payroll control testing addressed controls over this requirement. This additional testing is to provide additional evidence that the District complied with the Tuition Tax requirements during the year.

AUDIT METHODOLOGY - CONTINUED

3. Obtained the District's executed tax warrant submitted to the County for the Fiscal Year.

4. Analyzed the District's process for receiving and recording the monthly receipt of Local Funds from the County.

III. To assess the operation of internal controls over the approval and calculation of real estate taxes and the District's compliance with the requirements with respect to Audit Objectives 2, 3, and 4 we performed the following:

1. Compared taxes levied per official tax warrants to supporting rate calculations, budgets, amounts authorized by referendum, relevant legislation (including tax revenue reserve limits) and District approval.

2. Obtained and reviewed the District monthly recording of Local Funds receipts. Obtained evidence that District management reviewed and approved the recording of the monthly Local Funds receipts.

3. Compared the recording of local tax fund receipts by Appropriation to our expectations based on the official tax warrant.

4. Reviewed the District's budget analysis supporting the Local Tuition Tax rate. We compared the actual tuition tax-funded activities to the tuition tax budget, to identify significant unexplained differences or unexpected increases in the Local Tuition tax reserves.

5. Analyzed year-end District reserves to determine if the following reserves complied with the following requirements:

   a. Debt service reserves were within the range set by the Delaware Attorney General's opinions and were sufficient to fund debt service in the first four months of the following fiscal year and no more than 110% of the following fiscal year's debt service payments.

   b. Overall Local Reserves met the minimum set by the requirements to fund payroll expenditures in the first three and a half months with a surplus equal to one month's payroll expenditures of the following year.

6. Analyzed tax revenue reserves at the beginning and end of the fiscal year, as applicable.

AUDIT RESULTS

Objective 1 - School District internal controls over the expenditure of Local Funds were designed and operated in accordance with the requirements.

<u>Results</u> - Except as further detailed in Finding 2 in the Schedule of Findings and Recommendations, we found the key internal controls over payroll, non-payroll, and debt expenditures of Local Funds were designed in accordance with the requirements during the period from July 1, 2023 through June 30, 2024.

The following summarizes our testing of payroll, nonpayroll and debt expenditures of Local Funds during the period from July 1, 2023 through June 30, 2024:

Non-Payroll Expenditures - To assess the operation of the internal controls over non-payroll expenditures of Local Funds, we selected a random sample of 35 of the population of 10,563 disbursement transactions (excluding transactions from tuition Local Funds tested in Objective 4). 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 approvals on invoices and receipts as well as in First State Financials (FSF), the Delaware State accounting system.

School districts are allowed but not required to use Statewide contracts procured by the OMB's GSS Division. We selected five transactions from a population of Local Fund disbursements made to vendors with Statewide contracts in conjunction with the procedures performed over procurement. We compared the terms of the invoices and the District's contracts to the Statewide contracts and determined that the transactions were properly approved by the District as evidenced by approval on invoices and receipts as well as in FSF, and that the District's purchases complied with the agreements entered into with the vendors, by the OMB's GSS Division; and therefore, were in compliance with State and District procurement requirements.

Procurement - To assess the District's compliance with both State and District procurement requirements, we analyzed the District's total FY 2024 disbursement population, including purchasing card expenditures by vendor, and using a risk-based approach, we selected the following samples:

- A judgmentally selected sample of eight from the population of 79 vendors with cumulative expenditures exceeding the $50,000 procurement threshold per the *BAM* (this is the lowest threshold that requires competitive purchasing).

AUDIT RESULTS - CONTINUED

Objective 1 - Continued

<u>*Results - Continued*</u>

Procurement - Continued

- There was one purchasing card vendor with purchases made by the District that exceeded $50,000 in aggregate; therefore, a sample of these transactions was not selected.

- There were no single-payment supplier purchases made by the District that exceeded $50,000; therefore, a sample of these transactions was not selected.

We examined documentation for each of the transactions selected and found that the purchasing process for goods and services purchased from the seven of the eight selected vendors during the fiscal year were in compliance with State and District procurement requirements. Refer to Finding 1 in the *Schedule of Findings and Recommendations* for further details of the exception noted.

Payroll Expenditures - To assess the operation of the internal controls over payroll expenditures, made from Local Funds, we selected a random sample of 60 from the population of 1193 Local Funds pay rate changes, processed during the fiscal year, other than annual salary increases. Our examination of the transactions determined that all of the sampled changes were supported; however, we found 12 unapproved administrative employee payroll transactions. Refer to Finding 3 in the *Schedule of Findings and Recommendations* for further details of the exception noted.

To test employees' annual pay increases, we selected a random sample of 10 out of 2,345 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 2024 salary schedules.

We reviewed evidence of the District's bi-weekly payroll reconciliation and approval process for a random sample of five selected from the population of 26 bi-weekly payroll cycles. We determined that authorized District personnel performed and maintained evidence of a review of bi-weekly payroll expenditures.

AUDIT RESULTS - CONTINUED

Objective 1 - Continued

<u>*Results - Continued*</u>

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.

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

<u>*Result*s</u> - Christina School District is one of four districts that comprise the New Castle County School District. District from which tax receipts are allocated by DOE. The District allocates Match Taxes received after receipt from the DOE. We recalculated the DOE distribution of receipts of the New Castle County School Tax to the four New Castle County School Districts. We also recalculated the DOE distribution of receipts of the Christina School District Tax. We determined that the DOE 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.

<u>*Results*</u> - To determine if real estate taxes were approved and calculated in accordance with the requirements, we obtained the official tax warrant for FY 2024 and concluded the following:

- The District's current expense rate was supported by a referendum passed in June 2020. The New Castle County School District shared current expense rate was agreed to historical reports provided by the DOE.

- The District assesses a local match tax for the following: Minor Capital Improvements, Technology, Reading and Math Resource Teachers, Student Success Block Grants, Opportunity Fund, Substitute Teacher Block Grant, and Enhanced Minor Capital Improvements. We found the District's aggregate local match tax revenues were consistent with the prior year and were immaterial in relation to total Local Fund revenues.

AUDIT RESULTS - CONTINUED

Objective 3 - Continued

Results - Continued

- We compared debt service tax collections based on the debt service rate to principal and interest schedules for FY 2024 and FY 2025 and determined that the rate was sufficient to cover debt service expenditures in FY 2024 and provide the District with a reserve equal to approximately 68% of its FY 2025 debt payments, as summarized below. District debt service reserves held as of June 30, 2024, were within the range set by the State of Delaware Attorney General.

July 1, 2023 Debt Service Reserve Balance	$ 3,169,516
FY 2024 Debt Service Activity	
Receipts	3,996,426
Expenditures	(4,438,645)
June 30, 2024 Debt Service Reserve Balance	$ 2,727,297
Budgeted FY 2025 Debt Service	$ 4,000,000
Reserve to Expected Future Payments Ratio	68%

We accumulated information from the following sources to meet this audit objective - The FY 2024 Debt Service Tax Collections and FY 2024 Debt Service Reserves were obtained from the June 30, 2024 Daily Validity Report (Document Direct Report DGL060), which is a daily report on the status of appropriations. The FY 2024 and FY 2025 Debt Service Principal and Interest were obtained from debt service schedules presented in the FY 2024 Final Budget and the FY 2025 Preliminary Budget, respectively.

- We compared actual tuition tax expenditures and funds transferred out to special programs and other districts to both actual revenues and budgeted expenditures and determined that the rate appeared to be sufficient to meet the District's obligations. Actual expenditures and revenues were obtained from the June 30, 2024 Daily Validity Report and budgeted expenditures from the District's FY 2024 Final Budget.

- We compared the District's local tax funded reserves, held as of June 30, 2024, and 75% of its expected preliminary State equalization funds to its local tax funded payroll obligations for the period from July 1, 2024 through November 14, 2024. We determined that the carryover balances plus preliminary State equalization funds were sufficient to meet the District's local payroll obligations during the period of July 1, 2024 through October 15, 2024, with a surplus equal to one month's additional payroll through November 14, 2024 as required by 14 Del. C., §1507. The District did not receive any communications from the DOE indicating any potential deficiencies in its reserve balances.

AUDIT RESULTS - CONTINUED

Objective 3 - Continued

Results - Continued

The FY 2024 local tax funded reserves were obtained from the June 30, 2024 Daily Validity Report. The District's debt service reserves, held as of June 30, 2024, were excluded for the purposes of the analysis. The preliminary State equalization funds were calculated as 75% of the total State equalization funds appropriated to the District in FY 2024 per the June 30, 2024 Daily Validity Report. Local tax funded payroll obligations for the period from July 1, 2024 through November 14, 2024 were obtained from the District's FY 2025 General Ledger.

Objective 4 - School District tuition tax funds are calculated and spent in accordance with the requirements.

Results - We examined a random sample of 25 of 5.553 disbursement transactions made from tuition tax funds and determined that the purchases complied with 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 FSF.

We also examined the District's compliance with State and District procurement requirements, in conjunction with procedures performed over nontuition Local Funds. Results are reported in Objective 1.

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

We also examined employee files for a random sample of five of nine tuition tax funded employees and determined that the employees' responsibilities were consistent with the functions of the District's special education programs and that the employees' salaries and wages were appropriately funded with tuition Local Funds.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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

Condition: We found the District's purchasing decisions for one of eight vendors selected for testing did not comply with the State's and District's procurement requirements:

Repair and maintenance services from a vendor totaling $194,972 ($144,370 from Local Funds) were purchased without obtaining written quotes from other vendors.

Criteria: School Districts must adhere to the procurement and purchasing requirements of the *BAM* and 29 Del. C. Ch. 69. The District's policy *BUS P130 Procurement*, revised as of September 1, 2021, indicates that the District is to adhere to procurement thresholds for formal bidding set by the Contracting and Purchasing Advisory Council (CPAC), which are defined in the *BAM*.

<u>The following requirements are applicable to the public works purchases:</u>

- The purchases are considered public works per the following:

  - 29 Del. C., §6902(25) "Public funds" means funds of the State, of any agency within the State, of any public school district, of or from the United States government or of or from any department or representative body thereof; and

  - 29 Del. C., §6902(26) "Public works contract" *means construction, reconstruction, demolition, alteration and repair work and maintenance work paid for, in whole or in part, with public funds.*

- Chapter 5, *Procurement*, Section 5.3.3, *Public Works Thresholds* required the following:

Procurement Requirement	Thresholds
Open Market	Less than $150,000
3 Written Quotes	$150,000 - $249,999
Formal Bid	$250,000 and Over

Cause: The District expended $194,972 through a GSS contract that was limited to the $150,000 open market threshold for FY 2024 without performing the required procurement actions.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED

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

Effect: The District did not adhere to State and District purchasing and procurement requirements. As a result, the District may not have obtained the best prices and terms for these purchases.

Recommendation: We recommend that the District review its purchasing and procurement policies and implement procedures to review GSS contracts to ensure the District complies with the terms.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED

Finding Number 2 - Payroll Internal Control Design Weaknesses

Condition: We found the following deficiencies in the design of the District's payroll controls:

<u>Segregation of Payroll Duties</u>: The Payroll and Benefits Team is responsible for entering new employees into PHRST, updating employee salary information in PHRST, and processing payroll. The update of employee information and payroll processing in PHRST are incompatible responsibilities that should be segregated.

<u>Review of PHRST Payroll Entries</u>: The District does not have controls in place to review and approve payroll changes entered in PHRST. Although the Payroll Supervisor performs subsequent overall reconciliations of payroll on a regular basis to mitigate the risk of fraudulent and erroneous entries, the Supervisor does not actively and contemporaneously review and approve changes in PHRST.

<u>Control Over Approved Payroll Transactions</u>: The District's Human Resources internal controls are not properly designed to ensure only approved payroll transactions are submitted to the Payroll Department.

The Human Resources Department Supervisor maintains a spreadsheet detailing approved Payroll Transactions. Human Resources Department staff use this spreadsheet to create Personnel Action and Human Resource Correction Forms that are submitted to the Payroll Department for processing. There are no controls to prevent unauthorized changes to approved Payroll Transaction spreadsheet because it can be edited by the entire Human Resources team.

As a result of this weakness, we found 35 of 60 payroll transactions selected for testing did not include evidence of the Human Resources Supervisor's approval. No errors were noted in the related payroll transactions.

A similar finding was reported for the years ended June 30, 2022 and 2023.

Context: The District has implemented various mitigating controls to ensure only approved payroll transactions have been processed. The District does not properly memorialize the performance of these mitigating controls.

Criteria: The District's Payroll Internal Control Policy, as of July 15, 2020, requires the following:

- "Responsibilities associated with financial transactions within PHRST payroll system are segregated and assigned by the Supervisor of Payroll & Benefits…"
- Section 6.1, *Approval Authority Policy* requires the District to appropriately delegate authority to approve payroll transactions.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED

Finding Number 2 - Payroll Internal Control Design Weaknesses

Criteria - Continued:

The State of Delaware Budget and Accounting Manual requires the following:

- Section 14.2, *Payroll Expenditure Controls & Authorizations* requires proper segregation of duties within the payroll function and appropriate reviews to monitor changes to payroll information.

Cause: The conditions above were caused by the following

- The PHRST system's Human Resource, Payroll, and Benefits Administration modules are available to all Payroll and Benefits staff in edit mode because the District does not have sufficient resources to properly segregate duties during periods of high payroll volume. Management has prioritized operational efficiency during high-volume periods over the maintenance of strict segregation of duties.

- The District does not review changes to employee pay in PHRST as changes are entered.

- The HR Supervisor records changes to employee pay in an unsecured Excel workbook, indicating their review and approval. The workbook is utilized by staff to complete the PAFs, but the completed PAFs are not reviewed by the HR Supervisor.

Effect: The existence of incompatible functions and weak internal controls puts the District's payroll at risk of error or fraud occurring and not being detected.

Recommendation: We recommend the District review and update Human Resources and Payroll functions to ensure proper segregation of duties.

If resources cannot be allocated to enable appropriate segregation of duties, the District should evaluate options to implement mitigating internal controls to ensure only approved changes to payroll are entered into PHRST.

The District should transition the tracking of approved payroll transactions from an unsecured spreadsheet to a restricted-access environment or a formalized ticketing system that maintains an audit trail of approvals.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED

Finding Number 3 - Lack of Proper Review and Approval of Changes to Administrative Employee Payroll

Condition: We found the District's internal controls over payroll changes are not operating as designed. Administrative employees' pay is calculated in an Excel workbook that is reviewed with Management verbally. The Management's review and approval was not memorialized. Of the 60 transactions tested, we found 12 changes to administrative salaries were not approved by the Human Resources Director. The District did not prepare Personnel Action Forms (PAFs) as required by District policies.

Criteria: The following is applicable to the review and approval of changes to employee pay. The District's Payroll Internal Control Policy, as of July 15, 2022, requires the following:

- "All financial documents processed in PHRST payroll system require an HR Supervisor's approval."
- "The HR Supervisor authorizes all hires and subsequent changes in employment status including employee pay and benefits changes by completing a PAF and submitting it to the Payroll and Benefits department for data entry into PHRST" for salaried employees.

Cause: Administrative employee payrate changes are not processed using the District's standard Human Resource forms.

Effect: By not properly reviewing, approving, and documenting changes to employee payroll, the District increases its risk that erroneous or fraudulent information is entered into PHRST.

Recommendation: We recommend the District implement the following:

- Review its preparation and review processes over payroll changes to ensure that changes are properly reviewed prior to submission to Payroll for processing.
- Procedures to subsequently review entries in PHRST.
- Memorialize, in writing, review and approval of administrator pay calculations.

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

CONCLUSION

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

Objective 1 - Except for Findings 1 through 3, 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.

Objective 4 - The School District's tuition tax funds were calculated and spent in accordance with the requirements, with the exception of deficiencies in the design and operation of the District's internal controls over payroll and the noncompliance with State purchasing and procurement requirements as reported in Objective 1 above.

CHRISTINA SCHOOL DISTRICT
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Deirdra Joyner, ED.D.
Superintendent

Robert Vacca
Chief Financial Officer

April 14 2026

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

Re: Management Response

On March 25, 2026 we met with you to complete our FY 2024 Local Funds Audit Exit Conference. In this meeting you reviewed your observations, findings and recommendations developed from your audit. For ease of reference, we have organized our responses in the same order of your report listing our **Audit Responses by Recommendation**.

<u>Audit Response to Finding & Recommendation #1</u>

Agree with Procurement Finding:

The district was not accustom to seeing the "Open Market" threshold used in GSS contracts and overlooked this criteria. This error informs us to screen for this when using GSS contracts in the future. While we are familiar with the requirement, we were simply not looking for it with this GSS Contract but now know to screen for this as well.

<u>Audit Response to Finding(s) & Recommendation(s) #2</u>

Disagree with Separation of Duties Finding:

The HR, Payroll & Benefits functions are separated across operations teams and department leadership. These functions have historically always been separated and performed by different people across the two departments.

All Personnel Action Forms (PAFS) are quality reviewed and corrected by PHRST data entry personnel prior to key entry into PHRST. The **<u>processed PAFs</u>** show the data entry staff members' notes, comments and initials along with separate calculation worksheets that verify this quality control step is performed prior to data entry. The audit samples requested only included the **<u>HR initiated PAF</u>** and not the **<u>Payroll processed PAF.</u>**

Please see additional comments in the **New Corrective Action(s) and Continuous Process Improvement** section of this response for further enhancements planned.

Current Mitigating Controls:

The CFO uses the **DSC HR Staff Tracking** application to track all staffing of instructional personnel working in the district. This application was implemented in 2021 and is regularly audited by the CFO, the Supervisor of Human Resources and the Business Specialist reporting to the CFO.

The Business Specialist position was placed in August 2023. This position is primarily responsible for reconciling the three applications; **DSC HR Staff Tracker** to **PHRST** and **FSF**. This position generates data entry changes that must be approved by the CFO and subsequently entered into HR Staff Tracker, PHRST and/or FSF by the respective department Supervisor or their designated data entry Staff.

New Corrective Action(s) and Continuous Process Improvement

Christina hired Willis Towers consulting services in November 2024 (after the completion of this audit) to perform desk audits and generate process maps for all HR, Payroll and Benefits staff in these two departments.

- While the process maps confirmed responsibilities are separated, and quality control work is performed pre-data entry, the opportunity to **increase HR leadership oversight** with an **HR Operations Manager (hired in October 2025)** and a further **separation of Human Resource Leadership** moving from the CFO to the Assistant Superintendent for Secondary School leadership in July of 2025.
- The new HR Operations Manager is introducing **an electronic tool that is password secured to the leader authorizing the HR change** prior to entry into the HR Staff Tracker Application. This added security limits who can initiate HR changes, however there are still three more stops in the process where errors can be found and corrected by staff and leadership.
- The HR Ops Manager will complete a **final review sampling and signing off on every 10th PAF processed in a pay cycle**. Errors found in the sample may warrant a more complete review up to 100% if deemed necessary by the Supervisor of the department.

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- The **Data Steward for PHRST** is the Supervisor of Payroll & Benefits. This Supervisor will **limit user permissions to the primary functional responsibilities** of all PHRST users and only expand permissions on a temporary basis when staff shortages demand it. Historically we have allowed Payroll and Benefits staff access to all components of PHRST purely for volume and production reasons. Given that we cannot hire untrained users we must provide coverage of staff shortages through overtime with experience users.

Audit Response to Finding & Recommendation #3

Agree with Administrator Pay Finding:

The CFO implemented a review and sign off document approving all Administrator pay calculations **following the last audit effective in the 2024-2025 fiscal year**. That will be available as evidence in the upcoming 2024-2025 Local audit.

Closing Comments

While the historical evidence shows that Christina's internal controls are working, we are committed to continue the work on new initiatives including completing the re-imagination of HR, Payroll and Benefits, labor relations and operations. Once our local audits catch up to our changes detailed above we are confident these findings will no longer be recorded for Christina.

Best Regards,

Robert A. Vacca
Chief Financial Officer
Christina School District

AUDITOR'S RESPONSE TO DISTRICT RESPONSE AND CORRECTIVE ACTION PLAN

Finding 2024-002 - Payroll Segregation of Duties

We reviewed the District's response asserting that the Human Resources (HR), Payroll, and Benefits functions are appropriately segregated, and that payroll changes undergo quality review prior to data entry. As described in the District's response, the Payroll Team performs both the processing of payroll changes and routine payroll processing activities. Based on our audit procedures and an evaluation of the District's response, this condition represents a lack of segregation of duties control weakness because incompatible duties within the payroll process are performed by the same functional group.

The District's response further indicates that the audit samples requested did not include the Payroll function's-processed Personnel Action Forms (PAFs). For clarity, our original request for documentation supporting payroll change testing was specific and stated:

> *"Pay Change Sample - Provide a screenshot of the employee's grade and step in PHRST. Provide documentation from the employee file to support the selected payroll change event and the District's review and approval of the payroll change event."*

While the request specifies support from the employee file, the audit objective was to obtain evidence demonstrating review and approval of payroll change events. Documentation reflecting post-HR processing or Payroll quality review, as described in the District's response, was not provided during the audit. As a result, we were unable to evaluate whether the described quality control procedures operated effectively during the audit period. Accordingly, the finding remains appropriate based on the conditions observed and the evidence available at the time of the audit and during evaluation of the District's response.