

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

CHRISTINA SCHOOL DISTRICT

SALARY AND PERSONNEL
PERFORMANCE AUDIT

JULY 1, 2005 THROUGH APRIL 30, 2006

FIELDWORK COMPLETED: FEBRUARY 16, 2007

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EXECUTIVE SUMMARY

BACKGROUND

Christina School District (the District) hired a new Superintendent in January 2006. As part of her contract, she requested a financial review of the District. A team of State and school finance experts, convened by the Director of the Office of Management and Budget, and the Secretary of Education, conducted the review. The preliminary results of this review point to an estimated deficit of over \$13 million. The review recommended that a detailed audit of salary and personnel be completed.

Salary and Personnel

Division I state funding results from the September 30th student count. Division I funding is the majority of the state salary funding for the District. DOE authorizes positions based on the September 30th student enrollment count and funds these positions in accordance with state salary schedules maintained in the Delaware Code. Salaries approved by the District greater than the state share must be paid out of local funds or federal funds (if the individual works on a federally funded program). Based on the initial financial review done by DOE, the District had 145 employees paid 100% from local funds.

AUDIT CONCLUSIONS AND OBSERVATIONS

Disallowed State Salary Funding

Total disallowed costs of \$2,322,088 resulted from inappropriate charges to the State as follows:

- The District's actual positions exceeded the number of authorized positions in directors, supervisors, psychologists, nurses, and resident advisors by 17.63 units and resulted in disallowed costs of \$954,418.
- Disallowed costs of \$1,034,824 resulted from positions being paid out of state appropriation 0115 for employees who were not occupying a unit.
- Errors relating to assistant principal positions resulted in disallowed charges to the State in the amount of \$94,846.
- Funding errors and salary variances due to coding errors, years of experience and degree adjustments, and salaries calculated incorrectly resulted in disallowed costs of \$238,000.

The District processed EX documents during May and June of 2006 that corrected \$686,383 of the overcharges to the State.

The Office of Auditor of Accounts (AOA) recommends the following:

- Repay the State \$1,635,705.
- Implement procedures to manage the process of monitoring and tracking salaries charged to the State.

Federal Effort Reporting

Salary costs through April 30, 2006 charged to federal programs are not appropriately supported by semi-annual certifications or time and effort reports and resulted in questioned costs of \$6,348,579. The District did not provide AOA with semi-annual certifications or time and effort reporting as required by the federal government to support payroll charges to federal grants. As a result, AOA cannot determine if employees charged to federal grants worked on these grants.

AOA recommends the District maintain personnel activity reports (effort reports) for all employees who work on multiple programs and obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accounting Office, which has issued generally accepted government auditing standards.

BACKGROUND

Christina School District (the District) hired a new superintendent in January 2006. As part of her contract, she requested a financial review of the District. A team of state and school finance experts, convened by the Director of Office of Management and Budget (OMB), and the Secretary of the Department of Education (DOE) conducted the financial review.

The preliminary results of the DOE financial review pointed to an estimated deficit of over \$13million. The review recommended a detailed audit of salary and personnel be completed.

Christina School District (CSD)

The District is Delaware's largest public school system, serving a diverse group of students in grades K-12. The District is comprised of three high schools (Christiana, Glasgow, and Newark), three middle schools (Gauger-Cobbs, George V. Kirk, and Shue-Medill), five intermediate schools (Bancroft, Bayard, Casimir Pulaski, Elbert-Palmer, and Frederick Douglass Stubbs), thirteen elementary schools (Albert H. Jones, Brookside, Etta J. Wilson, Henry M. Brader, Jennie E. Smith, John R. Downes, Joseph M. McVey, May B. Leasure, R. Elisabeth Maclary, Robert S. Gallaher, Thurgood Marshall, West Park Place, and William B. Keene), and four special schools (Christina ILC {Alternative/OPTION} - DDS 95-59, Douglas Behavioral School {REACH/CBIP} - DDS 95-56, Delaware Autism Program (Brennen School) - DDS 95-60, and Margaret S. Sterck Delaware School for the Deaf - DDS 95-51). The schools are located throughout northern New Castle County.

Salary and Personnel

Division I state funding results from the September 30th student count. Division I funding is the majority of the state salary funding for the District. DOE authorizes positions based on the September 30th student enrollment count and funds these positions in accordance with state salary schedules maintained in the Delaware Code. Salaries approved by the District greater than the state share must be paid out of local funds or federal funds (if the individual works on a federally funded program). Based on the initial financial review done by DOE, the District had 145 employees paid 100% from local funds.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

1. Determine if the District paid employees appropriately from state appropriations, local funding and federal funding based on positions earned, state and local salary schedules, grant agreements, and time and effort reports.
2. Compare administrator positions and salaries to local administrator positions and salaries in Colonial, Red Clay, and Brandywine School District's as well as pupil per administrator ratios.

SCOPE

The scope of this engagement includes the review of all employees paid from the District from July 1, 2005 through April 30, 2006.

METHODOLOGY

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) applicable to performance audits issued by the Comptroller General of the United States.

Audit procedures consisted of the following:

- Reviewed laws and regulations pertaining to salary and personnel, and the processing of payroll.
- Interviewed appropriate officials at DOE and the District.
- Obtained PHRST and DFMS payroll and payroll transaction data.
- Inspected supporting documentation such as personnel files, salary schedules, and contracts.
- Obtained administrative positions and salary data from other New Castle County School Districts and compared to the District's administrative positions and salary.

The criteria used in the performance audit consisted of:

- 14 Delaware Code, Chapter 13, *Salary and Working Conditions of School Employees*
- 14 Delaware Code, Chapter 17, *State Appropriations*
- Title 14 of Delaware's Administrative Code, Education
- Fiscal Year 2006 Budget Epilogue language
- State and Local salary schedules
- Administrator Contracts
- Union Agreements
- OMB Circular A-87, Attachment B.8.h.3 & 4

CONCLUSIONS

Determine if the District paid employees appropriately from state appropriations, local funding and federal funding based on positions earned, state and local salary schedules, grant agreements, and time and effort reports.

Total disallowed costs of \$2,322,088 resulted from inappropriate charges to the State.

- The District's actual positions exceeded the number of authorized positions in directors, supervisors, psychologists, nurses, and resident advisors by 17.63 units and resulted in disallowed costs of \$954,418.
- Disallowed costs of \$1,034,824 resulted from positions being paid out of state appropriation 0115 for employees who were not occupying a unit.
- Errors relating to assistant principal positions resulted in disallowed charges to the State in the amount of \$94,846.
- Funding errors and salary variances due to coding errors, years of experience and degree adjustments, and salaries calculated incorrectly resulted in disallowed costs of \$238,000.

Salary costs through April 30, 2006, charged to federal programs are not appropriately supported by semi-annual certifications or time and effort reports and resulted in questioned costs of \$6,348,579. The District did not provide AOA with semi-annual certifications or time and effort reporting as required by the federal government to support payroll charges to federal grants. As a result, AOA cannot determine if employees charged to federal grants worked on these grants.

CONCLUSIONS

Compare administrator positions and salaries to local administrator positions and salaries in Colonial, Brandywine, and Red Clay School District's as well as pupil per administrator ratios.

Administrator salaries for the District are comparable to the administrator salaries for Colonial, Brandywine, and Red Clay School Districts as shown in the chart below. The District has the greatest number of administrator positions exceeding the next largest district by 31 positions. During the period under audit Christina School District had filled 138 Administrator positions totaling approximately \$13,650,000. Twenty three (23) of these administrator positions, that amounted to \$2,095,425, were funded 100% by local taxes.

	FY2006 Christina	FY2006 Colonial (Unaudited)	FY2006 Brandywine (Unaudited)	FY2007 Red Clay (Unaudited)
Total Administrator Positions	138	61	65	107
Total Administrator Salaries	\$13,649,405	\$6,407,700	\$6,179,721	\$11,012,033
Average Administrator Salary	\$98,909	\$105,044	\$95,073	\$102,916
Total Pupil Enrollment Per 2005 Sept 30th Student Enrollment and Unit Allotment Report	19,236	10,476	10,577	15,729
Total Administrator Positions Per Pupil	.00717	.00582	.00615	.00680

Note: Technician positions excluded from Christina and Red Clay School Districts for comparison purposes.

AUDITEE RESPONSES

The District responses are included in the Findings and Recommendations section of the report.

FINDINGS AND RECOMMENDATIONS

Finding #1 Authorized Positions

AOA compared the number of positions by category being paid out of State appropriation 0115 to the number of authorized positions per 14 Delaware Code, Chapters 13 and 17. Actual positions were adjusted for administrator units filled for the majority of the year that may not have been on the payroll at 4/30/06 but were not yet replaced. The District's actual positions exceeded the number of authorized positions in directors, supervisors, psychologists, nurses, and resident advisors. The average Division I unit value is \$54,136 based on information provided by DOE. Division I funding include state salaries, OECs, and estimated average health insurance. The amount disallowed is calculated by multiplying the number of actual units that exceeds the authorized units by the average Division I unit value. The following table details authorized units, actual units and the resulting disallowance.

Object Code	Title	Authorized Units	Actual Units	Variance	Amount Disallowed
1106/1107	Director	13	14	1	\$ 54,136
1110/1111	Supervisors	8	10	2	108,272
1124	Psychologists	22.07	26.70	4.63	250,650
1134	Nurses	31	37	6	324,816
1169	Resident Advisors	6	10	4	216,544
					\$954,418.00

Inappropriate State Funding

There were instances of positions being paid out of state appropriation 0115 for employees who were not occupying a unit. The following amounts were inappropriately over (under) charged as of 4/30/06 to the state for employees not occupying a state unit:

Object Code	Title	Amount Over (Under) Charged to State
1110/1111	Supervisors	\$ 63,453
1110/1111	Supervisors	(32,458)
1112	Specialists – Support Services	58,004
1114	Principals	54,452
1116	Assistant Principals	5,692
1120/1122	Teachers	734,930
1128	Paraprofessionals	127,006
1138	Secretaries	23,745
Total:		\$1,034,824

FINDINGS AND RECOMMENDATIONS

Additional Position Errors

Based on units earned by school, four schools earned .60 of an assistant principal unit. These positions were filled by employees in whole units. The district can only charge the state 60% for these units, resulting in a disallowed cost of \$57,052.

Brennan charged three Assistant Principals to the State. However, only two assistant principals were authorized for the school based on student enrollment. The District overcharged the State for one assistant principal position, resulting in a disallowed cost of \$37,794.

Per Title 14, Chapter 13 §1307 (3), Salary schedule for principals subordinate to a chief school officer, “a school district may employ 1 full-time assistant principal in a school which enrolls 30 or more Division I units of pupils or 60% of a unit for schools which enrolls 25 but less than 30 Division I units of pupils; and the school district may employ a second assistant principal when the enrollment reaches 55 Division I units or 60% of a unit when enrollment reaches 50 units but less than 55 units; subsequent assistant principals may be employed on the basis of 1 assistant principal for each 20 Division I units of pupils beyond the first 55 for which the principal and the first 2 assistant principals are authorized. Any fractional units provided herein must be assigned to the school which generated the fractional unit.”

The District’s control procedures for monitoring and tracking salaries charged to the State are not adequate. The District did not monitor or track positions throughout the year. In addition, all authorized positions were not identified by the District. Reconciliations of actual to authorized positions were not performed throughout the year and the necessary adjustments were not made. No one at the District was responsible for monitoring authorized positions and senior management did not monitor to ensure authorized positions were being tracked.

Total disallowed cost of \$2,084,088 resulted from a lack of policies and procedures for monitoring authorized positions, a lack of communication to responsible employees, and poor supervision and/or follow-through by management.

The District processed EX documents during May and June of 2006 that corrected \$686,383 of the overcharges to the State.

Recommendation

The District repays the State \$1,397,705.

The District should implement procedures to manage the process of monitoring and tracking salaries charged to the State. Policies and procedures should include detailed procedures in reconciling actual employees to Division I units earned, monthly reconciliations of their paid positions throughout the year, document retention to support the reconciliation process, a management review of employee listings and reconciliations as well as references to pertinent sections of Delaware Code and Department of Education requirements. The District should maintain an ongoing reconciliation of authorized to actual positions throughout the year for all positions.

FINDINGS AND RECOMMENDATIONS

Auditee Response

The Christina School District will work with the Department of Education to figure out a strategy to repay the \$1,397,705. Due to the current deficit position of the district, the district does not presently have the resources to repay these funds. The repayment strategy will entail evaluating the authorized position findings to minimize the actual payment due. Strategies that will be employed to minimize the repayment amount will be to evaluate overages on a per person basis and to disallow the lowest cost individual in an object category. Additionally, the district will work with the Financial Recovery Team to evaluate disallowed units that might be able to be substituted in an area where the district was not fully funded for earned units.

Since this audit period, the Christina School District has worked with the State appointed financial recovery team to ensure that all individuals currently assigned to a unit are in an earned unit. As new people are hired into the district, it is confirmed that the position is earned within state units. Additionally, the District has implemented a procedure to evaluate all 0115 payroll codes against earned state units. This procedure entails biweekly downloads of payroll information from the PHRST system. This download provides actual pay amounts and appropriation codes. These results are then evaluated against the list of current authorized positions in the district. Once it has been affirmed that all units currently in the system are accurately aligned with earned state units, the review will be performed on a monthly basis to evaluate for exceptions. The report is then reviewed by the District Chief Financial Officer, the Assistant Superintendent of Human Resources and the Payroll Supervisor. This allows for real time corrections to payroll if there are instances of more people being charged to state units than are earned.

Finding #2 Funding Errors and Salary Variances

AOA reviewed personnel files and recalculated the annual salary of all salaried employees based on position, certifications, and years of experience to determine if employees were paid in accordance with 14 Delaware Code, Chapter 13.

Funding errors resulted in an overcharge to the State of \$139,584. The employees that had funding errors were paid in total correctly; however, the funding type was incorrect resulting in an over or under charge to the State.

In addition, the following net salary variances were noted from the recalculations of the salaries of all salaried employees based on position, certifications and years of experience, and resulted in a net overpayment to employees of \$98,416. This resulted in an overpayment to employees.

Reason	State Over Charged
Years of Experience/Degree Adjustments	\$42,510
Salaries	53,248

Calculated Incorrectly	
Salary Payments Made in Error	2,658
	\$98,416

DELAWARE CODE, TITLE 14, CHAPTER 13, *SALARIES AND WORKING CONDITIONS OF SCHOOL EMPLOYEES*, § 1305 through 1311 and § 1321 details the basic salary schedule for the various types of employees a school district employs and § 1312 describes experience.

Total disallowed cost to the State due to funding errors and salary miscalculations is \$238,000.

Recommendation

The District repays the State \$238,000. The District should correct its funding allocations and adjust PHRST for years of experience and degrees as needed, and put a process in place to ensure the State is appropriately charged based on employees' correct years of experience, certifications, position, and education.

FINDINGS AND RECOMMENDATIONS

Auditee Response

The District, in conjunction with the State appointed financial recovery team, has made the necessary corrections of funding allocations, years of experience and degrees as documented in the details of this audit. Additionally, the Payroll supervisor currently ensures that as new hires are added to the payroll system, they are input into the PHRST system with the correct years of experience and degrees, and also ensures that the pay code that is set up for the individual is correct. This process of evaluating proper years of experience and funding allocations will be performed at the start of each year. On a monthly basis, the Payroll supervisor will perform reviews for any exceptions that may exist with regard to years of experience, degree status, and funding allocations. To the extent, that there is discovery of incorrect experience or degrees, they will be corrected in the PHRST system. If people are being paid incorrectly versus what they are owed per the state salary scale, those corrections will be made in the system and corrected via an EX to ensure the state funding is not over / under utilized.

Finding #3 Federal Effort Reporting

The District could not provide documentation supporting the funding of salaries with federal funds. Semi-annual certifications were not provided for employees who spent 100% of their time in one federal program. Time and effort reporting was not provided for employees who worked on multiple activities. Total salary costs through April 30, 2006 that were federally funded amounted to \$6,348,579. The amount of \$1,978,709 is associated with employees who are solely supported by federal funding and \$4,369,870 is the amount for employees who are funded partially through federal funds.

The District uses a replacement methodology to charge salaries to the Title II, Part A, *Improving Teacher Quality State Grants* federal program. Based on discussions with the District, a replacement is a federally funded employee (typically a lower paid employee) who is not the employee actually working in the Title II program. Total federal 'replacement' payroll that AOA is specifically aware of amounts to \$395,973.

OMB Circular A-87, Attachment B.8.h.3 states, "where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee." OMB Circular A-87, Attachment B.8.h.4 states, "where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation... Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee." A-133 Compliance Supplement (3/06), Part 4, Department of Education, 84.367 *Improving Teacher Quality State Grants*, Title II, Part A, states, "an employee who works solely on activities supported with Federal, state, or local funds consolidated in a school wide program may meet the semi-annual certification requirement under OMB Circular A-87, Attachment B, paragraph 8.h.(3),

either by submitting semi-annual certifications for the consolidated activities or through time and attendance certifications accomplished under an LEA's normal standards for payroll documentation.”

The District did not maintain effort reporting for employees that were partially funded for the federal programs and did not maintain semi-annual certifications for employees 100% charged to federal programs.

FINDINGS AND RECOMMENDATIONS

Salary costs through April 30, 2006 charged to federal programs are not appropriately supported by semi-annual certifications or time and effort reports and resulted in questioned cost of \$6,348,579.

Recommendation

The District maintain personnel activity reports (effort reports) for all employees who work on multiple programs and obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Auditee Response

The Christina School District is currently maintaining time and effort reporting for personnel supporting federal grants. Semi-annual certifications have been prepared for personnel supporting one specific federal program 100% of the time. These reports will be reviewed by the CFO and Assistant Superintendent of Human Resources on a semi-annual basis.

Additionally, the district is in the midst of implementing a more detailed template for those individuals that are “split-coded” across several federal programs. This template only applies to a short list of individuals in the district at present. This template has been developed by DOE and vetted with the Auditor of Accounts Office. This process requires daily timesheet entries and quarterly true ups with what has been recorded versus what is actually in the payroll system. On a monthly basis the list of individuals who are “split-coded” will be evaluated for adequate time and effort reports. This monthly review will be performed by the Payroll Supervisor. The list of individuals who are “split-coded” will be readily identifiable on a bi-weekly basis from the biweekly payroll reports that will be generated from the payroll office. On a quarterly basis, the time and effort reports will be compared to the PHRST system data for split – coded individuals and corrections will be made as appropriate by the Business Office and the Payroll Office.

The District will continue to look for teacher schedules or other possible substantiation for Federal program support during the audit period that might mitigate this finding due to lack of proper documentation.

DISTRIBUTION OF REPORT

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

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
Ms. Trisha Neely, Director, Division of Accounting
The Honorable Valerie Woodruff, Secretary, Department of Education
Ms. Dorcell Spence, Associate Secretary, Finance and Administrative Services, Department of Education

Legislative

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

Other

Mr. James R. Durr, President, Board of Education, Christina School District
Dr. Lillian M. Lowery, Superintendent, Christina School District