Empowering Partnerships For Education

Auditor General Report Overview

DCIU Finance Committee – 11/4/26

AUDITOR GENERAL REPORT -- OVERVIEW

The Pennsylvania Department of the Auditor General issued its performance audit of the Delaware County Intermediate Unit (DCIU) in October 2026.

The audit examined contracting, procurement, contract administration, and purchasing practices for the fiscal years ending June 30, 2023, and June 30, 2024.

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The report contains four findings and 21 recommendations, primarily addressing deficiencies in procurement documentation, contract monitoring, purchasing approval procedures, and policies governing certain discretionary expenditures.

This presentation is a review of our internal administrative controls and not about board action or conduct.

AUDITOR GENERAL REPORT -- OVERVIEW

An important distinction is that the audit does not conclude that DCIU violated the Pennsylvania Public School Code, applicable state regulations, or Board policies.

Rather, the auditors determined that deficiencies in documentation and internal controls prevented them from verifying compliance in numerous instances. The report also questions the reasonableness of certain expenditures without establishing that those expenditures violated specific statutory spending limitations.

FINDING 01 / OVERVIEW

Procurement documentation

The audit reported incomplete contract records and weaknesses in the contract-tracking process.

- No School code or other requirement to have a contract list.
- DCIU utilizes as a best practice.
- **Process was effective**: No contracts were approved without Board action or solicitor review.

72

Board approved contracted missing from DCIU provided list.

755 Board-approved contracts reviewed.

WHAT THE AUDIT DECLARES:

Contract file and tracking deficiencies limited auditors' ability to verify procurement compliance. Records should be complete, accessible, and periodically reconciled.

IMPORTANT MANAGEMENT CONTEXT

Of the 72 tracking omissions:
61 related to future-effective contracts
8 were canceled
2 multi year contracts
1 coordinated through Operations, not OED

The report did not establish improper awards or actual loss.

FINDING 01 / RECOMMENDATIONS & RESOLUTIONS

Five corrective actions

Centralize records, clarify directives, and make supervisory verification routine.

ID	AUDITOR GENERAL RECOMMENDATION	PROPOSED MANAGEMENT RESOLUTION
1.1	**Comprehensive contract register**	Track approvals, effective dates, execution and status; reconcile to Board minutes. (CONTINUE CURRENT PRACTICE, WITH REFINEMENTS)
1.2	**Retain procurement records for six years**	Review and revise Record retention policy as necessary.
1.3	**Follow and document required directives**	Align directives with actual workflows and define electronic evidence of each step.
1.4	**Document procedural exceptions**	Retain approval, business rationale and substitute controls with contract files.
1.5	**Update thresholds and supervisory reviews**	Refresh dollar thresholds and verify complete contract uploads and records.

FINDING 02 / OVERVIEW

Contract monitoring – *pg. 24 of the Audit*

The audit found insufficient records demonstrating verification of contract performance before payment.

The Audit determined that **every** Payment of **89,527** transactions made was approved by the Board at a public meeting.

- **Audit was conducted remotely**
- **No Audit Dashboard provided.**
- **Coordination of review of over 88,000 records was challenging.**
- **ALL "missing" documentation for payments has been identified.**

41

Missing signed receipt records

Partly overlaps with other gaps

16

Missing other monitoring records

7 transactions overlap

WHAT THE AUDIT ESTABLISHES

The sampled payment files often did not contain readily available evidence of departmental verification, contract review, or receipt of goods and services.

IMPORTANT MANAGEMENT CONTEXT

- Interim and final payments use different verification documents.
- Missing audit evidence does not establish that contractors failed to perform or that payments were improper.
- **ALL** DCIU required sign-off documentation has been located and sent to Auditor General's Office.

FINDING 02 / RECOMMENDATIONS & RESOLUTIONS

Three corrective actions

Document verification by payment type and retain accessible electronic evidence.

ID	AUDITOR GENERAL RECOMMENDATION	PROPOSED MANAGEMENT RESOLUTION
2.1	**Verify contract terms before payment**	Define interim and final payment controls; require appropriate departmental confirmation.
2.2	**Train Business Office staff**	Re-train program and finance personnel on required records for each payment type.
2.3	**Retain contract monitoring evidence**	Link invoices, signed records, approvals, and ERP audit trails to the contract file.

FINDING 03 / OVERVIEW

Below-threshold purchasing

The audit could not verify the separate first-level requisition approval described in Directive 611.

Does not establish that those approvals did not happen, just not a documented process.

60 / 60

No documented first-level approval

Selected small purchases

2 levels

Stated in Directive 611

Department + Business Office

ERP (Enterprise Resource Planning) System – DCIU E-Finance System

Workflow interpretation disputed

Business Office approval visible

WHAT THE AUDIT ESTABLISHES

Auditors could not verify the prescribed departmental approval in the records provided for 60 purchases below the competitive bidding threshold.

IMPORTANT MANAGEMENT CONTEXT

- DCIU described departmental participation through its systems and noted that Directive 611 did not precisely reflect the ERP process.
- No illegal purchase or procurement violation was established.
- Directive will be updated to reflect ERP workflow and establish related compliance.

FINDING 03 / RECOMMENDATIONS & RESOLUTIONS

Four corrective actions

Reconcile written procedures with the ERP approval chain.

ID	AUDITOR GENERAL RECOMMENDATION	PROPOSED MANAGEMENT RESOLUTION
3.1	**Retain procurement files for six years**	Retain requisitions, purchase orders, approvals and electronic workflow records.
3.2	**Clarify mandatory steps and exceptions**	Revise Directive 611 to match the approved purchasing sequence and controls.
3.3	**Train staff on directive requirements**	Provide role-based instruction for requisition initiators and reviewers.
3.4	**Document first-level approval**	Record authorized departmental submission/approval before Business Office approval in alignment with new Directive/Guideline.

FINDING 04 / OVERVIEW

Leadership activities & meeting food

The audit questioned spending decisions and identified the absence of specific written cost parameters.

$254,307

Non-instructional meeting/event food

FY2023 + FY2024 combined

$14,177

Annapolis leadership retreat

October 2023

$38,659

Orlando leadership institute

January 2025 net DCIU cost

WHAT THE AUDIT ESTABLISHES

Documented travel, retreats and food costs, with insufficient guidance for approving these discretionary expenditures. Auditors questioned the prudence of selected activities.

IMPORTANT MANAGEMENT CONTEXT

- DCIU supports prospective controls but disputes some descriptions as excessive or abusive.
- No specific statutory spending violation or quantified loss was established.
- Meals included “Board meetings and routine staff meetings” **as well as**:
  - Teacher Appreciation Day, Legislative breakfast, Professional development, Project Elect, Job-Alike Meetings, Opening Day events, Health Care Trust Meetings

Orlando occurred after the 2022–24 audit period; some advance payments were within the period.

FINDING 04 / RECOMMENDATIONS & RESOLUTIONS

Nine corrective actions

Adopt prospective spending safeguards; use alternatives where categorical restrictions do not fit (Professional Development, Job-Alike, Etc.)

4.1 Written expense standards

Define purpose, costs, advance approval and exceptions.

4.2 Public perception

Document benefits, alternatives, and anticipated costs.

4.3 Review unrelated travel costs

Require business-purpose checks and expense reconciliation.

4.4 Economical event venues

Compare district and commercial venue options.

4.5 Employee dinner cost recovery

Use annual budget and conduct fee review

4.6 Alcohol and bar-related expense

Prohibit alcohol purchases; review packages and fees.

4.7 Unnecessary extended travel

Preapprove only justified exceptions or savings.

4.8 Meal timing restrictions

Alternative: permit food for documented meeting needs.

4.9 Travel meal allowance cap

Alternative: apply separate catering cost standards.

4.8 and 4.9 are proposed alternative implementations, not unconditional acceptance of the auditor's exact limitations.

AUDITOR GENERAL REPORT: NEXT STEPS & RECOMMENDATIONS

- **DCIU will be writing a policy on serving food at meetings.**
- **DCIU will no longer fund superintendent retreats out of state.**
- **DCIU will revise our "Administrative Directives," to be called "Administrative Guidelines".**
- **DCIU will revise our Administrative Guideline for the approval of purchase orders**