

**TOWN OF SMYRNA, DELAWARE**

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND INDEPENDENT  
AUDITOR'S REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
AND THE UNIFORM GUIDANCE**

**DECEMBER 31, 2023**

**TOWN OF SMYRNA, DELAWARE**  
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***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards***

To the Honorable Mayor and Members of Town Council  
Town of Smyrna, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smyrna, Delaware (Town), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 21, 2025. Our opinion is qualified with regard to the *General Fund, Capital Improvement Fund, American Rescue Plan Act (ARPA) Fund, Electric Fund, and the Aggregate Remaining Fund Information*, because management was not able to identify the correct fund and accounts in which to post a material amount of cash receipts totaling \$135,571 received during the year ended December 31, 2021, reported in the General Fund as Deferred Revenue and had not been able to correct it, as of December 31, 2023. We were unable to obtain sufficient appropriate audit evidence about the identity of these cash receipts because of the absence of adequate related financial information. Consequently, we were unable to determine whether any adjustments to the assets, fund balances, net positions, and revenues of the *General Fund, Capital Improvement Fund, ARPA Fund, Electric Fund, and the Aggregate Remaining Fund Information* were necessary.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

To the Honorable Mayor and Members of Town Council  
Town of Smyrna, Delaware

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, described in the accompanying schedule of findings and questioned costs as Findings 2023-001, 2023-002 and 2023-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, and 2023-010 to be significant deficiencies.

#### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### ***The Town's Responses to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Belfint, Lyons & Shuman, P.A.*

July 21, 2025  
Wilmington, Delaware



***Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance***

To the Honorable Mayor and Members of Town Council  
Town of Smyrna, Delaware

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Town of Smyrna, Delaware's (Town) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2023. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Smyrna, Delaware complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

To the Honorable Mayor and Members of Town Council  
Town of Smyrna, Delaware

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Honorable Mayor and Members of Town Council  
Town of Smyrna, Delaware

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings as items 2023-11 and 2023-12. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Town of Smyrna's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-011 and 2023-12 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Town's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Honorable Mayor and Members of Town Council  
Town of Smyrna, Delaware

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated July 21, 2025, qualified with regard to the *General Fund, Capital Improvement Fund, American Rescue Plan Act (ARPA) Fund, Electric Fund, and the Aggregate Remaining Fund Information*, because management was not able to identify the correct fund and accounts in which to post a material amount of cash receipts totaling \$135,571 during the year ended December 31, 2021, reported in the General Fund as Deferred Revenue. The balance as of December 31, 2023, remains in the General Fund as Deferred Revenue. We were unable to obtain sufficient appropriate audit evidence about the identity of these cash receipts because of the absence of adequate related financial information. Consequently, we were unable to determine whether any adjustments to the assets, fund balances, net positions, and revenues of the *General Fund, Capital Improvement Fund, ARPA Fund, Electric Fund and the Aggregate Remaining Fund Information* were necessary. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the schedule of expenditures of federal awards of the qualified opinion on the financial statements as described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Belfint, Lyons & Shuman, P.A.*

September 13, 2025  
Wilmington, Delaware

**TOWN OF SMYRNA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Federal Grantor Pass-Through Grantor Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>United States Department of Treasury</b>				
Passed through the State of Delaware's Office of the State Treasurer COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 1,408,696	\$ -
<b>Total United States Department of Treasury</b>			<u>1,408,696</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,408,696</u>	<u>\$ -</u>

**TOWN OF SMYRNA, DELAWARE**  
**NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Smyrna (Town) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S., *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: INDIRECT COST RATE**

The Town has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2023**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Auditor's Report Issued:	Qualified		
Internal Control Over Financial Reporting:			
• Material Weaknesses Identified?	<u>    x    </u>	Yes	<u>          </u> No
• Significant Deficiencies Identified that are not Considered to be Material Weaknesses?	<u>    x    </u>	Yes	<u>          </u> None Reported
Noncompliance Material to Financial Statements Noted?	<u>          </u>	Yes	<u>    x    </u> No

**Federal Awards**

Internal Control Over Major Programs:			
• Material Weaknesses Identified?	<u>          </u>	Yes	<u>    x    </u> No
• Significant Deficiencies Identified that are not Considered to be Material Weaknesses?	<u>    x    </u>	Yes	<u>          </u> None Reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified		
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)	<u>    x    </u>	Yes	<u>          </u> No

**Identification of Major Programs**

CFDA Number(s) and Name of Federal Program or Cluster

21.019 Coronavirus State and Local Fiscal Recovery Funds

Dollar Threshold Used to Distinguish between Type A and Type B Programs: \$750,000

Auditee Qualified as Low-Risk Auditee?	<u>          </u>	Yes	<u>    x    </u>	No
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**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS**

**Reference Number:** 2023-001

**Type of Finding:** Material Weakness

**Department of Finance - Operating Cash Bank Reconciliations**

**Condition:** The Town of Smyrna (Town) has not been able to identify a \$135,571 positive variance in its cash balances as of December 31, 2021. The material unidentified cash variances resulted in qualified opinions on the years ended December 31, 2021, 2022 and 2023 financial statements of the Town's *General Fund, Capital Improvement Fund, American Rescue Plan Act (ARPA) Fund, Electric Fund, and the Aggregate Remaining Fund Information*.

During the year ended December 31, 2023, the Town did not reconcile its bank accounts. The Town's pooled operating accounts used for daily operations (collections and disbursements) were reconciled in late 2024 with a material unreconciled difference that was corrected during the audit. All other account reconciliation were completed in early 2025 and required material adjusting journal entries to correct the general ledger balances that were posted during the audit process.

A similar finding was reported in prior years' audits.

**Criteria:** Strong internal controls require the timely completion of monthly bank reconciliations to safeguard Town assets and to ensure the accuracy of the financial information used to prepare the Town's financial statements in accordance with generally accepted accounting principles (GAAP).

**Cause:** The Town's bank accounts were not reconciled during the year.

**Effect:** The absence of regular, monthly bank reconciliations led to the unreconciled differences which then led to the qualified auditor's opinions. The absence of the bank reconciliations also does not allow Town management to have accurate information with which to manage Town business and increases the risk of error and fraud occurring and not being detected.

**Recommendation:** We recommend the Town review its processes and internal controls over the completion of bank reconciliations. The bank reconciliations should be prepared within 15 days of month end by an accountant and then reviewed and approved by the Accounting Manager or Finance Director.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-002

**Type of Finding:** Material Weakness

**Department of Finance - MUNIS Implementation**

**Condition:** On August 31, 2022, The Town converted its General Ledger, Accounts Payable, and a portion of its General Billing from the Central Square accounting system to the MUNIS accounting system. The rest of the Town's accounting operations remained in the previous software system, Central Square. In 2023, the Town continued to use previous software for the rest of the Town's accounting operations.

A similar finding was reported in the prior year's audit.

**Criteria:** Transition to a new accounting system requires proper planning and execution to ensure accurate and timely financial reporting.

**Cause:** The Town experienced many factors that impacted the conversion process. The Town's selected transition date of August 31, 2022 increased the complexity of the transition. The Town experienced difficulties obtaining timely support from the software provider, difficulty engaging with the consultant contracted to complete the transition, overall financial difficulties and turnover in key financial staff positions.

**Effect:** The extended transition process between accounting software systems resulted in a delays in the financial reporting and delays in the audit process. Running both systems concurrently has also resulted in additional cost to the Town and additional effort for the Town's staff.

**Recommendation:** We recommend that the Town management properly plan and execute the conversion of the remaining MUNIS modules.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number: 2023-003**

**Type of Finding: Material Weakness**

**Department of Finance - Financial Statement Close Process**

**Condition:** During our audit, we noted misstatements of the general ledger balances requiring material adjusting journal entries. Closing adjustments that should have been made during the year-end financial close process had not yet been made by the Town or were required, as a result of our audit procedures. The following summarizes the required adjusting journal entries that are either individually material or material in aggregate, proposed during the December 31, 2023 audit:

<b>Opinion Unit / Fund Title</b>	<b>Count of Material Entries</b>	<b>Assets and Deferred Outflows</b>	<b>Liabilities and Deferred Inflows</b>	<b>Fund Balance</b>	<b>Revenue</b>	<b>Expense</b>
General Fund	6	\$ 6,203,682	\$ 142,326	\$ (133,604)	\$ (6,497,391)	\$ 284,987
Municipal Street Aid Fund	2	(267,037)	(63,342)	-	-	330,379
ARPA Fund	4	-	786,622	-	(1,408,695)	622,073
Grant Fund	2	(272,030)	-	-	272,030	-
Capital Improvement Fund	4	(1,035,825)	482,776	-	(452,776)	1,005,825
Water and Sewer Fund	2	(8,584,518)	-	-	6,400,184	2,184,334
Electric Fund	5	(7,615,428)	300,598	-	2,825,274	4,489,556
Trash Fund	2	71,098	229,074	-	-	(300,172)
Governmental Activities	3	1,105,740	414,350	-	657,174	(2,177,264)

The following list outlines the material adjusting journal entries made to ensure accurate financial reporting as of December 31, 2023:

1. Adjust deferred grant revenue, revenue, and expenses in the ARPA Fund related to State of Delaware Coronavirus State and Local Fiscal Recovery Funds, including funds used for capital asset purchases.
2. Corrected grant-in-aid receivable and deferred inflows for accurate reporting.
3. Correct bond issuance entries to reflect proper recording.
4. Adjusted bad debt allowance for uncollectible electric accounts receivable.
5. Recorded \$6.7 million in approved budget transfers per the Town's 2023 budget.
6. Corrected opening general fund balance and ending liability account balances.
7. Reclassified grants incorrectly posted to nonmajor funds to the general fund.
8. Adjusted inventory on hand and accounts payable balances.
9. Wrote off uncollectible grant receivables.
10. Corrected deferred inflows for governmental funds.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-003 - Continued

**Condition - Continued:**

11. Revised government-wide capitalization entries.
12. Updated compensated absence balances.
13. Corrected electric fund developer deposits and related revenue.
14. Adjusted trash fund OPEB balance.
15. Reallocated a portion of a contract incorrectly charged entirely to the trash fund to the general fund.
16. Corrected entries improperly posted to the internal service fund, which was not intended for use.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** Accurate financial reporting requires adequate review and adjustment of the year-end accounting data and financial information used to prepare the Town's financial statements in accordance with GAAP, in a timely manner.

**Cause:** While the Town's financial closing procedures captured routine entries, the existing procedures did not accurately capture certain unusual or complex entries. Certain other entries were made but required correction during the audit.

**Effect:** The misstatements that were discovered during the audit required material adjustments for the fair presentation of the financial statements. We provided management with proposed adjustments, which management accepted and posted to correct the Town's general ledger.

**Recommendation:** We recommend that the Finance Department enhance its financial closing procedures in the current year so that it captures the types of activities that were accounted for in our audit adjustments. As part of the process, the Town should evaluate all fiscal year 2023 audit adjustments to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-004

**Type of Finding:** Significant Deficiency

**Department of Public Works - Inventory**

**Condition:** During 2022, the Town stopped tracking inventory in real time due to the anticipated MUNIS conversion. The conversion to MUNIS did not occur in 2023 but the Town did not resume tracking inventory in real time during 2023. The Town did not have accurate inventory counts all year, until the inventory count was completed at year end. This limited the Town's ability to track the cost of items held in inventory and determine the total value of inventory as of December 31, 2023.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** Inventory should be tracked in real time because accurate inventory records are necessary to support interim and year-end financial reporting.

**Cause:** The MUNIS conversion and delay in implementation caused disruptions in this and other areas. The Town has also stopped using the inventory management software that it recently acquired. Communication between the Finance Department and the warehouse could have identified an interim method of tracking until MUNIS conversion.

**Effect:** Real time inventory information was not available to be used in budgeting or purchasing decisions. Items removed from inventory were not accurately recorded to expense accounts.

**Recommendation:** We recommend the Town perform periodic inventory counts during the year for reconciliation to the amounts reported in MUNIS. We recommend that the Town implement inventory management software.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-005

**Type of Finding:** Significant Deficiency

**Department of Finance - Quarterly Billing of Property Taxes for New Construction**

**Condition:** As new construction is completed in the Town, the Town Charter permits the issuance of quarterly bills effective for the quarter when the construction was completed and property assessments updated, to capture the new property tax revenue in a timely manner. Town management indicated that the practice has been that newly constructed property is assessed only the year after the certificate of occupancy is issued and not quarterly.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** The Town's Charter includes a provision for the Town Council to issue quarterly supplemental assessments (Town Charter Part 1, Section 9.4.1(b)) for new construction as follows:

“Supplemental assessment. In addition to the annual assessment provided herein, the Tax Assessor may, at the option of the Town Council, prepare quarterly assessments for the purposes of: (1) adding property not already valued and included in the last assessment and (2) revising the valuation and assessment of all real property which has undergone some significant change of condition as to materially change the true market value thereof since the last assessment.”

**Cause:** The Town does not perform quarterly assessment on projects that are completed or create supplemental billings for the period from the date that certificate of occupancy is issued through the end of the tax year.

**Effect:** Property tax revenue is not assessed, billed, or collected on new construction until the next annual assessment is performed by the Town. The amount of unbilled property tax revenue that may be lost, as a result of this practice, cannot be reasonably estimated.

**Recommendation:** We recommend the Town monitor certificates of occupancy issued and evaluate the feasibility of performing supplemental quarterly assessments to enhance revenues.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number: 2023-006**

**Type of Finding: Significant Deficiency**

**Department of Finance - Cost Allocation Accounting**

**Condition:** During 2023, the Town’s allocation of common direct costs and indirect costs between funds was not completed at the time of the audit. Costs were not reported in the Town’s general ledger in a manner consistent with the Town’s budget and reflecting operations. The following summarizes the audit adjustments that were necessary to properly allocate costs for the year ended December 31, 2023:

<u>Opinion Unit</u>	<u>Assets and Deferred Outflows</u>	<u>Liabilities and Deferred Inflows</u>	<u>Revenue</u>	<u>Expense</u>
General Fund	\$ 1,022,696	\$ (6,098)	\$ 257,545	\$ (1,274,144)
Internal Service - Fleet	13,659	(753)	-	(12,906)
Water and Sewer Fund	(512,541)	(10,611)	-	523,152
Electric Fund	(398,613)	(11,865)	-	410,478
Trash Fund	81,540	6,643	-	(88,183)
	<u>\$ 206,741</u>	<u>\$ (22,684)</u>	<u>\$ 257,545</u>	<u>\$ (441,602)</u>

The Town’s allocation of cost was not recorded in accordance with policy and budget information in a timely manner. They required additional assistance to complete this allocation to report their financial results in accordance with U.S. generally accepted accounting principles.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** Accurate financial reporting requires adequate review and allocation of costs to the correct accounts and to the funds that benefit from them, in accordance with Town policies and approved budgets.

**Cause:** The Town did not allocate costs consistently with the Town’s budget or to properly reflect operations.

**Effect:** Material audit adjustments were required to correct the Town’s cost allocation for the fair presentation of the financial statements.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-006 - Continued

**Recommendation:** We recommend that the Finance Department enhance its accounts payable and cost accounting procedures to capture the types of activities that were accounted for in our audit adjustments. We also recommend the Town evaluate all fiscal year 2023 audit adjustments to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-007

**Type of Finding:** Significant Deficiency

**Pension Plan Remittances and Ineffective Issuance Process for Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, etc.***

**Condition:** The Town did not remit elective income tax withholdings from pensioner benefit payments timely. The Town also did not monitor the submission of required payroll tax filings to ensure compliance with reporting requirements.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** Federal and State laws require the timely remittance of income tax withholdings, in the correct amounts, withheld from pension payments made to retirees.

**Cause:** A number of factors resulted in this condition:

- The Town's legacy pension plans utilize the Town's Federal Identification Number, instead of their own separate numbers. This led to the federal government issuing refunds to the Town for what it believed were overpayments of tax withholdings on regular salaries.
- The Town's payroll provider stopped offering 1099R pension reporting services in 2020. As a result, the Town attempted to correctly report pensioner benefit payments itself, but used an incorrect form.
- The Town engaged another vendor to prepare and issue 1099R's at year-end but failed to file the related Form 945 - *Annual Return of Withheld Federal Income Tax* and to remit the tax withholdings.
- The turnover of key staff and poor recordkeeping during this period exacerbated the problems.

**Effect:** In early 2024, the Town paid \$30,141 in Federal penalties and interest for failing to timely file and remit the tax withholdings.

**Recommendation:** We recommend that the Town take the following steps to improve tax withholding and reporting compliance:

- Review its tax withholding and reporting and immediately to rectify any remaining errors.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-007 - Continued

**Recommendation - Continued:**

- Review and improve controls to monitor and reconcile tax withholdings to the related deposits and to ensure that accurate reporting is completed timely by its payroll processor.
- Obtain separate Federal Identification Numbers for each pension and OPEB plan.
- Pension benefit payments should be processed by a provider that has the capability to process all relevant tax forms.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager, Human Resources Director.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-008

**Type of Finding:** Significant Deficiency

**One-Time Vendor Profiles**

**Condition:** The Town maintains seven vendor profiles, that are shared among multiple vendors and are used to issue one-time payments. During the year ended December 31, 2023, the Town issued multiple refunds and one-time payments using these seven shared vendor profiles, totaling \$629,366.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** Strong internal controls require each vendor and payee to be set up with its own vendor account number in the accounts payable system to properly track payments and to maintain a complete payment history

**Cause:** The Town has limited personnel working in this area. Setting up new vendor accounts for one-time payees is time consuming and using these shared accounts is a convenience.

**Effect:** The use of one-time vendors increases the risk of loss due to error or fraud because the employee processing the accounts payable manually enters the payee information for these payments. The vendor's name can be accidentally or intentionally altered and there will be no saved record of the change.

**Recommendation:** We recommend that the Town management set up unique vendor accounts and identification numbers for each payee. Alternatively, if this is not possible or practical, the use of the common vendor profiles should require a special approval from the Finance Director or Accounting Manager.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2023-009

**Type of Finding:** Significant Deficiency

**Electronic Municipal Market Access (EMMA) Filing Requirements**

**Condition:** The Town of Smyrna did not comply with the requirement of its General Obligation Bonds' Continuing Disclosure Agreements for the year ended December 31, 2023. The Town did not complete and file its annual audited financial statements on the EMMA website by August 1, 2024, nor make other related required disclosures.

A similar finding was reported for the year ended December 31, 2022.

**Criteria:** The Town's Continuing Disclosure Agreements require the Town to file audited financial statements and disclose certain events on the EMMA website, under the regulations of the Securities and Exchange Commission (SEC).

**Cause:** The Town's internal controls over reporting were not sufficiently designed or operating to ensure that the required reports are submitted as required by SEC regulations and the relevant agreements.

**Effect:** The Town has not met its Continuing Disclosure Agreement obligations. As a result, the Town's most recent financial statements and other required disclosures were not available to investors, broker-dealers and the general public for their use.

**Recommendation:** We recommend that the Finance Department enhance and document its internal controls over the tracking and reporting of financial information. In addition, we recommend the Town Manager's office monitor required reports for timely submission and review the reports for accuracy prior to submission.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number: 2023-010**

**Type of Finding: Significant Deficiency**

**Pension Funding**

**Condition:** The Town’s Pension Plans fiduciary net positions as a percentage of the total pension liability have deteriorated over the past ten years as summarized in the following chart by year ended December 31:

<u>Year</u>	<u>Police Pension</u>	<u>Town Employee Pension</u>
2014	46%	93%
2015	46%	86%
2016	50%	74%
2017	46%	77%
2018	41%	70%
2019	37%	71%
2020	25%	84%
2021	22%	85%
2022	23%	81%
2023	21%	86%

The Town's actuary, in its January 1, 2023 Actuarial Valuation for the Pension Plan for Full-Time Policemen reported the following.

*"The Town’s funding policy is to contribute amounts sufficient to meet the actuarially determined contribution (ADC) by the end of the fiscal year. Plan funded status has eroded significantly since January 1, 2015 through January 1, 2023, falling from 84.0% to 28.5%. The rapid decline in funded status is due to missed ADC payments and the expected investment income on such missed payments that total roughly \$5.5 million (\$4.7 million of missed ADC payments) over the last seven years. As such, the Town has only contributed on average 4.9% of annual ADC. Significant funding is required to stabilize the Plan. Without additional employer contributions, the Plan is projected to become depleted of assets by December 31, 2031, putting the retirement security of the plan participants at risk."*

**Criteria:** The Town of Smyrna Charter (§4.2.45) authorizes the Town to establish and maintain pension plans for eligible employees but does not specify a statutory funding level or formula. Maintenance of the Town’s pension plans should follow Government Finance Officers’ Association best practices for adequate pension funding. Adhering to these practices, such as making Actuarially Determined Contributions, is essential to ensure the long-term sustainability of the Town’s pension plans.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**II. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number: 2023-010 - Continued**

**Cause:** The Town has experienced an extended period of budgetary restriction, which has limited its ability to meet its stated goal of fully funding the Actuarially Determined Contribution for the pension plan.

**Effect:** The pension plan is significantly underfunded, creating substantial financial risk for the pensioners and the Town. Without corrective action, the plan is projected to deplete its assets by December 31, 2031, jeopardizing the retirement security of plan participants. In addition, severely underfunded pension plans are viewed negatively by credit rating agencies because they increase fixed costs, reduce budgetary flexibility, and signal weak funding discipline. These factors can lead to higher borrowing costs or credit downgrades, further constraining the Town's ability to finance essential services and capital projects.

**Recommendation:** We recommend that the Town develop and implement a comprehensive funding strategy to address the pension plan's significant underfunding. This strategy should include:

- Engaging with the plan actuary to model scenarios for restoring the plan to a sustainable funded status.
- Evaluating options to increase contributions toward the Actuarially Determined Contribution, including phased-in increases if necessary.
- Incorporate the funding plan into the Town's long-term financial planning to mitigate risks to credit ratings and ensure retirement security for plan participants

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance.

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**III. MAJOR FEDERAL AWARD PROGRAM FINDINGS**

**United States Department of the Treasury**

**Reference Number: 2023-011**

**Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)**

**Federal Award Number: None Assigned**

**Type of Finding: Noncompliance and Significant Deficiency in Internal Controls over Compliance**

**Compliance Requirement: Reporting**

**Condition:** The Town did not file its annual Project and Expenditure Reports for the reporting period April 1, 2022 through March 31, 2023, which was due April 30, 2023. However, it has since completed its yearly reporting (cumulative) for the reporting period April 1, 2023 through March 31, 2024 and April 1, 2024 through March 31, 2025 filed both by the due dates of April 30, 2024 and on April 30, 2025, respectively.

**Criteria:** The Coronavirus State and Local Fiscal Recovery Funds Guidance on Recipient Compliance and Reporting Responsibilities, issued by the U.S. Department of the Treasury, requires the Town to file accurate Annual Project and Expenditure reports with the United State Department of Treasury.

**Cause:** The Town experienced turnover at key positions in the Finance Department during the year.

**Effect:** The Town was not in compliance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 C.F.R. § 200.32 and the Guidance on Recipient Compliance and Reporting Responsibilities, issued by the U.S. Department of the Treasury.

**Recommendation:** We recommend that the Finance Department enhance its processes and oversight surrounding grant financial reporting to ensure all required reports are completed accurately and timely.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**TOWN OF SMYRNA, DELAWARE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**III. MAJOR FEDERAL AWARD PROGRAM FINDINGS - CONTINUED**

**United States Department of the Treasury**

**Reference Number: 2023-012**

**Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)**

**Federal Award Number: None Assigned**

**Type of Finding: Noncompliance and Significant Deficiency in Internal Controls over Compliance**

**Compliance Requirement: Procurement**

**Condition:** During our audit of procurement transactions related to the SLFRF, we noted one instance where the Town acquired precast restrooms at a cost of \$339,500, for a park project without a competitive bidding process, as required by federal regulations and the Town's Purchasing Policy.

**Criteria:** Under 2 CFR §200.318-§200.326, non-federal entities must follow documented procurement procedures that reflect applicable state, local, and tribal laws and regulations, provided those procedures conform to federal standards. The Town has adopted procurement policies requiring competitive bidding for purchases of equipment, materials, or professional services, with an estimated total cost exceeding \$25,000 for an individual item/service or an overall contract exceeding \$50,000. The policy also requires the documentation of vendor selection and justification.

**Cause:** The Town did not consistently enforce its procurement policies due to turnover in key positions during the year.

**Effect:** The Town was not in compliance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR §200.318-§200.326 and with its own procurement policies. The lack of competitive bidding for purchases, where it is required increases the risk that the Town may not receive the best prices or terms for the goods and services it purchases.

**Recommendation:** We recommend that the Finance Department enhance its processes and oversight surrounding federal and Town procurement requirements.

**Views of Responsible Town Officials and Planned Corrective Actions:** See corrective action plan.

**Responsible Positions:** Town Manager and Director of Finance

**UNAUDITED**

**TOWN OF SMYRNA, DELAWARE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2023**

**I. FINANCIAL STATEMENT FINDINGS**

**Reference Number: 2022-001**

**Type of Finding: Material Weakness**

**Department of Finance - Operating Cash Bank Reconciliation**

**Condition:** The Town of Smyrna (Town) was unable to identify a \$135,571 positive variance in its cash balances as of December 31, 2021. The material unidentified cash variances resulted in qualified opinions on the financial statements of the Town's Governmental Activities, General Fund, Capital Improvement Fund, American Rescue Plan Act (ARPA) Fund, Electric Fund, and the Aggregate Remaining Fund Information.

During the year ended December 31, 2022, the Town did not reconcile its bank accounts. The Town's pooled operating accounts used for daily operations (collections and disbursements) were reconciled in late 2023 with a material unreconciled difference that was corrected during the audit. All other account reconciliation were completed in early 2024 and required material adjusting journal entries to correct the general ledger balances that were posted during the audit process.

**Recommendation:** We recommend the Town review its processes and internal controls over the completion of bank reconciliations. The bank reconciliations should be prepared within 15 days of month end by an accountant and then reviewed and approved by the Accounting Manager or Finance Director.

**Current Status:** See finding 2023-001.

**Reference Number: 2022-002**

**Type of Finding: Material Weakness**

**Department of Finance - MUNIS Conversion and Implementation**

**Condition:** On August 31, 2022, The Town converted its General Ledger, Accounts Payable, and a portion of its General Billing from the Central Square accounting system to the MUNIS accounting system. The rest of the Town's accounting operations remained in the previous software solutions. The Town's transition of balances from Central Square to MUNIS as of August 31, 2022 was materially misstated. The Town identified various errors in the transition balances but did not take timely appropriate steps to correct the conversion entries.

The Town entered a three-year agreement costing \$119,511 annually with MUNIS for all modules expected to be implemented. To date the Town has utilized the General Ledger, Accounts Payable, Budgeting, General Billing and Accounts Receivable which cost approximately \$22,500 per year.

## UNAUDITED

### TOWN OF SMYRNA, DELAWARE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED YEAR ENDED DECEMBER 31, 2023

#### I. FINANCIAL STATEMENT FINDINGS - CONTINUED

**Reference Number:** 2022-002 - Continued

**Recommendation:** We recommend that the Town management perform timely and accurate monthly reconciliations of key accounts. We also recommend that the Town management properly plan and execute the conversion of the remaining MUNIS modules.

**Current Status:** See finding 2023-002.

**Reference Number:** 2022-003

**Type of Finding:** Material Weakness

**Department of Finance - Financial Statement Close Process**

**Condition:** During our audit, we noted misstatements of the general ledger balances requiring material adjusting journal entries. Closing adjustments that should have been made during the year-end financial close process had not yet been made by the Town or were required, as a result of our audit procedures.

The following describes the nature of the material adjusting journal entries:

1. To adjust deferred grant revenue from the funds advanced by the State of Delaware for Coronavirus State and Local Fiscal Recovery Funds reported in the ARPA Fund and the related funds which utilized the funds for capital asset purchases.
2. Adjustments to report grant-in-aid revenue in the correct year.
3. To adjust investments held as of December 31, 2022 for investment income and unrealized gains.
4. Establish bad debt allowance for uncollectible trash accounts receivable.
5. An adjusting entry of \$1.5 million to record budget transfers that were approved by the Town's 2022 budget.
6. A \$1.46 million adjusting entries to record accounts receivable and deferred inflows upon the implementation of GASB 87 Leases.
7. Adjusting journal entries to correct the recording of payroll expense and payroll related liabilities.
8. An adjusting journal entry to correctly report inventory on hand as of December 31, 2022.
9. An adjusting journal entry to correctly establish the beginning balance of the newly established Trash Fund.

**Recommendation:** We recommend that the Finance Department enhance its financial closing procedures in the current year so that it captures the types of activities that were accounted for in our audit adjustments. As part of the process, the Town should evaluate all fiscal year 2022 audit adjustments to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis.

**UNAUDITED**

**TOWN OF SMYRNA, DELAWARE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
YEAR ENDED DECEMBER 31, 2023**

**I. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2022-003 - Continued

**Current Status:** See finding 2023-003.

**Reference Number:** 2022-004

**Type of Finding:** Significant Deficiency

**Department of Public Works - Inventory**

**Condition:** During the year ended December 31, 2022, the Town did not have adequate segregation of duties over inventory. During 2022, two employees shared custody of inventory, updated inventory counts, recorded costs in the inventory management system, approved invoices for purchases, and signed delivery receipts. The Town also stopped tracking inventory during the year due to the MUNIS conversion and did not have accurate inventory counts until the inventory count was completed at year end which limited the Town's ability to accurately determine the cost of items held in inventory as of December 31, 2022.

**Recommendation:** We recommend that the Town management reorganize and perhaps reassign some of the incompatible duties of the inventory manager. We also recommend the Town perform periodic inventory counts during the year for reconciliation to the amounts reported in MUNIS. We recommend that the Town implement inventory management software.

**Current Status:** See finding 2023-004.

**Reference Number:** 2022-005

**Type of Finding:** Significant Deficiency

**Department of Finance - Quarterly Billing of Property Taxes for New Construction**

**Condition:** As new construction is completed in the Town, the Town's policy is to issue quarterly bills back to when the construction was completed and property assessments updated, to capture the new property tax revenue in a timely manner. Town management indicated that newly constructed property is assessed only the year after the certificate of occupancy is issued and not quarterly.

**Recommendation:** We recommend the Town monitor certificates of occupancy issued and evaluate the feasibility of performing supplemental quarterly assessments.

**Current Status:** See finding 2023-005.

**UNAUDITED**

**TOWN OF SMYRNA, DELAWARE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2023**

**I. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2022-006

**Type of Finding:** Significant Deficiency

**Department of Finance - Cost Allocation Accounting**

**Condition:** During 2022, the Town's allocation of common direct costs and indirect costs between funds was not completed. Costs were not reported in the Town's financial statements in a manner consistent with the Town's budget and operations.

The Town's allocation of cost was not recorded in accordance with policy and budget information in a timely manner. The Town required additional assistance to complete this allocation to report the Town's financial results in accordance with U.S. generally accepted accounting principles.

**Recommendation:** We recommend that the Finance Department enhance its accounts payable and cost accounting procedures to capture the types of activities that were accounted for in our audit adjustments. We recommend the Town should evaluate all fiscal year 2022 audit adjustments to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis.

**Current Status:** See finding 2023-006.

**Reference Number:** 2022-007

**Type of Finding:** Significant Deficiency

**Pension Plan Remittances and Ineffective Issuance Process of Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, etc.***

**Condition:** The Town did not timely remit elective income tax withholdings from pensioner benefit payments.

**Recommendation:** We recommend that the Town take the following steps to improve tax withholding and reporting compliance:

- Review its tax withholding and reporting and immediately rectify any errors.
- Review and improve controls to monitor and reconcile tax withholdings to the related deposits and ensure accurate reporting is timely completed by its payroll processor.
- Obtain separate Federal Identification Number for each pension and OPEB plan.

**UNAUDITED**

**TOWN OF SMYRNA, DELAWARE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
YEAR ENDED DECEMBER 31, 2023**

**I. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2022-007 - Continued

**Recommendation - Continued:**

- Pension benefit payments should be processed by a provider that has the capability to process all relevant tax forms.

**Current Status:** See finding 2023-007.

**Reference Number:** 2022-008

**Type of Finding:** Significant Deficiency

**One-Time Vendor Profiles**

**Condition:** The Town maintains six vendor profiles, that are shared among multiple vendors and are used to issue one-time payments. During the year ended December 31, 2022, the Town issued multiple refunds and one-time payments using these six shared vendor profiles, totaling \$314,077.

**Recommendation:** We recommend that the Town management set up unique vendor accounts and identification numbers for each payee.

**Current Status:** See finding 2023-008.

**Reference Number:** 2022-009

**Type of Finding:** Significant Deficiency

**Electronic Municipal Market Access (EMMA) Filing Requirements**

**Condition:** The Town of Smyrna did not comply with the requirement of its General Obligation Bonds' Continuing Disclosure Agreements for the year ended December 31, 2022. The Town did not complete and file its annual audited financial statements by August 1, 2023, nor make other related required disclosures.

**Recommendation:** We recommend that the Finance Department enhance and document its internal controls over the tracking and reporting of financial information. In addition, we recommend the Town Manager's office monitor required reports for timely submission and review the reports for accuracy prior to submission.

**Current Status:** See finding 2023-009.

**UNAUDITED**

**TOWN OF SMYRNA, DELAWARE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
YEAR ENDED DECEMBER 31, 2023**

**II. MAJOR FEDERAL AWARD PROGRAM FINDINGS**

**United States Department of the Treasury**

**Reference Number: 2022-010**

**Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds (SLFRF)**

**Federal Award Number: None Assigned**

**Type of Finding: Noncompliance; Significant Deficiency in Internal Controls over Compliance**

**Compliance Requirement: Reporting**

**Condition:** The Town of Smyrna did not file its annual Project and Expenditure Reports for 2021 indicating the Town utilized the entire SLFRF grant as revenue replacement. The Town has utilized the SLFRF funds for allowed projects as approved by Town Council and did not use the funds for revenue replacement.

**Recommendation:** We recommend that the Finance Department enhance its processes and oversight surrounding grant financial to ensure all reporting requirements are completed accurately.

**Current Status:** See finding 2022-004.



27 S. MARKET STREET PLAZA, SMYRNA, DE 19977

September 9<sup>th</sup>, 2025

Mr. George G. Fournaris  
Belfint, Lyons, Shuman  
1011 Centre Road, Suite 310  
Wilmington, DE 19805

RE: Management Response to Yellow Book Report for December 31, 2023

Dear Mr. Fournaris:

Please accept this correspondence as the Town of Smyrna’s management response to the Yellow Book Report for December 31, 2023. Based on the noted findings:

1. Reference Number: 2023-001  
Department of Finance – Operating Cash Bank Reconciliation  
We agree. We have implemented monthly cash reconciliation for 2024 and 2025. It is a priority to solve the \$135,000 difference before the completion of the 2024 audit.
2. Reference Number: 2023-002  
Department of Finance – MUNIS Implementation  
Conversion errors were caught and corrected with the 2022 Audit. We agree that there were errors with the implementation and have since corrected them. For the foreseeable future we will be running Central Square for utilities and taxes and Tyler Munis for our financials.
3. Reference Number: 2023-003  
Department of Finance – Financial Statement Close Process  
We have a new director of finance that is working closely with two consultants to ensure that year end close is completed successfully and accurately.
4. Reference Number: 2023-004  
Department of Public Works – Inventory  
We agree. We are looking to implement a system by year end 2025.
5. Reference Number: 2023-005  
Department of Finance – Quarterly Billing of Property Taxes for New Construction  
The town code section 9.4.1B says “may”, not “must” do quarterly assessments for new construction. No change will be made at this time.

TABITHA GOTT, MAYOR    CORRINE UPSHUR, VICE MAYOR    ALVIN POPE, COUNCIL SECRETARY  
DEAN A. JOHNSON    NELSON L. DREW, JR.    KEN OLSON    NICK MILES

CUSTOMER SERVICE/BILLING	OFFICE OF THE TOWN MANAGER	PERMITS/INSPECTIONS	PUBLIC WORKS
302-653-9231	302-653-9231	302-653-3486	302-653-9288
Fax 302-653-3492	Fax 302-653-3492	Fax 302-659-4169	Fax 302-653-4169

TORRIE M. JAMES, TOWN MANAGER

JASON MCNATT, ASSISTANT TOWN MANAGER

6. Reference Number: 2023-006  
Department of Finance – Cost Allocation Accounting  
We have started allocating the budget to properly reflect operations in the monthly financial reports and will be working to get the remaining allocations completed quickly with year-end close.
7. Reference Number: 2023-007  
Pension Plan Remittances and Ineffective Issuance Process for Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, etc.*  
The HR department has corrected the problem with the Federal IRS and is taking steps to work with the State IRS to solve the discrepancy. We are also working with an accountant to create new Ein numbers for both plans and move pension payroll to Tyler Munis. Tyler Munis has the capability to process all relevant tax forms.
8. Reference Number: 2023-008  
One-Time Vendor Profiles  
Currently, it is not practical to create vendor accounts for each individual customer that falls under the “one-time vendor” profile. These invoices do get approved at 2 separate stages, once when the requisition is created and again with payables.
9. Reference Number: 2023-009  
Electronic Municipal Market Access (EMMA) Filing Requirements  
Current staff is working to get our Audits and Financial statements back on track to meet EMMA filing requirements.
10. Reference Number: 2023-010  
Pension Funding  
The Director of Finance is working with Milliman (Actuary) to ensure the town is contributing based on the Actuarially Determined Contribution.
11. Reference Number: 2023-011  
Noncompliance and Significant Deficiency in Internal Controls over Compliance  
Requirement: Reporting  
This has been corrected with the new Director of Finance. We are making sure that all reports are filed on time and correctly.
12. Reference Number: 2023-012  
Noncompliance and Significant Deficiency in Internal Controls over Compliance  
Requirement: Procurement  
This has been corrected with the new management. We have updated our policies to have more oversight over procurement requirements and ensure we are getting the best prices or terms for the goods and services we purchase.

Respectively Submitted,

Sincerely,



Torrie M. James  
Town Manager

c: Kathleen Acevedo, Director of Finance