

**JEFFERSON, URIAN, DOANE &
STERNER, P.A.**

SUSSEX TECHNICAL SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

JUNE 30, 2009

FIELDWORK END DATE: SEPTEMBER 3, 2009

TABLE OF CONTENTS

Independent Accountant's Report on Applying Agreed-Upon Procedures	1 - 2
Appendix A: Schedule of Findings & Recommendations	3 - 5
Appendix B: Schedule of Prior Year Findings	6 - 8
Appendix C: Schedule of Construction Projects	9
Distribution of Report	10

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

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The Honorable Lillian Lowery, Ed.D.
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We have performed the procedures enumerated below, which were agreed to by Sussex Technical School District; the Office of Auditor of Accounts; and the State of Delaware Department of Education, solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Capital Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual relative to the school construction projects administered by the School District for the year ended June 30, 2009. Sussex Technical School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* (2007) issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

There are no findings upon completion of Sussex Technical School District's construction program and project checklists.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Upon completion of Sussex Technical School District's construction program and project checklist, our procedures resulted in finding(s), see *Appendix A*.

3. Determine if expenditures are accurately stated and are made in accordance with the State Capital Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

There are no findings upon completion of Sussex Technical School District's construction program and project checklists.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30, 2009. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

Upon completion of Sussex Technical School District's construction program and project checklist, our procedures resulted in finding(s), see *Appendix A*.

5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2009.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Sussex Technical School District management and Board Members, the Office of Auditor of Accounts, and the State of Delaware Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
September 3, 2009

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Procedure Agreed Upon #2

Finding 09-01:

During completion of Sussex Technical School District's construction program and project checklist for the replace water system project, it was noted that the approval of construction plans, specifications, and cost estimates for the dishwasher replacement from the Division of Facilities Management were not timely obtained prior to bid advertisements as required by 29 Del. C. §7419(a). This was an oversight by School District personnel. Noncompliance with provisions of the Delaware code could potentially cause a delay in receiving future State funding.

Recommendation:

Sussex Technical School District should establish procedures to ensure that proper approvals from the Division of Facilities Management are obtained timely in accordance with the guidelines established by the State of Delaware.

School District's Response:

"The District will make every effort to comply by waiting for responses from Division of Facilities Management before bid advertisements are made public."

Finding 09-02:

During completion of Sussex Technical School District's construction program and project checklist for the sewer connection project, it was noted that the School District failed to timely submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b). This was due to an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

Recommendation:

Sussex Technical School District should establish procedures to ensure that the archival-quality copies of architectural and/or engineering drawings are timely submitted to Delaware Public Archives in accordance with State of Delaware provisions.

School District's Response:

"The District will make every effort to comply by sending archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives in accordance with State of Delaware provisions."

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Finding 09-03:

During completion of Sussex Technical School District's construction program and project checklists for the sewer connection project, it was noted that the School District had not timely submitted a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of major renovations as required by the School Construction Technical Assistance Manual, § 2.0, Paragraph 5.4. This was due to an oversight by School District personnel. Noncompliance with State of Delaware provisions, including the School Construction Technical Assistance Manual, could potentially cause a delay in receiving future State funding.

Recommendation:

Sussex Technical School District should establish procedures to ensure that the electronic AutoCAD files are timely submitted to the Department of Education in accordance with State of Delaware provisions.

School District's Response:

"The District will make every effort to comply by submitting a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of major renovations as required by the School Construction Technical Assistance Manual, § 2.0, Paragraph 5.4."

Procedure Agreed Upon #4

Finding 09-04:

During completion of Sussex Technical School District's construction program and project checklist for the roof project, it was noted that the in-service date reported on the State's Fixed Asset Accounting System (FAAS) does not agree to the actual date of substantial completion for the project. The roof renovation project was accepted by School District personnel in January of 2009 but recorded with an in-service date for March and April of 2009 on FAAS. District personnel entered the date of project closeout and final payment instead of the date when the asset was ready for its intended use as specified in Capital Asset Policy Manual, Section IV.B.3. Improper recording of capital expenditures, including in-service dates, results in errors and irregularities in financial reporting.

Recommendation:

Sussex Technical School District should consult the Division of Accounting to determine whether further action is needed for the roof renovation project. Furthermore, the School District should properly monitor and review the reporting of capital assets to ensure compliance with the State of Delaware Capital Asset Policy Manual.

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Finding 09-04:

School District's Response:

“The District will consult the Division of Accounting to determine whether further action is needed for the roof renovation project. The District will properly monitor and review the reporting of capital assets to ensure compliance with the State of Delaware Capital Asset Policy Manual.”

Finding 09-05:

During completion of Sussex Technical School District's construction program and project checklist for the sewer connection project, the replace modular classrooms project, and the renovations to the 300/400 wings project, it was noted that these projects were not properly recorded in the State's Fixed Asset Accounting System (FAAS) as prescribed by Capital Asset Policy Manual, Section IV.B.3. School District personnel did not remove these substantially completed project costs from the June 30, 2009 Construction-Work-In-Progress (CWIP). District personnel did not believe that these projects were ready for their intended use and therefore did not remove them from CWIP. Failure to properly record capital expenditures results in errors and irregularities in financial reporting.

Recommendation:

Sussex Technical School District should determine the adjustment needed to the State's FAAS and Construction-Work-in-Progress and consult Division of Accounting to determine the action to be taken. Furthermore, the School District should properly monitor and review the reporting of capital assets to ensure compliance with the State of Delaware Capital Asset Policy Manual.

School District's Response:

“The District will consult the Division of Accounting to determine what action should be taken. The District will make every effort to properly monitor and review the reporting of capital assets to ensure compliance with the State of Delaware Capital Asset Policy Manual.”

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
08-01 - During completion of Sussex Technical School District's construction program and project checklists for the sewer connection and generator project, it was noted that School District personnel failed to notify the Department of Education and the State Budget Director of the start of construction for the sewer connection project as required by State of Delaware School Construction Technical Assistance Manual, §2.0, Paragraph 5.1 and State of Delaware Budget and Accounting Policy Manual, XII.D.3.p. This was due to an oversight by School District personnel. Noncompliance with State of Delaware provisions, including School Construction Technical Assistance Manual and Budget and Accounting Policy Manual, could potentially cause a delay in receiving future State funding.	Sussex Technical School District should notify the Department of Education and the State Budget Director of the start of construction for the sewer connection project as soon as possible.	Implemented.

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
<p>08-02 - During completion of Sussex Technical School District's construction program and project checklist, it was noted that expenditures totaling \$ 41,276 for the renovations to the 300/400 wings project (appropriation code 7812) were incorrectly coded to the classroom replacement project (appropriation code 7713). The two construction projects were combined under the same general contract even though the projects were authorized by two separate Certificate of Necessities. District personnel did not receive proper documentation to separate costs for the two projects. As required by 29 Del. C. §7415, the funds appropriated by an authorization act may be used only for the costs set forth in such act. An expenditure correction was processed subsequent to year-end to correct this error. Failure to properly separate costs of projects could result in fraud, errors, and irregularities.</p>	<p>Sussex Technical School District should review their procedures to ensure documentation is obtained in the future to segregate project costs appropriately.</p>	<p>Implemented.</p>

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Status Key:

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/09
Sewer Connection and Generator	2006	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,544	\$ 998,456	\$ 1,000,000	\$ -
	2007	1,887,500	-	1,887,500	1,286,027	567,369	1,853,396	34,104
Roof and Floor Replacement	2006	1,037,200	-	1,037,200	180,344	856,856	1,037,200	-
Renovations to the 300/400 Wings	2007	65,500	-	65,500	34,718	30,782	65,500	-
	2008	590,500	-	590,500	523,733	54,135	577,868	12,632
Replace Modular Classrooms	2007	2,653,400	-	2,653,400	1,958,356	666,813	2,625,169	28,231
Replace Water System	2008	89,300	-	89,300	48,066	-	48,066	41,234
	2009	803,200	-	803,200	2,068	-	2,068	801,132
Totals		\$ 8,126,600	\$ -	\$ 8,126,600	\$ 4,034,856	\$ 3,174,411	\$ 7,209,267	\$ 917,333

DISTRIBUTION OF REPORT

Copies of Sussex Technical School District's Agreed-upon Procedures Attestation Engagement will be distributed by the Office of the Auditor of Accounts to the following public officials:

Executive Branch

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Thomas J. Cook, Acting Secretary, Department of Finance
The Honorable Ann S. Visalli, Director, Office of Management and Budget
The Honorable Lillian Lowery, Ed.D., Secretary, Department of Education
Ms. Valerie Watson, Acting Director, Division of Accounting
The Honorable R. Thomas Wagner, State Auditor, Office of the Auditor of Accounts

Legislative Branch

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

Other Elective Offices

The Honorable Joseph Biden, III, Attorney General, Office of the Attorney General
The Honorable Velda Jones-Potter, Treasurer, State Treasurer's Office

Other

Mr. Michael S. Jackson, Ed.D., Associate Secretary of Education, Department of Education
Dr. Patrick E. Savini, Superintendent, Sussex Technical School District