Santora CPA Group

State of Delaware
Appoquinimink School District
Capital Projects Funds
Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Year Ended June 30, 2010

Fieldwork End Date: November 17, 2010
Issuance Date: January 21, 2011

Table of Contents

Independent Accountant's Report 1

Appendix A: Schedule of Construction Projects 7

Distribution of Report 8

Santora CPA Group
Right, By Your Side

William A. Santora, CPA
John A. D'Agostino, CPA, MST
Heath N. Kahrs, CPA
Ciro Adams, CPA

Robert Freed, Principal
Linda A. Pappajohn, Principal
Stephen M. Conyers, CPA, Principal

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Specified User(s) of the Report:

Tony J. Marchio, Ed.D.
Superintendent
Appoquinimink School District
118 South Sixth Street
Odessa, Delaware 19730

The Honorable Lillian Lowery, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, Delaware 19901

We have performed the procedures enumerated below, which were agreed to by the Office of Auditor of Accounts (AOA) and the specified users of the report, as identified above, and as defined within the applicable laws of the State of Delaware (the State). The procedures were performed solely to assist the specified parties in evaluating the State of Delaware, Appoquinimink School District's (the School District) 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 Policy Manual* relative to the school construction projects administered by the School District for the year ended June 30, 2010. Management of the School District is responsible for their compliance with those requirements for the period July 1, 2009 through November 17, 2010.

This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the 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 results were as follows:

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

We obtained the written policies and procedures of the School District for identifying, tracking, and recording capital assets in effect during fiscal year 2010, and through interviews with School District personnel, documented an understanding of the School District's internal controls relating to construction, including the personnel responsible for financial transactions and management functions. We reviewed the content of the School District's policies, noting that the policies and procedures ensure compliance with 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 Policy Manual.*

Results: We found no exceptions as a result of the procedures.

Christiana Executive Campus ▲ 220 Continental Drive ▲ Suite 112 ▲ Newark, DE 19713-4309
Phone: (302) 737-6200 ▲ (800) 347-0116 ▲ Fax: (302) 737-3362
E-Mail: info@santoracpagroup.com ▲ www.santoracpagroup.com

Status of Prior Recommendations: In our June 30, 2009 report, we noted one finding related to Procedure 1:

Finding #09-01

Recommendation

It was recommended that the School District implement an internal control process whereby the fixed asset amounts and descriptions entered into the State's Fixed Asset Accounting System (FAAS) are reviewed by management, or their designee, to verify accuracy and completeness.

Status

Implemented - We noted that the School District has modified its internal control process whereby the fixed asset amounts and descriptions entered into FAAS are reviewed by management, or their designee, to verify accuracy and completeness.

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

For all new construction projects listed in the Bond Bill for the School District, we created a new electronic file identifying the project, including the Certificate of Necessity, Construction Project Data, and Construction Project Checklist.

For new and existing projects included in **Appendix A**, we completed the Construction Project Checklist to the extent the checklist applies to the project and its activity during the year, to ensure construction project file compliance with 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 Policy Manual.*

Results: We found no exceptions as a result of the procedures.

***Procedure 3*: Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the local Board of Education.**

We obtained a detailed schedule of School District capital expenditures, by project, for fiscal year 2010 from School District management. We reconciled the schedule to the Delaware Financial Management System (DFMS) *Statement of Available Funds* report as of June 30, 2010 to ensure the accuracy of amounts reported in the School District's schedule. As part of our reconciliation procedures, we reviewed the above reports to ensure that the amounts reported did not include encumbrances or remaining appropriation balances.

We obtained June 30, 2010 Construction Work In Progress (CWIP) Generally Accepted Accounting Principles (GAAP) Package for the School District and completed the following:

a. Verified that the prior year (6/30/09) balance agreed to the June 30, 2009 Schedule of Construction Projects Examined in the final, issued June 30, 2009 construction agreed-upon procedures report for the School District.

b. Verified that the additions per the GAAP Package reconciled to DFMS and to the Expended Current Fiscal Year amounts reported in **Appendix A**.

c. Verified that deletions agree to detail of the construction projects closed during the year for the School District reported in **Appendix A**.

We reviewed and updated the Schedule of Construction Projects (for both old and new projects) at **Appendix A** based upon the activity recorded in the DFMS *Cumulative Year to Date Statement of Budgetary Activity and Account Balances* with the following information:

i. Project Name
ii. Fiscal Year
iii. Original Funding Amount
iv. De-authorization of funding, if any
v. Total Project Funding, life to date
vi. Expended – current fiscal year
vii. Expended – prior fiscal year
viii. Total Project Expenditures, life to date
ix. Total Unspent Balance, as of June 30 of current fiscal year

We verified that the total column on the Schedule of Construction Projects at **Appendix A** agrees with the total, for each construction appropriation on the State's June 30, 2010 *Statement of Budgetary Activity and Account Balances Beginning July 1, 2009 and Ending June 30, 2010* report.

For a sample of 30 Fund 300 expenditures totaling $714,558.98 for the School District out of the population of $17,134,597 in current year expenditures, we performed the following:

a. Verified that the transaction information (vendor name, appropriation code, transaction amount) agrees to supporting documentation.
b. Verified that the expenditure was related to a capital project and was properly capitalizable.
c. Determined that the details of the transaction are mathematically accurate.
d. Determined that the transaction was appropriately coded in DFMS, based on the information included on the transaction.
e. Agreed the individual transaction amount into the School District expenditure detail for the related project.
f. Verified that the transaction is properly authorized, as evidenced by signature of appropriate individuals on the transaction form.

Results: Our procedures disclosed one instance of noncompliance that resulted in the following finding:

Finding #10-01

Criteria

Proper administration of School District construction projects requires the following:

Title 29, §6504 of the Delaware Code, states *"Each agency shall keep a detailed account of all receipts and expenditures under such appropriate headings, classifications, and arrangements as may be prescribed by the Director of the Office of Management and Budget and used in the budget estimates. All bills, statements, letters, vouchers, and documents pertaining to these receipts and disbursements shall be preserved and systematically filed by each agency."*

Condition

During our testing of the aforementioned requirements, we noted one expenditure for $10,840 in a project file that was incurred for another unrelated project, as detailed below:

Expenditure Relating to Project	Expenditure Charged to Project
Silver Lake Elementary School	Bunker Hill Elementary School

Cause

The School District did not comply with Title 29, §6504 of the Delaware Code, referenced above, to ensure an accurate, detailed account of all receipts and expenditures under such appropriate headings, classifications, and arrangements.

In addition, the School District did not comply with the State's transfer process, under Title 29, §6528 of the Delaware Code, which includes obtaining approval for all transfers of funding between unrelated projects.

Effect

Expenditures are not classified properly on the Schedule of Construction Projects, creating either an overstatement or understatement of expenditures by project.

Recommendation

The School District should ensure that all expenditures are appropriately classified by project and that any necessary transfers are properly approved and processed in the DFMS.

School District Response

This expenditure was corrected on an EX (expenditure correction) on October 8, 2009, but to the incorrect project (Cedar Lane Elementary). The School District will immediately initiate a JV (journal voucher) to correctly charge the expenditure to the Silver Lake Elementary appropriation.

Status of Prior Recommendations: In our June 30, 2009 report, we noted two findings related to Procedure 3:

Finding #09-02

Recommendation

It was recommended that the School District implement procedures to analyze and reconcile the total expenditures each fiscal year to the CWIP and fixed asset additions to ensure the CWIP includes only capitalizable expenditures.

Status

Implemented - We noted the School District has implemented a procedure to analyze and reconcile the total expenditures each fiscal year to the CWIP and fixed asset additions to ensure the CWIP includes only capitalizable expenditures.

Finding #09-03

Recommendation

It was recommended that the School District ensure that all expenditures are appropriately classified by project and that any necessary transfers are properly approved and processed in the DFMS.

Status

Partially Implemented – We noted the School District has not implemented a procedure to authorize the transfer of funds between appropriations. The School District is more closely reviewing expenditures to ensure they are charged to the appropriate projects. However, during testing it was noted that a payment voucher was processed for work on one project with an appropriation number related to a different project (see finding #10-01).

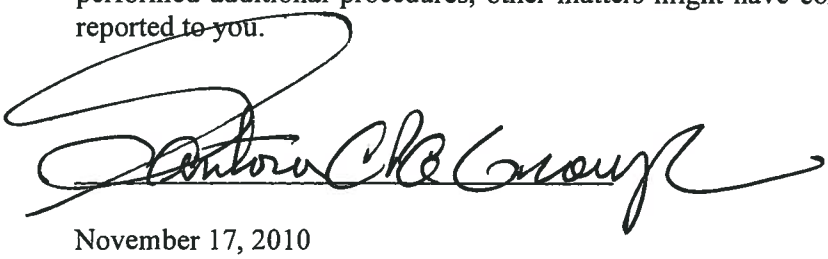
***Procedure 4*: Determine whether the School District's construction project records and files include only active construction projects as of June 30, 2010. Ensure that completed projects have been appropriately closed out of construction and added to the State's FAAS.**

We obtained a detail of the construction projects closed during the year for the School District and agreed both the amount and in-service date to the State's DFMS Fixed Asset Accounting System (FAAS).

We obtained detail of the construction projects closed during the year for the School District, and reconciled the closed construction projects to additions in the State fixed asset ledger. We noted that assets were added to DFMS at the appropriate amount and with the appropriate in-service date. We reviewed the activity for the projects included in the June 30, 2010 balance for aged projects meeting the following criteria: projects that have been ongoing for numerous years, projects near completion (greater than 90% complete), and projects with little or no spending in the current fiscal year for review. We noted no such projects on the School District listing.

Results: We found no exceptions as a result of the procedures.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on compliance with specified laws. 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.



November 17, 2010
Newark, Delaware

Appendix A: Schedule of Construction Projects

Project Name	Fiscal Year	Appropriation	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current Fiscal Year	Expended Prior Fiscal Years	Total Project Expended to Date	Total Unspent as of 6/30/10
Redding Middle School Renovations	2005	7518	$ 4,729,700	$ (3,818)	$ 4,725,882	$ 3,798	$ 4,722,084	$ 4,725,882	$ -
Redding Middle School Renovations	2009	7912	761,000	50,000	811,000	499,231	311,769	811,000	-
Redding Middle School Renovations	2010	7003	761,000	-	761,000	748,568	-	748,568	12,432
Alfred Waters Middle School	2007	7719	15,915,200	-	15,915,200	361,052	15,502,420	15,863,472	51,728
Cedar Lane Early Childhood Center	2005	7521	3,378,400	(66)	3,378,334	-	3,378,334	3,378,334	-
Townsend Early Childhood Center	2008	7824	7,584,000	(26,802)	7,557,198	142,628	7,355,112	7,497,740	59,458
Middletown High School Synth Fields	2008	7826	2,623,200	-	2,623,200	30,355	2,567,902	2,598,257	24,943
Middletown High School Renovations	2009	7911	600,100	1,597	601,697	120,265	479,836	600,101	1,596
Middletown High School Renovations	2010	7001	5,401,300	1,743,085	7,144,385	3,032,233	-	3,032,233	4,112,152
Appoquinimink High School	2005	7520	34,361,300	(68)	34,361,232	14,198	34,347,034	34,361,232	-
Appoquinimink High School	2006	7620	9,999,800	(8,646)	9,991,154	249,246	9,741,908	9,991,154	-
District Office Renovation (ATC)	2006	7613	1,216,200	(10,465)	1,205,735	716	1,205,019	1,205,735	-
District Office Renovation (ATC)	2007	7713	1,039,500	-	1,039,500	11,619	1,027,881	1,039,500	-
District Office Renovation (CAO)	2008	7827	3,620,100	(11,371)	3,608,729	37,154	3,571,567	3,608,721	8
Bunker Hill Elementary School	2008	7825	8,512,400	(6,350)	8,506,050	924,768	7,578,116	8,502,884	3,166
Bunker Hill Elementary School	2009	7910	15,050,800		15,050,800	2,832,635	10,558,001	13,390,636	1,660,164
Meredith Middle School Renovations	2009	7913	55,100	(1,172)	53,928	28,191	25,737	53,928	-
Meredith Middle School Renovations	2010	7004	55,200	(30,412)	24,788	24,788	-	24,788	-
Brick Mill Elementary Serving Line	2009	7914	77,700	(425)	77,275	41,113	36,163	77,276	(1)
Brick Mill Elementary Serving Line	2010	7005	77,700	(62,674)	15,026	15,026	-	15,026	-
Silver Lake Elementary Renovations	2009	7915	357,000	550,000	907,000	706,452	196,391	902,843	4,157
Silver Lake Elementary Renovations	2010	7006	357,000	-	357,000	355,550	-	355,550	1,450
Cedar Lane Elementary School Renovations	2010	7002	12,837,534	(2,250,000)	10,587,534	6,955,011	-	6,955,011	3,632,523
TOTAL CONSTRUCTION PROJECTS EXAMINED			**$ 129,371,234**	**$ (67,587)**	**$ 129,303,647**	**$ 17,134,597**	**$ 102,605,274**	**$ 119,739,871**	**$ 9,563,776**

Distribution of Report

This report is intended solely for the information and use of the Appoquinimink 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, the Department of Finance, and the Office of the State Treasurer.

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

Executive Branch

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

Legislative Branch

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

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General
The Honorable Chipman Flowers, Jr., Esq., Treasurer, Office of the State Treasurer

Other

Ms. Edna Cale, President, Appoquinimink School District Board of Education
Ms. Donna Kimmey, Vice President, Appoquinimink School District Board of Education
Mr. Norman Abrams, Appoquinimink School District Board of Education
Ms. Joanne Christian, Appoquinimink School District Board of Education
Ms. Julie Johnson, Appoquinimink School District Board of Education
Tony Marchio, Ed.D., Superintendent, Appoquinimink School District
Executive Secretary, Appoquinimink School District Board of Education
Chuck Longfellow, Ed.D., Chief Financial Officer, Appoquinimink School District

This report can be accessed online through the Auditor of Accounts (AOA) website at http://auditor.delaware.gov.