Santora CPA Group

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

Fiscal Year Ended June 30, 2010

Fieldwork End Date: November 5, 2010
Issuance Date: January 21, 2011

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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:

Marcia V. Lyles, Ed.D.
Superintendent
Christina School District
600 N. Lombard Street
Wilmington, Delaware 19801

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, Christina 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 5, 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

***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.

Status of Prior Recommendations: In our June 30, 2009 report, we noted one finding related to Procedure 2:

Finding #09-01

Recommendation

It was recommended that, as specified in the Manual, the School District should ensure that all required documents are retained in each construction file upon completion and acceptance of the construction project.

Status

Implemented - We noted the School District made minor adjustments to their project close-out process to ensure that correct documentation is available for project audits.

***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 $880,609.13 for the School District out of the population of $16,323,002 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: We found no exceptions as a result of the procedures.

***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 Fixed Asset Accounting System (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 that all projects included in **Appendix A** are active construction projects as of June 30, 2010.

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

Status of Prior Recommendation: In our June 30, 2009 report, we noted one finding related to Procedure 4:

Finding #09-02

Recommendation

It was recommended that the School District implement a procedure to reconcile all current year additions from the State's FAAS to deletions from the schedule of CWIP and project expenditures to ensure all assets are accurately recorded.

Status

Implemented - We noted the School District has enhanced their current procedures to provide reasonable assurance that current year additions are not duplicated on the State's FAAS.

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 5, 2010
Newark, Delaware

Appendix A: Schedule of Construction Projects

Project Name	Fiscal Year	Appropriation Number	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
Bancroft Elementary School	2004	7420	$ 559,300	$ -	$ 559,300	$ -	$ 559,300	$ 559,300	$ -
Bancroft Elementary School	2005	7520	5,033,300	(598,429)	4,434,871	85,139	4,114,387	4,199,526	235,345
Reconfigure Bayard	2008	7810	2,400,000	3,600,000	6,000,000	587,453	5,361,668	5,949,121	50,879
Reconfigure Bayard	2010	7002	3,600,000	(3,600,000)	-	-	-	-	-
Pyle Elementary School	2005	7527	4,015,700	(965,000)	3,050,700	31,767	3,003,906	3,035,673	15,027
Kirk Middle School	2004	7413	5,468,200	(8,861)	5,459,339	-	5,459,339	5,459,339	-
Kirk Middle School	2005	7533	-	395,000	395,000	32,963	-	32,963	362,037
Porter Road Land	2003	7317	927,000	-	927,000	-	927,000	927,000	-
Porter Road Land	2005	7531	1,974,100	(1,009)	1,973,091	307,123	1,665,968	1,973,091	-
Porter Road Elementary School	2003	7316	1,107,300	(250)	1,107,050	-	1,107,050	1,107,050	-
Porter Road Elementary School	2005	7516	3,751,700	-	3,751,700	92,172	3,659,528	3,751,700	-
Porter Road Elementary School	2006	7616	8,049,800	1,150,000	9,199,800	536,448	8,662,382	9,198,830	970
Porter Road Elementary School	2008	7811	4,688,500	408	4,688,908	(1,956,422)	4,125,676	2,169,254	2,519,654
Porter Road Elementary School	2008	7812	403,239	542,474	945,713	-	945,713	945,713	-
Porter Road Elementary School	2008	7813	361,649	-	361,649	-	361,649	361,649	-
Porter Road Elementary School	2009	7911	2,617,100	-	2,617,100	1,487,205	1,078,323	2,565,528	51,572
Porter Road Elementary School	2010	7001	3,925,700	(1,150,000)	2,775,700	2,561,224	-	2,561,224	214,476
Astro Middle School	2006	7532	2,362,400	1,541	2,363,941	70,590	2,108,802	2,179,392	184,549
Astro Middle School	2006	7621	11,519,100	11,241	11,530,341	58,074	11,300,683	11,358,757	171,584
Gallaher Elementary School	2005	7517	6,064,500	316,189	6,380,689	-	6,380,689	6,380,689	-
Maclary ES/ILC	2005	7528	790,000	(730)	789,270	-	789,270	789,270	-
Maclary ES/ILC	2006	7628	7,109,300	(13,031)	7,096,269	13,932	7,082,333	7,096,265	4
Autism Program	2004	7410	2,316,500	-	2,316,500	2,124	2,312,937	2,315,061	1,439
Autism Program	2005	7524	665,000	(2)	664,998	6,491	658,507	664,998	-

Continued...

Appendix A (Continued)

Project Name	Fiscal Year	Appropriation Number	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
Wilson Elementary School	2005	7529	$ 737,500	$ (18,592)	$ 718,908	$ 7,888	$ 711,020	$ 718,908	$ -
Wilson Elementary School	2006	7629	6,638,200	(351,432)	6,286,768	223,264	6,061,197	6,284,461	2,307
Downes Elementary School	2005	7530	736,200	(7,001)	729,199	2,227	726,972	729,199	-
Downes Elementary School	2006	7630	6,625,100	(150,745)	6,474,355	187,760	6,286,595	6,474,355	-
Christiana High School	2005	7525	1,028,700	-	1,028,700	35,715	965,911	1,001,626	27,074
Christiana High School	2006	7625	9,258,200	718,592	9,976,792	140,353	9,707,034	9,847,387	129,405
Sterck Expansion	2006	7610	2,700,000	-	2,700,000	270,511	2,316,749	2,587,260	112,740
Sterck Expansion	2007	7710	8,000,000	-	8,000,000	2,022,348	3,404,295	5,426,643	2,573,357
Sterck Expansion	2008	7810	10,000,000	(3,600,000)	6,400,000	4,104,007	56,939	4,160,946	2,239,054
Sterck Expansion	2009	7910	4,627,300	795,400	5,422,700	1,598,112	-	1,598,112	3,824,588
Sterck Expansion	2010	7001	15,442,700	3,600,000	19,042,700	3,814,534	-	3,814,534	15,228,166
Portable Classrooms	2003	7319	1,114,000	-	1,114,000	-	1,114,000	1,114,000	-
Portable Classrooms	2004	7423	1,147,400	(15)	1,147,385	-	1,147,385	1,147,385	-
Portable Classrooms	2006	7523	1,181,700	-	1,181,700	-	1,122,256	1,122,256	59,444
TOTAL CONSTRUCTION PROJECTS EXAMINED			**$ 148,946,388**	**$ 665,748**	**$ 149,612,136**	**$ 16,323,002**	**$ 105,285,463**	**$ 121,608,465**	**$ 28,003,671**

Transactions for the Autism Program are charged to appropriations 7410 and 7524 within the school's own DDS Code, 95-51. Transactions for the Sterck expansion are charged to appropriations 7610, 7710, 7810, 7910, and 7001 within the school's own DDS Code, 95-60. All other projects included in the schedule above are charged to their respective appropriations within the School District's DDS Code, 95-33.

Distribution of Report

This report is intended solely for the information and use of the Christina 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

Mr. John M. Young, President, Board of Education, Christina School District
Ms. Shirley Saffer, Vice President, Board of Education, Christina School District
Ms. Eric M. Anderson, Board of Education, Christina School District
Ms. Gina Backus, Board of Education, Christina School District
Mr. David Resler, Board of Education, Christina School District
Ms. Elizabeth Scheinberg, Board of Education, Christina School District
Mr. Frederick Polaski, Board of Education, Christina School District
Marcia V. Lyles, Ed.D., Executive Secretary and Superintendent of Schools, Board of Education, Christina School District
Mr. Robert Silber, Assistant Superintendent and Chief Financial Officer, Christina School District
Ms. Denise Glover, Supervisor, Finance, Christina School District
Ms. Kelli Racca, Supervisor, Director – Planning Facilities, and Education Options, Christina School District
Mr. Nicholas Vacirca, Manager of Capital Projects, Christina School District

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