Santora CPA Group

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

Fiscal Year Ended June 30, 2010

Fieldwork End Date: October 28, 2010
Issuance Date: January 21, 2011

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Right, By Your Side

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Specified User(s) of the Report:

Mark A. Holodick, Ed.D.
Superintendent
Brandywine School District
1000 Pensylvania Avenue
Claymont, Delaware 19703

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, Brandywine 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 October 28, 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.

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***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 $666,564.27 for the School District out of the population of $14,920,567 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.

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

Finding #09-01

Recommendation

It was recommended that the School District implement procedures to ensure the CWIP schedule only includes expenditures for projects not completed by current fiscal year end.

Status

Implemented - We noted that the School District did ensure that the CWIP schedule for fiscal year 2010 only included expenditures for projects in progress, and not completed, by year end.

Finding #09-02

Recommendation
It was recommended that the School District exclude costs of certain expenditures that should not be capitalized in the CWIP schedule and expense these costs as incurred.

Status
Implemented – We noted that the School District did ensure that the CWIP schedule for fiscal year 2010 included only capitalizable expenditures. Noncapitalizable amounts were appropriately expensed as incurred.

***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 no such projects on the School District listing.

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 #09-03

Recommendation

It was recommended that the School District implement a procedure to tie all projects indentified on the CWIP schedule as completed and placed in service as additions to the State's FAAS at the end of each fiscal year. This will ensure that all completed projects correctly removed from CWIP are properly capitalized in the current year. For all projects previously placed in service, the School District should review all current year expenditures to ensure all betterments are identified and added to the State's FAAS.

Status

Implemented - We noted that the School District ensured that all assets related to the above adjustments were appropriately added to 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.

October 28, 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
Concord High School	2002	7214	$ 2,488,500	$ -	$ 2,488,500	$ -	$ 2,488,500	$ 2,488,500	$ -
Concord High School	2003	7313	3,333,300	800,000	4,133,300	-	4,133,300	4,133,300	-
Concord High School	2004	7410	8,028,400	674,984	8,703,384	-	8,703,384	8,703,384	-
Forwood Elementary School	2003	7314	500,000	-	500,000	-	500,000	500,000	-
Forwood Elementary School	2004	7411	3,682,700	(789)	3,681,911	-	3,681,911	3,681,911	-
Lombardy Elementary School	2003	7315	500,000	-	500,000	-	500,000	500,000	-
Lombardy Elementary School	2004	7415	7,102,300	50,000	7,152,300	-	7,152,300	7,152,300	-
Talley Middle School	2004	7416	16,666,700	(1,175,000)	15,491,700	5,375	15,486,325	15,491,700	-
Talley Middle School	2005	7516	956,800	248,741	1,205,541	-	1,205,401	1,205,401	140
P.S. DuPont Elementary School	2006	7617	4,500,000	-	4,500,000	1,447	4,498,553	4,500,000	-
P.S. DuPont Elementary School	2007	7717	35,343,700	-	35,343,700	112,094	35,218,001	35,330,095	13,605
P.S. DuPont Elementary School	2008	7817	3,123,800	450,000	3,573,800	402,761	3,048,627	3,451,388	122,412
Lancashire Elementary MP	2006	7636	447,538	-	447,538	29,907	414,716	444,623	2,915
Lancashire Elementary School	2007	7718	841,700	-	841,700	170,333	658,082	828,415	13,285
Lancashire Elementary School	2008	7818	13,159,600	300,000	13,459,600	4,404,867	8,288,379	12,693,246	766,354
Springer Middle School	2007	7719	2,833,300	-	2,833,300	316,285	2,500,922	2,817,207	16,093
Springer Middle School	2008	7819	23,254,600	-	23,254,600	3,345,733	19,806,672	23,152,405	102,195
Hanby Middle School	2008	7821	2,666,700	-	2,666,700	1,577,094 A	292,180	1,869,274	797,426
Brandywood Elementary School	2006	7637	594,343	-	594,343	117,564	-	117,564	476,779
Brandywood Elementary School	2009	7911	1,166,700	-	1,166,700	43,328	-	43,328	1,123,372
Brandywood Elementary School	2010	7001	12,976,400	-	12,976,400	-	-	-	12,976,400
Bush Elementary School	2010	7002	579,100	-	579,100	-	-	-	579,100
Harlan Elementary School	2010	7004	-	150,000	150,000	56,739	-	56,739	93,261

Continued...

Appendix A (Continued)

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
Claymont Elementary School	2010	7005	$ -	$ 900,000	$ 900,000	$ 844,735	$ -	$ 844,735	$ 55,265
District Office	2007	7720	3,123,800	-	3,123,800	529,885	32,422	562,307	2,561,493
Brandywine - Transportation/Facility	2009	7910	3,000,000	-	3,000,000	2,962,420	-	2,962,420	37,580
	2010	7003	3,079,000	(1,800,000)	1,279,000	-	-	-	1,279,000
TOTAL CONSTRUCTION PROJECTS EXAMINED			**$ 153,948,981**	**$ 597,936**	**$ 154,546,917**	**$ 14,920,567**	**$ 118,609,675**	**$ 133,530,242**	**$ 21,016,675**

A The Hanby project was going to be a total renovation of the school, but due to declining enrollment a decision was made not to do the renovation, but rather move those students to other schools. House Bill 525 was passed, which approved the School District to use the $2.6M from Hanby towards other projects.

For fiscal year 2010, the expenditures under Appropriation 7821 were split out as designated below:

Brandywine Operations Center	$ 28,519
Claymont Kindergarten	(160,248) *
Hanby Middle School	845,152
Harlan Bathrooms	145
Lombardy Addition	748,833
Mt. Pleasant Elementary School	42,104
P.S. Dupont Elementary School	(60,715) *
Talley Science Room	27,811
Springer Elementary School	54,600
Various	50,894
	$ 1,577,085

* Balances shown as negative are the result of EX transactions processed for these projects to recode expenditures from Appropriation 7821 to other major capital appropriations for the School District.

Distribution of Report

This report is intended solely for the information and use of the Brandywine 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. Olivia Johnson-Harris, President, Brandywine School District Board of Education
Mr. Mark F. Huxsoll, Vice President, Brandywine School District Board of Education
Mr. Joseph Brumskill, Brandywine School District Board of Education
Ms. Patricia Hearn, Brandywine School District Board of Education
Ms. Cheryl Siskin, Brandywine School District Board of Education
Mr. Ralph Ackerman, Brandywine School District Board of Education
Mark Holodick, Ed.D., Superintendent, Brandywine School District
John Read, District Construction Project Manager, Brandywine School District
David Blowman, Chief Financial Officer, Brandywine School District

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