

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

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

Fiscal Year Ended June 30, 2010

Fieldwork End Date: September 28, 2010

Issuance Date: May 5, 2011

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DAVID R. URIAN, CPA
DAVID C. DOANE, CPA
CHARLES H. STERNER, JR. CPA, CVA
SHELDON L. FORNEY, CPA
JAY M. STEVENS, CPA, PFS
ROGER R. REED, CPA
ELAINE E. GRAVES, CPA
BRYAN L. HUDSON, CPA

TRUITT W. JEFFERSON, CPA, DIRECTOR
RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Specified User(s) of the Report:

Dr. David E. Robinson
Superintendent
State of Delaware, Cape Henlopen School District
1270 Kings Highway
Lewes, Delaware 19958

The Honorable Lillian M. 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 procedures were performed solely to assist the specified parties in evaluating the State of Delaware, Cape Henlopen 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 State of Delaware, Cape Henlopen School District is responsible for their School District's 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*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those 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:

Agreed-Upon Procedure 1 - Adequacy of the State of Delaware, Cape Henlopen School District's policies and procedures for identifying, tracking, and recording capital assets:

1. We obtained the School District's written policies for identifying, tracking, and recording capital assets and evaluated them for compliance with the *State of Delaware Budget and Accounting Policy Manual*, the *State of Delaware Department of Education School Construction Technical Assistance Manual*, the *State of Delaware Capital Asset Policy Manual*, and the *Delaware Code*.

Results:

We found no exceptions as a result of the procedures.

2. We documented an understanding of the School District's process relating to construction, including the personnel responsible for financial transactions and management functions and evaluated them against controls requirements as detailed in the Construction Project Checklist.

Results:

We found no exceptions as a result of the procedures.

Agreed-Upon Procedure 2 - Accuracy of the State of Delaware, Cape Henlopen School District's construction project records and files for current and prior fiscal years:

1. We obtained the June 30, 2010 Bond Bill (Senate Bill No. 190) to identify any new construction projects in order to create a new electronic file that would include information from the Certificate of Necessity, the Construction Project Data, and the Construction Project Checklist.

Results:

There was no new funding for construction projects identified as of June 30, 2010.

2. For new and existing construction projects, which are all identified in Appendix A, we completed a Construction Project Checklist (the Checklist) to ensure construction project file compliance with the *State of Delaware Budget and Accounting Policy Manual*, the *State of Delaware Department of Education School Construction Technical Assistance Manual*, the *State of Delaware Capital Asset Policy Manual*, and the *Delaware Code*.

Results:

The procedures resulted in the following finding:

Finding 10-01:

During completion of State of Delaware, Cape Henlopen School District's project checklist for the Construct New 1600 Pupil High School (second turf field), it was noted that the School District did not follow proper procurement procedures. Public works contracts with an estimated value greater than \$50,000 are required to solicit competitive bids through a Public Notice as required by 29 Del. C., §6962. The second turf field was bid as an add-on item in 2007 and received a low bid of \$766,000; however, the add-on was not accepted in the contract awarded in 2007. The successful bidder must be awarded a public works contract within sixty days of the bid opening in accordance with 29 Del. C., §6962(d)(13)a. In fiscal year 2010, the second turf field project was processed by School District personnel as a change order to the Construct New 1600 Pupil High School contract, without soliciting timely competitive bids. The second turf field did not qualify as a change order, which is only permitted by 29 Del. C., §6904 when necessary because of changed situations, unforeseen conditions, or strikes or acts of God. Failure to comply with State of Delaware procurement policies limits competition and may result in higher public works costs.

Recommendation:

State of Delaware, Cape Henlopen School District should establish policies and procedures to ensure that proper procurement procedures are followed in accordance with *Delaware Code* for public works contracts exceeding \$50,000.

Finding 10-01 - Continued:

School District's Response:

“The district has established a Capital Improvement Project checklist to ensure that all requirements are met for managing all future projects. In the future, all capital projects will be reviewed by the Director of Business Operations to ensure compliance with the State of Delaware Code for public works contracts.”

Status of Prior Recommendations:

Finding 06-04:

During completion of State of Delaware, Cape Henlopen School District's project checklist for Sussex Consortium, Air Conditioning project, it was noted that the School District failed to 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.

Revised Recommendation:

The State of Delaware, Cape Henlopen School District should establish procedures to ensure archival-quality copies of architectural and/or engineering drawings are submitted to Delaware Public Archives as required by 29 Del. C., §507(b).

Status:

This finding has been implemented. We determined that the School District applied appropriate corrective actions by submitting the archival-quality copies of architectural and/or engineering drawings for Construct 2 Middle Schools (track project).

Finding 06-05:

During completion of State of Delaware, Cape Henlopen School District's construction project checklists for the Sussex Consortium, Air Conditioning project and the Electrical Renovations project, it was noted that the School District had not submitted a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of the addition 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.

Revised Recommendation:

The State of Delaware, Cape Henlopen School District should establish procedures to ensure a copy of the electronic AutoCAD files is submitted timely to Department of Education after completion of the project.

Finding 06-05 - Continued:

Status:

This finding has been implemented. We determined that the School District applied appropriate corrective actions by submitting the electronic AutoCAD files for Construct 2 Middle Schools (track project) and the Electrical Renovations project.

Finding 08-05:

During completion of State of Delaware, Cape Henlopen School District's construction program and project checklist for the Construct 2 Middle Schools project, it was noted that unexpended project funds totaled \$1,350, of which \$810 (60%) should be reverted to the State. School District personnel inappropriately transferred the State's share of the unexpended funds of \$810, along with the \$540 local portion, from appropriation 8077 to appropriation 8062. This was due to an oversight by School District personnel. According to 29 Del. C., §7515, any amount which has been appropriated to a school district by the State of Delaware under any school construction bond authorization act which remains unexpended one year after pupil occupancy shall be reverted back. State of Delaware's 60% share was established by fiscal year 2003 House Bill No. 600. Failure to comply with State of Delaware provisions, including *Delaware Code*, could result in fraud, errors, and irregularities.

Recommendation:

State of Delaware, Cape Henlopen School District should revert \$810 to the State of Delaware for the Construct 2 Middle Schools project.

Status:

This finding has not been implemented.

School District's Response:

"The District will contact the Delaware Department of Education to initiate the transfer of these funds to the appropriate entity."

Finding 09-01:

During completion of State of Delaware, Cape Henlopen School District's construction program and project checklist for the Construct 2 Middle Schools (track project), it was noted that School District personnel failed to timely notify the Department of Education, the State Budget Director, the Insurance Coverage Office, and the State Auditor of final completion as required by *School Construction Technical Assistance Manual*, §2.0, Paragraph 5.2 and §5.0, Paragraph 5.63. This was due to an oversight by School District personnel. Failure to comply with State of Delaware provisions, including the *School Construction Technical Assistance Manual*, could result in fraud, errors, and irregularities.

Finding 09-01 - Continued:

Recommendation:

State of Delaware, Cape Henlopen School District should establish procedures to ensure that the Department of Education, the State Budget Director, the Insurance Coverage Office, and the State Auditor are timely notified of project completions in accordance with State of Delaware guidelines.

Status:

This finding has been implemented. We determined that the School District applied appropriate corrective actions by notifying the appropriate State of Delaware agencies of project completion for the Construct New 1600 Pupil High School.

Finding 09-02:

During completion of State of Delaware, Cape Henlopen School District's construction program and project checklists for the Construct 2 Middle Schools (track project), it was noted that the School District had not submitted a copy of the electronic AutoCAD files to 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 the 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:

State of Delaware, Cape Henlopen School District should submit the AutoCAD files for the Construct 2 Middle Schools (track project) to the Department of Education as soon as possible.

Status:

This finding has been implemented. We determined that the School District applied appropriate corrective actions by submitting the electronic AutoCAD files as required for Construct 2 Middle Schools (track project).

Finding 09-03:

During completion of State of Delaware, Cape Henlopen School District's construction program and project checklists for the Construct 2 Middle Schools (track project), it was noted that the School District failed to 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.

Finding 09-03 - Continued:

Recommendation:

State of Delaware, Cape Henlopen School District should submit the archival-quality copies for the Construct 2 Middle Schools (track project) to Delaware Public Archives as soon as possible.

Status:

This finding has been implemented. We determined that the School District applied appropriate corrective actions by submitting the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives as required for Construct 2 Middle Schools (track project).

Finding 09-04:

During completion of State of Delaware, Cape Henlopen School District's construction program and project checklists for 6-Classroom Addition, Rt. 5, and Sussex Consortium Lifeskills Construction, it was noted that unexpended project funds of \$135 in Appropriation 7513 and \$508 in Appropriation 7717 should be reverted to the State. According to 29 Del. C., §7515, any amount which has been appropriated to a school district by the State of Delaware under any school construction bond authorization act which remains unexpended one year after pupil occupancy shall be reverted back. Failure to comply with State of Delaware provisions, including *Delaware Code*, could result in fraud, errors, and irregularities.

Recommendation:

State of Delaware, Cape Henlopen School District should revert the \$135 from Appropriation 7513) for the 6-Classroom Addition, Rt. 5, and \$508 from Appropriation 7717 for Sussex Consortium Lifeskills Construction to the State of Delaware.

Status:

This finding has been implemented. We determined that the School District applied appropriate corrective actions for reverting the \$135 for the 6-Classroom Addition, Rt. 5, and \$508 for Sussex Consortium Lifeskills Construction to the State of Delaware as required.

Agreed-Upon Procedure 3 - Accuracy and compliance of expenditures for State of Delaware, Cape Henlopen School District stated in accordance with the State of Delaware Capital Asset Policy Manual and within the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education:

1. We obtained a detailed listing of capital expenditures for the School District by project for the year ended June 30, 2010, for all of the projects identified in Appendix A. We reconciled the Fund 300 spending per the listing to the Delaware Financial Management System (DFMS), *Monthly Appropriation Balances Report* (F25M0405) as of June 30, 2010, to within 1% of Fund 300 construction expenditures. We determined that the amounts reported do not include encumbrances or remaining appropriation balances.

Results:

We found no exceptions as a result of the procedures.

2. We obtained the June 30, 2010 Construction Work In Progress Generally Accepted Accounting Principles (GAAP) Package for the School District and agreed the June 30, 2009 balances to the June 30, 2009 Schedule of Construction Projects in the final, issued June 30, 2009 Construction Agreed-Upon Procedure report for the School District. We traced the additions, if any, per the GAAP Package and agreed the balances to the current year capitalizable spending per the detail listing of the capital expenditures obtained in Step 1 of this Agreed-Upon Procedure. We agreed the deletions, if any, to the detail of the construction projects that were closed during the year that was obtained in Step 1 under Agreed-Upon Procedure 4.

Results:

We found no exceptions as a result of the procedures.

3. We updated the State of Delaware, Cape Henlopen School District's Schedule of Construction Projects (the Schedule) for the year ended June 30, 2010, which is presented in Appendix A. We updated the Schedule for all projects identified in Appendix A based upon the activity recorded in the State of Delaware's *Cumulative Year to Date (YTD) Statement of Budgetary Activity and Account Balances for Period Beginning July 1, 2009 and Ending June 30, 2010*.

Results:

We found no exceptions as a result of the procedures.

4. We agreed the Total Project Expended to Date column on the Schedule of Construction Projects to the total for each construction appropriation on the State of Delaware's *Cumulative YTD Statement of Budgetary Activity and Account Balances for Period Beginning July 1, 2009 and Ending June 30, 2010*.

Results:

We found no exceptions as a result of the procedures.

5. For a sample of 34 expenditures totaling \$1,094,697.66 that was selected from a population of \$13,071,093, we determined that the transaction information for vendor name, appropriation code, and transaction amount agreed to supporting documentation. We agreed that the expenditure was related to a capital project. We mathematically recalculated the details of the transaction. We determined that the transaction was appropriately coded in DFMS, based on the information included on the transaction and that the transaction had proper authorization. We agreed the individual transaction amount to the School District's expenditure detail for the related project.

Results:

We found no exceptions as a result of the procedures.

Agreed-Upon Procedure 4 - Maintenance of records and files for State of Delaware, Cape Henlopen School District for only active construction projects and the appropriate close out of construction project and appropriate addition to the State Fixed Asset system:

1. We obtained the detail of the construction projects that were closed, if any, during the year for the School District. We reconciled the closed construction projects to the additions that were reported in the State of Delaware's *Fixed Asset Ledger Report* (DFMS report F25F4105). We noted whether the asset was added to the DFMS report at the appropriate amount and with the appropriate in service date.

Results:

We found no exceptions as a result of the procedures.

2. We obtained a detailed listing of construction projects from the School District. We reviewed the activity for the projects included in the June 30, 2010 balance, if any, and selected aged projects with the following criteria: projects that have been ongoing for numerous years, projects near completion that were greater than 90% complete, and projects with little or no spending in the current fiscal year. For the projects meeting the above criteria, if any, we interviewed School District personnel, and obtained and reviewed supporting documentation regarding the status for each project to determine if the project is still in process at June 30, 2010 and appropriately included in the construction balance.

Results:

We found no exceptions as a result of the procedures.

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 State of Delaware, Cape Henlopen 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, and the Office of the State Treasurer.

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

Georgetown, Delaware
September 28, 2010

Appendix A: Schedule of Construction Projects

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 06/30/10
Construct 2 Middle Schools	2001	\$ 2,666,700	\$ -	\$ 2,666,700	\$ -	\$ 2,666,700	\$ 2,666,700	\$ -
	2002	8,333,300	-	8,333,300	-	8,333,300	8,333,300	-
	2003	9,765,500	-	9,765,500	-	9,765,500	9,765,500	-
Construct 2 Middle Schools (Market Pressure \$)	2003	3,161,500	720	3,162,220	-	3,160,460	3,160,460	1,760
Sussex Consortium, Air Conditioning	2004	844,800	-	844,800	23,029	821,771	844,800	-
6-Classroom Addition, Rt. 5	2004	133,000	-	133,000	-	133,000	133,000	-
	2005	1,180,100	(135)	1,179,965	-	1,179,965	1,179,965	-
Construct New 1600 Pupil High School	2007	32,572,800	-	32,572,800	1,155,880	31,416,920	32,572,800	-
	2008	27,989,900	-	27,989,900	3,046,510	23,340,544	26,387,054	1,602,846
	2009	15,362,900	-	15,362,900	8,559,999	1,374,596	9,934,595	5,428,305
Renovation and Addition to H.O. Brittingham Elementary	2007	1,080,100	-	1,080,100	-	1,080,100	1,080,100	-
	2008	1,267,700	-	1,267,700	51,861	1,200,343	1,252,204	15,496
Renovation and Addition to Shields Elementary School	2007	1,088,600	-	1,088,600	-	1,088,600	1,088,600	-
	2008	1,278,000	(200,000)	1,078,000	63,791	935,023	998,814	79,186

Appendix A: Schedule of Construction Projects - Continued

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 06/30/10
Renovation and Addition to Milton Elementary School	2007	\$ 1,102,000	\$ -	\$ 1,102,000	\$ -	\$ 1,102,000	\$ 1,102,000	\$ -
	2008	1,293,000	200,000	1,493,000	105,889	1,359,986	1,465,875	27,125
Renovation and Addition to Rehoboth Elementary School	2007	1,155,600	-	1,155,600	-	1,155,600	1,155,600	-
	2008	1,357,400	-	1,357,400	58,636	1,278,253	1,336,889	20,511
Renovation Lewes 9th Grade Academy	2007	332,800	-	332,800	-	332,800	332,800	-
	2008	390,600	-	390,600	5,498	160,702	166,200	224,400
Sussex Consortium Lifeskills Construction	2007	600,000	(508)	599,492	-	599,492	599,492	-
Totals		\$112,956,300	\$ 77	\$112,956,377	\$ 13,071,093	\$ 92,485,655	\$105,556,748	\$ 7,399,629

Note 1 - The total unspent funds for Construct 2 Middle Schools (Market Pressure \$) project includes the funds to be reverted as noted in prior year Finding 08-05.

Distribution of Report

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
Mr. Kristopher Knight, Director, Division of Accounting
The Honorable Lillian M. 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

Dr. David E. Robinson, Superintendent, Cape Henlopen School District
Sgt. Spencer E. Brittingham, President, Cape Henlopen School District Board of Education
Dr. Sara Wilkinson, Vice President, Cape Henlopen School District Board of Education

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