

**State of Delaware  
Office of Auditor of Accounts**

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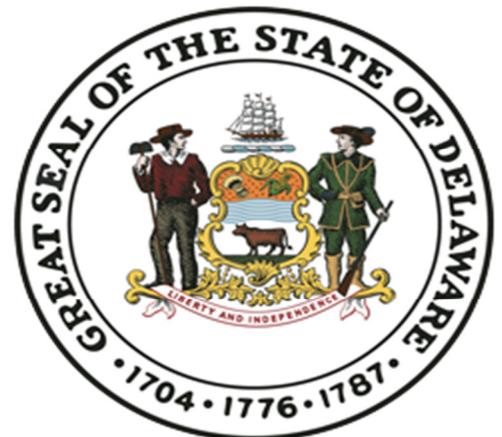
**State of Delaware  
Academy of Dover Charter School  
Fiscal Stabilization, Title I, and  
Special Education IDEA Programs  
American Recovery and Reinvestment  
Act §1512 Reporting  
Agreed-Upon Procedures Engagement**

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**As of June 30, 2010**

**Fieldwork End Date: May 9, 2011  
Issuance Date: May 16, 2011**

R. Thomas Wagner, Jr., CFE, CGFM, CICA  
Auditor of Accounts



***Table of Contents***

Independent Accountant's Report	1
Distribution of Report	7



STATE OF DELAWARE  
OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CFE, CGFM, CICA  
AUDITOR OF ACCOUNTS

PHONE: 302-739-4241  
FAX: 302-739-4217

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

To the Specified Users of the Report:

The Governor's Stimulus Solutions Group  
Attn: The Honorable Matthew Denn  
Lieutenant Governor  
820 N. French Street, 10<sup>th</sup> Floor  
Wilmington, DE 19801

Mr. Noel Rodriguez  
Principal  
Academy of Dover Charter School  
104 Saulsbury Road  
Dover, DE 19904

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, Academy of Dover Charter School's (AOD) compliance with the *American Recovery and Reinvestment Act of 2009* (ARRA) §1512 Report (§1512 Report) for the following programs:

Program	CFDA <sup>1</sup>	SAI <sup>2</sup>	Award	Federal Expenditures at June 30, 2010
State Fiscal Stabilization Fund (SFSF) – Education State Grants	84.394	S9061816	\$126,906	\$58,951
Special Education – Grants to States	84.391	S9032404	\$ 62,984	\$ 0
Title I Grants to Local Educational Agencies (LEAs)	84.389	S9032403	\$ 37,468	\$ 5,269

Management of the AOD is responsible for their compliance with those requirements for the period February 17, 2009 through June 30, 2010.

<sup>1</sup> Code of Federal Domestic Assistance

<sup>2</sup> State Application Identifier

The SFSF – Education State Grants program’s purpose is to support and restore funding for elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services in States and local educational agencies. The funds are used: (a) to restore State elementary and secondary education support for Fiscal Years 2009, 2010, and 2011 to the greater of the Fiscal Year 2008 or 2009 level; (b) to allow existing State formula increases to support elementary and secondary education for Fiscal Years 2010 and 2011 to be implemented and allow funding for phasing in State equity and adequacy adjustments, if such increases were enacted prior to October 1, 2008; and (c) to restore support for public institutions of higher education for Fiscal Years 2009, 2010, and 2011 to the greater of Fiscal Year 2008 or 2009, excluding tuition and fees paid by students.

The Special Education – Grants to States program’s purpose is to provide funds to State and local educational agencies, in accordance with the Individuals with Disabilities Education Act (IDEA), to help provide the special education and related services needed to make a free appropriate public education available to all eligible children and, in some cases, early intervening services.

The Title I Grants to LEAs program’s purpose is to help local educational agencies and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic achievement standards. The use of funds varies, depending on whether a school is operating a schoolwide program under Title I, Section 1114 of the Elementary and Secondary Education Act of 1965 (ESEA) or a targeted assistance program under Section 1115 of the ESEA. A school with at least a 40 percent poverty rate may choose to operate a schoolwide program under Section 1114 that allows Title I funds to be combined with other Federal, State, and local funds to upgrade the school’s overall instructional program. All other participating schools must operate targeted assistance programs that provide extra instruction to those children failing, or most at risk of failing, to meet State academic achievement standards. Targeted assistance programs must ensure that Title I services supplement, and do not supplant the regular education programs normally provided with non-Federal funds by local educational agencies.

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:*** We traced the amounts per the §1512 Report to appropriate supporting documentation and verified the amounts were accurate. We confirmed the date the §1512 Report was submitted to the federal reporting system to ensure the report was submitted timely.

***Results:*** The June 30, 2010, §1512 Reports were due by July 14, 2010. AOD submitted the reports timely to federalreporting.gov on July 14, 2010. However, AOD did not submit the ARRA §1512 Report and Approval Records to Delaware Office of Management and Budget (OMB) for all awards tested. See Finding #1 below.

## **Finding #1 – Approval Record**

### ***Criteria***

The Delaware OMB §1512 Reporting Instruction Manual states, “Prime recipients and approved delegated sub-recipients must also complete and have appropriate signed approval from the agency head for each report field prior to uploading to the federal reporting system. A form for this purpose can be located at <http://www.omb.delaware.gov/arra/index.shtml> and a copy is to be emailed to [OMB\\_ARRA1512@state.de.us](mailto:OMB_ARRA1512@state.de.us) or faxed to (302) 739-5661.” “Copies of the final spreadsheet uploaded to the federal reporting system, as well as the sign-off sheet are to be emailed to [OMB\\_ARRA1512@state.de.us](mailto:OMB_ARRA1512@state.de.us).”

### ***Condition***

AOD did not submit the ARRA §1512 Report Approval Record to OMB for the reporting period ending June 30, 2010, for any of the three programs tested as required by the Delaware OMB §1512 Reporting Instruction Manual.

### ***Cause***

AOD was not aware of the requirement to send the ARRA §1512 Report Approval Record to OMB.

### ***Effect***

The purpose of this approval form is to ensure that there are no material omissions or significant reporting errors in the quarterly report. Failure to certify the accuracy of the report does not ensure the reported information is complete and accurate. Lack of management review and clear supporting documents may leave errors undiscovered.

### ***Recommendation***

AOD should ensure the quality of the reported data by adequately reviewing the information before submitting it to the federal government and certify the review by submitting the ARRA §1512 Report Approval Record to OMB.

### ***Auditee Response***

AOD has initiated the reporting of ARRA funds.

***Procedure 2:*** Ensure the calculation of the estimate of the number of jobs created and retained by the project is in compliance with the Council of Economic Advisers memorandum dated May 2009.

***Results:*** Delaware Department of Education (DOE) was designated as the prime recipient for these programs and; therefore, has been responsible for reporting jobs created and retained. Therefore, this procedure is not applicable to AOD. However, the prime and subrecipient designations have been incorrectly applied. See Procedure 3 below and Finding #2 of this report for further details.

**Procedure 3:** Ensure the information provided for subcontracts or subgrants include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006.

**Results:** School Districts and charter schools are designated subrecipients for purposes of ARRA reporting; therefore, this procedure is not applicable to AOD. However, reference to the school districts and charter schools as subrecipients should be avoided in order to maintain compliance with the 2010 Compliance Supplement. See Finding #2 below.

**Finding #2 – School Districts Improperly Applied as Subrecipients**

***Criteria***

The 2010 Compliance Supplement states, “Transfers of Federal awards to another component of the same auditee under OMB A-133 do not constitute a subrecipient or vendor relationship.” This is to ensure that components of State Government are not treated as subrecipients.

***Condition***

The State of Delaware, Office of Management and Budget, has incorrectly referenced the school districts and charter schools of the State as subrecipients. The Delaware OMB §1512 Reporting Instruction Manual states, “School Districts and charter schools are designated sub-recipients for purposes of ARRA reporting and shall directly report to the federal reporting system all Federal Funding Accountability and Transparency Act data elements required under 1512(c)(4) for all ARRA funds sub-awarded to them by the State of Delaware, in a manner that complies with all federal OMB guidance.” Per clarification obtained from the United States Department of Education (USDOE), Delaware School Districts may report as sub-recipients for the purposes of §1512 reporting. However, this treatment in no manner exempts the School Districts from reporting as primary government for purposes of the State’s A-133 Audit.

***Cause***

The State of Delaware, Office of Management and Budget, has misinterpreted the guidance issued by the Federal OMB regarding the definition of a subrecipient.

***Effect***

Any reference to the school districts and charter schools as subrecipients may confuse school management and lead to erroneous reporting of federal awards.

***Recommendation***

The Delaware OMB §1512 Reporting Instruction Manual should be corrected to exclude reference of the School Districts as “sub-recipients” so as not to confuse School District management. OMB should also include the written permission from USDOE allowing School Districts to use the sub-recipient format, but that it does not reflect change in treatment as a primary recipient for A-133 purposes.

***Auditee Response***

As directed by the State, AOD will continue to report as sub recipient.

**Procedure 4:** We tested and were able to determine eligibility of program expenditures totaling \$64,220 by examining supporting documentation. These expenditures consisted of \$58,951 coded to the SFSF – Education State Grants program for payroll and \$5,269 coded to the Title I Grants to LEAs program for payroll.

**Results:** AOD did not obtain time and effort certifications for the payroll expenditures charged to the SFSF – Education State Grants program. See Finding #3 below.

**Finding #3 – Lack of Time and Effort Certifications**

***Criteria***

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

***Condition***

AOD did not require time and effort reporting certifications for the SFSF – Education State Grants program as required in OMB Circular A-87. Total payroll charged to this ARRA program since its inception on February 17, 2009 through June 30, 2010, is \$58,950.55. None of these expenditures are properly supported by time and effort reports.

***Cause***

AOD was not aware of the time and effort reports requirement for all federal funds.

***Effect***

Salary and related costs allocated to the Fiscal Stabilization program are not appropriately supported by time and effort reports and are not in compliance with OMB Circular A-87.

***Recommendation***

AOD should complete and retain time and effort reporting certifications as required by Federal OMB.

***Auditee Response***

Time and effort documents are being maintained for all staff paid with Federal monies.

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.

This report is intended solely for the information and use of the Governor's Stimulus Solutions Group and the AOD 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.

R. Thomas Wagner, Jr., CFE, CGFM, CICA  
Auditor of Accounts

May 9, 2011

## *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 Matthew Denn, Lieutenant Governor, State of Delaware  
The Honorable Thomas J. Cook, Secretary, Department of Finance  
The Honorable Ann S. Visalli, Director, Office of Management and Budget  
The Honorable Lillian Lowery, Ed.D., Secretary of Education, Department of Education  
Mr. Kristopher Knight, Director, Division of Accounting, Department of Finance

### 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. Dawn Haw-Young, Manager of Financial Reporting and Internal Control, Division of Accounting,  
Department of Finance  
Mr. Robert Scoglietti, Director of Policy and External Affairs, Office of Management and Budget  
Ms. Karen Field Rogers, Associate Secretary, Financial Reform and Resource Management, Department  
of Education  
Mr. Noel Rodriguez, Principal, Academy of Dover Charter School

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