

# **Santora CPA Group**

---

**State of Delaware  
New Castle County Vocational-  
Technical School District  
Capital Projects Funds  
Independent Accountant's Report on  
Applying Agreed-Upon Procedures**

---

**Fiscal Year Ended June 30, 2010**

**Fieldwork End Date: October 15, 2010**

**Issuance Date: January 21, 2011**

***Table of Contents***

Independent Accountant's Report	1
Appendix A: Schedule of Construction Projects	5
Distribution of Report	6

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

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

To the Specified User(s) of the Report:

Steven H. Godowsky, Ed.D.  
Superintendent  
New Castle County Vocational-Technical  
School District  
1417 Newport Pike  
Wilmington, Delaware 19804

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, New Castle County Vocational-Technical 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 15, 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.

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

***Finding #10-01***

Criteria

The *State of Delaware Capital Asset Account Policy Manual* (the Manual), issued by the Division of Accounting, states:

*“The following are examples of expenditures not capitalized as improvements to buildings and should be recorded as maintenance expense:*

*... Asbestos abatement or mold removal charges.”*

In addition, the Manual further states:

*“Costs not considered CWIP are audit fees, nonconstruction insurance costs, furniture purchases, equipment purchases, asbestos abatement, storage fees, moving expenses, payroll of state employees, and portable buildings.”*

Condition

In fiscal year 2010, the School District capitalized \$5,187 in asbestos abatement costs for the Howard Lab renovation project. In addition, the School District capitalized \$4,043 in furniture related to the Howard Lab renovation project.

Cause

The School District did not provide proper oversight regarding the review of expenditures included in the Construction Work in Progress (CWIP) schedule to ensure that items not considered CWIP (i.e. asbestos abatement, furniture) were properly excluded.

Effect

CWIP schedule additions may be misstated and may include expenditures that should not be capitalized within the State’s Fixed Asset Accounting System (FAAS). This could result in an overstatement of future fixed asset additions from the CWIP schedule.

### Recommendation

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

### School District Response

The School District recognizes the importance of accurate recordkeeping and will continue to monitor the types of expenditures recorded as CWIP.

### ***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 CWIP Generally Accepted Accounting Principles (GAAP) Package for the School District and completed the following:

- a. Verified that the additions per the GAAP Package reconciled to DFMS and to the Expended Current Fiscal Year amounts reported in **Appendix A**.
- b. 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 the entire population of Fund 300 expenditures (nine transactions) totaling \$399,340 for the School District, 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 FAAS.**

We noted that no construction projects were closed during the year for the School District.

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.

October 15, 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
Renovation - Howard Lab	2010	7001	\$ 671,000	\$ -	\$ 671,000	\$ 399,340	\$ -	\$ 399,340	\$ 271,660
<b>Total</b>			\$ 671,000	\$ -	\$ 671,000	\$ 399,340	\$ -	\$ 399,340	\$ 271,660

## ***Distribution of Report***

This report is intended solely for the information and use of the New Castle County Vocational-Technical 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  
Ms. 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 F. Lynch, Jr., President, New Castle County Vocational-Technical Board of Education  
Mr. John J. McMahon, Vice President, New Castle County Vocational-Technical Board of Education  
Mr. Ray W. Christian, New Castle County Vocational-Technical Board of Education  
Ms. Arnetta McRae, Esq., New Castle County Vocational-Technical Board of Education  
Mr. Robert H. Strong, New Castle County Vocational-Technical Board of Education  
Mr. Mark S. Stellini, New Castle County Vocational-Technical Board of Education  
Ms. Yvette Santiago, New Castle County Vocational-Technical Board of Education  
Dr. Steven H. Godowsky, Superintendent, New Castle County Vocational-Technical School District  
Mr. Jason S. Hale, CPA, Director of Business, New Castle County Vocational-Technical School District

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