

Santora CPA Group

**State of Delaware
Statewide School Districts' Construction
Projects Attestation Engagements
Seaford School District**

Issuance Date: March 5, 2012

Fiscal Year Ended June 30, 2011

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Independent Accountants' Report

Dr. Russell H. Knorr
Superintendent
Seaford School District
390 North Market Street Extended
Seaford, Delaware 19973

The Honorable Lillian M. Lowery, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, Delaware 19901

We have examined the accompanying State of Delaware Seaford School District (the District) *Schedule of Construction Projects* for the Year Ended June 30, 2011. The District's management is responsible for the *Schedule of Construction Projects*. Our responsibility is to express an opinion based on our examination.

Our examination 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 and, accordingly, included examining, on a test basis, evidence supporting the District's *Schedule of Construction Projects* and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the *Schedule of Construction Projects* referred to above presents fairly, in all material respects, the construction projects for the District for the year ended June 30, 2011, based on the criteria set forth in the *Delaware Code, State of Delaware Generally Accepted Accounting Principles (GAAP) Reporting Package Manual*, the *State of Delaware Department of Education (DOE) School Construction Technical Assistance Manual (SCM)*, and the *State of Delaware Budget and Accounting Policy Manual (BAM)*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the District's internal control over financial reporting applicable to preparing the *Schedule of Construction Projects* (internal control) and on our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

We did not examine the amounts reported in the Expended in Prior Years column on the *Schedule of Construction Projects* for the Year Ended June 30, 2011 and, therefore, express no opinion on it.

This report is intended solely for the information and use of District management and Board Members, the Office of Auditor of Accounts, and the DOE 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 (OMB), the Department of Finance, and the Office of the State Treasurer.

A handwritten signature in cursive script, reading "Sandra CPA Graef". The signature is written in black ink and is positioned above the date and location text.

October 25, 2011
Newark, Delaware

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination Performed in Accordance With Government Auditing Standards

Dr. Russell H. Knorr
Superintendent
Seaford School District
390 North Market Street Extended
Seaford, Delaware 19973

The Honorable Lillian M. Lowery, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, Delaware 19901

We have examined the accompanying State of Delaware Seaford School District (the District) *Schedule of Construction Projects* for the Year Ended June 30, 2011, and have issued our report thereon dated October 25, 2011. We conducted our examination 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our examination, we considered the District's internal control over financial reporting (internal control) applicable to preparing the *Schedule of Construction Projects* as a basis for designing our procedures for the purpose of expressing our opinion on the *Schedule of Construction Projects*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting applicable to preparing the *Schedule of Construction Projects*. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting applicable to preparing the *Schedule of Construction Projects*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's *Schedule of Construction Projects* will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting applicable to preparing the *Schedule of Construction Projects* was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting applicable to preparing

the *Schedule of Construction Projects* that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting applicable to preparing the *Schedule of Construction Projects* that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting applicable to the *Schedule of Construction Projects*, described in the accompanying *Schedule of Current Year Findings* as finding 2011-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

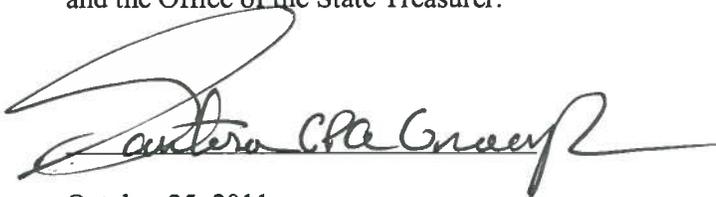
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's *Schedule of Construction Projects* is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of *Schedule of Construction Projects* amounts. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying *Schedule of Current Year Findings* as finding 2011-1.

We noted certain matters that we reported to management of the District in a separate letter dated October 25, 2011.

The District's response to the findings identified in our examination is described in the accompanying *Schedule of Current Year Findings*. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of District management and Board Members, the Office of Auditor of Accounts, and the DOE 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, the OMB, the Department of Finance, and the Office of the State Treasurer.

A handwritten signature in black ink, appearing to read "Carter CPA Group", written over a horizontal line.

October 25, 2011
Newark, Delaware

**Schedule of Construction Projects
Fiscal Year Ended June 30, 2011**

Project Name	FY	APPR	Source of Funding (State/Local)	Original Funding Amount	Increases (Decreases) in Funding	Total Funding to Date	Expended in Prior Years	Expended in Current Year	Total Expended to Date	Balance as of 6/30/11
Seaford Orthopedic HC Wing	2011	50280	100/0	\$ 2,299,500	\$ -	\$ 2,299,500	\$ -	\$ 560,383	\$ 560,383	\$ 1,739,117
Fred Douglass Roof Replacement	2011	50291	73/27	1,082,700	-	1,082,700	-	561,736	561,736	520,964
MS ADA Improvements	2011	50292	73/27	662,700	-	662,700	-	41,902	41,902	620,798
Construction Projects Total				\$ 4,044,900	\$ -	\$ 4,044,900	\$ -	\$ 1,164,021	\$ 1,164,021	\$ 2,880,879

**Schedule of Current Year Findings
June 30, 2011**

Finding 2011-1

Criteria

The BAM, Chapter 6, Section 6.5 states the following regarding special approvals for capital improvements transactions:

“For all POs, Change Orders, and Direct Claims coded to Bond Accounts, Exceptions: Highway and School - Minor Capital. School - Minor Capital transactions require approval of the DOE, School Plant Maintenance.”

Chapter 6, Section 6.5.7 states: *“All requisitions, purchase orders, change orders, and direct claim vouchers coded to bond accounts (other than Highway and School - Minor Capital) must be sent to the OMB for approval prior to processing...”*

Condition

In testing 43 expenditures (100% of the population) totaling \$1,164,021, we noted that one voucher for \$262 did not have the required OMB and DOE approvals prior to processing.

Cause

Management failed to adhere to the approval requirements of the BAM, Chapter 6, Sections 6.5 and 6.5.7.

Effect

The *Schedule of Construction Projects* may include unauthorized expenditures.

Recommendation

We recommend that the District develop and implement a management review process to ensure that required approvals are obtained on all vouchers prior to processing.

District Response

Our District requirement for approval of Minor Capital purchases requires three approvals on each transaction. With the implementation of the new financial system, payment vouchers under \$5,000 do not automatically route to State agencies for approval after District approvals have been placed on the document. In this case, the District inadvertently failed to route this \$262 payment to the DOE and OMB. The District requests that the State re-evaluate the requirement to have two additional (total of five) approvals for such a small payment.