

*Santora CPA Group*

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

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*Fiscal Year Ended June 30, 2012*

Issued: March 1, 2013

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### Independent Accountants' Report

Matthew Burrows  
Superintendent  
Appoquinimink School District  
313 South Fifth Street  
Odessa, Delaware 19730-4010

The Honorable Mark Murphy  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, Delaware 19901

We have examined the accompanying State of Delaware Appoquinimink School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2012. The District's management is responsible for the *Schedule of Construction Projects*. Our responsibility is to express an opinion based on our examination.

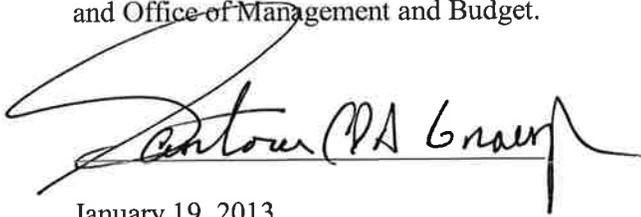
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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, 2012, based on the criteria set forth in the *Delaware Code, State of Delaware Generally Accepted Accounting Principles Reporting Package Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, and the State of Delaware Budget and Accounting Policy Manual*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2013, 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* that were expended prior to July 1, 2010 and, therefore, express no opinion on those amounts.

This report is intended solely for the information and use of District management and Board Members, the Office of Auditor of Accounts, and the Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is 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, and Office of Management and Budget.

A handwritten signature in black ink, appearing to read "Antonio PA Graep". The signature is written in a cursive style with a horizontal line underneath the name.

January 19, 2013  
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**

Matthew Burrows  
Superintendent  
Appoquinimink School District  
313 South Fifth Street  
Odessa, Delaware 19730-4010

The Honorable Mark Murphy  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, Delaware 19901

We have examined the accompanying State of Delaware Appoquinimink School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2012, and have issued our report thereon dated January 19, 2013. 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

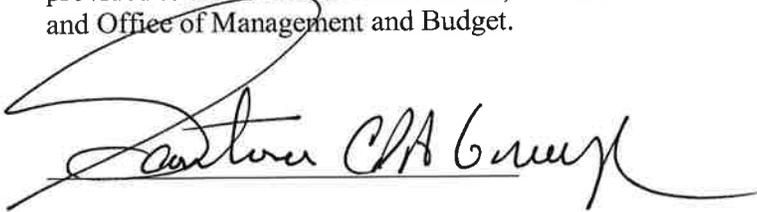
weaknesses. We did not identify any deficiencies in internal control over financial reporting applicable to preparing the *Schedule of Construction Projects* that we consider to be material weaknesses, as defined above.

#### 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 findings 2012-1 and 2012-2.

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 Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is 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, and Office of Management and Budget.

A handwritten signature in cursive script that reads "Arthur CPA Group". The signature is written in black ink and is positioned above a horizontal line.

January 19, 2013  
Newark, Delaware

Schedule of Construction Projects  
Fiscal Year Ended June 30, 2012

Project Name	FY	APPR	Source of Funding (State/Local)	Original Funding	Increases (Decreases) in Funding	Total Funding to Date	Expended in Prior Years	Expended in Current Year	Total Expended to Date	Balance as of 6/30/12
Cedar Lane Elementary School Renovations	2010	50336	73/27	\$ 12,837,534	\$ (2,550,000)	\$ 10,287,534	\$ 10,058,381	\$ 123,998	\$ 10,182,379	\$ 105,155
Cedar Lane Elementary School Renovations	2011	50336	73/27	273,966	(250,000)	23,966	-	1,096	1,096	22,870
District Office Renovation (CAO)	2008	50050	0/100	3,620,100	(11,371)	3,608,729	3,608,721	-	3,608,721	8
Middletown High School Renovations	2009	50329	73/27	600,100	1,597	601,697	600,101	-	600,101	1,596
Middletown High School Renovations	2010	50329	73/27	5,401,300	2,293,085	7,694,385	6,811,090	680,291	7,491,381	203,004
Meredith Middle School Renovation	2011	50333	75/25	790,100	83,511	873,611	80,416	793,195	873,611	-
Townsend Early Childhood Center	2008	50032	73/27	7,584,000	(26,802)	7,557,198	7,554,714	-	7,554,714	2,484
Spring Meadow Early Childhood Center	2011	50032	75/25	8,726,438	-	8,726,438	416,922	6,887,460	7,304,382	1,422,056
Bunker Hill Elementary School	2008	50033	73/27	8,512,400	(6,350)	8,506,050	8,505,050	1,000	8,506,050	-
Bunker Hill Elementary School	2009	50041	73/27	15,050,800	-	15,050,800	14,697,347	233,336	14,930,683	120,117
Old State Elementary School	2011	50041	75/25	18,192,362	-	18,192,362	2,200,836	12,989,005	15,189,841	3,002,521
Old State Elementary School	2012	50041	75/25	14,576,800	-	14,576,800	-	8,840,425	8,840,425	5,736,375
Alfred Waters Middle School	2007	50035	74/26	15,915,200	-	15,915,200	15,863,472	1,771	15,865,243	49,957
Redding Middle School Renovations	2010	50331	73/27	761,000	-	761,000	751,612	9,388	761,000	-
Middletown High School Synth Fields	2008	50246	0/100	2,623,200	-	2,623,200	2,623,157	-	2,623,157	43
Renovation - Townsend Elementary School	2012	50000	75/25	1,489,300	(134,598)	1,354,702	-	108,925	108,925	1,245,777
Renovation - Townsend Elementary School	2012	99131	75/25	4,467,900	-	4,467,900	-	271,786	271,786	4,196,114
Renovate/Add Kitchen to ECC	2012	50374	62/38	619,600	51,087	670,687	-	109,383	109,383	561,304
Renovate/Add Kitchen to ECC	2012	99129	100/0	928,700	-	928,700	-	364,590	364,590	564,110
Renovate Loss Elementary School	2012	50375	62/38	1,618,700	-	1,618,700	-	519,446	519,446	1,099,254
Renovate Loss Elementary School	2012	99130	100/0	2,428,200	-	2,428,200	-	626,897	626,897	1,801,303
<b>Construction Projects Total</b>				<b>\$ 127,017,700</b>	<b>\$ (549,841)</b>	<b>\$ 126,467,859</b>	<b>\$ 73,771,819</b>	<b>\$ 32,561,992</b>	<b>\$ 106,333,811</b>	<b>\$ 20,134,048</b>

**Schedule of Current Year Findings  
June 30, 2012**

**Finding 2012-1**

***Criteria***

The *State of Delaware Budget and Accounting Policy Manual* (BAM) Chapter 7, Section 7.5.2 states:

*“If a Purchase Order is supported by a contract, the contract number must be listed on the Purchase Order or Direct Claim voucher.”*

***Condition***

In testing a sample of 27 purchase orders totaling \$13,779,756, we noted one purchase order for \$173,655 that did not have the related contract number listed on the purchase order document.

***Cause***

Management failed to adhere to the purchase order approval requirements of the BAM Chapter 7, Section 7.5.2.

***Effect***

The District is not in compliance with the requirements of the BAM, as noted above.

***Recommendation***

We recommend that the District enhance their transaction review and approval process to ensure that all purchase orders supported by contracts have the contract number listed on the purchase order document to meet the requirements of the BAM Chapter 7, Section 7.5.2.

***District Response***

For this particular purchase order, the contract number was listed in the comments field in First State Financials (FSF), but not in a way that would print on the purchase order itself. The District's staff will ensure that the contract number (if applicable) appears on all future purchase order documents through more thorough reviews of the purchase order document at the Buyer, Internal Accountant, and Business Manager levels.

**Finding 2012-2**

***Criteria***

The BAM 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 Office of Management and Budget (OMB) for approval prior to processing...”*

Chapter 6, Section 6.4 requires all bond-coded purchases to have the following minimum approvals: Agency Business Manager, OMB, and Division of Accounting.

***Condition***

In testing a sample of 27 purchase orders totaling \$13,779,756, we noted five purchase orders totaling \$1,931 that did not have the required OMB workflow approval in FSF prior to processing.

***Cause***

Management failed to adhere to the expenditure approval requirements of the BAM Chapter 6, Sections 6.4 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 expenditure transactions prior to processing.

***District Response***

The District's financial staff have been reminded that the OMB and DOE approvals are necessary on all major capital purchase orders and direct claim vouchers, not just those at or above \$5,000. The District will ensure that the proper approvals are applied in FSF through more thorough attention to the approval string at the Buyer, Internal Accountant, and Business Manager review levels.