

*Santora CPA Group*

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

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*Fiscal Year Ended June 30, 2012*

Issued: March 1, 2013

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## Independent Accountants' Report

Mark A. Holodick, Ed.D.  
Superintendent  
Brandywine School District  
1311 Brandywine Boulevard  
Wilmington, Delaware 19809

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 Brandywine 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.

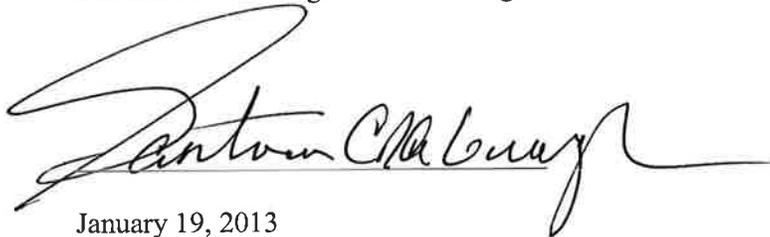
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 "Stanton C. Maloney". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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**

Mark A. Holodick, Ed.D.  
Superintendent  
Brandywine School District  
1311 Brandywine Boulevard  
Wilmington, Delaware 19809

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 Brandywine 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 consider the deficiency described in the accompanying *Schedule of Current Year Findings* as finding 2012-1 to be a material weakness.

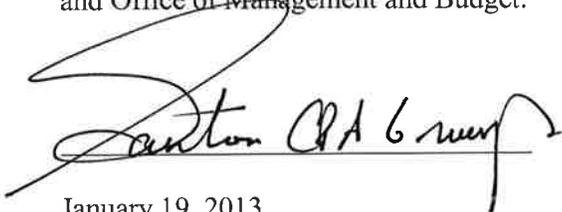
We identified a deficiency in internal control over financial reporting applicable to the *Schedule of Construction Projects*, described in the accompanying *Schedule of Current Year Findings* as finding 2012-2, that we consider to be a significant deficiency in internal control over financial reporting. 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 findings 2012-2 and 2012-3.

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.



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 |
|--------------------------------------|------|-------|---------------------------------|-----------------------|----------------------------------|-----------------------|-------------------------|--------------------------|------------------------|-----------------------|
| Talley Middle School                 | 2005 | 50213 | 60/40                           | \$ 956,800            | \$ 248,741                       | \$ 1,205,541          | \$ 1,205,401            | \$ -                     | \$ 1,205,401           | \$ 140                |
| P.S. DuPont Elementary School        | 2007 | 50201 | 60/40                           | 35,343,700            | (13,605)                         | 35,330,095            | 35,330,095              | -                        | 35,330,095             | -                     |
| P.S. DuPont Elementary School        | 2008 | 50141 | 60/40                           | 3,123,800             | 449,977                          | 3,573,777             | 3,496,811               | 68,091                   | 3,564,902              | 8,875                 |
| Lancashire Elementary MP             | 2006 | 50089 | 100/0                           | 447,538               | (2,915)                          | 444,623               | 444,623                 | -                        | 444,623                | -                     |
| Lancashire Elementary School         | 2008 | 50039 | 43/55                           | 13,159,600            | 300,000                          | 13,459,600            | 13,358,673              | 100,776                  | 13,459,449             | 151                   |
| Springer Middle School               | 2007 | 50208 | 60/40                           | 2,833,300             | -                                | 2,833,300             | 2,831,765               | 1,535                    | 2,833,300              | -                     |
| Springer Middle School               | 2008 | 50147 | 60/40                           | 23,254,600            | -                                | 23,254,600            | 23,248,954              | 5,646                    | 23,254,600             | -                     |
| Harby Middle School (A)              | 2008 | 50127 | 60/40                           | 2,666,700             | -                                | 2,666,700             | 2,611,708               | -                        | 2,611,708              | 54,992                |
| Brandywood Elementary School         | 2006 | 50090 | 100/0                           | 594,343               | -                                | 594,343               | 580,198                 | 14,145                   | 594,343                | -                     |
| Brandywood Elementary School         | 2009 | 50284 | 60/40                           | 1,166,700             | -                                | 1,166,700             | 694,898                 | 447,879                  | 1,142,777              | 23,923                |
| Brandywood Elementary School         | 2010 | 50284 | 60/40                           | 12,976,400            | -                                | 12,976,400            | 9,396,046               | 3,395,421                | 12,791,467             | 184,933               |
| Brandywood Elementary School         | 2011 | 50298 | 0/100                           | 4,267,700             | 600,000                          | 4,867,700             | 701,489                 | 3,844,945                | 4,546,434              | 321,266               |
| Bush Elementary School               | 2010 | 50357 | 60/40                           | 579,100               | -                                | 579,100               | 2,316                   | -                        | 2,316                  | 576,784               |
| Harlan Elementary School             | 2010 | 50053 | 60/40                           | -                     | 150,000                          | 150,000               | 149,955                 | -                        | 149,955                | 45                    |
| District Office                      | 2007 | 50176 | 60/40                           | 3,123,800             | 600,000                          | 3,723,800             | 937,584                 | 2,753,636                | 3,691,220              | 32,580                |
| Brandywine - Transportation/Facility | 2009 | 50327 | 0/100                           | 3,000,000             | -                                | 3,000,000             | 2,986,842               | 13                       | 2,986,855              | 13,145                |
|                                      | 2010 | 50358 | 0/100                           | 3,079,000             | (2,400,000)                      | 679,000               | 31,463                  | 42,266                   | 73,729                 | 605,271               |
|                                      | 2011 | 50274 | 60/40                           | 2,026,300             | (600,000)                        | 1,426,300             | -                       | 103,359                  | 103,359                | 1,322,941             |
| <b>Construction Projects Total</b>   |      |       |                                 | <b>\$ 112,599,381</b> | <b>\$ (667,802)</b>              | <b>\$ 111,931,579</b> | <b>\$ 98,008,821</b>    | <b>\$ 10,777,712</b>     | <b>\$ 108,786,533</b>  | <b>\$ 3,145,046</b>   |

(A) The Harby project was going to be a total renovation of the school, but due to declining enrollment, a decision was made not to do the renovation, but rather move those students to other schools. House Bill 525 was passed, which approved the District to use the \$2.6M from Harby towards other projects. Prior year expenditures were split out among the following projects: Brandywine Operations Center, Claymont Kindergarten, Harby Middle School, Harlan Bathrooms, Lombardy Addition, Mt. Pleasant Elementary School, P.S. Dupont Elementary School, Talley Science Room, and Springer Elementary School. Fiscal year 2011 expenditures for this appropriation were primarily related to Harby, with minor amounts charged to the other projects listed above.

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

**Finding 2012-1**

***Criteria***

*Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), defines control activities as “policies and procedures that help ensure management directives are carried out.” Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents. Management review controls are defined as activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure.

***Condition***

We noted that the District does not have a management review control or reconciliation process in place for the *Schedule of Construction Projects* to ensure that amounts presented in the Schedule exist, are completely and accurately stated, and properly reconcile to supporting documentation.

***Cause***

The District did not provide proper oversight regarding the review of amounts included in the *Schedule of Construction Projects*.

***Effect***

The *Schedule of Construction Projects* may be incomplete or report inaccurate amounts for construction project activity for the District.

***Recommendation***

We recommend that the District develop and implement a formal management review control and reconciliation process for the *Schedule of Construction Projects*. This process should include steps to ensure that amounts presented in the *Schedule of Construction Projects* exist, are completely and accurately stated, and properly reconcile to supporting documentation (i.e., bond bills, First State Financials (FSF) reports, etc.). We further recommend that this process be documented in the District’s written policies and procedures.

***District Response***

The District believes strongly that sufficient controls are in place. The District capital construction project manager submits a schedule of construction projects on a monthly basis to a committee recognized by the District School Board, known as the ROC (Renovation Oversight Committee). Once the ROC approves it, a summary is presented at the monthly School Board meetings under Board

business-Board member liaison reports. In this report, construction schedules, budgets, and progress are discussed on all projects. Once presented, the District School Board then approves it. Expenditures are monitored constantly and reconciled monthly by the Finance Department. However, the District is more than willing to implement an internal policy regarding review and approval of the *Schedule of Construction Projects*.

**Finding 2012-2**

***Criteria***

The State of Delaware *Budget and Accounting Manual* (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 40 expenditures totaling \$1,592,332, we noted that eight vouchers totaling \$1,136 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***

Under FSF, direct claim vouchers under \$5,000 do not automatically route to State agencies for approval after District approvals have been placed on the document. In these cases, the District inadvertently approved the vouchers before manually routing it for approval through OMB and DOE. Currently in FSF with the most recent upgrade, the District is now able to preview the approval map and can ad-hoc OMB and DOE beforehand.

**Finding 2012-3**

***Criteria***

The *State of Delaware Department of Education School Construction Technical Assistance Manual (SCM)* Section 2.0, Paragraph 7.2.1 states:

*“Submission of a Change Order must include the following documents: Completed purchase order as applicable; local board of education minutes identifying and approving the changes; completed AIA document G701, and correspondence which gives a breakdown in materials mark-up and other expenses.”*

The BAM Chapter 2, Section 2.4.3 states:

*“Paper files and additional supporting documentation for each individual project to be retained include...change orders, including any significant backup”*

***Condition***

In testing a sample of 15 change orders totaling \$262,259, we noted two change orders for \$17,030 that did not have attached supporting documentation providing:

- a breakdown in materials, mark-up, and other expenditures to explain the requested changes, or
- an explanation of the need plus any drawings needed to explain the requested changes.

***Cause***

The District did not comply with the documentation requirements in the SCM Section 2.0, Paragraph 7.2.1 and the BAM Chapter 2, Section 2.4.3.

***Effect***

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

***Recommendation***

We recommend that the District enhance their transaction review and approval process to ensure that all change orders have attached supporting documentation required by the SCM Section 2.0, Paragraph 7.2.1 and the BAM Chapter 2, Section 2.4.3.

***District Response***

In those two noted change orders, there was partial supporting documentation provided. The District has since then been able to locate what wasn't included and have sent it to the auditors for them to review.

***Auditor Comment***

We were provided additional documentation to support the change orders after the District obtained it from the vendor. The District should maintain all supporting documentation for change orders in the District's construction project files.