

*Santora CPA Group*

---

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

---

*Fiscal Year Ended June 30, 2012*

Issued: March 1, 2013

**Table of Contents**

Independent Accountants' Report	3
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination Performed in Accordance With <i>Government Auditing Standards</i>	5
Schedule of Construction Projects	7
Schedule of Current Year Findings	8

### Independent Accountants' Report

Robert S. Fulton, M.S.Ed.  
Superintendent  
Cape Henlopen School District  
1270 Kings Highway  
Lewes, Delaware 19958

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 Cape Henlopen 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 "Amber Chae Crawford". The signature is fluid and cursive, with a large loop at the top left and 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**

Robert S. Fulton, M.S.Ed.  
Superintendent  
Cape Henlopen School District  
1270 Kings Highway  
Lewes, Delaware 19958

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 Cape Henlopen 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 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 2012-1, 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.

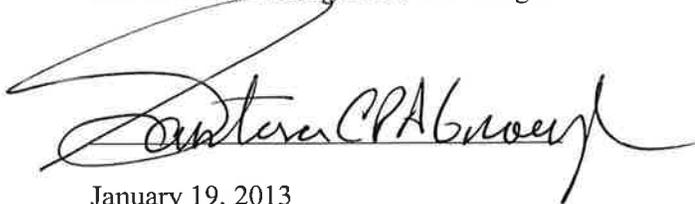
#### Compliance and Other Matters

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 findings 2012-1, 2012-2, 2012-3, and 2012-4.

We noted certain matters that we reported to management of the District in a separate letter dated January 19, 2013.

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 Amount	Increases (Decreases) in Funding	Total Funding to Date	Expended in Prior Years	Expended in Current Year	Total Expended to Date	Balance as of 6/30/12
Construct New 1600 Pupil High School	2008	50036	54/46	\$ 27,989,900	\$ -	\$ 27,989,900	\$ 27,932,035	\$ 57,865	\$ 27,989,900	\$ -
	2009	50036	60/40	13,237,700	-	13,237,700	11,967,850	1,252,604	13,220,454	17,246
Renovations - Lewes 9th Grade Academy	2008	50136	60/40	390,600	-	390,600	234,925	145,824	380,749	9,851
Renovations - Rehoboth Elementary	2008	50143	60/40	1,357,400	-	1,357,400	1,353,202	4,198	1,357,400	-
Renovation and Addition to H.O. Brittingham Elementary	2008	50156	60/40	1,267,700	-	1,267,700	1,267,100	600	1,267,700	-
Renovation/Addition - Milton Elementary	2008	50157	60/40	1,293,000	200,000	1,493,000	1,480,202	12,798	1,493,000	-
Renovation/Addition - Shields Elementary	2008	50158	60/40	1,278,000	(200,000)	1,078,000	1,049,584	28,416	1,078,000	-
Sussex Consortium	2009	50244	100/0	2,125,200	-	2,125,200	2,105,338	19,862	2,125,200	-
Roof Renovation/Boiler - Fred Thomas Building	2012	50384	100/0	650,000	-	650,000	-	76,943	76,943	573,057
<b>Construction Projects Total</b>				<b>\$ 49,589,500</b>	<b>\$ -</b>	<b>\$ 49,589,500</b>	<b>\$ 47,390,236</b>	<b>\$ 1,599,110</b>	<b>\$ 48,989,346</b>	<b>\$ 600,154</b>

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

**Finding 2012-1**

***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 17 expenditure transactions totaling \$463,581, we noted four vouchers totaling \$1,407 that did not have proper OMB workflow approval in First State Financials (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 agrees with the finding and has established procedures to ensure compliance with this requirement.

**Finding 2012-2**

***Criteria***

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

*“For all Purchase Orders, Change Orders, and Direct Claims coded to Bond Accounts, Exceptions: Highway and School – Minor Capital. School-Minor Capital transactions require approval of the Department of Education (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...”*

*The DOE School Construction Technical Assistance Manual (SCM) 2.0, Section 6.0 states that purchase orders for any major capital improvement project must be approved by both the DOE and the Director of Capital Budget and Special Projects prior to submission to the Division of Accounting.*

***Condition***

In testing a sample of three change orders totaling \$37,677, we noted one change order for \$7,200 that did not have the required OMB and DOE workflow approvals in FSF prior to processing.

***Cause***

Management failed to adhere to the approval requirements of the BAM Chapter 6, Section 6.5 and 6.5.7 and the SCM 2.0, Section 6.0.

***Effect***

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

***Recommendation***

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

***District Response***

The District agrees with the finding and has established procedures to ensure compliance with this requirement.

**Finding 2012-3**

***Criteria***

The 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 four purchase orders totaling \$554,272, we noted two purchase orders totaling \$536,608 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***

The District agrees with the finding and has established procedures to ensure compliance with this requirement.

**Finding 2012-4**

***Criteria***

The SCM Chapter 2, Section 2.2 requires construction files to include documentation to demonstrate that the Request for Approval of Major Capital Funding, Summary of Projects form, and Agreement form were submitted to the School Plant Planning Office in accordance with the provisions of the SCM.

The BAM Chapter 2, Section 2.4.3 states:

*“A centrally located Construction File, external to the State’s financial management and accounting system, should be established to include, but not necessarily be limited to, the following:...*

*2. Copy of major capital improvement planning budget, as approved by the Delaware Economic Development Office, the State Architect, and the General Assembly...*

*4a. Division of Facilities Management review and approval...*

*4f. Performance, labor, and material bonds*

*4g. Contractors’ Insurance Certificates are current by the expiration date, if a job is still in progress at such expiration date...*

*4s. Letter of Award”*

The BAM Chapter 5, Section 5.5 requires that, simultaneous to the execution of a formal contract, the successful bidder must execute a good and sufficient bond to the State for the benefit of the District equal to 100% of the contract price (unless a lower amount or waiver of such bond is stated in the bid specifications) in accordance with 29 Del. C. §6962(d)(9), *Large public works contract procedures - Bid specifications and plans requirements*.

The BAM Chapter 6, Section 6.5.6 states:

*“The OMB Facilities Management section is responsible for reviewing and approving such proposed contracts, plans, specifications, and cost estimates prior to bid advertisement. No contracts for construction or reconstruction projects will be executed without the prior approval of OMB, except highway construction and reconstruction contracts and school district minor capital improvements contracts (29 Del. C. §7419(a)).*

***Condition***

In testing the construction file for the Roof Renovation/Boiler – Fred Thomas Building project (appropriation 50384), we noted that the District did not have documentation in the project’s construction file to demonstrate compliance with the provisions of the SCM Chapter 2, Section 2.2, the BAM Chapter 2, Section 2.4.3, the BAM Chapter 5, Section 5.5, and the BAM Chapter 6, Section 6.5.6, as noted above.

***Cause***

Management oversight in the maintenance of construction project files.

***Effect***

The District is not in compliance with the provisions of the SCM Chapter 2, Section 2.2, the BAM Chapter 2, Section 2.4.3, the BAM Chapter 5, Section 5.5, and the BAM, Chapter 6 Section 6.5.6, as noted above.

***Recommendation***

We recommend that the District develop and implement a management review process (i.e. checklist) to ensure that all required documentation is maintained in construction project files to ensure compliance with the provisions of the SCM and the BAM.

***District Response***

The District agrees with the finding and has established procedures to ensure compliance with this requirement.