

*Santora CPA Group*

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

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*Fiscal Year Ended June 30, 2012*

Issued: March 1, 2013

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### Independent Accountants' Report

Michael D. Thomas, Ed.D.  
Superintendent  
Capital School District  
945 Forest Street  
Dover, Delaware 19904-3498

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 Capital 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.

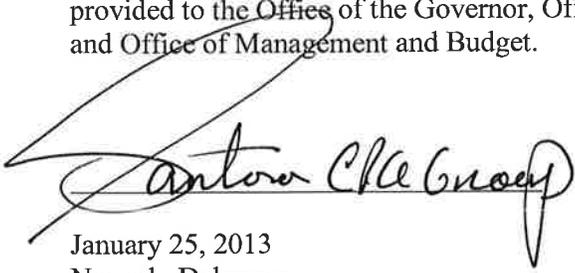
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 25, 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 C. G. Group". The signature is written in a cursive style with a large, sweeping initial "A".

January 25, 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**

Michael D. Thomas, Ed.D.  
Superintendent  
Capital School District  
945 Forest Street  
Dover, Delaware 19904-3498

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 Capital School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2012, and have issued our report thereon dated January 25, 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

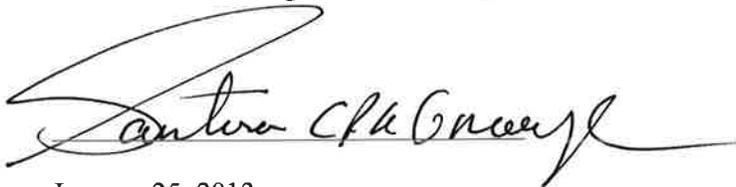
the *Schedule of Construction Projects* that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting applicable to preparing the *Schedule of Construction Projects* that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting applicable to the *Schedule of Construction Projects*, described in the accompanying *Schedule of Current Year Findings* as findings 2012-1 and 2012-3, which we consider to be significant deficiencies 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, and 2012-3.

The District's response to the findings identified in our examination are 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 25, 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
Central Middle School - Gym	2010	50281	72/28	\$ 1,710,800	\$ -	\$ 1,710,800	\$ 1,463,249	\$ 96,693	\$ 1,559,942	\$ 150,858
South Intermediate School	2010	50297	72/28	1,864,000	-	1,864,000	1,774,586	89,414	1,864,000	-
New Dover High School	2011	50285	21/79	21,633,400	-	21,633,400	3,419,371	12,481,795	15,901,166	5,732,234
	2011	50286	70/30	3,300,000	-	3,300,000	-	2,898,968	2,898,968	401,032
	2012	99132	100/0	10,454,500	-	10,454,500	-	103,882	103,882	10,350,618
	2012	50285	63/37	44,214,400	-	44,214,400	-	868,171	868,171	43,346,229
Land Acquisition - New Dover High School	2008	50080	72/28	11,000,000	(500,000)	10,500,000	8,991,991	1,050,000	10,041,991	458,009
William Henry - Site Renovations	2011	50288	70/30	1,600,000	(415,700)	1,184,300	1,126,630	57,670	1,184,300	-
	2011	50299	70/30	-	415,700	415,700	317,997	97,703	415,700	-
	2012	50299	70/30	3,423,700	-	3,423,700	-	2,662,602	2,662,602	761,098
	2012	50376	70/30	279,800	-	279,800	-	10,529	10,529	269,271
	2012	50377	70/30	213,100	-	213,100	-	1,393	1,393	211,707
Maintenance Office	2011	50294	0/100	3,858,900	-	3,858,900	2,250,147	1,373,539	3,623,686	235,214
Professional Center / District Office	2011	50295	0/100	8,400,000	-	8,400,000	541,633	6,458,657	7,000,290	1,399,710
<b>Construction Projects Total</b>				<b>\$ 111,952,600</b>	<b>\$ (500,000)</b>	<b>\$ 111,452,600</b>	<b>\$ 19,885,604</b>	<b>\$ 28,251,016</b>	<b>\$ 48,136,620</b>	<b>\$ 63,315,980</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, the OMB, and the Division of Accounting (DOA).

***Condition***

In testing 41 expenditure transactions totaling \$2,692,436, we noted that five transactions totaling \$1,107 did not have the required 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***

FSF currently does not allow the District to add approvers at the end of the workflow for direct claims of less than \$5,000; making it impossible to add the OMB approvals at this time. The District will contact FSF to see if this capability can be instituted so that the OMB may be added into the approval string in the future, however, adjustments to FSF are a State issue and ultimately cannot be controlled by the District.

**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 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 OMB for approval prior to processing...”*

The *State of Delaware Department of Education 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 DOA.

***Condition***

In testing a sample of 19 purchase orders totaling \$9,758,998, we noted that one purchase order for \$1,565 that did not have the required the OMB and the DOE workflow approvals in FSF prior to processing.

***Cause***

Management failed to adhere to the expenditure approval requirements of the BAM and the SCM, as noted above.

***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***

FSF currently does not allow the District to add approvers at the end of the workflow for direct claims of less than \$5,000; making it impossible to add the OMB and the DOE approvals at this time. The District will contact FSF to see if this capability can be instituted so that the OMB and the DOE may be added into the approval string in the future, however, adjustments to FSF are a State issue and ultimately cannot be controlled by the District.

**Finding 2012-3**

***Criteria***

29 Del. C. §6504 states:

*“Each agency shall keep a detailed account of all receipts and expenditures under such appropriate headings, classifications and arrangements as may be prescribed by the Director of the OMB and used in the budget estimates. All bills, statements, letters, vouchers and documents pertaining to these receipts and disbursements shall be preserved and systematically filed by each agency.”*

***Condition***

In testing a sample of 41 expenditures totaling \$2,692,436, we noted one transaction for \$571 that did not agree to supporting documentation.

***Cause***

The District did not comply with 29 Del. C. §6504, referenced above, to ensure an accurate, detailed account of all receipts and expenditures under such appropriate headings, classifications, and arrangements.

***Effect***

Expenditures may not be accurately stated or classified properly on the *Schedule of Construction Projects*, creating either an overstatement or understatement of expenditures by project.

***Recommendation***

The District should ensure that all expenditure transactions properly agree to supporting source documents prior to processing.

***District Response***

The payment to the vendor was issued in the correct amount of \$517.95. However, at a later date the expenditure needed to be moved from one appropriation to another. At the time the expenditure was being recoded, a typographical error was made recoding \$571.95 instead of \$517.95. The difference of \$54 was recoded at a later date to fix the initial typographical error. In the future, the District will be cognizant to look for similar discrepancies.