

Santora CPA Group

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

Fiscal Year Ended June 30, 2012

Issued: March 1, 2013

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Independent Accountants' Report

Dr. Freeman L. Williams, Ed.D.
Superintendent
Christina School District
600 North Lombard Street
Wilmington, Delaware 19801-4499

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 Christina 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.

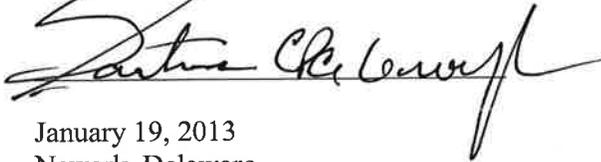
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 "Arthur R. Lewis". The signature is written in a cursive style with a long, sweeping underline that extends 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

Dr. Freeman L. Williams, Ed.D.
Superintendent
Christina School District
600 North Lombard Street
Wilmington, Delaware 19801-4499

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 Christina 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

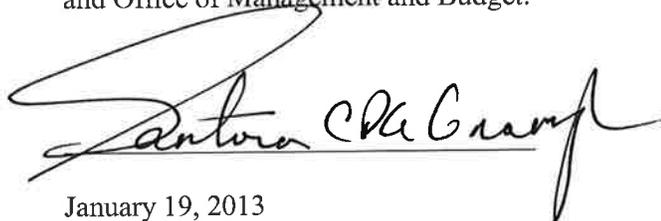
weaknesses. We consider the deficiency described in the accompanying *Schedule of Current Year Findings* as finding 2012-1 to be a material weakness.

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, 2012-3, and 2012-4.

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 black ink, appearing to read "Santora CPA Grant", written over 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
Porter Road Elementary	2006	50034	60/40	\$ 8,049,800	\$ 1,150,000	\$ 9,199,800	\$ 9,199,306	\$ 494	\$ 9,199,800	\$ -
	2008	50322	60/40	4,688,500	408	4,688,908	2,186,464	-	2,186,464	2,502,444
	2009	50330	60/40	2,617,100	-	2,617,100	2,598,889	9,880	2,608,769	8,331
	2010	50330	60/40	3,925,700	(1,150,000)	2,775,700	2,772,503	406	2,772,909	2,791
Kirk Middle School	2005	50110	60/40	-	395,000	395,000	389,225	-	389,225	5,775
Bancroft	2005	50169	60/40	5,033,300	(598,429)	4,434,871	4,430,094	1,804	4,431,898	2,973
Astro Middle School	2006	50104	0/100	2,362,400	1,541	2,363,941	2,289,911	60,070	2,349,981	13,960
	2006	50040	60/40	11,519,100	11,241	11,530,341	11,358,757	36,782	11,395,539	134,802
Drew Pyle	2005	50178	60/40	4,015,700	(965,000)	3,050,700	3,046,208	4,458	3,050,666	34
Maclary	2006	50197	60/40	7,109,300	(13,031)	7,096,269	7,096,265	-	7,096,265	4
Christiana High School	2006	50174	60/40	9,258,200	718,592	9,976,792	9,976,674	-	9,976,674	118
Delaware School for the Deaf	2007	50240	100/0	8,000,000	-	8,000,000	7,758,871	232,565	7,991,436	8,564
	2008	50240	100/0	10,000,000	(3,600,000)	6,400,000	6,122,268	277,627	6,399,895	105
	2009	50328	100/0	4,627,300	795,400	5,422,700	4,861,506	293,027	5,154,533	268,167
	2010	50240	100/0	15,442,700	3,600,000	19,042,700	17,128,501	1,627,023	18,755,524	287,176
Construction Projects Total				\$ 96,649,100	\$ 345,722	\$ 96,994,822	\$ 91,215,442	\$ 2,544,136	\$ 93,759,578	\$ 3,235,244

**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 will implement the established policies and procedures to ensure the *Schedule of Construction Projects* is completely and accurately prepared and reviewed.

Finding 2012-2

Criteria

The *State of Delaware Budget and Accounting 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 seven purchase orders totaling \$6,511,723, we noted one purchase order for \$1,643 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

During the District's transaction review and approval process, every effort is made to ensure compliance with the BAM. The omission of the contract number on the one transaction was an oversight. The District will continue to review and approve transactions with fidelity to ensure compliance with the BAM.

Finding 2012-3

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 Office of Management and Budget (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 (DOA).

Condition

In testing a sample of seven purchase orders totaling \$6,511,723, we noted one purchase order for \$21,200 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 the 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 State accounting system is not structured to require the approval of DOE and OMB through workflow. As such, the process of including OMB and DOE in the approval chain is an ad-hoc process. The District will make every effort to comply with the requirements of the BAM and the SCM.

Finding 2012-4

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 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 DOA.

Condition

In testing a sample of 40 expenditures totaling \$349,281, we noted three vouchers totaling \$643 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 State accounting system is not structured to require the approval of OMB through workflow. As such, the process of including OMB and DOE in the approval chain is an ad-hoc process. The District will make every effort to comply with the requirements of the BAM.