

Santora CPA Group

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

Fiscal Year Ended June 30, 2012

Issued: March 1, 2013

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Independent Accountants' Report

Daniel D. Curry, Ed.D.
Superintendent
Lake Forest School District
5423 Killens Pond Road
Felton, Delaware 19943-9801

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 Lake Forest 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 "Santor CPA Group". The signature is fluid and cursive, with a large, sweeping initial "S" that loops back over the rest of the text.

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

Daniel D. Curry, Ed.D.
Superintendent
Lake Forest School District
5423 Killens Pond Road
Felton, Delaware 19943-9801

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 Lake Forest 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

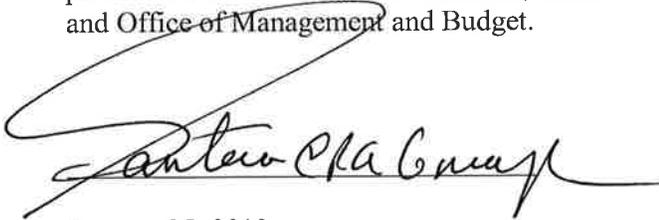
weaknesses. We consider the deficiency described in the accompanying *Schedule of Current Year Findings* as finding 2012-1 to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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	Project Expended to Date	Balance as of 6/30/12
LFHS Performing Arts & Athletic Additions	2009	50072	80/20	\$ 5,413,300	\$ (646,050)	\$ 4,767,250	\$ 4,740,044	\$ 27,206	\$ 4,767,250	\$ -
W.T. Chipman Middle School Renovations	2010	50119	80/20	1,578,100	225,400	1,803,500	1,680,654	116,032	1,796,686	6,814
LFHS Renovations	2008	50135	80/20	591,800	370,000	961,800	903,601	47,626	951,227	10,573
	2010	50135	80/20	2,367,200	3,615,549	5,982,749	3,988,390	1,682,511	5,670,901	311,848
South ES Renovations	2008	50146	80/20	302,700	(120,000)	182,700	178,208	3,520	181,728	972
Construction Project Totals				\$ 10,253,100	\$ 3,444,899	\$ 13,697,999	\$ 11,490,897	\$ 1,876,895	\$ 13,367,792	\$ 330,207

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.

We further noted that the *Schedule of Construction Projects* prepared by the District did not properly present information, as detailed below:

- The Expended in Prior Years amount was reported as \$6,656,891. This amount includes fiscal year 2011 expenditures only, not the total cumulative expenditures for all prior years on the appropriations included in the *Schedule of Construction Projects*. The correct Expended in Prior Years amount, supported by First State Financials (FSF) reports, is \$11,490,897.
- The Original Funding amount was reported as \$8,863,995. This amount reflects the remaining "Available Funds" per the June 30, 2012 FSF DGL060 – *Daily Validity Report*, instead of the original appropriation amounts per the respective years' Bond Bills of \$10,253,100.
- The Increases (Decreases) in Funding amount was reported as \$0. This amount includes FSF increases/decreases per the June 30, 2012 DGL049 – *Statement of Available Funds Report*; however, it improperly excludes the increases/decreases on those appropriations prior to fiscal year 2011. The correct Increases (Decreases) in Funding amount is \$(3,444,899), the total cumulative increases/decreases for all years on the appropriations included in the *Schedule of Construction Projects*.

Note: The Schedule of Construction Projects presented on page 7 of this report reflects the corrected balance for Expended in Prior Years, Original Funding Amount, and Increases (Decreases) in Funding columns.

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, 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 a review control for the reconciliation process of the *Schedule of Construction Projects*, where one person will complete the *Schedule of Construction Projects* and the Business Manager will review prior to submission. The funding amounts missing were from the Delaware Financial Management System (DFMS) and only FSF reports were used. The prior year's Schedule will also be used to verify all funds are being reported.