

Santora CPA Group

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

Fiscal Year Ended June 30, 2012

Issued: March 1, 2013

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Independent Accountants' Report

John Ewald
Superintendent
Laurel School District
1160 South Central Avenue
Laurel, Delaware 19956

The Honorable Mark Murphy
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, Delaware 19901

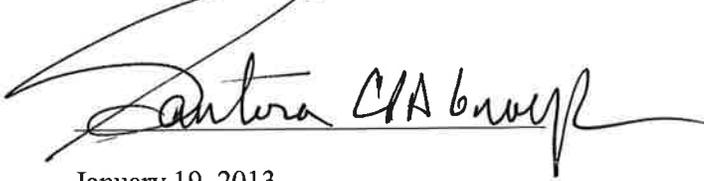
We have examined the accompanying State of Delaware Laurel School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2012. The District's management is responsible for the *Schedule of Construction Projects*. Our responsibility is to express an opinion based on our 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.

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 C.A. Brown". The signature is written in a cursive style with a long horizontal flourish 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***

John Ewald
Superintendent
Laurel School District
1160 S. Central Ave.
Laurel, Delaware 19956

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 Laurel 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 preparing the *Schedule of Construction Projects* that we consider to be material weaknesses, as defined above.

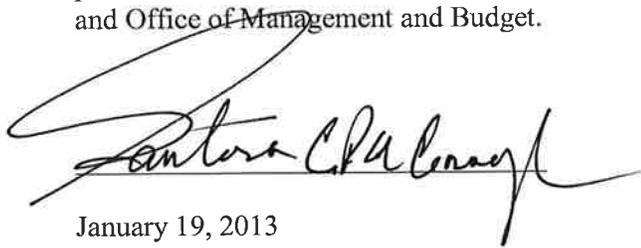
Compliance and Other Matters

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 finding 2012-1.

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 finding 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", is written over a horizontal line. The signature is fluid and cursive.

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
Construction Combined MS/HS	2012	50381	76/24	\$ 14,033,700	\$ -	\$ 14,033,700	\$ -	\$ 1,261,617	\$ 1,261,617	\$ 12,772,083
Land Acquisition Combined MS/HS	2012	50382	76.24	400,000	-	400,000	-	-	-	\$ 400,000
Construction Projects Total				\$ 14,433,700	\$ -	\$ 14,433,700	\$ -	\$ 1,261,617	\$ 1,261,617	\$ 13,172,083

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

Finding 2012-1

Criteria

The Capital Asset Accounting Policy (CAPM), as merged into the *State of Delaware Generally Accepted Accounting Principles Reporting Package Manual*, Section II.D.2 states:

“Each local school district and Delaware Technical and Community College is responsible for the reporting of construction projects as well as additions, betterments, and renovations to existing buildings. The Business Manager will report Construction Work in Progress (CWIP) balances in the State’s annual GAAP Package for inclusion in the State’s financial statements. ... Documentation to support the buildings/improvements and construction-in-progress will be maintained by the School, subject to review by the Division of Accounting. To assist with end-of-year reporting for CWIP, these balances will be updated on a quarterly basis.”

Condition

In testing the District’s June 30, 2012 CWIP GAAP package for fund 300, we noted that capitalizable current year expenses reported of \$1,647,462 were overstated by \$385,845. This overstatement was caused by the improper inclusion of \$385,845 of encumbrances in expenditure amounts reported.

Cause

The District did not have an effective management review control to reconcile current year expenditures reported in the CWIP GAAP package to First State Financials (FSF) reports to ensure the completeness and accuracy of amounts reported.

Effect

Current year fund 300 expenditures in the CWIP GAAP package were overstated by \$385,845.

Recommendation

We recommend that the District enhance its management review of the CWIP GAAP package to incorporate a formal reconciliation of amounts reported in the CWIP GAAP package to FSF reports to ensure the completeness and accuracy of amounts reported prior to submission to Division of Accounting (DOA).

District Response

In completing the GAAP package, the Financial Secretary contacted the Delaware DOA and inquired whether or not to include encumbered construction amounts. She was instructed to include the encumbered amounts. We now understand this was incorrect according to the CWIP GAAP audit findings. As a result of the finding, the District will accept the recommendation of the auditors and will enhance management review to ensure the completeness and accuracy of

amounts reported prior to submission to the DOA. The District did not have an on-site Business Manager at the time the GAAP package was submitted. In the future, the Chief Operating Officer will review the prepared data prior to submission.