

Santora CPA Group

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

Fiscal Year Ended June 30, 2013

Report Issued: February 25, 2014

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

Matthew Burrows
Superintendent
Appoquinimink School District
313 South Fifth Street
Odessa, Delaware 19730-4010

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 Appoquinimink School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2013. The District's management is responsible for the *Schedule of Construction Projects*. Our responsibility is to express an opinion based on our examination.

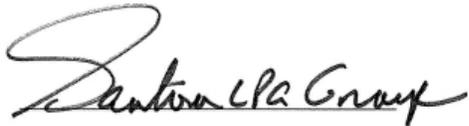
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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, 2013, 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 December 31, 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., §10002(l), 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 "Denton CPA Group". The signature is fluid and cursive, with a large initial 'D'.

December 31, 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

Matthew Burrows
Superintendent
Appoquinimink School District
313 South Fifth Street
Odessa, Delaware 19730-4010

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 Appoquinimink School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2013, and have issued our report thereon dated December 31, 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.

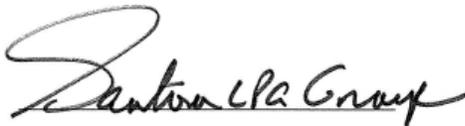
Our consideration of internal control over financial reporting applicable to preparing the *Schedule of Construction Projects* was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting applicable 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 findings 2013-1 and 2013-2.

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., §10002(l), 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 "Denton CPA Group", is written over a horizontal line.

December 31, 2013
Newark, Delaware

Schedule of Construction Projects
Fiscal Year Ended June 30, 2013

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 6/30/13
Cedar Lane Elementary Schools Renovations	2010	50336	73/27	\$ 12,837,534	\$ (2,550,000)	\$ 10,287,534	\$ 10,182,379	\$ 100,823	\$ 10,283,202	\$ 4,332
	2011	50336	73/27	273,966	(250,000)	23,966	1,096	22,870	23,966	-
Middletown High School Renovations	2010	50329	73/27	5,401,300	2,293,085	7,694,385	7,491,381	185,763	7,677,144	17,241
Spring Meadow Early Childhood Center	2011	50032	75/25	8,726,438	-	8,726,438	7,304,383	1,369,037	8,673,420	53,018
Bunker Hill Elementary School	2009	50041	73/27	15,050,800	-	15,050,800	14,930,683	120,117	15,050,800	-
Construct Old State Elementary	2011	50041	75/25	18,192,362	-	18,192,362	15,189,841	2,941,576	18,131,417	60,945
	2012	50041	75/25	14,576,800	-	14,576,800	8,840,425	5,351,129	14,191,554	385,246
	2013	50041	75/25	621,800	-	621,800	-	147,538	147,538	474,262
Alfred Waters Middle School	2007	50035	74/26	15,915,200	-	15,915,200	15,865,243	49,957	15,915,200	-
Renovate - Townsend Elementary School	2012	50000	75/25	1,489,300	(134,598)	1,354,702	108,925	1,206,491	1,315,416	39,286
	2012	99131	75/25	4,467,900	(60,000)	4,407,900	271,786	2,105,876	2,377,662	2,030,238
Renovate/Add Kitchen to ECC	2012	50374	62/38	619,600	51,087	670,687	109,383	534,993	644,376	26,311
	2012	99129	100/0	928,700	-	928,700	364,590	534,618	899,208	29,492
Renovate Loss Elementary School	2012	50375	62/38	1,618,700	-	1,618,700	519,446	888,378	1,407,824	210,876
	2012	99130	100/0	2,428,200	60,000	2,488,200	626,897	1,787,176	2,414,073	74,127
Construction Projects Total				\$ 103,148,600	\$ (590,426)	\$ 102,558,174	\$ 81,806,458	\$ 17,346,342	\$ 99,152,800	\$ 3,405,374

**Schedule of Current Year Findings
June 30, 2013**

Finding 2013-1

Criteria

The *State of Delaware Budget and Accounting Policy 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

During Fiscal Year 2013, the District processed 43 construction purchase orders with remaining balances totaling \$1,233,638 as of June 30, 2013. In testing a sample of 11 purchase orders totaling \$7,157,235 (remaining balances totaling \$359,553 as of June 30, 2013), we noted one purchase order for \$27,560 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 was not in compliance with the requirements of the BAM Chapter 7, Section 7.5.2. Lack of required contract number information on the face of the purchase order prevents a system user from verifying what contract is related to a purchase order.

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

We have notified staff to include contract numbers on all purchase orders, as applicable, and changed our process to review for contract numbers.

Finding 2013-2

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 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

During Fiscal Year 2013, the District processed 707 construction expenditure transactions totaling \$17,346,342. In testing a sample of 40 expenditures totaling \$973,661, we noted three direct claim vouchers totaling \$1,686 that did not have the required OMB workflow approval in the First State Financials (FSF) system prior to processing.

Cause

The transaction was not routed to the OMB for workflow approval or, if routed correctly, was not approved by the agency in FSF workflow prior to processing.

Effect

Management failed to adhere to the expenditure approval requirements of the BAM Chapter 6, Sections 6.5.7 and 6.4. 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

We have notified staff to include the OMB on bond-coded direct claim vouchers and changed our process to review for the correct approval string.