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PRESS RELEASE

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Dover, Del. – *State Auditor R. Thomas Wagner, Jr.* releases 17 audit reports on School Districts' Construction Projects.

School District Capital Project Funds are obtained through a mixture of State funds that are labelled state and local revenues, all of which are recorded in the State's accounting system, and authorized through the State's budgetary process and voter referendum. The school districts spent almost \$156 million on construction projects during fiscal year ended June 30, 2013 (FY 2013). Of the 19 school districts, Delmar and Indian River had no construction expenditures during FY 2013 and, therefore, were not audited.

The most significant issue was at Colonial School District. Just as last year, the District received an adverse opinion as a result of material misclassification in the *Schedule of Construction Projects*; more specifically, the District recorded expenditures to the wrong projects and has not corrected the misstatements that were identified in the prior year, causing the beginning balances in the schedule to be misstated. Future audits will be adversely affected until those projects are completed. Colonial School District had five open construction projects as of June 30, 2013, with almost \$3 million remaining to be spent. These errors also impede the District's ability to perform good project management and results in accounting and depreciation errors at the State-wide level.

In addition, nearly all the districts had at least one improperly approved expenditure, purchase order, or change order. The 123 errors identified represented \$7,518,513. Most of these errors are due to limitations in the State's accounting system, First State Financials (FSF). When a change order is

processed, the original purchase order workflow approvals are overwritten in FSF. As subsequent change orders are processed, all previous data is no longer available and the audit trail is deleted. These findings will be communicated to the Department of Finance.

The reports also identified the following findings:

- Brandywine, Caesar Rodney, Cape, Capital, Laurel, Milford, Smyrna, and Woodbridge school districts received findings on insufficient controls for the preparation of the *Schedule of Construction Projects*;
 - Sussex Technical School District processed two change orders totaling \$782,371 to expand work unrelated to the original contract instead of awarding the work through a formal bid process;
 - Appoquinimink, Brandywine, Laurel, New Castle County Vocational Technical, Red Clay, Sussex Technical, and Woodbridge school districts did not put the related contract number on 17 purchase orders totaling \$9,160,466;
 - Caesar Rodney school district did not include the required approvals and documentation in one construction file.
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- Appoquinimink - [Appoquinimink School District](#)
 - Brandywine - [Brandywine School District](#)
 - Caesar Rodney - [Caesar Rodney School District](#)
 - Cape Henlopen - [Cape Henlopen School District](#)
 - Capital - [Capital School District](#)
 - Christina - [Christina School District](#)
 - Colonial - [Colonial School District](#)
 - Lake Forest - [Lake Forest School District](#)
 - Laurel - [Laurel School District](#)
 - Milford - [Milford School District](#)
 - New Castle County Vocational Technical - [NCC Vocational Technical School District](#)
 - Polytech - [Polytech School District](#)
 - Red Clay Consolidated - [Red Clay Consolidated School District](#)
 - Seaford - [Seaford School District](#)
 - Smyrna - [Smyrna School District](#)
 - Sussex Technical - [Sussex Technical School District](#)
 - Woodbridge - [Woodbridge School District](#)

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