

***Santora CPA Group***

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**State of Delaware  
Statewide School Districts' Construction  
Projects Attestation Engagements  
New Castle County Vocational-  
Technical School District**

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***Fiscal Year Ended June 30, 2012***

Issued: March 1, 2013

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## Independent Accountants' Report

Victoria C. Gehrt, Ed.D.  
Superintendent  
New Castle County Vocational-Technical  
School District  
1417 Newport Road  
Wilmington, Delaware 19804

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 New Castle County Vocational-Technical 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.

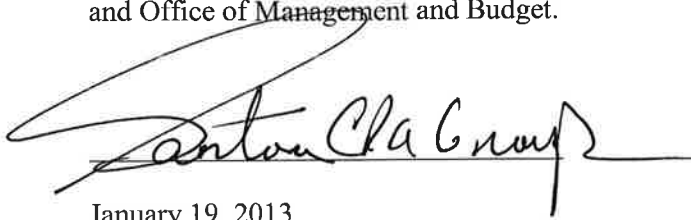
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 "Antonio C. G. Group", written over a horizontal line.

January 19, 2013  
Newark, Delaware



# Santora CPA Group

***Right, By Your Side***

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## **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**

Victoria C. Gehrt, Ed.D.  
Superintendent  
New Castle County Vocational-Technical  
School District  
1417 Newport Road  
Wilmington, Delaware 19804

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 New Castle County Vocational-Technical 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

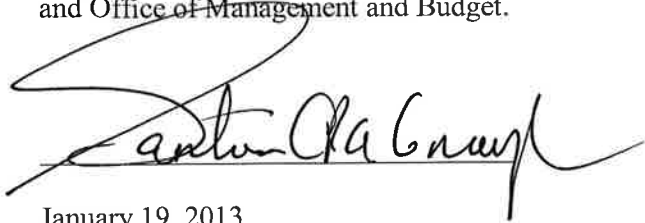
the *Schedule of Construction Projects* that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies described in the accompanying *Schedule of Current Year Findings* as findings 2012-1 and 2012-2 to be material weaknesses.

#### 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, 2012-4, and 2012-5.

The District's response to the findings identified in our examination are 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 "Antonio A. G. G. G.", is 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
Renovation - Howard Lab	2010	50338	61/39	\$ 1,100,000	\$ -	\$ 1,100,000	\$ 868,982	\$ 231,018	\$ 1,100,000	\$ -
Renovation - Howard Lab (Roof)	2011	50338	61/39	750,000	-	750,000	691,939	58,061	750,000	-
Renovation - Howard High School	2012	50385	56/44	20,058,700	-	20,058,700	-	7,996,731	7,996,731	12,061,969
	2012	99133	100/0	8,802,700	-	8,802,700	-	2,084,449	2,084,449	6,718,251
St. George's High School - Auditorium	2012	50386	61/39	1,531,500	-	1,531,500	-	381,694	381,694	1,149,806
<b>Construction Projects Total</b>				<b>\$ 32,242,900</b>	<b>\$ -</b>	<b>\$ 32,242,900</b>	<b>\$ 1,560,921</b>	<b>\$ 10,751,953</b>	<b>\$ 12,312,874</b>	<b>\$ 19,930,026</b>

**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:

- Expended in Prior Year was reported as \$469,642 for the High School Renovation project (appropriation 50338). This amount includes fiscal year 2011 expenditures only, not the total cumulative expenditures for all prior years on the appropriation. The correct Expended in Prior Year amount for this project is \$868,982.
- Original funding was reported as \$700,660 for the High School Renovation project (appropriation 50338). This amount reflects the remaining "Available Funds" per fiscal year 2012 First State Financials (FSF) DGL060 reports, instead of the original appropriation amount per the 2010 Bond Bill of \$1,100,000.

*Note: The Schedule of Construction Projects presented on page 7 of this report reflects the corrected balance for Expended in Current Year and Original Funding Amount 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 understands the importance of accurate documentation and reporting of the *Schedule of Construction Projects*. Issues with data conversion within the FSF system resulted in a reconciliation issue. These issues have been addressed and will be corrected in the future.

**Finding 2012-2****Criteria**

The State of Delaware *Budget and Accounting Manual* (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, the OMB, and the Division of Accounting (DOA).

**Condition**

In testing 44 expenditure transactions totaling \$2,945,429, we noted that five transactions totaling \$342,718 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 District understands the importance of following the proper procedures as it relates to the approval of documents. In addition, the District understands that limitations exist within the FSF system that allows approval of documents without ad-hocing those documents to the DOE and the OMB. This system limitation also does not address issues where requisitions are first coded to local funds and then recoded to bond funds. The instances noted were as a result of these limitations within the system. We will continue to ad-hoc the necessary documents to the DOE and the OMB.

**Finding 2012-3*****Criteria***

29 Del. C. §6504 states:

*“Each agency shall keep a detailed account of all receipts and expenditures under such appropriate headings, classifications, and arrangements as may be prescribed by the Director of the Office of Management and Budget and used in the budget estimates. All bills, statements, letters, vouchers and documents pertaining to these receipts and disbursements shall be preserved and systematically filed by each agency.”*

***Condition***

In testing a sample of 44 expenditure transactions totaling \$2,945,429, we noted that two transactions totaling \$2,504 were improperly capitalized in the District’s GAAP package, \$112.50 for storage container rental fees to the Renovation – Howard High School project (appropriation 50385) and \$2,391 for insurance policy fees to the St. George’s High School – Auditorium (appropriation 50386).

***Cause***

The District did not comply with 29 Del. C. §6504, referenced above, to ensure an accurate, detailed account of all receipts and expenditures under such appropriate headings, classifications, and arrangements.

***Effect***

Expenditures are not classified properly on the District’s GAAP package, creating either an overstatement or understatement of expenditures by project.

***Recommendation***

The District should ensure that all expenditures are appropriately classified, by project, in the GAAP package prior to submission to DOA.

***District Response***

The District will continue to review all items included in the GAAP package to ensure that improper expenditures are not capitalized.

**Finding 2012-4*****Criteria***

The following requirements apply to construction files for new projects:

<b>Guidance Reference</b>	<b>Requirement</b>
SCM 2.0, Section 3.2	All Schematic Design Plans shall be approved by the local school board and the Department of Education.
SCM 2.0, Section 3.3	All Design Development Plans shall be approved by the local school board and the Department of Education. The Department of Education requires one set of Design Development Plans.
SCM 2.0, Section 3.4	All Final Construction Drawings shall be approved by the local school board and the Department of Education. The Department of Education requires one set of Final Construction Drawings.
SCM 2.0, Section 5.1	The District shall submit to the Department of Education and the State Budget Director a construction schedule, showing start dates, intermediate stages, and final completion dates.
BAM Chapter 2, Section 2.4.3	<p>A centrally located Construction File, external to the State's financial management and accounting system, should be established to include, but not necessarily be limited to, the following:...</p> <p>3. Construction plans and specifications for projects covered by the Architectural Accessibility Act (29 Del. C., c73) must be submitted to the State Architectural Accessibility Board for review and approval prior to the start of construction. Construction and renovation projects funded through the Capital Improvement Program, General Fund operational monies, or through bonds guaranteed in whole or in part by the State of Delaware fall within the purview of this Act.</p> <p>4a. Division of Facilities Management review and approval</p> <p>4f. Performance, labor, and material bonds</p> <p>4g. Contractors' Insurance Certificates are current by the expiration date, if a job is still in progress at such expiration date...</p> <p>4q. Bidders' Proposal</p>

Guidance Reference	Requirement
BAM Chapter 5, Section 5.5	Simultaneous to the execution of a formal contract, the successful bidder executes a good and sufficient bond to the State for the benefit of the agency in a sum equal to 100 percent of the contract price. An agency may reduce or waive such bond, if so stated in the bid specifications (29 Del. C. §6962(d)(9), <i>large public works contract procedures - bid specifications and plans requirements</i> ).
BAM Chapter 6, Section 6.5.6	<p>All state agencies, Delaware State University, and Delaware Technical and Community College must submit all proposed contracts for architectural services and all architectural, structural, electrical, and mechanical plans, specifications, and cost estimates to OMB's Facilities Management.</p> <p>The OMB Facilities Management section is responsible for reviewing and approving such proposed contracts, plans, specifications, and cost estimates prior to bid advertisement. No contracts for construction or reconstruction projects will be executed without the prior approval of OMB, except highway construction and reconstruction contracts and District minor capital improvements contracts (29 Del. C. §7419(a)).</p>

### Condition

In testing the construction file for the Renovation – Howard High School project (appropriations 50385 and 99133), we noted that the District did not have documentation in the project's construction file to demonstrate compliance with the provisions of the following, as noted above:

- SCM 2.0, Section 3.2;
- SCM 2.0, Section 3.3;
- SCM 2.0, Section 3.4; and
- SCM 2.0, Section 5.

In testing the construction file for the St. George's High School - Auditorium project (appropriation 50386), we noted that the District did not have documentation in the project's construction file to demonstrate compliance with the provisions of the following, as noted above:

- SCM 2.0, Section 3.2;
- SCM 2.0, Section 3.3;
- SCM 2.0, Section 3.4;
- SCM 2.0, Section 5.1;
- BAM Chapter 2, Section 2.4.3;
- BAM Chapter 5, Section 5.5; and
- BAM Chapter 6, Section 6.5.6.

### Cause

Management of the District did not provide proper oversight in the maintenance of construction project files.

***Effect***

The District is not in compliance with the provisions of the SCM and the BAM, as noted above.

***Recommendation***

We recommend that the District develop and implement a management review process (i.e. checklist) to ensure that all required documentation is maintained in construction project files to ensure compliance with the provisions of the SCM and the BAM.

***District Response***

The District understands the importance of accurate record keeping as it relates to construction projects. Though a number of items listed were maintained in other areas, the District understands the importance of maintaining all of the information in one location. Because of this, the Facilities Management Department will develop and coordinate a process by which the Construction Managers gather and maintain the necessary documentation to ensure that all the information is contained in one location.

**Finding 2012-5*****Criteria***

The following requirements apply to construction files for completed projects:

<b>Guidance Reference</b>	<b>Requirement</b>
SCM 2.0, Section 5.2	The District shall notify the Department of Education, the State Budget Director, and the Insurance Coverage Office at the completion of the construction, which is defined as when the District, with the concurrence of the architect, accepts the building as complete.
SCM 2.0, Section 5.3	The District shall notify the Department of Education, the State Auditor, and the State Budget Director upon approval of the Certificate of Occupancy.
SCM 2.0, Section 5.4	Local District shall submit to the Department of Education a copy of the electronic AUTOCAD files. Electronic AUTOCAD files shall be submitted no later than 30 calendar days after the completion of any major renovation, addition to an existing facility, new school, or replacement school.
BAM Chapter 2, Section 2.4.3	<p>A centrally located Construction File, external to the State's financial management and accounting system, should be established to include, but not necessarily be limited to, the following:...</p> <p>4m. Release of Liens and Affidavit of Contractor's Payment of Indebtedness</p> <p>4n. Guarantees and Warranties</p>

***Condition***

In testing the construction file for the Renovation – Howard Lab project (fiscal year 2010 appropriation 50338), we noted that the District did not have documentation in the project’s construction file to demonstrate compliance with the provisions of the following, as noted above:

- SCM 2.0, Section 5.2;
- SCM 2.0, Section 5.3;
- SCM 2.0, Section 5.4; and
- BAM Chapter 2, Section 2.4.3.

In testing the construction file for the Renovation – Howard Lab (Roof) project (fiscal year 2011 appropriation 50338), we noted that the District did not have documentation in the project’s construction file to demonstrate compliance with the provisions of the following, as noted above:

- SCM 2.0, Section 5.2;
- SCM 2.0, Section 5.4; and
- BAM Chapter 2, Section 2.4.3.

***Cause***

Management of the District did not provide proper oversight in the maintenance of construction project files.

***Effect***

The District is not in compliance with the provisions of the SCM and the BAM, as noted above.

***Recommendation***

We recommend that the District develop and implement a management review process (i.e. checklist) to ensure that all required documentation is maintained in construction project files to ensure compliance with the provisions of the SCM and the BAM.

***District Response***

The District understands the importance of accurate record keeping as it relates to construction projects. Though a number of items listed were maintained in other areas, the District understands the importance of maintaining all of the information in one location. Because of this, the Facilities Management Department will develop and coordinate a process by which the Construction Managers gather and maintain the necessary documentation to ensure that all the information is contained in one location.