

***Santora CPA Group***

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

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

Issued: March 1, 2013

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### Independent Accountants' Report

Kevin Fitzgerald, Ed.D.  
Superintendent  
Caesar Rodney School District  
7 Front Street  
Wyoming, Delaware 19934

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 Caesar Rodney 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.

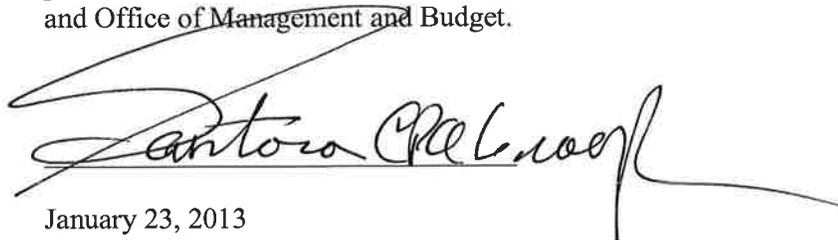
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 23, 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 "Santora Palumbo", with a long horizontal flourish extending to the right.

January 23, 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**

Kevin Fitzgerald, Ed.D.  
Superintendent  
Caesar Rodney School District  
7 Front Street  
Wyoming, Delaware 19934

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 Caesar Rodney School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2012, and have issued our report thereon dated January 23, 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 the *Schedule of Construction Projects* that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting applicable to the *Schedule of Construction Projects*, described in the accompanying *Schedule of Current Year Findings* as finding 2012-2, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

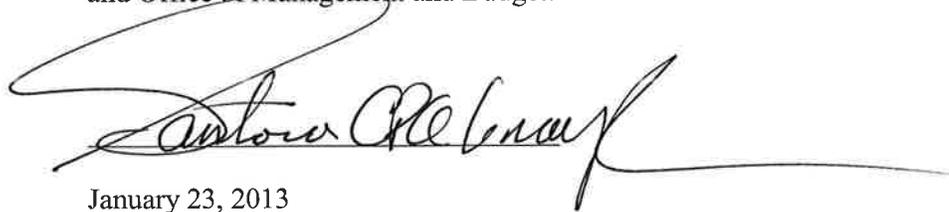
#### Compliance and Other Matters

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 the *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, 2012-2, and 2012-3.

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.

We noted certain matters that we reported to management of the District in a separate letter dated January 23, 2013.

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 23, 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
McIlvaine Elementary School	2009	50326	80/20	\$ 9,059,300	\$ (76,235)	\$ 8,983,065	\$ 8,892,746	\$ 90,319	\$ 8,983,065	\$ -
Renovate W. Reily Brown Elementary School	2008	50144	80/20	3,545,500	(285,294)	3,260,206	3,246,674	13,532	3,260,206	-
Renovate W. Reily Brown Elementary School	2010	50144	80/20	8,272,600	(100,000)	8,172,600	8,102,630	59,244	8,161,874	10,726
Renovate W.B. Simpson Elementary School	2010	50335	80/20	1,687,500	-	1,687,500	1,627,371	60,129	1,687,500	-
Renovate W.B. Simpson Elementary School	2011	50335	80/20	19,007,900	359,632	19,367,532	13,856,517	5,088,680	18,945,197	422,335
Allen Frear Elementary School	2011	50276	80/20	15,387,200	101,897	15,489,097	1,287,699	11,650,010	12,937,709	2,551,388
<b>Construction Projects Total</b>				<b>\$ 56,960,000</b>	<b>\$ -</b>	<b>\$ 56,960,000</b>	<b>\$ 37,013,637</b>	<b>\$ 16,961,914</b>	<b>\$ 53,975,551</b>	<b>\$ 2,984,449</b>

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

**Finding 2012-1**

***Criteria***

The *State of Delaware Budget and Accounting Policy Manual (BAM)* Chapter 6, Section 6.5 states the following regarding special approvals for capital improvements transactions:

*“For all Purchase Orders, Change Orders, and Direct Claims coded to Bond Accounts, Exceptions: Highway and School – Minor Capital. School-Minor Capital transactions require approval of the Department of Education (DOE), School Plant Maintenance.”*

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..”*

*The DOE School Construction Technical Assistance Manual (SCM) 2.0, Section 6.0 states that purchase orders for any major capital improvement project must be approved by both the DOE and the Director of Capital Budget and Special Projects prior to submission to the Division of Accounting.*

***Condition***

In testing a sample of 13 purchase orders totaling \$7,968,737, we noted that one purchase order for \$360,000 did not have the required OMB workflow approval in First State Financials (FSF) prior to processing.

***Cause***

Management failed to adhere to the approval requirements of the BAM Chapter 6, Section 6.5 and 6.5.7 and the SCM 2.0, Section 6.0.

***Effect***

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

***Recommendation***

We recommend that the District develop and implement a management review process to ensure that required approvals are obtained on all change orders prior to processing.

***District Response***

When a document is approved in FSF Workflow at the District level, the District no longer has control or authority to ensure that required approvals by other agencies are obtained prior to processing.

Upon review of the transaction status, the DOE was inserted as an approver for requisition 0000045741, which created the purchase order for \$360,000 and was subsequently approved by the District Business Manager. Unaware to the District, the inserted approver for DOE and the approver for Division of Accounting were both deleted after the document was no longer under the control of the District. The District defers to the DOE.

**Finding 2012-2**

***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 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.

***Condition***

In testing a sample of 40 expenditures totaling \$1,955,941, we noted one voucher for \$1,050 that did not have proper 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 follows a management process to ensure that required approvals are inserted into Workflow, but when a document is approved in FSF Workflow at the District level, the District no longer has control or authority to ensure that required approvals by other agencies are obtained prior to processing. The District defers to the DOE and the OMB.

**Finding 2012-3**

***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 DOE, 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 DOE, 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 DOE 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.

***Condition***

In testing the construction file for the McIlvaine Elementary School (appropriation 50326) and Renovate W. Reily Brown Elementary School (appropriation 50144) projects, we noted that the District did not have documentation in the project’s construction file to demonstrate compliance with the provisions of the SCM 2.0, Section 5.2; SCM 2.0, Section 5.3; and SCM 2.0, Section 5.4, as noted above.

***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, 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.

***District Response***

The District plans to develop a management review process to ensure that all required documentation is maintained to ensure compliance with the provisions of the SCM.