

Santora CPA Group

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

Fiscal Year Ended June 30, 2012

Issued: March 1, 2013

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Independent Accountants' Report

Heath Chasanov
Superintendent
Woodbridge School District
16359 Sussex Highway
Bridgeville, Delaware 19933

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

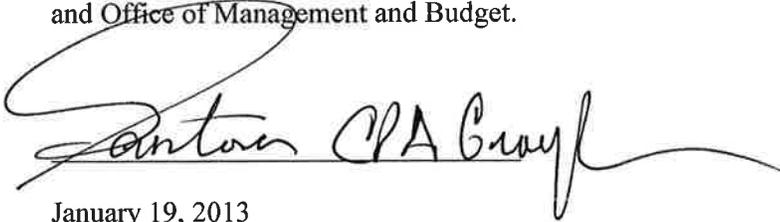
We have examined the accompanying State of Delaware Woodbridge School District (the District) *Schedule of Construction Projects* for the year ended June 30, 2012. The District's management is responsible for the *Schedule of Construction Projects*. Our responsibility is to express an opinion based on 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 "Santon CPA Group", written over a horizontal line. The signature is fluid and cursive.

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

Heath Chasanov
Superintendent
Woodbridge School District
16359 Sussex Highway
Bridgeville, Delaware 19933

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 Woodbridge 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 deficiency described in the accompanying *Schedule of Current Year Findings* as finding 2012-1 to be a material weakness.

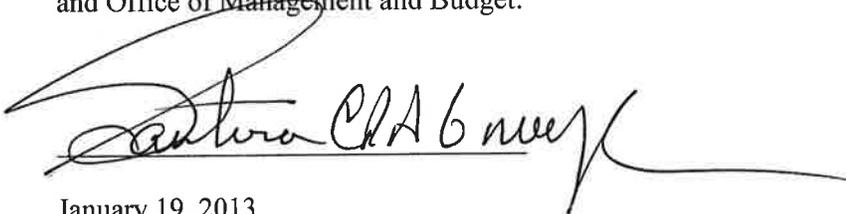
We identified a deficiency in internal control over financial reporting applicable to the *Schedule of Construction Projects*, described in the accompanying *Schedule of Current Year Findings* as finding 2012-2, that we consider to be a significant deficiency in internal control over financial reporting. 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 *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 2012-2.

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., 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 "Arthur CPA 6", with a long horizontal flourish extending to the right.

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
New Woodbridge High School	2012	50383	72/28	\$ 10,507,900	\$ -	\$ 10,507,900	\$ -	\$ 1,551,093	\$ 1,551,093	\$ 8,956,807
Construction Projects Total				\$ 10,507,900	\$ -	\$ 10,507,900	\$ -	\$ 1,551,093	\$ 1,551,093	\$ 8,956,807

**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 who 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 Current Year was reported as \$4,424,395, incorrectly including \$2,783,303 of encumbrances in expenditures.

Note: The Schedule of Construction Projects presented on page 7 of this report reflects the corrected balance for Expended in Current Year.

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, First State

Financials (FSF) reports, etc.). We further recommend that this process be documented in the District's written policies and procedures.

District Response

The Woodbridge School District will take necessary actions to ensure that the *Schedule of Construction Projects* does not include encumbrances 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, OMB, and Division of Accounting.

Condition

In testing 16 expenditures totaling \$1,551,093 (100% of the population), we noted that three vouchers totaling \$48,876 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

Two of the three transactions in question, totaling \$48,851, were project-related design costs originally initiated as 100% locally funded expenditures in order to facilitate project design progression prior to the District's receipt of the capital allocations authorized in the FY-12 Bond and Capital Improvements Act, Senate Bill 130 of the 146th General Assembly. These two subject transactions were properly approved through the FSF system using the necessary workflow approval path for 100% locally funded transactions, however, when the transactions were subsequently recoded to capital bond funds, they were recoded using Journal Vouchers (JV) without the necessary FSF capital, bond funds workflow approvals. The District will, in the future, assure that any such future 100% locally funded transactions that are

subsequently recoded to Capital Bond Accounts through the use of a JV will be approved through the appropriate FSF workflow approval path. It must be noted, however, that the two subject transactions totaling \$48,851 were payments to 1) the Architectural and Engineering firm in the amount of \$45,000 for design fees, and 2) to DelDOT in the amount of \$3,851 for entrance plan review fees; both of which are clearly project-related costs. The remaining subject transaction in the amount of \$25.00 represents .0016% of the tested population dollar value.