

Santora CPA Group

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

Issuance Date: March 5, 2012

Fiscal Year Ended June 30, 2011

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

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

The Honorable Lillian Lowery, Ed.D.
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, 2011. The District's management is responsible for the *Schedule of Construction Projects*. Our responsibility is to express an opinion based on our examination.

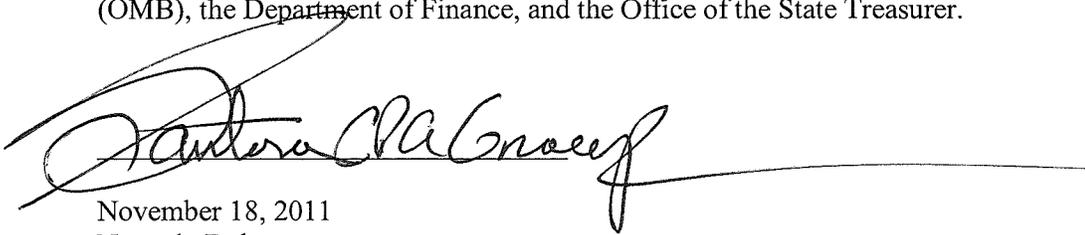
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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, 2011, based on the criteria set forth in the *Delaware Code, State of Delaware Generally Accepted Accounting Principles (GAAP) Reporting Package Manual*, the *State of Delaware Department of Education (DOE) School Construction Technical Assistance Manual (SCM)*, and the *State of Delaware Budget and Accounting Policy Manual (BAM)*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, 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* for the Year Ended June 30, 2011 and, therefore, 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 DOE and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of 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, Office of Management and Budget (OMB), the Department of Finance, and the Office of the State Treasurer.

A handwritten signature in black ink, appearing to read "Sandra McGreeff", is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

November 18, 2011
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, DE 19934

The Honorable Lillian Lowery, Ed.D.
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, 2011, and have issued our report thereon dated November 18, 2011. 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

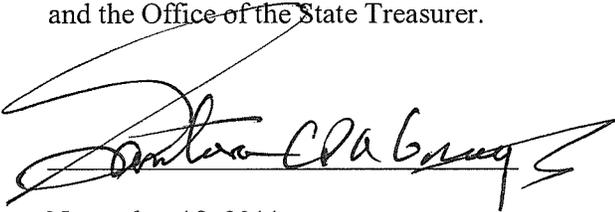
the *Schedule of Construction Projects* that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described in the accompanying *Schedule of Current Year Findings* as finding 2011-1 to be a material weakness.

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 2011-2.

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 DOE and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of 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, the OMB, the Department of Finance, and the Office of the State Treasurer.

A handwritten signature in black ink, appearing to read "Dante CPA Group", is written over a horizontal line.

November 18, 2011
Newark, Delaware

Schedule of Construction Projects
Fiscal Year Ended June 30, 2011

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	Unspent as of 6/30/11
McIlvaine Elementary School	2009	50326	80/20	\$ 9,059,300	\$ (74,338)	\$ 8,984,962	\$ 8,681,816	\$ 210,930	\$ 8,892,746	\$ 92,216
Renovate W. Reily Brown Elementary School	2008	50144	80/20	3,545,500	(285,294)	3,260,206	2,878,493	368,181	3,246,674	13,532
Renovate W. Reily Brown Elementary School	2010	50144	80/20	8,272,600	-	8,272,600	6,712,342	1,390,288	8,102,630	169,970
Renovate W. B. Simpson Elementary School	2010	50335	80/20	1,687,500	-	1,687,500	1,437,308	190,063	1,627,371	60,129
Renovate W. B. Simpson Elementary School	2011	50335	80/20	19,007,900	359,632	19,367,532	-	13,856,517	13,856,517	5,511,015
Allen Frear Elementary School	2011	50276	80/20	15,387,200	-	15,387,200	-	1,287,699	1,287,699	14,099,501
Construction Projects Total				\$ 56,960,000	\$ -	\$ 56,960,000	\$ 19,709,959	\$ 17,303,678	\$ 37,013,637	\$ 19,946,363

**Schedule of Current Year Findings
June 30, 2011**

Finding 2011-1

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 Director of Business and Finance does maintain a detailed spreadsheet that tracks the status of all construction projects, including bond bill authorized amount, appropriation for the project, and expenditures by quarter, with cumulative totals. This spreadsheet includes the information necessary to prepare the *Schedule of Construction Projects*.

However, we noted that the District’s formal management review control and reconciliation process in place for construction project activity does not include a review of the *Schedule of Construction Projects* to ensure that amounts presented in it exist, are completely and accurately stated, and properly reconcile to supporting documentation.

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 enhance existing internal control policies and procedures for construction projects by developing and implementing 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, Director of Business and Finance’s detailed construction spreadsheet, etc.). We further recommend that this process be documented in the District’s written policies and procedures.

District Response

The District does have internal control policies and procedures for construction projects that ensure complete and accurate amounts are reported for all construction project activity.

Numerous internal spreadsheets are maintained by the Bookkeeping Department and are reconciled quarterly by the Director of Business and Finance prior to completing the *Quarterly Construction Management Report* that is submitted to the OMB. The District was not made aware that the *Schedule of Construction Projects* report must be included in the internal control policies and procedures.

The District will enhance internal control policies and procedures for construction projects by including the reconciliation of the *Schedule of Construction Projects* report.

Finding 2011-2

Criteria

The SCM, Section 2.0, Paragraph 7.2.1 states:

“Submission of a Change Order must include the following documents: Completed purchase order as applicable; local board of education minutes identifying and approving the changes; completed AIA document G701, and correspondence which gives a breakdown in materials mark-up and other expenses.”

The BAM, issued by the OMB, Chapter 2, Section 2.4.3 states:

“Paper files and additional supporting documentation for each individual project to be retained include...change orders, including any significant backup.”

Condition

In testing a sample of nine change orders totaling \$32,886, we noted one change order for \$348 related to W.B. Simpson Elementary School did not include a completed AIA document G701. The AIA document that was attached to the change order did not include appropriate approval from the design architect for the changes.

Cause

The District did not comply with the documentation requirements in SCM, Section 2.0, Paragraph 7.2.1 and the BAM, Chapter 2, Section 2.4.3.

Effect

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

Recommendation

We recommend that the District enhance their transaction review and approval process to ensure that all change orders have attached supporting documentation required by the SCM, Section 2.0, Paragraph 7.2.1 and the BAM, Chapter 2, Section 2.4.3.

District Response

The District agrees one of the five copies of a change order for \$348 did not have the appropriate approval from the design architect. The District will enhance the transaction review and approval process in place to ensure all five copies of each change order has the completed supporting documentation attached.