



STATE OF DELAWARE

Information on Federal Awards in Accordance with OMB Circular A-133

Year ended June 30, 2013

(With Independent Auditors' Report Thereon)

STATE OF DELAWARE

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Note: Throughout this document the State of Delaware has used the designation "S" to indicate funds received under the stimulus program "American Recovery and Reinvestment Act."



KPMG LLP
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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (the State) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 6, 2014. Our report includes a reference to other auditors who audited the financial statements of the Delaware State Housing Authority (DSHA), Delaware State University (DSU), Delaware Charter Schools, Riverfront Development Corporation (RDC), and Diamond State Port Corporation (DSPC) within the aggregate discretely presented component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in item 2013-FS-001 in the accompanying schedule of findings and questioned costs to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free from 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State's Responses to Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Philadelphia, Pennsylvania
February 6, 2014



KPMG LLP
1601 Market Street
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Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

The Honorable Governor and
Honorable Members of the State Legislature
The State of Delaware:

Report on Compliance for Each Major Federal Program

We have audited State of Delaware's (the State's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2013. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The State's basic financial statements include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, Riverfront Development Corporation, and the Charter Schools, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, Riverfront Development Corporation, and the Charter Schools because either other auditors were engaged to perform audits in accordance with OMB Circular A-133 for these entities, or because less than \$500,000 in federal awards were expended.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.



Basis for Qualified Opinion on the Major Federal Programs Identified in the Following Table

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

State Agency	Finding Number	CFDA No.	Major Federal Program/Cluster	Compliance Requirement(s)
Department of Education – Appoquinimink School District, Brandywine School District, Capital School District, Christina School District, Caesar Rodney School District, Indian River School District, Lake Forest School District, Laurel School District, Milford School District, Red Clay Consolidated School District, Seaford School District, Sussex Tech School District, Woodbridge School District	2013-002	84.010, S-84.389	Title I Grants to Local Educational Agencies	Allowable Costs (Effort Reporting)
		84.027, 84.173, S-84.392	Special Education Cluster	
		84.367	Improving Teacher Quality State Grants	
		S-84.395	State Fiscal Stabilization Fund, Race-to-the-Top Incentive Grants, Recovery Act	
Department of Education	2013-006	84.010, S-84.389	Title I Grants to Local Educational Agencies	Procurement and Suspension and Debarment
		84.367	Improving Teacher Quality State Grants	
Department of Education – Brandywine School District	2013-008	84.010, S-84.389	Title I Grants to Local Educational Agencies	Special Test: School wide Plans
		84.367	Improving Teacher Quality State Grants	
		84.027, 84.173, S-84.392	Special Education Cluster	



State Agency	Finding Number	CFDA No.	Major Federal Program/Cluster	Compliance Requirement(s)
Department of Education - Brandywine School District, Capital School District, Christina School District, Caesar Rodney School District, Indian River School District, Red Clay Consolidated School District, Seaford School District, Colonial School District	2013-012	84.010, S-84.389	Title I Grants to Local Educational Agencies	Reporting - FFATA
		84.367	Improving Teacher Quality State Grants	
		84.027, 84.173, S-84.392	Special Education Cluster	
		10.558	Child and Adult Care Food Program	
Department of Health and Social Services – Division of State Service Centers	2013-015	93.568	Low-Income Home Energy Assistance Program	Reporting, Period of Availability
Department of Health and Social Services – Division of Social Services	2013-019	93.558, S-93.714	Temporary Assistance for Needy Families	Reporting
Department of Labor – Division of Employment & Training	2013-032	17.258, 17.259, 17.260, 17.278	Workforce Investment Act Cluster	Reporting
Department of Labor – Division of Employment & Training	2013-035	17.258, 17.259, 17.260, 17.278	Workforce Investment Act Cluster	Allowable Costs (Effort Reporting)
Department of Transportation	2013-043	20.500, 20.507, S-20.507	Federal Transit Cluster	Subrecipient Monitoring
Department of Transportation	2013-044	20.500, 20.507, S-20.507	Federal Transit Cluster	Reporting – FFATA

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to these programs.



Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs identified above for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Program

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Schedule of Findings and Questioned Costs, Section 1: Summary of Auditors' Results, for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2013-003, 2013-005, 2013-007, 2013-009, 2013-010, 2013-011, 2013-014, 2013-016, 2013-017, 2013-018, 2013-020, 2013-021, 2013-022, 2013-030, 2013-031, 2013-033, 2013-34, 2013-036, 2013-038, 2013-039, 2013-040, 2013-041, 2013-042, 2013-045, and 2013-046. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable



possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-006, 2013-008, 2013-009, 2013-011, 2013-012, 2013-015, 2013-016, 2013-017, 2013-018, 2013-019, 2013-020, 2013-022, 2013-023, 2013-024, 2013-025, 2013-027, 2013-029, 2013-030, 2013-031, 2013-032, 2013-035, 2013-41, 2013-043, 2013-044, and 2013-045 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-003, 2013-004, 2013-005, 2013-007, 2013-010, 2013-013, 2013-014, 2013-021, 2013-026, 2013-028, 2013-033, 2013-034, 2013-36, 2013-037, 2013-038, 2013-039, 2013-040, 2013-042, and 2013-046 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated February 6, 2014, which included a reference to other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Philadelphia, Pennsylvania
March 24, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department of Agriculture		
10.000	Unassigned	\$ 12,617.74
10.025	Plant and Animal Disease, Pest Control, and Animal Care	403,879.61
10.069	Conservation Reserve Program	52,444.15
10.163	Market Protection and Promotion	3,160.01
10.169	Specialty Crop Block Grant Program	30,574.36
10.170	Specialty Crop Block Grant Program-Farm Bill	155,329.10
10.171	Organic Certification Cost Share Programs	6,696.72
10.458	Crop Insurance Education in Targeted States	237,715.96
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	486,705.87
10.550	Food Distribution	4,067,437.04
SNAP Cluster		
10.551	Supplemental Nutrition Assistance Program (SNAP)	233,623,264.00
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	11,383,949.62
	Total Food Stamp Cluster	245,007,213.62
Child Nutrition Cluster		
10.553	School Breakfast Program	9,471,649.24
10.555	National School Lunch Program	29,725,672.84
10.556	Special Milk Program for Children	33,962.15
10.559	Summer Food Service Program for Children	2,068,393.58
	Total Child Nutrition Cluster	41,299,677.81
10.557	Special Supplemental Nutrition Program for Women, Infants & Children	10,547,030.11
10.558	Child and Adult Care Food Program	14,985,465.07
10.560	State Administrative Expenses for Child Nutrition	738,662.29
Food Distribution Cluster		
10.565	Commodity Supplemental Food Program	168,999.77
10.568	Emergency Food Assistance Program (Administrative Costs)	113,791.88
10.569	Emergency Food Assistance Program (Food Commodities)	1,427,930.00
	Total Food Distribution Cluster	1,710,721.65
10.578	S ARRA - WIC Grants to States (WGS)	1,508,523.37
10.579	Child Nutrition Discretionary Grants Limited Availability	225,076.92
10.582	Fresh Fruit and Vegetable Program	1,848,362.95
10.664	Cooperative Forestry Assistance	162,392.54
10.675	Urban and Community Forestry Program	218,992.57
10.676	Forest Legacy Program	2,663.28
10.678	Forest Stewardship Program	146,421.94
10.680	Forest Health Protection	127,200.50
10.912	Environmental Quality Incentives Program	52,589.37
	Total U.S. Department of Agriculture	324,037,554.55

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department of Commerce		
Economic Development Cluster		
11.300	Investments for Public Works and Economic Development Facilities	8,452.50
11.307	Economic Development Special Economic Development and Adjustment Adjustment Assistance Program	344,243.37
	Total Economic Development Cluster	352,695.87
11.313	Trade Adjustment Assistance	25,000.00
11.419	Coastal Zone Management Administration Awards	1,239,237.62
11.420	Coastal Zone Management Estuarine Research Reserves	632,394.56
11.439	Marine Mammal Data Program	82,500.00
11.472	Unallied Science Program	278,912.18
11.474	Atlantic Coastal Fisheries Cooperative Management Act	136,486.32
11.555	Public Safety Interoperable Communications Grant Program	4,477.95
11.557	S ARRA-Broadband technology Opportunities Program	572,756.66
11.558	S ARRA-State Broadband Data and Development Grant Program	406,026.36
	Total U.S. Department of Commerce	3,730,487.52
U.S. Department of Defense		
12.000	Issue of Department Of Defense excess equipment	130,993.38
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	16,991.25
12.401	National Guard Military Operations and Maintenance (O&M) Projects	
	Total National Guard Military Operations and Maintenance	13,169,696.64
12.900	Language Grant Program	934.25
	Total U.S. Department of Defense	13,318,615.52
U.S. Department of Housing and Urban Development		
14.235	Supportive Housing Program	2,834.91
14.401	Fair Housing Assistance Program	99,820.42
	Total U.S. Department of Housing and Urban Development	102,655.33
U.S. Department of the Interior		
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration	3,449,083.18
15.611	Wildlife Restoration	1,030,971.90
	Total Fish and Wildlife Cluster	4,480,055.08
15.614	Coastal Wetlands Planning, Protection and Restoration Act	28,140.53
15.615	Cooperative Endangered Species Conservation Fund	18,675.69
15.633	Landowner Incentive	176,453.28
15.634	State Wildlife Grants	666,417.77
15.654	Visitor Facility Enhancements	5,111.80

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
15.657	Endangered Species Conservation Recovery	7,274.40
15.904	Historic Preservation Fund Grants-In-Aid	553,454.13
15.916	Outdoor Recreation, Acquisition, Development and Planning	371,406.74
15.930	Chesapeake Bay Gateways Network	35,000.00
	Total U.S. Department of the Interior	6,341,989.42
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U.S. Department of Justice		
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16.013	Violence Against Women Act Court Training and Improvement Grants	23,984.09
16.017	Sexual Assault Services Program	125,576.81
16.523	Juvenile Accountability Incentive Block Grants	255,466.09
16.527	Supervised Visitation, Safe Havens for Children	2,752.26
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	425,972.41
16.543	Missing Children's Assistance	211,640.74
16.548	Title V - Delinquency Prevention Program	33,050.75
16.550	State Justice Statistics Program for Statistical Analysis Centers	60,968.63
16.554	National Criminal History Improvement Program	213,884.40
16.575	Crime Victim Assistance	1,787,444.66
16.576	Crime Victim Compensation	1,008,383.32
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	283,030.94
16.585	Drug Court Discretionary Grant	107,913.43
16.588	Violence Against Women Formula Grants	724,254.98
16.588	S ARRA-Violence Against Women Formula Grants	1,002.94
	Total Violence Against Women Formula Grants	725,257.92
16.593	Residential Substance Abuse Treatment for State Prisoners	104,287.11
16.595	Community Capacity Development Office	45,836.53
16.606	State Criminal Alien Assistance Program (SCAAP)	189,155.22
16.607	Bulletproof Vest Partnership Program	49,635.02
16.609	Project Safe Neighborhoods	83,975.69
16.710	Public Safety Partnership and Community Policing Grants	297,938.79
16.726	Juvenile Mentoring Program	11,468.83
16.727	Enforcing Underage Drinking Laws Program	260,781.88
	JAG Program Cluster	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,429,855.73
16.803	Edward Byrne Memorial Justice Assistance Grant	295,279.24
	Total JAG Program Cluster	1,725,134.97
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	11,635.05
16.741	Forensic DNA Capacity Enhancement Program	204,126.23
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	284,994.64
16.746	Capital Case Litigation	53,583.23
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	(38,331.48)
16.750	Support for Adam Walsh Act Implementation Grant Program	216,670.74
16.751	Edward Byrne Memorial Competitive Grant Program	85,059.00
16.754	Harold Rogers Prescription Drug Monitoring Program	120,326.82

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
16.800	S ARRA-Recovery Act-Internet Crimes Against Children Task Force Program	103,941.02
16.812	Second Chance Act Prisoner Reentry Initiative	766,995.13
16.816	John R Justice Prosecutors and Defenders Incentive Act	55,401.96
16.821	Juvenile Justice Reform and Reinvestment Demonstration Program	15,929.42
	Total U.S. Department of Justice	9,913,872.25
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U.S. Department of Labor		
17.002	Labor Force Statistics	615,846.99
17.005	Compensation and Working Conditions	70,665.55
17.203	Labor Certification for Alien Workers	99,492.84
	Employment Services Cluster	
17.207	Employment Service / Wagner-Peyser Funded Activities	2,556,659.22
17.801	Disabled Veterans' Outreach Program (DVOP)	232,767.10
17.804	Local Veterans' Employment Representative Program	298,328.81
	Total Employment Services Cluster	3,087,755.13
17.225	Unemployment Insurance	137,409,048.75
17.225	S Unemployment Insurance	53,264,493.14
	Total Unemployment Insurance	190,673,541.89
17.235	Senior Community Service Employment Program	1,808,630.47
17.245	Trade Adjustment Assistance	439,751.86
	Workforce Investment Act (WIA) Cluster	
17.258	WIA Adult Program	1,679,075.61
17.259	WIA Youth Activities	1,695,793.88
17.260	WIA Dislocated Workers	70,553.87
17.278	WIA Dislocated Worker Formula Grants	2,504,365.86
	Total WIA Cluster	5,949,789.22
17.271	Work Opportunity Tax Credit Program	63,905.10
17.273	Temporary Labor Certification for Foreign Workers	591.31
17.277	Workforce Investment Act (WIA) National Emergency Grants	568,523.59
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCT)	1,716,198.13
17.504	Consultation Agreements	468,097.15
17.505	OSHA Data Initiative	14,658.01
	Total U.S. Department of Labor	205,577,447.24
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U.S. Department of Transportation		
20.XXX	Coast Guard Marine, Harbor, and Waterfront Services	1,090,123.95
20.106	Airport Improvement Program (FAA)	185,645.20
20.108	Aviation Research Grants	46,173.28
20.218	National Motor Carrier Safety	918,085.28
20.231	Performance and Registration Information Systems Management	4,494.09

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
20.232	Commercial Driver's License Program Improvement Grant	83,928.34
20.237	Commercial Vehicle Information Systems and Networks	354,393.40
20.238	Commercial Driver's License Information System (CDLIS) Modernization Grant	66,151.98
20.317	Capital Assistance to States - Intercity Passenger Rail Service	101,674.34
	Highway Planning and Construction Cluster	
20.205	Highway Planning and Construction	182,239,800.15
20.205	S ARRA - Highway Planning & Construction	3,468,748.12
20.219	Recreational Trails Program	429,025.05
	Total Highway Planning and Construction Cluster	186,137,573.32
	Federal Transit Cluster	
20.500	Federal Transit - Capital Investment Grants	9,292,425.70
20.507	Federal Transit Cluster	7,879,812.75
20.507	S ARRA - Federal Transit Cluster	7,086,172.87
	Total Federal Transit Cluster	24,258,411.32
	Transit Services Program Cluster	
20.513	Capital Assistance Program	437,974.91
20.516	Job Access_Reverse Commute	23,956.57
20.521	New Freedom Program	201,580.97
	Total Transit Services Program Cluster	663,512.45
	Highway Safety Cluster	
20.600	State and Community Highway Safety	1,762,403.23
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	1,982,417.77
20.602	Occupant Protection Incentive Grants	131,628.00
20.609	Safety Belt Performance Grants	13,894.99
20.610	State Traffic Safety Information System Improvement Grants	258,565.68
20.610	S ARRA - State Traffic Safety Information System Improvement Grants	148,078.43
20.612	Incentive Grant Program to Increase Motorcyclist Safety	140,765.67
20.613	Child Safety and Child Booster Seats Incentive Grants	40,239.49
	Total Highway Safety Cluster	4,477,993.26
20.505	Federal Transit_Metropolitan Planning Grants	350,184.12
20.509	Formula Grants for Other Than	217,149.75
20.519	Clean Fuels - FTA & FHWA	6,804.77
20.607	Alcohol Open Container Requirements	523,136.92
20.614	National Highway Transportation Safety Administration Discretionary Safety	275,648.08
20.700	Pipeline Safety	4,199.25
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	108,243.27
20.721	PHMSA Pipeline Safety Program One Call Grant	20,420.07
20.933	National Infrastructure Investments - TIGER Discretionary Grants	133,037.57
20.933	S ARRA - National Infrastructure Investments - TIGER Discretionary Grants	628,822.04
	Total U.S. Department of Transportation	220,655,806.05
	Department of the Treasury	
21.XXX	Unassigned - Asset Forfeiture - Treasury	618,026.04
	Total Department of the Treasury	618,026.04

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
Equal Employment Opportunity Commission		
30.001	Employment Discrimination - Title VII of the Civil Rights Act of 1964	269,667.24
	Total Equal Employment Opportunity Commission	269,667.24
General Services Administration		
39.011	Unassigned	1,691,355.98
	Total General Service Administration	1,691,355.98
Institute of Museum and Library Services		
45.310	Grants to States	1,030,229.26
	Total Institute of Museum and Library Services	1,030,229.26
National Endowment for the Arts		
45.025	Promotion of the Arts - Partnership Agreements	705,503.65
	Total National Endowment for the Arts	705,503.65
National Science Foundation		
47.076	Education and Human Resources	171,212.63
47.076	S ARRA-Education and Human Resources	212,144.08
	Total Education and Human Resources	383,356.71
47.080	Office of Cyber infrastructure	89,280.17
	Total National Science Foundation	472,636.88
Small Business Administration		
59.000	Displaced Business Loans	214,406.52
	Total Small Business Administration	214,406.52
U.S. Department of Veterans Administration		
64.203	State Cemetery Grants	143,490.29
	Total U.S. Department of Veterans Administration	143,490.29

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Environmental Protection Agency		
66.001	Air Pollution Control Program Support	1,300,837.28
66.032	State Indoor Radon Grants	60,374.07
66.034	Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	171,618.63
66.040	State Clean Diesel Grant Program	620,463.64
66.202	Congressionally Mandated Projects	37,895.74
66.419	Water Pollution Control State and Interstate Program Support	1,601,006.67
66.432	State Public Water System Supervision	525,296.13
66.433	State Underground Water Source Protection	37,215.19
66.454	Water Quality Management Planning	101,022.36
66.456	Comprehensive Estuarine Management	33,300.00
66.458	Capitalization Grants for Clean Water State Revolving Funds	8,447,649.76
66.460	Nonpoint Source Implementation Grants	1,637,391.78
66.461	Wetland Program Development Grants	220,191.17
66.466	Chesapeake Bay Program	839,827.75
66.468	Capitalization Grants for Drinking Water State Revolving Funds	16,293,268.04
66.472	Beach Monitoring and Notification Program Implementation Grants	277,202.48
66.605	Performance Partnership Grants	288,212.12
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	55,907.24
66.707	TSCA Title IV State Lead Grants Certification of Lead Based Paint Professionals	185,935.99
66.801	Hazardous Waste Management State Program Support	661,654.84
66.802	Hazardous Substance Response Trust Fund	363,214.20
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	729,324.03
66.809	Core Program Cooperative Agreements	698,688.80
66.817	State and Tribal Response Program Grants	464,787.08
66.818	Brownfield's Assessment & Cleanup Cooperative Agreements	66,276.39
66.951	Environmental Education Grants	20,598.09
Total U.S. Environmental Protection Agency		35,739,159.47
U.S. Department of Energy		
81.000	Unassigned	26,817.50
81.041	State Energy Program	3,136,221.40
81.041	S ARRA-State Energy Program	893,407.86
	Total State Energy Program	4,029,629.26
81.042	Weatherization Assistance for Low-Income Persons	878,500.24
81.042	S ARRA-Weatherization Assistance for Low-Income Persons	2,749,974.50
	Total Weatherization Assistance for Low-Income Persons	3,628,474.74
81.086	Conservation Research and Development	25,000.00
81.122	S ARRA-Electricity Delivery and Energy Reliability, Research, Development & Analysis	170,314.88
81.128	S ARRA-Energy Efficient and Conservation Block Grant Program	1,454,443.95
Total U.S. Department of Energy		9,334,680.33

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department of Education		
84.002	Adult Education - State Grant Program	1,702,800.03
Title I, Part A Cluster		
84.010	Title I Grants to Local Educational Agencies	38,912,260.56
84.389	S ARRA-Title I Grants to Local Educational Agencies, Recovery Act	191,738.56
	Total Title 1, Part A Cluster	39,103,999.12
84.011	Migrant Education - State Grant Program	343,822.81
84.013	Title I State Agency Program for Neglected and Delinquent Children	460,086.26
Special Education Cluster (IDEA)		
84.027	Special Education - Grants to States (IDEA, Part B)	32,722,758.11
84.173	Special Education - Preschool Grants (IDEA Preschool)	1,421,027.90
	Total Special Education Cluster	34,143,786.01
Student Financial Assistance Cluster		
84.007	Federal Supplemental Educational Opportunity Grants	403,583.45
84.033	Federal Work Study Program	287,989.48
84.063	Federal Pell Grant Program	21,976,174.44
84.268	Federal Direct Student Loan	9,222,933.00
	Total Student Financial Assistance Cluster	31,890,680.37
TRIO Cluster		
84.042	TRIO - Student Support Services	258,047.05
84.044	TRIO - Talent Search	312,893.27
84.047	TRIO - Upward Bound	1,374,716.05
	Total TRIO Cluster	1,945,656.37
84.048	Vocational Education - Basic Grants to States	4,476,097.25
Vocational Rehabilitation Cluster		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	12,437,747.31
	Total Rehabilitation Cluster	12,437,747.31
Independent Living State Grants Cluster		
84.169	Independent Living - State Grants	360,920.44
	Total Independent Living State Grants Cluster	360,920.44
Independent Living Services for Older Individuals Who Are Blind Cluster		
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	226,508.88
	Total Independent Living Serv. For Older Individuals/Blind Cluster	226,508.88
Early Intervention Services (IDEA) Cluster		
84.181	Special Education - Grants for Infants and Families with Disabilities	2,400,077.22
	Total Early Intervention Services (IDEA) Cluster	2,400,077.22

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
84.392	S ARRA-Special Education - Preschool Grants Recovery Act	(14,760.77)
84.410	S ARRA - Education Jobs Fund	4,322,887.17
84.412	Race to the Top Early Learning	2,500,143.90
84.184	Safe and Drug-Free Schools and Communities - National Program	61,567.55
84.186	Safe and Drug-Free Schools and Communities - State Grants	19,158.55
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	366,185.57
Education of Homeless Children and Youth Cluster		
84.196	Education for Homeless Children and Youth	164,510.85
84.387	Education for Homeless Children and Youth Recovery Act	1,034,025.38
	Total Education of Homeless Children and Youth Cluster	1,198,536.23
84.213	Even Start - State Educational Agencies	5,411.24
84.215	Fund for the Improvement of Education	384,477.29
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	19,346.42
84.287	Twenty-First Century Community Learning Centers	3,978,498.78
Educational Technology State Grants Cluster		
84.318	Education Technology State Grants	148,937.04
	Total Educational Technology State Grants Cluster	148,937.04
84.323	Special Education-State Program Improvement Grants for Children with Disabilities	547,226.01
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	68,530.99
84.330	Advanced Placement Program	45,228.00
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	15,484.21
84.358	Rural Education Achievement Program	190,754.33
84.365	English Language Acquisition Grants	1,113,549.04
84.366	Mathematics and Science Partnerships	803,224.92
84.367	Improving Teacher Quality State Grants	11,340,478.07
84.369	Grants for State Assessments and Related Activities	1,588,476.20
School Improvement Grants Cluster		
84.377	School Improvement Grants	1,284,259.12
84.388	S ARRA-School Improvement Grants, Recovery Act	3,163,139.06
	Total School Improvement Grants Cluster	4,447,398.18
Statewide Data Systems Cluster		
84.372	Statewide Data Systems	912,506.09
	Total Statewide Data Systems Cluster	912,506.09
84.378	College Access Challenge Grant Program	320,956.55
84.395	S ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-top Incentive Grants, Recovery Act	31,417,460.78
	Total U.S. Department of Education	195,293,844.41

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Election Assistance Commission		
90.401	Help American Vote Act Requirements Payments	3,673.68
	Total U.S. Election Assistance Commission	3,673.68
U.S. Department of Health and Human Services		
93.000	Unassigned	1,584.91
93.008	Medical Reserve Corps Small Grant Program	4,524.75
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	26,902.87
93.042	Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	95,435.19
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	143,971.70
	Aging Cluster	
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	2,102,621.99
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,639,804.28
93.053	Nutrition Services Incentive Program	593,276.25
	Total Aging Cluster	5,335,702.52
93.048	Special Programs for the Aging-Title IV and Title II Discretionary Projects	484,482.76
93.052	National Family Caregiver Support	528,626.42
93.069	Public Health Emergency Preparedness	5,633,727.94
93.071	Medical Enrollment Assistance Program	13,679.62
93.072	Lifespan Respite Care Program	170,930.97
93.092	Personal Responsibility Education Program	284,605.01
93.103	Food and Drug Administration Research	6,355.00
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,651,909.16
93.110	Maternal and Child Health Federal Consolidated Programs	579,745.04
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	262,565.47
93.127	Emergency Medical Services for Children	168,327.46
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	244,075.64
93.136	Injury Prevention and Control Research and State and Community Based Programs	249,770.37
93.150	Projects for Assistance in Transition from Homelessness (PATH)	352,884.63
93.165	Grants for State Loan Repayment	57,708.60
93.217	Family Planning Services	1,191,584.07
93.236	Grants for Dental Public Health Residency Training	538,531.48
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	3,750,146.11
93.251	Universal Newborn Hearing Screening	178,816.74
93.270	Adult Viral Hepatitis Prevention and Control	108,795.44

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES	
	Immunization Cluster		
93.268	Immunization Grants	10,506,428.55	
	Total Immunization Cluster		10,506,428.55
93.279	Drug Abuse Research Programs		27,149.86
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance		3,402,819.24
93.296	State Partnership Grant Program to Improve Minority Health		122,968.68
93.402	S ARRA - State Loan Repayment Program		10,200.00
93.414	S ARRA - State Primary Care Offices		68,679.00
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		4,123,087.69
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		1,356,183.87
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes		248,687.23
93.518	Affordable Care Act (ACA) Improvements for Patients and Providers		21,047.69
93.520	Affordable Care Act (ACA) Communities Putting Prevention to Work Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements		42,130.00 526,553.98
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges		1,667,589.35
93.539	Prevention and Public Health Fund (ACA)		67,037.50
93.544	Coordinated Chronic Disease Prevention		179,253.09
93.556	Promoting Safe and Stable Families		1,081,735.46
	TANF Cluster		
93.558	Temporary Assistance for Needy Families	29,609,413.27	
	Total TANF Cluster		29,609,413.27
93.563	Child Support Enforcement		34,825,426.87
93.566	Refugee and Entrant Assistance-State Administered Programs		85,581.70
93.568	Low-Income Home Energy Assistance		11,868,317.21
	CSBG Cluster		
93.569	Community Services Block Grant	3,468,019.33	
	Total CSBG Cluster		3,468,019.33
93.586	State Court Improvement Program		276,818.61
93.590	Community Based Resource Centers		13,000.00
	CCDF Cluster		
93.575	Child Care and Development Block Grant	6,552,249.87	
93.596	Child Care Mandatory & Matching Funds of the Child Care and Development Fund	12,025,637.76	
	Total CCDF Cluster		18,577,887.63
93.597	Grants to States for Access and Visitation Programs		78,641.58
93.599	Chafee Education and Training Vouchers Program (ETV)		89,612.08
	Head Start Cluster		
93.600	Head Start	114,441.00	
93.708	S ARRA - Head Start	382,421.22	
	Total Head Start Cluster		496,862.22

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
93.603	Adoption Incentive Payments	46,411.00
93.617	Voting Access for Individuals	44,280.92
93.630	Developmental Disabilities Basic Support and Advocacy Grants	453,320.93
93.643	Children's Justice Grants to States	105,480.67
93.645	Child Welfare Services - State Grants	595,288.85
93.658	Foster Care - Title IV-E	4,933,865.53
93.659	Adoption Assistance	1,461,124.46
93.667	Social Services Block Grant	4,890,283.57
93.669	Child Abuse and Neglect State Grants	104,699.90
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	666,059.47
93.674	Chafee Foster Care Independent Living	588,178.51
93.717	S ARRA - Preventing Healthcare - Associated Infections	2,346.40
93.719	S ARRA - State Grants to Promote Health Information Technology	133,325.00
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	3,549.54
93.735	State Public Health Approaches for Ensuring Quitline Capacity	62,599.00
93.744	Breast and Cervical Cancer Screening Opportunities for States	72,062.00
93.767	Children's Health Insurance Program	16,537,568.07
	Medicaid Cluster	
93.775	State Medicaid Fraud Control Units	1,444,340.89
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,781,107.51
93.778	Medical Assistance Program	910,817,289.72
	Total Medicaid Cluster	914,042,738.12
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	216,293.67
93.791	Money Follows the Person Rebalancing Demonstration	738,213.10
93.859	Pharmacological Sciences	196,037.92
93.889	National Bioterrorism Hospital Preparedness Program	1,482,215.90
93.913	Grants to States for Operation of Offices of Rural Health	189,935.02
93.917	HIV Care Formula Grants	4,108,365.36
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	195,835.64
93.940	HIV Prevention Activities Health Department Based	1,095,518.68
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	468,190.43
93.946	Cooperative Agreements to Support State-Based Safe Motherhood & Infant Health Initiative Programs	80,043.73
93.958	Block Grants for Community Mental Health Services	710,241.55
93.959	Block Grants for Prevention and Treatment of Substance Abuse	6,106,959.81
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	379,946.46
93.991	Preventive Health and Health Services Block Grant	104,042.07
93.994	Maternal and Child Health Services Block Grant to the States	1,902,879.55
	Total U.S. Department of Health and Human Services	1,107,624,422.39

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES	
Corporation for National and Community Service			
94.002	Retired and Senior Volunteer Program		125,466.47
94.003	State Commissions		166,432.81
94.006	AmeriCorps		747,012.88
94.007	Program Development and Innovation Grants		55,018.04
94.009	Training and Technical Assistance		18,392.31
Foster Grandparent/Senior Companion Cluster			
94.011	Foster Grandparent Program	486,297.78	
	Total Foster Grandparent/Senior Companion Cluster		486,297.78
Total Corporation for National and Community Service			1,598,620.29
Social Security Administration			
Disability Insurance/SSI Cluster			
96.001	Social Security - Disability Insurance	7,142,376.95	
	Total Disability Insurance/SSI Cluster		7,142,376.95
Total Social Security Administration			7,142,376.95
U.S. Department Homeland Security			
97.001	Special Projects		365,282.80
Homeland Security Cluster			
97.067	Homeland Security Grant Program	10,158,026.64	
	Total Homeland Security Cluster		10,158,026.64
97.012	Boating Safety Financial Assistance		1,169,114.11
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		43,621.15
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		99,995.56
97.029	Flood Mitigation Assistance		175,409.50
97.036	Public Assistance Grants		1,994,787.21
97.039	Hazard Mitigation Grant		78,508.30
97.041	National Dam Safety Program		45,693.30
97.042	Emergency Management Performance Grants		2,547,073.17
97.043	State Fire Training Systems Grants		3,852.32
97.045	Cooperating Technical Partners		342,073.76
97.047	Pre-Disaster Mitigation		65,524.32
97.052	Emergency Operations Center		869,166.00
97.055	Interoperable Communications Equipment		266,535.68

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA NO.	GRANT NAME	EXPENDITURES
97.056	Port Security Grant Program	756,053.81
97.078	Buffer Zone Protection Plan (BZPP)	787,968.00
97.089	Driver's License Security Grant Program (Dept. of Homeland Security, FEMA)	490,877.58
97.116	S ARRA-Port Security Grant Program	299,407.60
	Total U.S. Department Homeland Security	<u>20,558,970.81</u>
	Total Expenditures of Federal Awards	\$ <u>2,166,119,492.07</u>

Legend:

S Award made under the American Recovery and Reinvestment Act

STATE OF DELAWARE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(1) Reporting Entity

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the State of Delaware (the State), except for those programs administered by the Delaware State University, the Diamond State Port Authority, the Delaware State Housing Authority, Riverfront Development Corporation, and the Charter Schools. The State's reporting entity is defined in note 1 to the State's basic financial statements.

(2) Basis of Accounting

The accompanying SEFA is presented using the cash basis of accounting, except for the inclusion of noncash items as required by OMB Circular A-133 as described in note (5) below. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the State's basic financial statements.

(3) Federal Direct Student Loan Program

Federally guaranteed loans issued to students of Delaware Technical and Community College (the College) by financial institutions during the year ended June 30, 2013 totaled \$9,222,933. This amount is included on the SEFA.

The College is responsible only for the performance of certain administrative duties with respect to federally guaranteed student loan programs, and accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the College under these programs.

(4) Unemployment Insurance Funds

State unemployment tax revenues and the government and nonprofit contributions in lieu of State taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the SEFA under CFDA #17.225. The claim payments included in the SEFA at June 30, 2013 are \$177,894,022 which includes ARRA claims of \$53,084,069.

(5) Noncash Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash amounts received by the State are included in the SEFA as follows:

CFDA Number	Program Name	Amount
10.550	Food Distribution (Commodities)	\$2,738,649
10.551	Supplemental Nutrition Assistance Program (EBT Payments)	233,623,264
10.569	Emergency Food Assistance Program (Commodities)	1,427,930
93.268	Immunization Grants (Vaccines)	8,869,867

STATE OF DELAWARE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(6) Supplemental Nutrition Assistance Program

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

(7) Subrecipients

It is not practical based on current systems to provide subrecipient expenditures by federal program.

SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 1: Summary of Auditors' Results

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2013

(1) Summary of Auditors' Results

Basic Financial Statements

- (a) The type of report issued by KPMG LLP on the basic financial statements: **Unmodified.**
- (b) Material weaknesses in the internal control over financial reporting were disclosed by KPMG LLP in connection with the audit of the basic financial statements: **Yes.**
- (c) Significant deficiencies: **No.**
- (d) Noncompliance which is material to the basic financial statements: **No.**

Federal Awards

- (e) Material weaknesses identified in the internal control over major programs: **Yes.**

Major programs with material weaknesses:

CFDA No.	Program Name
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
17.258, 17.259, 17.260, 17.278	Workforce Investment Act Cluster
20.205, S-20.205, 20.219	Highway Planning and Construction Cluster
20.500, 20.507, S-20.507	Federal Transit Cluster
84.010, S-84.389	Title I Grants to Local Educational Agencies
84.027, 84.173, S-84.392	Special Education Cluster
84.367	Improving Teacher Quality Grants
S-84.395	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.069	Public Health Emergency Preparedness
93.268	Immunization Cluster
93.558	Temporary Assistance for Needy Families Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2013

CFDA No.	Program Name
93.568	Low-Income Home Energy Assistance Program
93.563	Child Support Enforcement
93.575, 93.596	Child Care Cluster

- (f) Significant deficiencies identified in the internal control over major programs: **Yes.**

Major programs with significant deficiencies:

CFDA No.	Program Name
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
17.225, S-17.225	Unemployment Insurance
17.258, 17.259, 17.260, 17.278	Workforce Investment Act Cluster
20.500, 20.507, S-20.507	Federal Transit Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.010, S-84.389	Title I Grants to Local Educational Agencies, Part A, Cluster
84.027, 84.173, S-84.392	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.395	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.268	Immunization Cluster
93.558	Temporary Assistance For Needy Families Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2013

CFDA No.	Program Name
93.775, 93.777, 93.778	Medicaid Cluster
96.001	Disability Insurance/SSI Cluster

(g) The type of report issued on compliance for major programs:

Type of Opinion	Program Name
<i>Qualified</i>	
10.558	Child and Adult Care Food Program
17.258, 17.259, 17.260, 17.278	Workforce Investment Act Cluster
20.500, 20.507, S-20.507	Federal Transit Cluster
84.010, S-84.389	Title I Grants to Local Educational Agencies, Part A, Cluster
84.027, 84.173, S-84.392	Special Education Cluster
84.367	Improving Teacher Quality State Grants
S-84.395	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.558	Temporary Assistance For Needy Families Cluster
93.568	Low-Income Home Energy Assistance Program

Unmodified

10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.225,	Unemployment Insurance

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2013

Type of Opinion	Program Name
S-17.225	
20.205, S-20.205, 20.219	Highway Planning and Construction Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.126	Vocational Rehabilitation Cluster
93.069	Public Health Emergency Preparedness
93.268	Immunization Cluster
93.563	Child Support Enforcement
93.575, 93.596	Child Care Cluster
93.767	Children's Health Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster
96.001	Disability Insurance/SSI Cluster

(h) Any audit findings disclosed that are required to be reported under Section 510(a) of OMB Circular A-133: **Yes.**

(i) Identification of Major Programs:

CFDA Number	Federal Award Number	Program Name
10.551, 10.561	11081DE451E2518 11111DE458Q3903 11DE401S2522 12121DE401E2518 12121DE401S2519 12121DE401S2520 12121DE401S2522 12121DE401S8026 12121DE401S8036 12121DE411S8204 1212DE401S2514 1313DE401E2518	Supplemental Nutrition Assistance Program Cluster

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Schedule of Findings and Questioned Costs

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CFDA Number	Federal Award Number	Program Name
	1313DE401IS7503	
	1313DE401S2514	
	1313DE401S2519	
	1313DE401S2520	
	1313DE401S2522	
	1313DE401S8026	
	1313DE401S8036	
	2010ID250341	
	2010IE251841	
	2010IQ270341	
	2010IS251441	
	2010IS251941	
	2010IS252041	
	2010IS252241	
	2010IS803641	
	2011IS251441	
	2011IS251941	
	2011IS252041	
	2011IS802641	
	2011IS803641	
10.553, 10.555, 10.556, 10.559	12108DE000L4003 1DE300301 2011IN109941 2012IN109941 2013IN109941 FY10L4003FY13	Child Nutrition Cluster

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Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

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CFDA Number	Federal Award Number	Program Name
10.557	11111DE701W1003	Special Supplemental Nutrition Program for Women, Infants & Children
	11111DE701W1006	
	1313DE701WS003	
	2009IW500341	
	2010IW500341	
	2011IW500341	
	2012IW100641	
	2012IW500341	
	2013IW100341	
	2013IW100641	
	13131DE701W1003	
	13131DE701W1006	
	2014IW100341	
	IDE720701W	
10.558	1DE300301	Child and Adult Care Food Program
	2012IN109941	
	2012IN202041	
	2013IN105041	
	2013IN202041	
17.225, S-17.225	ES-22055-11-55-A	Unemployment Insurance
	ES-22987-12-55-A-10	
	UI10446530955A10	
	UI-16738-08-55-A-10	
	UI180120955A10	
	UI180129M0	
	UI195741055A10	
	UI21091EW-UI21091DV	
	UI22267JH	
	UI-23884-13-55-A-0	
UI-22267-12-55-A-0		
17.258, 17.259, 17.260, 17.278	2-115-Y	Workforce Investment Act Cluster
	2-117-Y	
	2-119-STYY	
	2-120-STYY	
	3-122-Y	
	3-124-Y	
	3126STYY	
	3-146-STSY	

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CFDA Number	Federal Award Number	Program Name
	3262STSY	
	AA160200755A10	
	AA171130855A10	
	AA-18631-09-55-A-10	
	AA186316XO	
	AA186316ZO	
	AA-20186-10-55-A-10	
	AA-21387-11-55-A-10	
	AA-22927-12-55-A-10	
	EM192980960A10	
	EM-20482-10-60-A-10	
	EM-21137-11-60-A-10	
	LM 1007	
20.205, S-20.205, 20.219	TRANSPORTATION ENHANCEMENT HEV-DE	Highway Planning and Construction Cluster
20.500, 20.507, S-20.507	DE-03-0016 DE-04-X002 DE-90-X028 DE-90-X030 DE-90-X031 DE-90-X032 DE-90-X033 DE-96-X001 DE-03-0028-00 DE-05-0014-00 DE-05-0015-00 DE-90-X034	Federal Transit Cluster
66.458	2W-10000209-0 CS-10000107-0 CS-10000108-0 CS-10000110-0 CS-10000111-0 CS-10000112-0	Capital Grants for Clean Water State Revolving Fund
66.468,	99391412 2F-093914-09-0 FS-993914050 FS-993914050-DA FS-99391406 FS-99391407-0	Capitalization Grants for Drinking Water State Revolving Funds

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CFDA Number	Federal Award Number	Program Name
	FS993914080	
	FS-99391408-0	
	FS-993914-08-0	
	FS-99391409-0	
	FS-993914-09-0	
	FS99391410	
	FS99391411	
	WP-97360401-0	
84.007, 84.033, 84.063, 84.268	AcadComp11TY40753	Student Financial Assistance Cluster
	DIRLEND11OW	
	DIRLEND11ST	
	DIRLEND11TY	
	DIRLEND12OW40340	
	DIRLEND12ST40340	
	DIRLEND12TY40340	
	FWSP11OW1812	
	FWSP11ST1815	
	FWSP11TY1816	
	P007A090812	
	P007A090814	
	P007A090815	
	P007A110812	
	P007A110814	
	P007A110815	
	P007A120812	
	P007A120814	
	P007A120815	
	P033A090812	
	P033A090814	
	P033A110812	
	P033A110814	
	P033A110815	
	P033A120812	
	P033A120814	
	P033A120815	
	P033P090815	

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2013

CFDA Number	Federal Award Number	Program Name
	P063P093468	
	P063P093817	
	P063P122885	
	P063P123468	
	P063P123817	
	P268K132885	
	P268K133468	
	P268K133817	
	P375A092885	
	P375A093468	
	P375A102885	
	P375A103817	
	PELL11OW1802	
	PELL11ST1805	
	PELL11TY1806	
	PELL12OW41009	
	PELL12ST41009	
	PELL12TY41009	
	PO63P092885	
	SEOG11OW1822	
	SEOG11ST1825	
	SEOG11TY1826	
84.010, S-84.389	H173A080025 S010A070008 S010A080008 S010A090008 S010A100008A S010A110008 S010A120008 S389A090008 S394A090053 SFSF49-09	Title I Grants to Local Educational Agencies
84.027, 84.173, S-84.392	H027A070022 H027A080022 H027A090022 H027A100022A	Special Education Cluster (IDEA)

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CFDA Number	Federal Award Number	Program Name
	H027A120022	
	H027A110022	
	H027AO80022	
	H173A070025	
	H173A080025	
	H173A090025	
	H173A100025	
	H173A110025	
	H173A120025	
	H391A090022	
	H392A090025	
84.126	H126A090009	Vocational Rehabilitation Cluster
	H126A090010	
	H126A100009	
	H126A100011	
	H126A110009	
	H126A110010	
	H126A120009	
	H126A120010	
	H126A130010	
	H390A090009	
	H390A090010	
	H126A13009	
84.367	S367A080007	Improving Teacher Quality State Grants
	S367A090007	
	S367A100007A	
	S367A110007	
	S367B070008A	
	S367120007	
	S367B080008	
	S367B090008A	
	S367B100008	
	S367B110008	
	S367B120008	

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CFDA Number	Federal Award Number	Program Name
S-84.395	S395A100007	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.069	2U90TP316980-11 1U90TP000518-01 5U90TP000518-02	Public Health Emergency Preparedness
93.268	IH231P000740-01 5H231P322567-08 OCCH322567 3H23IP322567-07SI	Immunization Cluster
93.558, S-93.714	0901DETAN2 1102DETANF 1202DETANF 1302DETANF 2013-G991524-4115 G-0802DETANF G-0902DETANF G1001DETAN2 G1002DETANF	Temporary Assistance for Needy Families Cluster
93.563	0904DE4004 1004DE4004 1004DE4002 1104DE4004 1204DE4005 1304DE4005	Child Support Enforcement
93.568	G-09B1DELIEA G-10B1DELIEA G-11B1DELIEA 1001DELIE2 G12B1DELIEA G13B1DELIEA	Low-Income Home Energy Assistance Program
93.575, 93.596	07072507A 0801DECCDF 1001DECCDF 1101DECCDF 1201DECCDF	Child Care Cluster

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CFDA Number	Federal Award Number	Program Name
	1301DECCDF	
	2009G9966005	
	G-0801DECCDF	
	G-0901DECCDF	
	G1001DECCDF	
	G1301DECCDF	
93.767	05-0805DE5021	State Children's Health Insurance Program
	05-0905DE5021	
	1005DE5021	
	1105DE5021	
	1205DE5021	
	05-1305DE5021	
93.775, 93.777, 93.778	01-1001-DE-5050	Medicaid Cluster
	01-1101-DE-5050	
	05-01005DEARRA	
	05-1005-DE-5001	
	05-1005-DE-5002	
	05-1005DE5028	
	05-1005DE5048	
	05-1005-DE-5ASC	
	05-1101DE5ADM	
	05-1205-DE-5002	
	05-1205DE5ADM	
	05-1205DE5MAP	
	05-1305DEIMPL	
	05-1305DEINCT	
	09INC-FMAP	
	1005DE5000	
	1005DE5MAP	
	1105DE5000	
	1105DE5001	
	1105DE5002	
	1105DE5MAP	
	1105DEARRA	
	1105DEEXTN	
	1201-DE-5050	
	1205DE5000	
	1205DE5001	

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Section 1: Summary of Auditors' Results

Year ended June 30, 2013

CFDA Number	Federal Award Number	Program Name
	1205DEIMPL	
	1205DEINCT	
	1301DE5050	
	1305DE5000	
	1305DE5001	
	1305DE5002-0275G	
	XIX-ADM13	
	XIX-MAP13	
96.001	04-12-04DED100	Disability Insurance/ SSI Cluster

(j) Dollar threshold used to distinguish between Type A and Type B programs: **\$6,498,358.**

(k) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No.**

(2) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*:

Two findings related to the basic financial statements for the year ended June 30, 2013 were reported in accordance with *Government Auditing Standards* by KPMG LLP. See **Section 2** of the Schedule of Findings and Questioned Costs for item **2013-FS-001**.

(3) Findings Related to Federal Awards:

See **Section 3** of the Schedule of Findings and Questioned Costs.

SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 2: Financial Statement Findings

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2013

2013-FS-001. LACK OF CONTROLS OVER THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) PREPARATION (MATERIAL WEAKNESS)

Background

The State's Division of Accounting (DOA) is responsible for the compilation of the State-wide financial statements in accordance with generally accepted accounting principles (GAAP). Throughout the year, the State operates and records transactions on the cash and budget basis of accounting using First State Financials (FSF¹), the State's accounting system. The cash basis of accounting differs significantly from the modified accrual basis and the accrual basis of accounting, which are the State's bases for reporting information included in the Comprehensive Annual Financial Report (CAFR) in accordance with GAAP.

Since FSF is not used throughout the year to capture transactions on the modified accrual basis or the accrual basis of accounting, the year-end compilation of the State-wide financial statements is extremely complex and heavily reliant on manual adjustments to properly record accruals and other non-routine transactions. State agencies on FSF are required to prepare GAAP Packages to make various types of adjustments to correct the non-GAAP basis of accounting throughout the year. DOA provides training and instructions to State personnel on the GAAP Package preparation and sets timelines for GAAP package submission to DOA. In addition, there are some State agencies that use systems outside of FSF to gather and track required information, this adds to the complexity of the year-end GAAP Package reporting and reconciliation process.

Condition

We continue to identify significant adjustments in GAAP packages due to incomplete information provided or the management review at DOA and the agencies are not performed at a sufficient level of precision to identify significant misstatements. This, combined with the many sources of information and the extent of modification necessary to such information, results in a financial reporting process that continues to be highly complex and manual in nature, and therefore, susceptible to errors and delays.

During our audit, we identified the following deficiencies in internal control over financial reporting:

- Understatement of capital projects fund accounts payable accrual in the amount of \$2 million.
The services incurred were not properly pro-rated between fiscal years, resulting in the understatement.
- Understatement of tax refund claims that required an additional \$40 million in liability accrual.
DOA did not prepare legal contingencies and, through our legal inquiries with DOA's Deputy Attorney General on a matter previously reported in the notes to the financial statements, we were notified of a significant change in the outlook of certain tax refund claims that required an additional accrual.
- Overstatement of federal grant receivable in the amount of \$4.5 million.
The Department of Health and Social Services (DHSS) grant receivables GAAP package erroneously included receivables related to one grant that had been fully expended and drawn down in fiscal year 2012. This resulted in the grant receivable balance being overstated by \$4.5 million, since DHSS was unable to determine the grant project that received the misapplied cash receipt.

¹ PeopleSoft

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2013

- Overstatement of federal grant receivable in the amount \$12.3 million.

The Department of Education's (DOE) GAAP package for grants receivables erroneously included receivables related to two grants that had been fully expended and drawn down in fiscal year 2012. This resulted in the grant receivable balance being overstated by \$12.3 million, since DOE was unable to determine the grant projects that received the misapplied cash receipts.

- Overstatement of federal grant receivable in the amount of \$108 thousand.

DOE misapplied cash receipts resulting in the overstatement.

- Understatement of federal grant receivable in the amount of \$2.1 million.

DOE misapplied cash receipts resulting in the understatement.

- Understatement of a general fund receivable in the amount of \$3.6 million.

During our review of the completeness and accuracy of the State's accounts receivable, we determined that the Division of Developmental Disabilities Service (DDDS) did not submit its receivable GAAP package for inclusion in the financial statements resulting in total accounts receivable for the general fund and governmental activities to be understated by \$3.6 million.

- Overstatement of receivables resulting from an understatement of allowance for doubtful accounts in the amount of \$8.3 million.

The Division of Unemployment Insurance (UI) calculates its allowance for doubtful accounts on benefit recoupment receivables by multiplying the percentage of all overpayments uncollected over the most recent four year period to the gross outstanding recoupment receivable balance. The spreadsheet used in UI's GAAP package to support the allowance for doubtful accounts contained formula errors in the computation of the percentage of overpayments uncollected and there was nearly \$11 million in gross benefit recoupment receivables improperly excluded from the allowance calculation. This resulted in an audit adjustment to increase the allowance for doubtful accounts on benefit recoupment receivables by \$8.3 million.

- Overstatement of loans and notes receivable resulting from an understatement of allowance for doubtful accounts in the amount of \$12.3 million.

During our examination of the Department of Economic Development Office (DED) loans and notes receivables GAAP package, the amount for the allowance for doubtful accounts was miscalculated and understated by \$12.3 million.

- Overstatement of federal fund balance and understatement of general fund balance of \$32.9 million.

We also determined that \$32.9 million of the \$35.5 million receivable balance was incorrectly coded to the federal fund instead of the general fund.

- Overstatement of local school districts revenue in the amount of \$997 thousand.

During our testing of revenue transactions, we identified an overstatement of revenue resulting from interfund transfers erroneously recorded as revenue. The FSF system does not provide a method for recording these as non-revenue transactions. The \$997 thousand related to 47 transactions across the Brandywine, Sussex Tech, Woodbridge, Capital, New Castle County Votech, Seaford and Christina

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Section 2: Financial Statement Findings

Year ended June 30, 2013

school districts. The districts recorded 4 of these transactions in accordance with DOA instruction provided in Memorandum 12-08 dated October 11, 2011.

- Overstatement of local school district revenue and understatement of federal revenue in the amount of \$2.6 million.

There was a misclassification of federal revenue and its related expenditures for funds directly reimbursed to the local school districts from federal agencies. This misclassification related to 43 transactions for the Cape Henlopen, Sussex Tech, Woodbridge, Appoquinimink, Caesar Rodney, and Lake Forest school districts. The districts recorded 20 of these transactions in accordance with DOA instruction provided in Memorandum 12-08 dated October 11, 2011.

- Untimely analysis of the new accounting pronouncement - Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*

The DOA was charged with the responsibility of implementing GASB No. 61 and was not prepared to address the results of its conclusions until after the close of the fiscal year end. A form checklist for each GASB No. 61 entity assessment was used by DOA by marking “Yes” or “No” to various criteria questions with little to no explanation provided to initially document the rationale supporting its answers in the entity determination assessments. In addition, the DOA did not maintain adequate documentation from either the Delaware State Code, legal determinations (if necessary), or other supporting information utilized to answer most of the criteria questions in the form checklist. As such, the entity determination process relied on the audit process to identify incorrect or incomplete reporting entity determination assessments. Specifically, as a result of our examination, we identified the following in DOA’s initial conclusions:

- The Delaware Agricultural Lands Preservation Foundation (DALPF) was improperly assessed as a blended component unit within the general fund instead of a discretely presented component unit. An adjustment was made by DOA to correctly report DALPF as a discretely presented component unit in its financial statements.
- The Delaware Technical Community College (DTCC) Educational Foundation is properly assessed as a discretely presented component unit; however it has been excluded from the State’s financial statements due to its small size in relation to the other discretely presented component units. This is considered a new non-GAAP policy for the State and will need to be monitored on an annual basis.
- The Delaware Economic Development Authority (DEDA) is properly assessed as a blended component unit within the general fund; however the documentation initially provided was inadequate to support this assessment. The audit process of the State’s GASB No. 61 analysis related to DEDA required many additional meetings with management and its legal council to support DEDA’s entity determination.
- The State’s 16 local school districts and 3 vo-tech schools (collectively referred to as the local school districts) are properly assessed as being part of the primary government. Although the local school districts have separate boards, an assessment of the local school districts was not included in DOA’s initial GASB No. 61 assessment. Upon our request, an assessment was ultimately performed; however, this assessment was initially insufficient to support the

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2013

assessment that the local schools were properly classified as being part of the primary government. The audit process of the State's GASB No. 61 analysis related to the local school districts required numerous additional meetings with DOA and its legal council to support the local school district's entity determination and required multiple meetings and discussions with DOA on the importance of having a clear and thorough analysis on why the local school districts are part of the primary government.

- Weaknesses continue to exist in the process for managing the preparation of the CAFR.

The process used to prepare the CAFR should include sufficient and timely management review to correct errors and ensure CAFR accuracy prior to submission for audit. For example, since only edited pages in the Word and Excel files are converted to the PDF CAFR document rather than the entire Word and Excel files, tables were duplicated and sentences or paragraphs were cut off or missing in the CAFR drafts provided during the audit.

Criteria

According to the National Council on Government Accounting (NCGA) Concept Statement No. 1, *Objectives of Financial Reporting*, "The overall goal of accounting and financial reporting for governmental units is to provide: 1) financial information useful for making economic, political and social decisions, and demonstrating accountability and stewardship; and 2) information useful for evaluating managerial and organizational performance."

In order to ensure such information is useful in decision-making and evaluating managerial and organizational performance, as well as demonstrating accountability and stewardship, controls must be properly designed, in place, and operating effectively to ensure that the State's accounting and financial information is fairly stated in accordance with GAAP and that the State's assets are appropriately safeguarded.

Cause

First State Financials

Although FSF has the ability and the flexibility to accommodate both modified and full accrual accounting, the system was implemented to manage the State's operations, which are budgeted and managed on a cash basis. Specifically, the State is not fully utilizing the functionality available to accommodate either modified or full accrual accounting. As a result, the reports generated from FSF require significant manual manipulation through the use of spreadsheets to develop the trial balances and related financial statements and to provide the detail necessary for auditing.

Personnel Assigned & Managerial Review

All staff working on various aspects of the CAFR and GAAP reporting process should have sufficient technical expertise to perform the work accurately and timely. Management relies heavily on the audit process to identify and propose corrections to errors in the financial statements and to help guide the implementation of new accounting standards.

Accounting Policies

Local school districts were instructed by DOA to record cash receipts using various revenue codes within the FSF system. This policy does not take into consideration the nature of the cash receipt (i.e. revenue vs.

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Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2013

reduction of expenditures). Additionally, the FSF has limitations on what accounts are available to record transactions and does not permit accurate accounting.

Non-GAAP Policies

The misstatements related to investments and DTCC were caused by the State's non-GAAP policies to net investment related receivables and payable against the investment balance reported on the face of the financial statements and to not report immaterial discretely presented component units, respectively.

Effect

Due to the weaknesses in the processes used to compile financial statement information and the reliance on the audit process to detect and correct such errors, material misstatements to the financial statements could go undetected.

Recommendation

We recommend that management refine the process used to complete the draft State-wide financial statements, notes to the financial statements, all significant adjustments, conversion to accrual adjustments, and prepare necessary account reconciliations. This process should consist of fully utilizing FSF to record transactions on the modified and/or full accrual accounting. The review process should also include an evaluation of the reasonableness of individual financial statement line items and their related footnote disclosures by an individual with sufficient accounting and financial reporting experience and knowledge of the processes at each agency to detect and correct material inconsistencies and errors. Focus should be placed on achieving proper accounting period cut-off and the valuation of accounts associated with the GAAP package process and financial statement preparation. The State also needs to improve its process for applying federal cash receipts to its various grant projects and enhance its grant cut-off procedures and monitoring of grant receivables timely.

We encourage the State to continue to monitor the agency accountants and expand the knowledge base of personnel who have a working knowledge of GAAP. This monitoring and management review process is critical to the successful oversight of the GAAP package process and financial reporting processes in the outside departments and agencies that report to the DOA for year-end financial reporting.

We recommend that controls be implemented to monitor all grant projects, including closed grants, on a monthly basis to determine whether cash was either misapplied or a valid receivable exists.

We also continue to recommend that, if the State continues to rely on the manual GAAP package preparation process to derive financial statement amounts, that this process be a priority for all entities/agencies included in the State's financial reporting entity.

We recommend that separate revenue accounts be established in FSF for agencies and departments to appropriately record reimbursement transactions to during the year.

We also recommend that the DOA maintains sufficient and reliable documentation of its assessments made during the implementation of new accounting standards.

Lastly, we recommend that the DOA continue to improve its management-level review process for the completeness and accuracy of the CAFR document.

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Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2013

Views of Responsible Officials

As the State moves into its fourth year with the First State Financials (FSF), we continue to review the ability for more automation with our financial reporting processes.

This year great strides were taken as this was the first year that the basic financial statements were produced directly from FSF. We were able to remove the manual effort of manipulating data from reports and uploading into another system to derive the basic financial statements for the CAFR. The ability to prepare the statements directly from the system also provided better transparency by being able to drill down into the accounting system to review detailed transactions.

Management has and will continue to explore more efficient and effective ways to utilize FSF in support of the GAAP package process. However, Delaware's GAAP process has been compared to other states through management's inquiries of our State Comptrollers network. We have found that our GAAP process is consistent with many other states throughout the nation; and while we will make changes to our FY2014 grant's receivable process by placing greater reliance on our accounting system, much of the State's GAAP process will continue to be utilized in FY2014 and beyond. Delaware's GAAP process is also needed to record certain balance sheet items, such as tax and loan receivables and other payables, that are kept on separate systems and collected through the GAAP packages. In many cases, separate systems are required by State and Federal regulations. In addition to assessing the logistical implications of utilizing FSF for certain GAAP reporting functions, we also continue to evaluate the costs and benefits associated with any systematic modifications.

The Division of Accounting performs reviews and analytics over information received. However, due to the volume of receipts and time constraints associated with our CAFR submission timeline, such reviews are not necessarily performed to a level of precision that would identify all errors.

We will continue to train the accounting staff at all organizations involved with the GAAP reporting process to ensure that all are filed and prepared properly.

When GASB pronouncements are to be implemented, we work with the auditors to determine their need to review our process of implementation and establish a timeline for doing so. With this year's implementation of GASB 61, we complied with the timeline established and produced management's work papers that supported our assumptions. The GASB did not indicate the proper method for documenting our assumptions and management feels confident in our process for implementing future GASB statements. We will however continue to work with the auditors before implementation to ensure that the delivery and presentation of the information will meet their needs.

For FY2013, our auditors placed a limitation on the number of CAFR draft submissions allowed. DOA was instructed to submit no more than 2 drafts for review. Any modifications made by DOA, audit staff, reviewers, and component units were requested to be included within the one of the two submissions, without exception. This change affected our ability to adequately manage the compilation and review process. In prior years, information was shared between the audit group and the reporting group, allowing for any issues, concerns, revisions to be communicated in a timely manner and immediately reflected in the draft. That said, we acknowledge our deficiencies in report publishing and word processing and have worked hard to identify solutions, such as report publishing tools and independent publishing services. Management is currently working to secure a publishing resource for next year's CAFR.

The CAFR draft is subject to 3 levels of review. All reviewers are CPAs and collectively have more than 38 years of experience in auditing and compiling CAFRs. We believe that our review process is sufficient.

SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 3: Federal Awards Findings and Questioned Costs

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section is organized by state agency.

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STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-001
Related Prior Year Finding:	N/A
State Department Name:	Department of Education
School Name:	Delaware Technical Community College
Federal Agency:	U.S. Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.007, 84.033, 84.063, 84.268
ARRA:	No
Compliance Requirement:	Eligibility/IT
Control Finding:	Yes
Compliance Finding:	No
Scope Limitation:	No

Condition:

During our testing, we identified IT general control deficiencies in Delaware Technical Community College's (DTCC) applications, operating systems and databases including the Banner application, Oracle database and the Solaris operating system. DTCC tracks the eligibility of its students within Banner which uses an Oracle database to store the application data. The application and database are housed on a Solaris operating system. The IT deficiencies are as followed:

Password parameters have been established and implemented to meet the Policy requirements.

Exception:

Password requirements for the Oracle database and Solaris system are not configured for history, complexity, or aging requirements. Additionally, Oracle is not configured with minimum length requirements and allows ten invalid log-in attempts.

Administrative Access to the systems is restricted to individuals who require such access to perform job functions.

Exception:

Five of the thirty Oracle accounts with administrative access in the database are shared generic accounts which are used for daily user activity. The shared general accounts do not track the individuals who log into the Oracle system using the generic accounts.

Two of the thirty Oracle accounts have administrative access at both the database and application level. Having access to both levels does not properly segregate duties.

For the Solaris system, there are two generic accounts which have shared passwords. Both of these accounts can be used to switch users to root, which is the Solaris administrator account, and accountability for the user in question cannot be determined.

Procedures exist and are followed to ensure timely action relating to requesting, establishing, issuing, suspending and closing user accounts.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Exception:

There are no formal policies or procedures in place for requesting and approving the creation of or removal of Solaris or Oracle accounts.

Additionally, for three of the twenty-five terminated users reviewed access removal requests were not submitted timely by Human Resources to the IT department to remove access to the Banner application.

One of the twenty-five terminated users reviewed did not have access revoked for Banner and Oracle through the end of the fiscal year.

Criteria:

Control Exceptions:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Cause:

The exception for password parameters occurred because there is no formal password policy established at DTCC and the IT department was not aware of the need for stronger passwords to the systems.

The second exception occurred due to some of existing accounts being out dated and not updated in the past several years. Additionally, the IT department is made of a small group of people so generic accounts are utilized when logging in to provide technical support.

The third exception occurred because the IT department did not realize a formal policy was needed for timely action relating to requesting, establishing, issuing, suspending, and closing user accounts. Also, there is a lack of communication between the Human Resource and IT departments for terminated users.

Effect:

The IT general control weaknesses could result in the unauthorized access to the systems. Without adequate IT general controls, the systems utilized for the SFA program could be inappropriately accessed which could allow unauthorized entries into the system without management's knowledge or oversight.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that DTCC IT establish a formal password policy, as well as a formal policy for requesting, establishing, issuing, suspending, and closing user accounts. The IT Department also needs to ensure that accounts have separate passwords established and log in using their own unique identifier. Lastly, we recommend that the Human Resource and IT Department have constant communication of terminated employees to ensure IT removes their access to the system.

Views of Responsible Officials:

Agency Contact Name: David Dill, Applications Director

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Agency Contact Phone Number: 302-857-1643

Corrective Action Plan:

Exception 1:

- 1.1 The college IT department has implemented a new system-enforced password policy for Oracle. Passwords must contain a minimum of 8 characters, requiring both letters and numbers with a maximum of 5 invalid login attempts. Oracle passwords are forced to be changed every 180 days. An internal password policy has been created for Solaris shell accounts. The policy requires a minimum of 8 characters with mixed case that include punctuation characters, and for the password to be changed every 180 days with the changes being recorded in the designated log. Delaware Tech is currently in the process of virtualizing the Oracle server which will reside on a Red Hat based operating system. Implementation of system-enforced password aging, complexity and history will be researched for this new platform.

Exception 2:

- 2.1 The functional unit Oracle accounts are only accessed when required by Banner processes. The college's Oracle database administrator, Simon Morris (Senior Applications Development Specialist) has enabled Oracle user auditing in our development environment (PPRD) to evaluate the impact in our production environment (DTCC). This resulting log provides the login date, time and name of the functional unit account in addition to the Windows username of the originating user.
- 2.2 Of the two of thirty Oracle accounts with administrative access at both the table and application levels, one account was inadvertently created with the MODIFY role; however, due to other existing security measures, the account was incapable of using that role. The account has been assigned the standard SELECT role.
- 2.3 The two Solaris system "generic" accounts (1-Oracle and 1-Banner) in question have different passwords in accordance with the internal password policy defined in 1.1. Accountability is tracked through activity in the designated log (/var/adm/sulog). The originating user can be tracked back by correlating the IP of the person logged into the account at the time to the specific workstation, which is also supported through our Windows login audit records. The primary/sole administrator role is filled by Bob Rahe, Applications Engineer, with Simon Morris as the only backup.

Exception 3:

- 3.1 Personal Solaris accounts are not created, except for the Solaris administrator, Bob Rahe. The Banner Access Request form is the college's policy-enforced method of requesting and approving the creation and removal of Oracle accounts since 2004.
- 3.2
 - a. The college's IT department has facilitated the exchange of a monthly report from Human Resources that identifies terminated employees from PHRST (PER-015). This report is reviewed monthly as an auditing tool to verify all inactivation requests have been received from Human Resources and processed in Banner.
 - b. A PHRST report of all active employees college-wide is generated and reviewed quarterly for user account correlation. This process began in July 2013.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

- c. An internal audit of INB (Interactive Native Banner) user access is conducted by the functional area users (Student Module, Accounts Receivable, Admissions and Financial Aid) every May and November. This process began in 2009.
- 3.3 For the one of twenty-five sampled terminated users, the Banner Access Request form was not received by the college's IT department. Once identified and verified by the campus, this user's account access was revoked. The corrective actions taken in 3.2 apply to this exception.

Anticipated Completion Date:

- 1.1: Oracle Password Policy: November 7, 2013.
Solaris Password Policy: February 28, 2014.
- 2.1: May 15, 2014.
- 2.2: November 7, 2013.
- 2.3: February 28, 2014.
- 3.1: [Restricted Access Enforced Since 2004]
- 3.2: November 6, 2013.
- 3.3: November 7, 2013.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-002
Related Prior Year Finding: 12-2
State Department Name: Department of Education
School District Name (if applicable): Appoquinimink, Brandywine, Caesar Rodney, Capital, Indian River, Lake Forest, Laurel, Milford, Red Clay, Seaford, and Woodbridge
Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Improving Teacher Quality, Special Education Cluster, State Fiscal Stabilization Fund, Race-to-the-Top Incentive Grants, Recovery Act
CFDA Number: 84.010, S-84.389, 84.027, 84.173, S-84.392, 84.367, S-84.395
ARRA: Yes
Compliance Requirement: Allowability (effort reporting)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

Title I

During our testing of a sample of sixty-five payroll expenditures totaling \$125,522, we found the following:

- One employee totaling \$3,247 charged to the program at the Red Clay School District was missing a time and effort report.
- Charges of \$12,779 to the program for six employees at the Brandywine, Capital, Indian River, Lake Forest, and Laurel School Districts did not agree to the percentages approved on their time and effort reports by a net difference of \$2,937 (overcharged).
- Two employees charging a total of \$2,691 to the program at the Milford School District had semi-annual certifications that were not signed or that were signed prior to the end of the period being charged.
- Four employees totaling \$9,680 to the program at the Brandywine School District were allocated 100% to the program, but completed a monthly time and effort which did not indicate the time period actually being charged.
- Two employees' time and effort reports totaling \$6,509 to the program at the Lake Forest and Laurel School District did not have 100% of their time allocated.
- Two employees' time and effort reports totaling \$3,104 to the program at the Woodbridge School District were signed over three months after the period charged.
- Thirty-one of the time and effort reports reviewed were not dated.

Payroll expenditures totaled \$28,380,281 and program expenditures were \$39,103,999.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

A summary of the above exceptions by school district are summarized below.

Type of Finding	# of Exceptions	Dollar Amount of Exceptions	
Missing Time & Effort Report			
<i>Red Clay Consolidated School District</i>	1	\$3,247	
Salary Does Not Agree to Approved Percentages	# of Exceptions	Dollar Amount of Sampled Item	Exception Difference
<i>Brandywine School District</i>	1	\$1,154	(\$616)
<i>Capital School District</i>	2	\$3,369	\$81
<i>Indian River School District</i>	1	\$1,747	\$874
<i>Lake Forest School District</i>	1	\$3,667	\$11
<i>Laurel School District</i>	<u>1</u>	<u>\$2,842</u>	<u>\$2,587</u>
	6	\$12,779	\$2,937
Semi-Annual Certification Unsigned or Signed Before End of Period Being Charged	# of Exceptions	Dollar Amount of Exceptions	
<i>Milford School District</i>	2	\$2,691	
Time & Effort Did Not Indicate The Time Period Charged for Employees Allocated 100%	# of Exceptions	Dollar Amount of Exceptions	
<i>Brandywine School District</i>	4	\$9,680	
Time & Effort Did Not Have 100% of Employees' Time Allocated	# of Exceptions	Dollar Amount of Exceptions	
<i>Lake Forest School District</i>	1	\$3,667	
<i>Laurel School District</i>	<u>1</u>	<u>\$2,842</u>	
	2	\$6,509	
Time & Effort Signed Over 3 Months After the Period Charged	# of Exceptions	Dollar Amount of Exceptions	
<i>Woodbridge School District</i>	2	\$3,104	

Improving Teacher Quality

During our testing of a sample of sixty-five payroll expenditures totaling \$134,317, we found the following:

- Four employees totaling \$6,760 charged to the program at the Brandywine, Laurel, and Woodbridge School Districts were missing time and effort reports.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

- Charges of \$11,611 to the program for five employees at the Red Clay, Christina, and Seaford school districts did not agree to the percentages approved on their time and effort reports by a net difference of \$4,037 (overcharge).
- Three employees charging a total of \$7,277 to the program at the Capital School District had semi-annual certifications that were not signed or that were signed prior to the end of the period being charged.
- Six employees totaling \$12,983 charged to the program at the Brandywine School District were allocated 100% to the program, but did not complete a time and effort certification on a semi-annual basis.
- Twenty-seven of the time and effort reports reviewed were not dated

Payroll expenditures totaled \$8,955,434 and program expenditures were \$11,340,478.

A summary of the above exceptions by school district are summarized below.

<i>Type of Finding</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Missing Time & Effort Report</i>			
<i>Brandywine School District</i>	1	\$1,167	
<i>Laurel School District</i>	1	\$2,105	
<i>Woodbridge School District</i>	<u>2</u>	<u>\$3,488</u>	
	4	\$6,760	
<i>Salary Does Not Agree to Approved Percentages</i>	<i># of Exceptions</i>	<i>Dollar Amount of Sampled Item</i>	<i>Exception Difference</i>
<i>Red Clay Consolidated School District</i>	3	\$8,129	\$555
<i>Christina School District</i>	1	\$714	\$714
<i>Seaford School District</i>	<u>1</u>	<u>\$2,768</u>	<u>\$2,768</u>
	5	\$11,611	\$4,037
<i>Semi-Annual Certification Unsigned or Signed Before End of Period Being Charged</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Capital School District</i>	3	\$7,277	
<i>Time & Effort Certification Not Completed on a Semi-Annual Basis for Employees Allocated 100%</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Brandywine School District</i>	6	\$12,983	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Special Education Cluster

During our testing of a sample of sixty-five payroll expenditures totaling \$121,499, we found the following:

- Nine employees totaling \$16,665 charged to the program at the Brandywine, Caesar Rodney, and Indian River School Districts were missing a time and effort reports.
- Charges of \$5,843 to the program for two employees at the Appoquinimink and Laurel School Districts did not agree to the percentages approved on their time and effort reports by a net difference of \$2,299 (undercharge).
- Four employees' time and effort reports totaling \$8,308 charged to the program at the Caesar Rodney, Laurel, Red Clay, and Seaford School Districts did not have 100% of their time allocated.
- One employee's time and effort report totaling \$1,284 charged to the program was signed over three months from the period charged.
- Twenty-four of the time and effort reports reviewed were not dated.

Payroll expenditures totaled \$22,945,041 and program expenditures were \$34,129,025.

A summary of the above exceptions by school district are summarized below.

<i>Type of Finding</i>			
<i>Missing Time & Effort Report</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Brandywine School District</i>	6	\$10,977	
<i>Caesar Rodney School District</i>	1	\$954	
<i>Indian River School District</i>	<u>2</u>	<u>\$4,734</u>	
	9	\$16,665	
<i>Salary Does Not Agree to Approved Percentages</i>	<i># of Exceptions</i>	<i>Dollar Amount of Sampled Item</i>	<i>Exception Difference</i>
<i>Appoquinimink School District</i>	1	\$2,427	(\$2,572)
<i>Laurel School District</i>	<u>1</u>	<u>\$3,416</u>	<u>\$273</u>
	2	\$5,843	(\$2,299)
<i>Time & Effort Did Not Have 100% of Employees' Time Allocated</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Caesar Rodney School District</i>	1	665	
<i>Laurel School District</i>	1	\$3,417	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

<i>Red Clay Consolidated School District</i>	1	\$1,152
<i>Seaford School District</i>	<u>1</u>	<u>\$3,074</u>
	4	\$8,308
<i>Time & Effort Signed Over 3 Months After the Period Charged</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>
<i>Brandywine School District</i>	1	\$1,284

State Fiscal Stabilization Fund, Race-to-the -Top

During our testing of a sample of sixty-five payroll expenditures totaling \$156,522, we found the following:

- Two employees totaling \$4,041 charged to the program at the Woodbridge School District were missing time and effort reports.
- Charges of \$2,866 to the program at the Laurel School District did not agree to the percentages approved on their time and effort reports by a net difference of \$2,077 (undercharge).
- Six employees charging a total of \$10,505 to the program at the Capital and Red Clay School Districts had semi-annual certifications that were not signed or that were signed prior to the end of the period being charged.
- Five employees totaling \$19,098 to the program at the Brandywine School District were allocated 100% to the program, but did not complete a time and effort certification on a semi-annual basis.
- Nineteen of the time and effort reports reviewed were not dated.

Payroll expenditures totaled \$12,556,829 and program expenditures were \$31,417,461.

A summary of the above exceptions by school district are summarized below.

<i>Type of Finding</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Missing Time & Effort Report</i>			
<i>Woodbridge School District</i>	2	\$4,041	
<i>Salary Does Not Agree to Approved Percentages</i>		<i>Dollar Amount of Sampled Item</i>	<i>Exception Difference</i>
<i>Laurel School District</i>	2	\$2,866	(\$2,077)
<i>Semi-Annual Certification Unsigned or Signed Before End of Period Being Charged</i>			
<i>Capital School District</i>	3	\$5,977	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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<i>Red Clay Consolidated School District</i>	<u>3</u>	<u>\$4,528</u>
	6	\$10,505
<i>Time & Effort Certification Not Completed on a Semi-Annual Basis for Employees Allocated 100%</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>
<i>Brandywine School District</i>	5	\$19,098

A summary of the major programs with payroll control and compliance exceptions are summarized below.

Title I Program

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Total Payroll Expenditures</i>	39,654	\$28,380,281
<i>Total Program Expenditures</i>	47,522	39,103,999
<i>Payroll Sample</i>	65	125,522
<i>Payroll Control Exceptions</i>	14	20,504
<i>Payroll Compliance Exception</i>	14	20,504

Improving Teacher Quality Program

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Total Payroll Expenditures</i>	18,899	\$8,955,434
<i>Total Program Expenditures</i>	20,327	11,340,478
<i>Payroll Sample</i>	65	134,317
<i>Payroll Control Exceptions</i>	18	31,057
<i>Payroll Compliance Exception</i>	18	31,057

Special Education Cluster

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Total Payroll Expenditures</i>	48,979	\$22,945,041
<i>Total Program Expenditures</i>	56,516	34,129,025
<i>Payroll Sample</i>	65	121,499
<i>Payroll Control Exceptions</i>	15	25,139
<i>Payroll Compliance Exception</i>	15	25,139

State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Total Payroll Expenditures</i>	25,485	\$12,556,829
<i>Total Program Expenditures</i>	29,551	31,417,461
<i>Payroll Sample</i>	65	156,522
<i>Payroll Control Exceptions</i>	15	35,721
<i>Payroll Compliance Exception</i>	15	35,721

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled.
(OMB Circular A-87, Attachment B.8.h.6)

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Cause:

The State Department of Education and the school districts cited above did not maintain proper and timely effort reporting for employees funded by federal programs.

Effect:

Salary and related costs allocated to the federal programs are not appropriately supported by semi-annual certifications or properly prepared time and effort reports.

Questioned Costs:

<i>Missing Time & Effort Report</i>	<i># of Exceptions</i>	<i>Dollar Amount of Exceptions</i>	
<i>Title I Program</i>	1	\$3,247	
<i>Improving Teacher Quality Program</i>	4	\$6,760	
<i>Special Education Cluster</i>	9	\$16,665	
<i>State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants</i>	2	\$2,041	
<i>Salary Does Not Agree to Approved Percentages</i>	<i># of Exceptions</i>	<i>Dollar Amount of Sampled Item</i>	<i>Exception Difference Over (under) charge</i>
<i>Title I Program</i>	6	\$12,779	\$2,937
<i>Improving Teacher Quality Program</i>	5	\$11,611	\$4,037
<i>Special Education Cluster</i>	2	\$5,843	(\$2,299)
<i>State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants</i>	2	\$2,866	(\$2,077)

Recommendation:

We recommend that the State Department of Education and the above school districts continue to hold training sessions to educate the employees on the importance of effort reports, require management review and sign-off on completeness of the effort reports to insure the State maintains properly prepared and signed personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials:

Agency Contact Name: Eulinda DiPietro

Agency Contact Phone Number: 302-735-4016

Corrective Action Plan:

1. A copy of the Audit Finding will be shared with fiscal staff at each LEA with finding(s).
2. DE DOE fiscal staff will provide training for LEA fiscal staff on the requirements for time and effort, acceptable formats to use for the certification and how to complete the forms.
3. DE DOE program staff will offer time and effort training opportunities throughout the year for LEA staff.
4. DE DOE program staff will continue to monitor LEAs for time and effort requirements.

Anticipated Completion Date: 12/2014

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-003
Related Prior Year Finding:	N/A
State Department Name:	Department of Education
School District Name (if applicable):	Christina School District
Federal Agency:	U.S. Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010, S-84.389
ARRA:	Yes
Compliance Requirement:	Allowability (non-payroll)
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

In a sample of sixty-five nonpayroll transactions totaling \$1,884,222, one transaction for the Christina School District totaling \$8,633 was approved, but considered questionable for the Title I program as costs consisted of theater tickets for students to attend a Broadway play. Such costs are not considered necessary and reasonable for the proper and efficient performance of the Title I award. Nonpayroll expenditures for the Program totaled \$10,723,718 and total program expenditures totaled \$39,103,999.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The objective of the programs is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

In addition, to be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1 & C.2):

- a. Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, paragraph C.2 for additional information on reasonableness of costs.)
- b. Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, paragraph C.3 for additional information on allocable costs.)
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
 - g. Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
 - i. Be net of all applicable credits. (Refer to A-87, Attachment A, paragraph C.4 for additional information on applicable credits.)
 - j. Be adequately documented.
2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:
 - a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

Cause:

A rationale detailing the academic benefit of the trip was not included in the supporting documentation for the transaction. While the District provide a verbal explanation, we did not consider it reasonable for Title I performance.

Effect:

Costs are being charged to the federal program which are not allowable and could result in the Program having to return grant money to the U.S. Department of Education.

Questioned Costs:

The questioned costs were \$8,633.

Recommendation:

The Delaware Department of Education should reinforce to the school districts what costs are allowable under the Title I program and ensure that proper approvals and appropriate supporting documentation is prepared and maintained.

Views of Responsible Officials:

Agency Contact Name: Ted Jarrell
Agency Contact Phone Number: 302-857-3333

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Year ended June 30, 2013

Corrective Action Plan:

1. A copy of the Audit Finding will be shared with the Title IIA coordinator at the Christina School District.
2. The criteria for determining allowable costs have been covered during annual Title I fiscal trainings for the last three to four years. DE DOE program staff will continue to cover this topic, including all that is outlined in OMB A-87, during the May 2014 fiscal training webinar. This webinar will be recorded and sent to all LEA Title I coordinators.
3. DE DOE program staff will continue to maintain a summary of the [OMB A-87 cost principles](#) on our Title I Website. This document has been distributed at the annual New Title I Coordinator Trainings in the fall and the annual fiscal trainings held in the spring.
4. OMB A-87 Cost principles were discussed and the above summary was distributed at Consolidated Application technical assistance sessions for the 13-14 grants in April of 2013. A copy of this resource will be distributed during the April 2014 trainings.
5. LEA budgets in the consolidated grant are thoroughly reviewed using an extensive checklist. The DE DOE program manager reviews each budgeted item for allowability, reasonableness and necessity. This process will be continued for the 14-15 grants.
6. The 14-15 consolidated grant has been updated to include a “Justification box” for budgeted times. LEAs with questionable costs may be required to complete the justification box prior to receiving approval from program managers. This will help provide more information to determine whether a budgeted item is allowable, reasonable and necessary.
7. DE DOE program staff will continue to monitor selected items from approved budgets vs. actual expenditures during annual Title IA monitoring. This helps ensure that LEAs expend Title I funds only on approved items.

Anticipated Completion Date: 11/2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-004
Related Prior Year Finding: N/A
State Department Name: Department of Education
School District Name (if applicable): N/A
Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality
CFDA Number: 84.367
ARRA: No
Compliance Requirement: Reporting: SEFA
Control Finding: Yes
Compliance Finding: No
Scope Limitation: No

Condition:

We found that the initial schedule of expenditures of federal awards had \$5,940,544 which was incorrectly recorded as CFDA 84.365 (Title III) instead of CFDA 84.367 (Improving Teacher Quality). The schedule of federal expenditures has been updated to properly reflect total Improving Teacher Quality expenditures. Total nonpayroll expenditures for the Program totaled \$2,385,044 and total program expenditures totaled \$10,757,610.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Improving Teacher Quality State Grants may be used for a broad span of activities designed to improve teacher quality that are identified in Section 2123(a) of the ESEA. Examples of allowable activities include: (1) providing “professional development” (as the term is defined in Section 9101(34) of the ESEA, 20 USC 6602(34)) to teachers, and, where appropriate, to principals and paraprofessionals in content knowledge and classroom practice; (2) developing and implementing a wide variety of strategies and activities to recruit, hire, and retain highly qualified teachers and principals; (3) developing and implementing initiatives to promote retention of highly qualified teachers and principals; (4) carrying out professional development programs to assist principals and superintendents in becoming outstanding managers and educational leaders; and (5) carrying out teacher advancement initiatives that promote professional growth and emphasize multiple career paths and pay differentiation, and establish programs and activities related to exemplary teachers. LEAs also may use funds to hire teachers to reduce class size (Sections 2101 and 2123(a) of the ESEA (20 USC 6601 and 6623(a))).

In addition, to be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- a. Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, paragraph C.2 for additional information on reasonableness of costs.)

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Year ended June 30, 2013

- b. Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, paragraph C.3 for additional information on allocable costs.)
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- i. Be net of all applicable credits. (Refer to A-87, Attachment A, paragraph C.4 for additional information on applicable credits.)
- j. Be adequately documented.

Cause:

There was a manual error in the initial set up of some projects by DOE which resulted in the information used to extract CFDA program detail not being properly established in the First State Financial (FSF) system and linked to the correct CFDA number. Consequently, a portion of the program expenditures went to incorrect CFDA numbers within FSF.

Effect:

The State's Schedule of Expenditures of Federal Awards (SEFA) is incorrect and requires adjustment.

Questioned Costs:

There are no questioned costs associated with this finding as the errors relates to incorrect CFDA coding.

Recommendation:

The State's SEFA should be reconciled to grant allocations annually to ensure all program expenditures have been properly reflected on the SEFA.

Views of Responsible Officials:

Agency Contact Name: Eulinda DiPietro

Agency Contact Phone Number: 302-735-4016

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Corrective Action Plan:

Every August DE DOE fiscal staff will reconcile grant expenses to the SEFA expenses to ensure all program expenditures are the appropriate CFDA numbers are correlated.

Anticipated Completion Date: 10/2014

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Year ended June 30, 2013

Reference Number: 2013-005
Related Prior Year Finding: 12-4
State Department Name: Department of Education
School District Name (if applicable):
Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Special Education Cluster, Improving Teacher Quality and State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
CFDA Number: 84.010, S-84.389, 84.027, 84.173, S-84.392, 84.367, S-84.395
ARRA: Yes
Compliance Requirement: Cash Management
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The Department of Education’s (DOE)/program drawdown process includes the following steps:

- executing a query to determine outstanding account receivables
- submitting a request for reimbursement from the applicable federal draw system
- subsequently applying the reimbursement deposit to First State Financials (FSF) against the outstanding account.

Based on a sample of thirty-two drawdowns totaling \$65,260,706 for four Programs, four drawdowns totaling \$13,504,435 were deposited, however, there was a technical issue and the deposits failed to post and clear the outstanding account receivables balance resulting in the drawdowns being drawn twice. The technical issue was the result of an FSF upgrade in October 2013 that did not properly account for multiple fund distributions which is a unique to the school districts within the DOE. The issue was corrected in November of 2013. There were 71 draws for the four programs totaling \$114,815,974.

The tables below represent the scope of items examined and the associated results:

Title I Program

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$39,103,999
<i>Draw Population</i>	18	38,063,285
<i>Sample</i>	8	21,679,608
<i>Control Exceptions</i>	1	4,356,823
<i>Compliance Exception</i>	1	4,356,823

Improving Teacher Quality Program

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$11,340,478
<i>Draw Population</i>	18	10,672,775
<i>Sample</i>	8	5,144,988

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<i>Control Exceptions</i>	1	1,162,213
<i>Compliance Exception</i>	1	1,162,213

Special Education Cluster

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$34,129,025
<i>Draw Population</i>	18	34,034,203
<i>Sample</i>	8	19,594,208
<i>Control Exceptions</i>	1	3,843,095
<i>Compliance Exception</i>	1	3,843,095

State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$31,417,461
<i>Draw Population</i>	17	32,045,711
<i>Sample</i>	8	18,841,902
<i>Control Exceptions</i>	1	4,142,304
<i>Compliance Exception</i>	1	4,142,304

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures of Treasury Subpart B of 31 CFR part 205 (Subpart B).

We noted that of the four federal programs identified above, the Improving Teacher Quality State Grants and the State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants are subject to the CMIA. The other two federal programs are required to be in compliance with Subpart B cash draw down procedures.

Cause:

DOE utilized a system query to obtain the required information; however, there was no detail review of the system query so it was not detected that the it included expenditures which related to a previous drawdown request.

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Year ended June 30, 2013

Effect:

The State received duplicate drawdowns for expenditures and therefore advance funding for the four programs noted above. When the DOE management was informed of this issue by the FSF staff they reduced subsequent drawdowns to compensate for the duplicate draws. However, the amount of interest earned on the advanced funding would also need to be calculated per the Treasury's current value of funds rate of 1.00% and submitted back to the federal government.

Questioned Costs:

Known interest liability due to the federal government still needs to be determined by DOE management based on the duplicate draw and subsequent reductions in the amount advanced.

Recommendation:

The DOE should confirm that no unapplied cash receipts are in the FSF system prior to completion of a federal draw down. In addition, DOE needs to repay the federal government for the accrued interest on the advanced funding.

Views of Responsible Officials:

Agency Contact Name: Eulinda DiPietro
Agency Contact Phone Number: 302-735-4016

Corrective Action Plan:

A manual process outside of First State Financials will be completed after each draw to cross reference item ids from the previous AR query results and current AR query results to confirm unduplicated data. Since a reimbursable funding technique is used to transfer funds to state agencies for the State's federally sponsored programs, the total amount of expenses that the State floats exceeds funding drawn at any point in time. As such, it is not incumbent upon DE DOE to pay interest within the context of all draws and expenses.

Anticipated Completion Date: Completed as of 12/2013

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Year ended June 30, 2013

Reference Number: 2013-006
Related Prior Year Finding: N/A
State Department Name: Department of Education
School District Name (if applicable): Brandywine, Indian River, and Seaford
Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Improving Teacher Quality
CFDA Number: 84.010, S-84.389, 84.367
ARRA: Yes
Compliance Requirement: Procurement and Suspension and Debarment
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

Based on our review of the School Districts' procurement procedures for nineteen vendors receiving \$1,522,283 of Title I funds during the year, we found that the required bidding practices were not performed for two vendors that received \$102,300 during the year expended by the Seaford and Brandywine School Districts

Based on our review of the School Districts' procurement procedures for three vendors receiving \$339,797 of Improving Teacher Quality funds, we found that the required bidding practices were not performed for one vendor receiving \$29,925 expended by the Indian River School District.

All three vendors were sole source procurements; however, there was no documentation to justify sole sourcing.

Criteria:

Control exceptions:

States, and governmental subrecipients of States, will use the same State policies and procedures used for procurements from non-Federal funds. They also must ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Compliance Exceptions:

Title 29, Chapter 69, Subchapter VI. Professional Services, Subsection 6985 of the Delaware code, sole source procurement state:

- a. A contract may be awarded for material or nonprofessional services without competition if the agency head, prior to the procurement, determines in writing that there is only 1 source for the required material or nonprofessional service. Sole source procurement shall not be used unless there is sufficient evidence that there is only 1 source for the required material or service and that no other type of material or service will satisfy the requirements of the agency. The agency shall examine cost or pricing data, which shall include lifecycle costing analysis as specified in §§ 6902 and 6909A(b) of this title if the sole source offers more than 1 type or variety of equipment, prior to an award under this section. Sole source procurement shall be avoided, except when no reasonable alternative sources exist. A written determination by the agency stating the basis for the

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sole source procurement shall be included in the agency contract file. Textbooks and related instructional materials are sole source purchases.

- b. An agency seeking a sole source procurement shall prepare written documentation citing the existence of a sole source condition. The document shall include the specific efforts made to determine the availability of any other source and an explanation of the procurement need. The agency may, for confirmation, submit this documentation to the Section for review and comment prior to the intended date of award.
- c. The agency shall negotiate with the single supplier, to the extent practicable, a contract advantageous to the agency. The agency shall enter into a formal contract stating the terms and conditions of the procurement.

Cause:

The School Districts did not have a protocol to document their rationale for utilizing a sole source procurement including the specific efforts made to determine the availability of any other sources or an explanation of the specificity of the procurement criteria.

Effect:

The School Districts did not comply with State procurement laws as required by Federal regulations.

Questioned Costs:

Questioned costs related to procurements are \$102,300 for Title I and \$29,925 for ITQ cannot be determined.

Recommendation:

When determining if contracts meet the sole source criteria, the School Districts should adequately document the determination in accordance with Title 29, Chapter 69, Subsection 6925(b). Otherwise, contracts for these services should be subjected to the normal bidding practices.

Views of Responsible Officials:

Agency Contact Name: Ted Jarrell
Agency Contact Phone Number: 302-857-3333

Corrective Action Plan:

1. A copy of the Audit Finding will be shared with the Title IA coordinators in the Seaford and Brandywine School Districts.
2. Procurement procedures will be discussed during the Title IA technical assistance webinar on Title I Fiscal Issues in April 2014.
3. Procurement procedures will be noted in Consolidated Application technical assistance sessions for any expenditure that meets or exceeds the \$25,000 threshold for bidding practices.
4. In addition to the general assurance in the Consolidated Application we have had for several years regarding the requirement to comply with all state requirements, a specific assurance has been

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

added for the 14-15 grant regarding the requirement to comply with the state procurement requirements in Title 29 Chapter 69 of the Delaware Code.

5. Procurement procedures will be added to the Title IA technical assistance website.
6. During annual Title IA monitoring of Budget vs. Expenditures, required documentation of bidding process or sole source documentation will be requested for selected items over \$25,000 each.

Anticipated Completion Date: 11/2014

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Year ended June 30, 2013

Reference Number: 2013-007
Related Prior Year Finding: 12-7
State Department Name: Department of Education
School District Name (if applicable): Brandywine and Indian River
Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality; Title I Grants to Local Education Agencies
CFDA Number: 84.367; 84.010, S-84.389
ARRA: Yes
Compliance Requirement: Special Test and Provisions (Private Schools and Letters of Intent)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The State Department of Education provides a list of all private schools within a school district attendance area that are required to be sent letters of intent making the school aware of access to possible federal funding. There is no mechanism in place to determine if all State school districts properly sent the required letters for all applicable programs.

Of the forty private schools tested, one private school in the Brandywine School District attendance area was not sent the required letter to solicit Title I participation and two schools in the Indian River District attendance area were not sent the required letter to solicit Improving Teacher Quality participation.

Criteria:

Control exception:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exception:

For programs funded under Title I, Part A (CFDA 84.010), a Local Educational Agency (LEA), after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Eligible private school children are those who reside in a participating public school attendance area and have educational needs under section 1115(b) of ESEA.

For all other programs, an SEA, LEA, or any other educational service agency (or consortium of such agencies) receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

and other educational personnel to be served (Sections 5142 and 9501 of ESEA (20 USC 7217a and 7881); 34 CFR sections 299.6 through 299.9).

Cause:

The Department of Education still has not completely implemented the prior year corrective action plan to ensure that all school district personnel are aware of the federal requirements and the Delaware Department of Education's policy regarding the private schools letters of intent.

Effect:

Brandywine and Indian River school districts are not in compliance with the State of Department of Education's policy or the private school participation requirements of the Program.

Questioned Costs:

There are no questioned costs for this finding.

Recommendation:

The State Department of Education and school district personnel should ensure that the districts fulfill the federal requirements pertaining to the private school's participation of services for all federal programs available to them.

Views of Responsible Officials:

Agency Contact Name: Kim Wells (Title I) and Wendy Modzelewski (Title II)
Agency Contact Phone Number: 302-857-3326 (Wells) and 302-857-3312

Corrective Action Plan:

The DE DOE Title I office monitored all schools districts for invitations to participate during the 12-13 schools year in June 2012. Brandywine School District was found to be in compliance at that time. A checklist was used to compare the invitations Brandywine sent against the private schools that are currently registered with the State of Delaware that fall within Brandywine's boundaries. The DE DOE Title I Office does not maintain this list, but provides it as a courtesy to LEAs annually along with template letters so they are aware of which schools that are registered with the State fall within their boundaries. The LEAs are told that the list is only who is currently registered with the State and it is their responsibility to reach out to any other schools they are aware of that may not be on the registration list. For Title I this includes schools outside of their boundaries that may be serving students who live in their participating school feeders. Maintaining control of this process is an LEA responsibility according to UDSOE. The Title I Office has copies of all of the letters of invitation from the Brandywine School District for the 12-13 school year and can provide them if requested.

Corrective Action Plan for Title I:

1. A copy of the Audit Finding will be shared with the Title IA coordinators in the Brandywine School District.
2. Continue program collaboration with other federal programs to issue template letters and the list of private schools registered with the state to LEAs in December and January.

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Year ended June 30, 2013

3. Equitable Services processes will continue to be maintained on the Title IA technical assistance website including template letter of invitation, a building blocks guidance document and other guidance documents.
4. The Consolidated Application has been modified for FY15 such that the LEA must describe how invitations to participate in Title IA were sent to private school officials.

Corrective Action Plan for Title IIA:

1. A copy of the Audit Finding will be shared with the Title IIA coordinators in the Indian River School District.
2. Equitable Services processes were explained to districts during a May 2012 Webinar. This webinar is recorded and posted on DOE's Title II website.
3. Equitable Services processes will be explained during the Title IIA technical assistance provided during the 13-14 school year.
4. Title IIA will continue to coordinate with the Title I Office and other federal programs, as it has done for the past two years, in the distribution of template letters and the list of non-profit private schools to all district program coordinators in the December/January timeframe.
5. Equitable Services processes will continue to be maintained on the Title IIA technical assistance website.
6. The Consolidated Application will be modified for FY15 such that the LEA must describe how invitations to participate in Title IIA were sent to private school officials.

Anticipated Completion Date: 11/2014

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Year ended June 30, 2013

Reference Number: 2013-008
Related Prior Year Finding: N/A
State Department Name: Department of Education
School District Name (if applicable): Brandywine
Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality; Title I Grants to Local Education Agencies; Special Education Cluster
CFDA Number: 84.367; 84.010, S-84.389; 84.027, 84.173; S-84.392
ARRA: Yes
Compliance Requirement: Special Test and Provisions (Schoolwide)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The schools selected for testwork met the required federal threshold to operate under a schoolwide program, but approved schoolwide plans could not be located for three of the five schools requested for the Brandywine School District. Accordingly, it was not possible to determine whether a schoolwide plan was completed and approved and whether the plan included all the necessary components. We reviewed a total of 40 schoolwide plans across eight school districts.

Criteria:

Control exception:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exception:

A school participating under Title I, Part A may, in consultation with its Local Educational Agency (LEA), use its Title I, Part A funds, along with funds provided from other Federal, State, and local education funds, to upgrade the school's entire educational program in a schoolwide program. At least 40 percent of the children enrolled in the school or residing in the school attendance area for the year of the schoolwide program must be from low-income families. The LEA is required to maintain records to demonstrate compliance with this requirement.

- a. To operate a schoolwide program, a school must include the following three core elements:
 - (1) Comprehensive needs assessment of the entire school (34 CFR section 200.26(a)).
 - (2) Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
 - (3) Annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR section 200.26(c)).

- b. A schoolwide plan also must include the following components:
 - (1) Schoolwide reform strategies (34 CFR section 200.28(a)).
 - (2) Instruction by highly qualified professional staff (34 CFR section 200.28(b)).
 - (3) Strategies to increase parental involvement (34 CFR section 200.28(c)).
 - (4) Additional support to students experiencing difficulty (34 CFR section 200.28(d)).

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- (5) Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR section 200.28(e)).

Cause:

The Brandywine School District failed to maintain its schoolwide plans for three out of the five elementary schools selected that qualified for schoolwide programs.

Effect:

We could not determine Brandywine School District's compliance with the requirements of implementing a schoolwide program.

Recommendation:

The Brandywine School District should ensure it maintains all schoolwide plans and that the schoolwide plans incorporate all necessary components required by the Federal regulations.

Questioned Costs:

There are no questioned costs associated with this finding.

Views of Responsible Officials:

Agency Contact Name: John Hulse
Agency Contact Phone Number: 302-857-3353

Corrective Action Plan:

1. DE DOE will reinforce with Brandywine School District to maintain appropriate documentation for school wide programs.
2. DE DOE will continue providing guidance, technical assistance and resources on our website.
3. Review of required documentation will continue during routine monitoring.

Anticipated Completion Date: 7/2014

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Year ended June 30, 2013

Reference Number: 2013-009
Related Prior Year Finding: 12-9
State Department Name: Department of Education
School District Name (if applicable): Polytech and Seaford
Federal Agency: U.S. Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.027, 84.173, S-84.392
ARRA: Yes
Compliance Requirement: Level of Effort (Maintenance of Effort)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: Yes

Condition:

Based on a review of the LEA (school districts) MOE calculations (Excess Cost for IDEA template) included in the 2013 LEA’s Consolidated Grant Applications for each of the nineteen school districts, we identified two school districts which had excess costs that decreased from 2010 to 2011. While there was a brief description of the decrease included in the respective Consolidated Grant Application, the actual description was carried forward from the prior year and was not relevant to the 2010 and 2011 comparison. Furthermore, similar to the prior year, the rational and corresponding evidence for the decrease was not substantiated by the DOE to verify whether it was an acceptable allowance. The rationale for excess cost decreases should be substantiated to ensure that these decreases are valid and any required changes to the allocation of Special Education funds can be properly assessed.

The two school districts effort decreased as follows:

	<i>Total Funds Expended in 2011</i>	<i>Total Funds Expended in 2010</i>	<i>Decrease</i>
<i>Polytech SD</i>	\$3,300,688	3,838,192	(537,504)
<i>Seaford SD</i>	14,056,065	14,822,142	(766,077)

In addition, DOE changed its methodology in determining the expenditures for the school districts’ excess cost calculations. In prior years, the calculations were performed based on Special Education units included within each school district’s enrollment audits. The new methodology uses need-based Special Education units which have not been audited. Accordingly, we have not been able to substantiate the units used in the school districts’ excess cost calculations.

Criteria:

Control exception:

The A-102 Common Rule and its attachments found in 34 CFR 80 requires that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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Compliance exception:

LEA – LEVEL OF EFFORT

Individual Disability Education Act (IDEA), Part B funds received by an LEA cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year. Allowances may be made for: (a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel; (b) a decrease in the enrollment of children with disabilities; (c) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the State Educational Agency (SEA), because the child has left the jurisdiction of the agency, has reached the age at which the obligation of the agency to provide a free appropriate public education (FAPE) has terminated or no longer needs such program of special education; (d) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities; or (e) the assumption of costs by the high cost fund operated by the SEA under 34 CFR section 300.704 (20 USC 1413(a)(2); 34 CFR sections 300.203 and 300.204).

Cause:

DOE is not reviewing the LEAs excess cost calculations for IDEA maintenance of effort included in the Consolidated Grant Applications. In addition, based on the change in methodology, we no longer can substantiate the Special Ed units being utilized in the excess cost calculations.

Effect:

The school districts have not properly documented their compliance with Special Education MOE requirements which could impact the amount of IDEA funds that should be available and allocated.

Questioned Costs:

Questioned costs associated with the \$1,303,581 in apparent reduction of effort are not determinable.

Recommendation:

We recommend that the DOE carefully review the school districts excess cost calculations included within the Consolidated Grant Applications. When the school districts have a decrease in the excess cost calculation, the DOE should validate the rationale for the decrease and then make allocation adjustments, as necessary. Furthermore, we suggest that Needs-Based Special Education units now being utilized for the excess cost calculations be included as part of the State's enrollment audits.

Views of Responsible Officials:

Agency Contact Name: Eulinda DiPietro

Agency Contact Phone Number: 302-735-4016

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Corrective Action Plan:

1. DE DOE fiscal and program staff will both review the IDEA Excess and MOE data in the LEA Consolidated Applications starting in the school year 2014-2015.
2. The 2014-2015 application process has been modified to include: identification of the school year for each calculation, radio buttons for each type of exception and a text field to provide the monetary amount for each exception.

Anticipated Completion Date: 11/2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-010
Related Prior Year Finding: 12-10
State Department Name: Department of Education
School District Name (if applicable): N/A
Federal Agency: U.S. Department of Education
Federal Program: Child and Adult Care Food Program
CFDA Number: 10.558
ARRA: No
Compliance Requirement: Eligibility (Subrecipients)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The applications of thirty-one subrecipients receiving \$4,244,682 of funds during the year do not contain all the required components of the Program performance standards. These standards require that the organizations have documentation of administrative capability, which includes documentation of appropriate and effective management practices as well as an adequate number and type of staff to ensure the operation of the Program.

In addition, the Department does not have accountability procedures specific to for-profit entities in lieu of the Federal OMB Circular A-133 (Single Audit) for non-profit entities.

Total expenditures for the program during the year amounted to \$14,985,465.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

In accordance with the Child and Adult Care Food (CACFP) Program, a State administering agency must follow the following eligibility requirements:

- a. Administering agencies may disburse CACFP funds only to those organizations that meet the eligibility requirements stated in the following program requirements: (1) generic requirements for all institutions at 7 CFR section 226.15 and 42 USC 1766(a)(6) and (d)(1); (2) additional requirements for sponsoring organizations at 7 CFR section 226.16; (3) additional requirements for child care centers (whether independent or sponsored) at 7 CFR section 226.17; (4) additional requirements for day care homes (which must be sponsored) at 7 CFR section 226.18; (5) additional requirements for outside-school-hours centers at 7 CFR section 226.19; (6) additional requirements for adult day care centers (whether independent or sponsored) at 7 CFR section 226.19a; (7) additional requirements for at-risk afterschool programs at 7 CFR section 226.17a; and (8) additional requirements for emergency shelters at 42 USC 1766(t).

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- b. For-profit child care and outside-school-hours care centers may participate in the CACFP if they meet either of the following two criteria: (1) at least 25 percent of the enrolled children or 25 percent of the licensed capacity, whichever is less, are funded under Title XX of the Social Security Act; or (2) at least 25 percent of the children in their care are eligible for free or reduced price meals. Children who participate only in the at-risk afterschool component of the program must not be considered in determining whether the institution met this 25 percent threshold (42 USC 1766(a)(2)(B); 7 CFR section 226.11(c)(4)).
- c. For-profit adult day care centers may be eligible for CACFP if at least 25 percent of their participants receive benefits under Title XIX or Title XX of the Social Security Act (7 CFR section 226.2 (definition of “for-profit center”)).

For-profit subrecipients are accountable to the pass-through entity for the use of Federal funds provided. Because for-profit subrecipients are not subject to the audit requirements of OMB Circular A-133, pass-through entities are responsible for establishing requirements, as needed, to ensure for-profit subrecipient accountability for the use of funds.

Cause:

Standard applications have not been updated to ensure all federal regulations have been incorporated and are consistent. Additionally, formal requirements have not been established for the for-profit subrecipients receiving pass-through funding.

Effect:

The applications do not contain all the components required by federal regulations.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend that the Delaware Department of Education revise its CACFP applications to ensure all necessary components listed in the Federal regulations are explicitly incorporated. In addition, the Department needs to establish formal requirements for the for-profit subrecipients as this funding may continue to grow.

Views of Responsible Officials:

Agency Contact Name: *Linda C. Wolfe, Director, School Support Services*

Agency Contact Phone Number: *(302) 735-4060*

Corrective Action Plan:

- In October 2013, the CACFP sponsor application process was amended to ensure compliance with the administrative capability requirements.
- The Department will develop a process for compliance, at the state and local level, with requirements for the for-profit subrecipients participating in the CACFP program.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Anticipated Completion Date:

Completed (1st bullet)

June 30, 2014 (2nd bullet)

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2013

Reference Number: 2013-011
Related Prior Year Finding: 12-41
State Department Name: Department of Education
School District Name (if applicable): All School Districts
Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Special Education Cluster, State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act
CFDA Number: 84.010, S-84.389, 84.027, 84.173, S-84.392, S-84.395
ARRA: Yes
Compliance Requirement: Equipment and Real Property Management
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The State-wide fixed asset register within FSF identifies equipment with a purchase price of at least \$25,000 that was acquired with federal funds. However, the register does not include detail of the equipment by each individual federal award (i.e. CFDA #), and does not include equipment purchases between \$5,000 and \$25,000.

In addition, certain individual state departments that administer federal programs do not maintain a subsidiary ledger outside of FSF in order to track and inventory federally funded equipment greater than \$5,000 and they are not be able to rollforward the purchase and disposal activity during the fiscal year. Although many of the programs at the State have equipment purchases that are not significant to the overall federal programs, the three major programs cited (Title I, Special Education, and Race to the Top) had material purchases of equipment using federal awards. These programs also do not maintain a rollforward of equipment and real property purchases and disposals during the year.

Criteria:

Control Exception:

The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The State of Delaware's Budget and Accounting Policy Manual, Section 13.2.3, states, "The federal threshold for asset tracking is \$5,000, which is lower than the State's CAPITAL asset threshold. Agencies are responsible for ensuring that all assets valued between \$5,000 and \$25,000 that are purchased with federal funds are properly accounted for in the agency's NOCAP records. Assets valued above \$25,000 that are purchased with federal funds are maintained in the State's CAPITAL asset listings."

Compliance Exception:

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Cause:

While there are policies and procedures established by the State Department of Education, the School Districts do not consistently adhere to the policies and procedures to ensure the Program's maintain equipment rollforwards from year to year as well as determine whether the cumulative equipment balances are material to the program.

Effect:

The Programs could be purchasing or disposing of equipment in a manner different than what is required by federal regulations.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend the State Department of Education monitor compliance with their fixed asset policies and procedures as well as conduct a biannual inventory to validate the accuracy of the lists. This could be accomplished with coding to FSF property records or a separate subsidiary fixed asset ledger.

Views of Responsible Officials:

Agency Contact Name: Kim Wells (Title I) and Mary Ann Mieczkowski (IDEA)

Agency Contact Phone Number: 302-835-3326 (Wells) and 302-735-4211

Corrective Action Plan:

1. DE DOE will continue making available policies and procedures for equipment and property management on the DOE website.
2. DE DOE will continue providing guidance, technical assistance and resources on the DOE website and during grant and program specific technical assistance sessions.
3. DE DOE will continue to request and review inventory records, as applicable, during monitoring.

Anticipated Completion Date: 11/2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-012
Related Prior Year Finding: N/A
State Department Name: Department of Education
School District Name (if applicable): All School Districts
Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Special Education Cluster, Improving Teacher Quality, Child and Adult Care Food Program
CFDA Number: 84.010, S-84.389; 84.027, 84.173, S-84.392; 84.367; 10.558
ARRA: Yes
Compliance Requirement: Reporting (FFATA)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The State has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, and relevant executive compensation data, if applicable.

Title I Grants to Local Educational Agencies, Special Education Cluster, and Improving Teacher Quality program funds are passed from the State’s Department of Education to the State’s school districts, which are included within the State’s primary government. The school districts did not perform any kind of analysis to determine which of their vendors qualify as subgrantees and thus are subject to FFATA reporting requirements. The table below shows the number of vendors the school districts utilized:

	Number of school districts selected for testing receiving federal funds	Number of vendors utilized by the school district’s selected for testing	Total expenditures to the vendors for the school districts selected for testing	Total Non-payroll Expenditures for all school districts
Title I	8	82	\$5,209,566	\$10,723,718
Special Education Cluster	8	54	\$3,857,858	\$11,183,985
Improving Teacher Quality	4	10	\$315,881	\$2,385,044

In addition, for the Child and Adult Care Food program, the requirements for subawards subject to FFATA were applicable for the entire fiscal year. However, the State did not begin reporting the required information until April 2013.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Criteria:

Control Exceptions:

The A-102 Common Rule and its attachments found in 43 CFR 12 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance Exceptions:

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts.

As provided in 2 CFR part 170 and FAR Subpart 4.14, respectively, Federal agencies are required to include the award term specified in Appendix A to 2 CFR part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act. Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. They first are required to register in Central Contractor Registration (CCR) (if they have not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration.

Additionally, in accordance with 2 CFR Chapter 1, Part 170 REPORTING SUB-AWARD AND EXECUTIVE COMPENSATION INFORMATION, Prime Awardees awarded a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000. Reporting requirements shall include the following key data elements about the first-tier subrecipients and subawards under grants and cooperative agreements: subaward date, Subawardee DUNS number, amount of subaward, Subaward Obligation/Action Date, Date of Report Submission, and Subaward Number.

Cause:

The State and related school districts do not have procedures in place to ensure FFATA reporting requirements are being met.

Effect:

The State is not in compliance with the reporting requirements of FFATA as it did not properly report the required subaward data for its Child and Adult Food Care Program in a timely manner. In addition, the school districts did not report the required data for subrecipients for programs funded through the State's Department of Education.

Recommendation:

We recommend that the State and school districts implement procedures to properly report subaward and sub-contract data as required under FFATA.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Questioned Costs:

There are no questioned costs associated with this finding.

Views of Responsible Officials:

Agency Contact Name: Eulinda DiPietro

Agency Contact Phone Number: 302-735-4016

Corrective Action Plan:

The Delaware Office of Management and Budget and Department of Education disagrees with this finding and is seeking additional clarification and counsel from the U.S. Office of Management and Budget to determine if LEAs are required to complete FFATA reporting when the Delaware Department of Education is the grant recipient and issues the funds to LEAs as a subgrant.

Anticipated Completion Date: 11/2014

Auditor Response:

KPMG notes that no support has been provided by DOE or the school districts to support that FFATA reporting is not required for the school districts.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-013
Related Prior Year Finding: 12-13
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Management Services
Federal Agency: U.S. Department of Health and Human Services
Federal Program: Supplemental Nutrition Assistance Program Cluster (SNAP);
 Temporary Assistance for Needy Families (TANF)
CFDA Number: 10.551, 10.561; 93.558
ARRA: No
Compliance Requirement: Reporting (SEFA Reconciliation)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

Expenditures reported to the federal agencies for both SNAP and TANF did not agree to expenditures presented on the Schedule of Expenditure of Federal Awards (SEFA), which comes from the State's general ledger.

Program management and the Division of Management Services (DMS) were unable to provide explanations or reconcile the following variances:

SNAP			
	<u>6/30/2013</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>
Federal Expenditures Per SEFA*	\$ 11,383,950		
Federal Expenditures Reported*	\$ 10,757,817	\$ 626,133	5.50%

TANF			
	<u>6/30/2013</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>
Federal Expenditures Per SEFA	\$ 29,609,413		
Federal Expenditures Reported	\$ 19,028,006	\$ 10,581,407	55.61%

* *This amount excludes non-cash items*

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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The SEFA is prepared by the auditee, and must be presented fairly in all material respects in relation to the auditee's financial statements as a whole. The SEFA represents the expenditures subject to audit under the Single Audit.

45.CFR.92.20 (b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant;*
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.*

The regulation effectively requires that the Federal Financial reports are to be supported by the official books and records of the grantee.

Cause:

There are many potential causes for differences in the numbers reported above including 1) scope of grants included in federal financial reports differing from SEFA reports, 2) adjustments being made to reporting that cross programs or periods, 3) differences in coding of underlying data in the reporting module, 4) settlements with federal government requiring adjustment, and 5) errors made by program personnel. The differences cannot be reconciled because there is no procedure in place for the State agencies to reconcile total expenditures reported in the financial reports to the Federal Government as compiled from the State's general ledger system (FSF) to the reports from FSF that are the source of the SEFA.

Effect:

Expenditures reported in federal financial reports may be misstated which results in the Federal Government having inaccurate information about the expenditures that were incurred by the programs. The lack of reconciliation may also result in inaccurate draw downs of cash for the federal programs. See findings **2013-019** and **2013-020** for known errors in financial reporting.

Questioned Costs:

Unreconciled variances listed above may be questioned costs.

Recommendation:

We recommend that the Divisions ensure they are performing reconciliations of expenditures per federal financial reports to expenditures coded to their CFDA numbers in FSF.

Views of Responsible Officials:

Agency Contact Name: Robert Bubacz

Agency Contact Phone Number: 302-255-9247

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Corrective Action Plan:

The Department of Health and Social Services believes that the reason for the cited variance is due to reporting errors on submitted SNAP and TANF reports. DHSS recognized this as a problem and as a result in FY-14, DHSS brought in outside technical assistance in an effort to expand the documentation review/procedures for preparing the quarterly SNAP and TANF reports. This outside assistance includes a heightened level of review and quality control of the supporting work papers for the reports prior to submission. We believe that this enhanced level of support during the reporting process will address the:

- Need for a more thorough review process by someone other than the preparer to detect or deter input errors prior to the submission of the report;
- The need to strengthen policies and procedures surrounding obtaining and reconciling the expenditure support and DGL123 reports from all departments incurring costs relating to the SNAP and TANF Programs prior to preparation and submission of the Federal Financial reports. This will include the creation of checklists and supporting procedures to enhance the depth of policies/procedures.

Additionally, DHSS will include in the outside technical assistance review/quality control process a reconciliation of the expenditure reports to the State Financial System as part of the preparation of quarterly federal reports. The technical assistance effort began in earnest later in FY-14 (1/1/14) and will be substantially used for the report to be submitted for the quarter ending 3/31/14.

Anticipated Completion Date:

Revised report: May 15, 2014 for the report for the quarter ending March 31, 2014.

Heightened level of review/quality control of reports prior to submission and strengthened policies/procedures: Groundwork began January 1, 2014 and will be substantially used for the report for the quarter ending March 31, 2014.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-014
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Management Services
Federal Agency: U.S. Department of Agriculture; Centers for Disease Control and Prevention
Federal Program: Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC); Immunization Cluster
CFDA Number: 10.557; 93.268
ARRA: Yes
Compliance Requirement: Allowable Costs (Effort Reporting)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

We sampled 40 Information Resource Management (IRM) payroll expenditures over 4 major programs at DHSS (Child Support Enforcement, Immunization Cluster, PHEP, and Special Supplemental Nutrition Program for Women, Infants, and Children [WIC]), reviewed supporting documentation, and interviewed the employees to determine if they actually performed the work as charged and if the certifications provided during the audit were the certifications submitted by the employee. Our testing identified one WIC program Time and Effort certification that was not dated for one quarter and therefore cannot be validated as an after the fact distribution of the actual activity of the employee. We also identified 8 Immunization transactions totaling \$13,803, where the employee was not 100% charged to the grant, and the Time and Effort certification was not completed on at least a monthly basis.

Total payroll expended for the WIC and Immunization programs were \$2,703,030 and 1,010,639, respectively, which includes IRM payroll charges. Additionally, total payroll expended by IRM over DHSS's major programs was \$1,047,401. Below is the distribution of the samples selected for testing per DHSS' major program.

Program	CFDA #	No. of Samples Tested	\$ Value of Samples Tested	No. of Exceptions	\$ Value of Exceptions
Child Support Enforcement	93.563	20	44,471	-	-
Immunization Cluster	93.268	13	29,918	8	13,803
Public Health Emergency Preparedness (PHEP)	93.069	3	10,034	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	4	9,966	1	2,491
Total		40	94,389	9	16,294

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The COSO framework for Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. Two of the control components are:

- **Control Activities**—Control policies and procedures must be established and executed to help ensure that the actions identified by management as necessary to address risks to achievement of the entity's objectives are effectively carried out.
- **Monitoring**—The entire process must be monitored, and modifications made as necessary. In this way, the system can react dynamically, changing as conditions warrant.

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact

distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Cause:

The exceptions occurred because IRM does not have appropriate policies and procedures in place as to when certification has to be prepared and reviewed. Additionally, when the employee's effort is reduced from 100%, the frequency of time and effort certifications is not modified. As a result, the design of the effort reporting policy is not appropriate for employees who work on multiple grant programs.

Effect:

Employees are recording payroll charges to the federal grant that are not properly documented.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Questioned Costs:

Questioned costs related to the errors in the sample are \$16,294.

Recommendation:

We recommend that DHSS ensure Time and Effort certifications contain an adequate level of supervisory review and are in compliance with the federal requirements. We suggest that DHSS conduct annual training on the regulations and policies and procedures associated with effort reporting and include the training as part of new employee orientation.

Views of Responsible Officials:

Agency Contact Name: Kevin F. Kelley, Sr. DMS Director

Agency Contact Phone Number: (302) 255-9088

Regarding the exceptions noted in the Condition of this finding, we would like to provide the following observations and response.

- One (1) time and effort certification tested was in error not dated by the employee and therefore considered not properly completed. The employee unfortunately, did not date the effort report but we would like to state that the work activities performed by the employee and cost supported and are allowable under WIC.
- Eight (8) Immunization transactions totaling \$13,803, where the employee was not 100% charged to the grant, and the Time and Effort certification was not completed on at least a monthly basis. It should be pointed out that the employee recorded their time and work activities on a daily basis into a time study system. While the certification was done quarterly, the actual time was recorded on a daily basis upon which the final payroll charges to the multiple activities (including the Immunization grant) were based. The costs are allowable under the Immunization program and were based upon actual time devoted to supporting the program.

Corrective Action Plan:

A departmental policy on time and effort reporting is in the process of being formulated. This policy will be departmental in scope and once complete, it will be issued and disseminated departmentally. It will include the requirement, basis and importance of effort reporting, frequency and, where needed, to align/recode payroll charges to reflect effort as a required and ongoing process. It will also include the appropriate standards for monitoring/review of employee time/effort certifications by supervisors. Subsequently, training will be provided to departmental staffs completing effort reports as well as managers who supervise those staff.

Regarding the suggested annual training included in the recommendation, DHSS will review the logistics and resources related to providing this training on an annual basis. Additionally, regarding it being included in new employee training, DHSS will look into how this could be accomplished as the effort reporting requirement is only applicable to certain staff.

Anticipated Completion Date:

Departmental policy formulation: March 31, 2014

Provision of training: By July 31, 2014

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-015
Related Prior Year Finding:	12-26
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of State Service Centers
Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Low Income Home Energy Assistance Program
CFDA Number:	93.568
ARRA:	No
Compliance Requirement:	Reporting/ Period of Availability
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

LIHEAP did not correctly prepare the annual Carryover & Reallotment Report for federal fiscal year ending September 30, 2012. The amount reported as the "Projected Unobligated balance" was the maximum amount allowed to be carried over, \$1,195,690 (10% of total available funds awarded, however, First State Financials (FSF) only showed \$1,036,962 was remaining to be spent.

In addition, LIHEAP during the year transferred another 10% of their funds (\$1,195,690) to DNREC to utilize but the funds had not been spent or encumbered as of the report date. LIHEAP also incorrectly excluded this transfer from their calculation of the "Projected Unobligated balance".

As a result of these two items, the report and its supporting detail contained the following errors:

- The reported "Projected Unobligated balance" should have been \$2,232,652, which consists of the remaining balance in FSF of \$1,036,962 and the \$1,195,690 not spent or obligated by DNREC. Therefore, the "Projected Unobligated balance" was understated by \$1,036,962.
- As a result, the reported "Reallotment amount" of \$0 was understated by \$1,036,962. The amount reported should have been \$1,036,962.

Criteria:

Reporting

Grantees must submit a report no later than August 1 indicating the amount expected to be carried forward for obligation in the following fiscal year and the planned use of those funds. Funds in excess of the maximum carryover limit are subject to reallotment to other LIHEAP grantees in the following fiscal year, and must be reported (42 USC 8626).

Period of Availability

At least 90 percent of the LIHEAP block grant funds payable to the grantee must be obligated in the fiscal year in which they are appropriated. Up to 10 percent of the funds payable may be held available (or carried over) for obligation no later than the end of the following fiscal year. Funds not obligated by the end of the following fiscal year must be returned to ACF. There are no limits on the time period for expenditure of funds (42 USC 8626).

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Year ended June 30, 2013

Leveraging incentive award funds and REACH funds must be obligated in the year in which they are awarded or the following fiscal year, without regard to the carryover limit. However, they may not be added to the base on which the carryover limit is calculated (45 CFR sections 96.87(j)(1) and (k)).

Funds not obligated within these time periods must be returned to ACF (45 CFR section 96.87(k)).

LIHEAP emergency contingency funds are generally subject to the same obligation and expenditure requirements applicable to the LIHEAP block grant funds, but the contingency award letter should be reviewed to see if different requirements were imposed.

Cause:

LIHEAP incorrectly reported the maximum amount allowed to be reported rather than what was in FSF for unencumbered funds. Also, LIHEAP did not follow up with DNREC prior to submitting the report in August to determine if the \$1,195,960 of FY12 funds transferred were expected to be expended or obligated by DNREC by the September 30 report cut off date. LIHEAP discovered after submission of the report that DNREC had not expended or obligated the \$1,195,960 of funds as of September 30, 2012 and LIHEAP received the funds back on September 4, 2012.

Effect:

LIHEAP carried over to the next fiscal year more than 10% of the allowed amount and, as such, reported incorrect amounts to the Federal Government. In addition, since LIHEAP did not obligate at least 90% of the funds, the Program must return unobligated funds above the 10% carryover threshold.

Questioned Costs:

There questioned costs associated with this finding are \$1,036,962 which represents the excess unobligated funds carryover.

Recommendation:

We recommend that LIHEAP continuously monitor funds that have been transferred to other State agencies to understand and report the actual amount expended. Additionally, they should update and resubmit any incorrect reports.

Views of Responsible Officials:

Agency Contact Name: Cynthia Manlove

Agency Contact Phone Number: 302-255-9692

We would like to underscore that the questioned costs represent excess unobligated carryover funds, and do not represent unallowable expended funds.

Corrective Action Plan:

LIHEAP will ensure that entities in receipt of transferred LIHEAP funds submit quarterly and annual reports of all expenditures and vendor payments as required by Memoranda of Agreement. The Division of State Service Centers/LIHEAP will monitor the entities monthly (but no less frequently than quarterly) to understand and report the actual amount expended. In addition, LIHEAP will follow up with the

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

appropriate entities prior to submitting the report in August to determine if the funds transferred are expected to be expended or obligated by the September 30 report cut-off date.

LIHEAP will submit a corrected FFY12 Reallotment Report which will (1) correct the reporting error and the understated unobligated balance and (2) effectively return the \$1,036,962.70 in unobligated funds (in excess of the 10%) which cannot be carried forward.

Anticipated Completion Date:

Reporting (regarding entities in receipt of LIHEAP funds) – January 31, 2014

Corrected Reallocation report – January 31, 2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-016
Related Prior Year Finding: 12-20
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Social Services (DSS)
Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Care Cluster
CFDA Number: 93.575 and 93.596
ARRA: No
Compliance Requirement: Allowable Costs (Effort Reporting)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

DSS uses Time Distribution sheets as a mechanism to allocate the time charged by employees to various State and Federal initiatives. They are prepared by the employee and reviewed by a supervisor. During the testing of allowable costs for payroll, thirteen out of nineteen employees sampled submitted Time and Effort reports and/or time distribution sheets that were not properly approved and reviewed by a supervisor for multiple pay cycles, were not properly certified, or were otherwise incorrectly prepared as described below. This represented seventeen out of sixty-five payroll transactions examined. The thirteen employees charged \$15,498 to the program out of our sample of \$97,214. Total payroll expended for the program was \$1,259,479. Of the nineteen employees tested, the following exceptions were found:

- Four (4) time and effort certifications tested were not dated by the employee and therefore considered not properly completed.
- Nine (9) time and effort certifications and/or time distributions tested were not properly approved by the employee's supervisor.
- One (1) time and effort certification tested was approved by the supervisor 10 months after the employee completed the certification (on the date of the audit request).
- One (1) employee tested resigned effective October 5, 2012 but the program was still charged for the period October 8, 2012 through October 20, 2012.
- Three (3) time and effort certifications tested were certified prior to the end of the period being certified.
- One (1) employee tested did not prepare a time and effort certification and the employee is correctly deemed to have worked 100% to the CCDF Program.
- Eight (8) out of 65 payroll charges tested charged the program more than the employee certified in their time and effort certification and/or time distribution.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Compliance exceptions:

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled.
(OMB Circular A-87, Attachment B.8.h.6)

Cause:

The exceptions occurred because these employees are part of the Delaware Department of Justice and the Delaware Department of Education, and the Division of Social Services does not have procedures established that require supervisor review and approval of time charged to the Federal grants from employees outside of DSS.

Effect:

Incorrect or unapproved payroll charges are being recorded to the federal grant.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Questioned Costs:

Questioned costs related to unapproved, incorrect or inappropriate time and effort certifications in the sample are \$15,498.

Recommendation:

We recommend that DSS enhance controls by ensuring there is documentation of an adequate level of supervisory review for Time and Effort reports as well as enhancing its policies and procedures in preparation of the time and effort certification to ensure compliance with the federal requirements. We suggest that DSS conduct annual training on the regulations, policy and procedure associated with effort reporting and include the training as part of new employee orientation.

Views of Responsible Officials:

Agency Contact Name: Ray Fitzgerald

Agency Contact Phone Number: 302-255-9645

Regarding the exceptions noted in the Condition of this finding, we would like to provide the following observations and response.

- Four (4) time and effort certifications tested were not dated by the employee and therefore considered not properly completed. The employees unfortunately did not date the effort reports but the work activities and cost are allowable and support the CCDF program from the DE Department of Education.
- Nine (9) time and effort certifications and/or time distributions tested were not properly approved by the employee's supervisor. Although A-87 does not require the supervisor's signature – it is a good control measure to have a supervisory review which will be incorporated into policy/procedures outlined in the corrective action. The work activities and costs reflected on the employees time certifications are allowable under CCDF.
- One (1) time and effort certification tested was approved by the supervisor 10 months after the employee completed the certification (on the date of the audit request). The employee for this effort report is the CCDF Administrator for DE, writes and administers the State CCDF plan, etc. While it is certainly unfortunate that supervisory approval occurred in timing that it did, the work activities of the employee and time charged to CCDF are 100% allowable under the grant.
- One (1) employee tested resigned effective October 5, 2012 but the program was still charged for the period October 8, 2012 through October 20, 2012. DSS will recode \$498.65 to State funding.
- Three (3) time and effort certifications tested were certified prior to the end of the period being certified. We agree that the effort reports should not have been certified prior to the end of the period. While this is certainly unfortunate and should not have occurred, these employees work activities are completely devoted to the child care program and are allowable under CCDF. These work activities encompass working with child care providers, creating and maintaining policy, managing CCDF funded contracts, CCDF quality initiatives, etc.
- One (1) employee tested did not prepare a time and effort certification and the employee is correctly deemed to have worked 100% to the CCDF Program. This employee should have completed an effort report, but unfortunately did not. While the effort report should have been completed, this employee's

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Year ended June 30, 2013

work is 100% devoted to CCDF in the areas of working with child care providers, creating and maintaining child care policy, etc.

- Six (6) out of 65 payroll charges tested charged the program more than the employee certified in their time and effort certification and/or time distribution. DSS will recode \$1,448.93 to State funding.

We agree that DSS must strengthen its system of tracking the proper and timely completion of effort reports.

Corrective Action Plan:

A departmental policy on time and effort reporting is in the process of being formulated. This policy will be departmental in scope and once complete, it will be issued and disseminated departmentally. It will include the requirement, basis and importance of effort reporting, frequency and, where needed, to align/recode payroll charges to reflect effort as a required and ongoing process. It will also include the appropriate standards for monitoring/review of employee time/effort certifications by supervisors. Subsequently, training will be provided to departmental staffs completing effort reports as well as managers who supervise those staff.

Additionally, DSS will design and put in place an effort reporting tracking system to ensure that CCDF effort reports are properly completed and tracked. This will include assigning an administrator to review effort reports and track the corrective action plan for this finding.

Anticipated Completion Date:

Departmental policy formulation: March 31, 2014

Provision of training: By July 31, 2014

Recoding of funds to State funding: By June 30, 2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-017
Related Prior Year Finding:	N/A
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of Social Services (DSS)
Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
ARRA:	No
Compliance Requirement:	Allowable Costs (Effort Reporting)
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

DSS uses Time Distribution sheets as a mechanism to allocate the time charged by employees to various State and Federal initiatives. They are prepared by the employee and reviewed by a supervisor. Payroll expenditure testing for allowable costs revealed that eight out of fifteen employees sampled submitted Time and Effort reports/Time Distribution sheets which were not properly approved and reviewed by a supervisor for multiple pay cycles, were not properly certified, or were otherwise incorrectly prepared as described below. This represented seventeen out of forty payroll transactions examined. The eight employees charged \$2,010 to the program out of our sample of \$31,022. Total payroll expended for the program was \$3,046,070. Of the fifteen employees tested, the following exceptions were found:

- One (1) time and effort certification tested was not dated by the employee and therefore considered not properly completed. Costs charged to the program amounted to \$76.
- Six (6) time and effort certifications and/or time distributions tested were not properly approved by the employee's supervisor. These control exceptions amounted to \$1,811.
- Two (2) time and effort certifications or time distributions were not provided as they could not be located. These amounted \$198.
- Nine (9) out of 40 payroll charges tested charged the program more than the employees certified in their time and effort certifications and/or time distributions. These amounted to \$273.
- Five (5) out of the forty payroll charges tested charged the program less than the employees certified in their time and effort certifications and/or time distributions. This undercharge amounted to \$2,598.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact

distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled.
(OMB Circular A-87, Attachment B.8.h.6)

Cause:

The exceptions occurred because these employees are part of the Delaware Department of Justice and the Division of Social Services does not have procedures established that require supervisor review and approval of time charged to the federal grants from employees outside of DSS.

Effect:

Employees are recording the incorrect or unapproved payroll charges to the federal grant.

Questioned Costs:

Questioned costs related to unapproved, incorrect or inappropriate time and effort certifications in the sample are \$547.

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Recommendation:

We recommend that DSS enhance controls by ensuring there is documentation of an adequate level of supervisory review for Time and Effort reports as well as enhancing its policies and procedures in preparation of the time and effort certification to ensure compliance with the federal requirements. We suggest that DSS conduct annual training on the regulations, policy and procedure associated with effort reporting and include the training as part of new employee orientation.

Views of Responsible Officials:

Agency Contact Name: Ray Fitzgerald

Agency Contact Phone Number: 302-255-9645

Regarding the exceptions noted in the Condition of this finding, we would like to provide the following observations and response.

- One (1) time and effort certification tested was not dated by the employee and therefore considered not properly completed. The employee unfortunately did not date the effort report but we would like to state that the work activities and cost are allowable under TANF.
- Six (6) time and effort certifications and/or time distributions tested were not properly approved by the employee's supervisor. Although A-87 does not require the supervisor's signature – it is a good control measure to have a supervisory review which will be incorporated into policy/procedures outlined in the corrective action. We would also like to state that the work activities and costs related to the 6 time and effort certifications are allowable under TANF.
- In the samples reviewed by the auditors, while \$471.62 was overcharged to the program, 5 employees were undercharged to the program in the amount of \$2,598.26.
- Two (2) time and effort certifications or time distributions were not provided as they could not be located. The \$198.28 associated with this exception is offset by the \$2,598.26 that was undercharged to the program.
- Nine (9) out of 40 payroll charges tested charged the program more than the employee certified in their time and effort certifications and/or time distributions. The \$273.36 associated with this exception is offset by the \$2,598.26 that was undercharged to the program.

We agree that DSS must strengthen its system of tracking the proper and timely completion of effort reports.

Corrective Action Plan:

A departmental policy on time and effort reporting is in the process of being formulated. This policy will be departmental in scope and once complete, it will be issued and disseminated departmentally. It will include the requirement, basis and importance of effort reporting, frequency and, where needed, to align/recode payroll charges to reflect effort as a required and ongoing process. It will also include the appropriate standards for monitoring/review of employee time/effort certifications by supervisors. Subsequently, training will be provided to departmental staffs completing effort reports as well as managers who supervise those staff.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Additionally, DSS will design and put in place an effort reporting tracking system to ensure that TANF effort reports are properly completed and tracked. This will include assigning an administrator to review effort reports and track the corrective action plan for this finding.

Anticipated Completion Date:

Departmental policy formulation: March 31, 2014

Provision of training: By July 31, 2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-018
Related Prior Year Finding:	N/A
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of Social Services (DSS)
Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
ARRA:	No
Compliance Requirement:	Penalty for Failure to Comply with Work Verification Plan
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

For 5 out of 40 cases sampled, the Division of Social Services (DSS) was unable to provide documentation to support that work verification was performed. DCIS-II is the State's beneficiary database. The five identified exceptions are as follows:

- DCIS-II was not updated to reflect the attainment of employment during the State fiscal year ended June 30, 2013 for 1 participant examined.
- DCIS-II indicated employment for 2 participants; however, DSS was unable to provide proof that work verification has been completed.
- DCIS-II indicated loss of employment in May 2012 for 1 participant; however, DSS was unable to provide proof that work verification has been completed.
- DCIS-II indicated 1 participant to have been most recently employed in 2005; however, evidence of post-2005 employment was observed.

Benefits provided to the 5 recipients were \$2,864 while benefits provided to the recipients sampled were \$152,666. Total benefits provided through the program were \$20,770,469.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Per 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65, the State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent

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Section 3: Federal Awards Findings and Questioned Costs

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and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609).

Cause:

The Department of Health and Social Services procedures do not include a supervisory review or system edit check to validate appropriate employment information has been entered into the DCIS-II system with hardcopy evidence uploaded in Document Imaging System (DIS). There is also a deficiency in the routine triggering redetermination of case file information needed to maintain current data on each case file's work status.

Questioned Costs:

There are \$2,864 of questioned costs associated with the items noted above.

Effect:

Without the proper work verification procedures control in place, DSS may not detect or deter non-compliance, and DSS may continuously allow participants to benefit from the program even though they are no longer in compliance with the federal requirements.

Recommendation:

We recommend that the Department of Health and Social Services implement necessary policies and procedures surrounding work verification activities for all TANF applicants/recipients in order to maintain up-to-date information with appropriate supporting documentation within both DCIS-II and DIS.

Views of Responsible Officials:

Agency Contact Name: Ray Fitzgerald

Agency Contact Phone Number: 302-255-9645

Corrective Action Plan:

DSS will add employment verification review language to the Supervisory tool we use to review a random sample of cases for accuracy each month. DSS will also expand its centralized electronic filing system so that the system will be in all state offices by the end of May 2014. This expansion will create a secure, consistent and uniformed statewide filing system that will improve the availability and retrieval of client information as well as standardizing the labeling of documents statewide. The case review changes will ensure that required documentation is received and the DIS expansion will ensure that all documents received are uploaded into the DIS system and retrievable because they are labeled properly.

Additionally, DSS will recode the questioned costs to State funds.

Anticipated Completion Date:

Supervisory tool revision: June 30, 2014

Electronic file system expansion: May 31, 2014

Recode of questioned costs: June 30, 2014

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-019
Related Prior Year Finding:	N/A
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of Social Services
Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
ARRA:	No
Compliance Requirement:	Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The testing of two quarterly ACF-196 reports revealed the following errors which were not detected during management's review and submission of reports:

1. The total TANF federal amount of \$10,897,231 as reported on line 7 (columns A and D) on the ACF-196 report for March 31, 2013 did not reconcile to the amount of \$14,674,497 reflected on the State's financial system (FSF) or intermediary supporting documentation provided.
2. The total TANF federal amount of \$17,897,047 reported on line 7 (columns A and D) on the ACF-196 report for June 30, 2013 did not reconcile to the amount of \$19,421,518 reflected on the State's financial system (FSF) or intermediary supporting documentation provided.
3. The Child Care Non-Assistance amount of \$7,431,553 reported on line 6b on the ACF-196 Report for June 30, 2013 was incorrectly calculated. The amount reported was understated by \$1,209,453 because this amount was deducted twice in the supporting Excel calculation.
4. The 'Non-Recurrent Short Term Benefits' amount of \$59,776 as reported on line 6g was entered on the incorrect line of the ACF-196 Report for June 30, 2013. This amount was actually 'Administration' and should have been reported on line 6j.
5. The 'Administration' amount of \$3,607,224 as reported on line 6j was understated by \$374,794 because expenditures from other departments were omitted.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

The ACF-196 is a cumulative report filed quarterly. The table below summarizes identified errors within the March and June 2013 reports:

	FSF / Audited Amt	ACF-196	ACF-196 v Audited Amt
March 31, 2013			
Total Expenditures	\$ 14,674,497	\$ 10,897,231	\$ (3,777,266)
June 30, 2013			
Child Care Non-Assistance	\$ 8,641,006	\$ 7,431,553	\$ (1,209,453)
Non-Recurrent Short Term Benefits	-	59,776	59,776
Administration	3,982,018	3,607,224	(374,794)
Total Expenditures	9,421,518	17,897,047	(1,524,471)
Cumulative difference @ 6/30/2013			\$ (1,524,471)

Criteria:

Control Exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance Exception:

Per 45 CFR Section 265.3(c), “(1) Each State must file quarterly expenditure data on the State’s use of Federal TANF funds, State TANF expenditures, and State expenditures of MOE funds in Separate State programs. (2) If a State is expending Federal TANF funds received in prior fiscal years, it must file a separate quarterly TANF Financial Report (or, as applicable, Territorial Financial Report) for each fiscal year that provides information on the expenditures of that year’s TANF funds.”

Cause:

Multiple State agencies expend TANF funds and the Department of Health and Social Services does not have a procedure in place to obtain and reconcile other State department expenditures that are included within the ACF-196 reports. Additionally, several mathematical and other errors are due to preparer error and the absence of a detailed review.

Effect:

Misstated federal financial reports are result in the Federal Government having inaccurate information about the expenditures that were incurred by the programs. Since all amounts drawn down are based on the State’s financial system, amounts drawn were not affected. These reports are cumulative and the amounts from June 30, 2013 are carried forward potentially causing subsequent reports to be incorrect.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Questioned Costs:

<i>Total TANF Expenditures</i>	
Total Expenditure Per ACF-196	\$ 17,897,047
Total Correct Expenditure	\$ 19,421,518
<i>Under-reported Cost</i>	<i>(\$ 1,524,471)</i>

Recommendation:

We recommend that the Department of Health and Social Services submit a revised report to correct these misstatements. We further recommend that the Department of Health and Social Services implement policies and procedures surrounding obtaining and reconciling the expenditure support and DGL123 reports from all departments incurring costs relating to the TANF Program prior to preparation and submission of the Federal Financial reports. We also recommend implementation of a more thorough review process by someone other than the preparer to detect or deter input errors prior to the submission of the report.

Views of Responsible Officials:

Agency Contact Name: Robert Bubacz

Agency Contact Phone Number: 302-255-9247

Corrective Action Plan:

The Department of Health and Social Services will submit a revised report to correct the cited reporting errors. We would also like to state that in FY-14, DHSS brought in outside technical assistance in an effort to expand the documentation review/ procedures for preparing the quarterly TANF report. This outside assistance includes a heightened level of review and quality control of the supporting work papers for the reports prior to submission. We believe that this enhanced level of support during the reporting process will address the:

- Need for a more thorough review process by someone other than the preparer to detect or deter input errors prior to the submission of the report;
- The need to strengthen policies and procedures surrounding obtaining and reconciling the expenditure support and DGL123 reports from all departments incurring costs relating to the TANF Program prior to preparation and submission of the Federal Financial reports. This will include the creation of checklists and supporting procedures to enhance the depth of polices/procedures.

Additionally, DHSS will include in the outside technical assistance review/quality control process a reconciliation of the expenditure reports to the State Financial System as part of the preparation of quarterly federal reports. The technical assistance effort began in earnest later in FY-14 (1/1/14) and will be substantially used for the report to be submitted for the quarter ending 3/31/14.

Anticipated Completion Date:

Revised report: May 15, 2014 for the report for the quarter ending March 31, 2014.

Heightened level of review/quality control of reports prior to submission and strengthened policies/procedures: Groundwork began January 1, 2014 and will be substantially used for the report for the quarter ending March 31, 2014.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-020
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Social Services
Division of Accounting
Federal Agency: U.S. Department of Health and Human Services
Federal Program: Supplemental Nutrition Assistance Program (SNAP)
CFDA Number: 10.551, 10.561
ARRA: No
Compliance Requirement: Reporting: Financial Reporting
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

Testing of two quarterly SF-425 reports revealed the following errors on the June 30, 2013 report which were not detected during management's review and submission:

1. The 'Federal share of expenditures' amount of \$9,314,536 as reported on line 10 of page 1 (item e) of the SF-425 does not reconcile to the expenditures reported in the State's financial system (FSF) of \$9,437,173. This includes the elements below:
 - a) The 'State Exchange' amount of \$4,731 as reported on section 10, column 24 of the SF-425 does not reconcile to the expenditures reported in FSF of \$2,365.
 - b) The 'Certification' amount of \$7,433,132 as reported on section 10, column 1 of the SF-425 does not reconcile to the expenditures reported in FSF of \$7,625,748.
 - c) The 'Fraud Control' amount of \$12,759 as reported on section 10, column 5 of the SF-425 does not reconcile to the expenditures reported in FSF of \$0.
 - d) The 'Outreach' amount of \$10,221 as reported on section 10, column 17 of the SF-425 does not reconcile to the expenditures reported in FSF of \$20,442.
 - e) The 'ADP Development' amount of \$1,078,365 as reported on section 10, column 6 of the SF-425 does not reconcile to the expenditures reported in FSF of \$0.
 - f) The 'ADP Operations' amount of \$140,075 as reported on section 10, column 7 of the SF-425 does not reconcile to the expenditures reported in FSF of \$1,153,365. Additionally, Outreach modernization expenditures of \$1,153,365 were miscoded to ADP Operations instead of ADP Development in FSF. The project is still in the Design, Development and Implementation (DDI) stage, and funding for the Maintenance and Operations (M&O) stage is not authorized until the 4th quarter of Federal Fiscal Year 2014.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

These errors are summarized in the table below:

June 30, 2013				
	FSF	SF-425	Audited Amt	SF-425 v Audited Amt
Federal share of Expenditures	\$ 9,437,173	\$ 9,314,536	\$ 9,437,173	\$ (122,637)
State Exchange	2,365	4,731	2,365	2,366
Certification	7,625,748	7,433,132	7,625,748	(192,616)
Fraud Control	0	12,759	0	12,759
Outreach	20,442	10,221	20,442	(10,221)
ADP Development/DDI	-	\$ 1,078,365	1,153,365	(75,000)
ADP Operations/M&O	1,153,365	140,075	-	140,075
Net ADP Over reported				\$ 65,075

Criteria:

Control Exception:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance Exception:

SF-425, Federal Financial Report-

- 1) The submission of interim FFRs will be on a quarterly, semi-annual, or annual basis, as directed by the Federal agency. A final FFR shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, 12/31. For final FFRs, the reporting period end date shall be the end date of the project or grant period.
- 2) Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period. Annual reports shall be submitted no later than 90 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.

Cause:

- The ‘Certification’ exception occurred because multiple state agencies expend SNAP funds and the Department of Health and Social Services does not have a procedure in place to obtain and reconcile other State department expenditures.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

- The ‘State Exchange’ exception occurred because the amount was incorrectly doubled by the preparer when entered into the report.
- The ‘Fraud Control’ error occurred because this is an allocated amount which the preparer miscalculated in a previous report.
- The ‘Outreach’ exception occurred because of a misunderstanding of the required calculation by the preparer.
- The ‘ADP’ exceptions occurred because of preparer error and the absence of a detailed review.
- The ‘Federal share of expenditures’ is a summary of all reported expenditures on the SF-425 and contained the accumulation of all errors within the report. Additionally, the report did not properly account for a settlement with the federal agency.

Effect:

Expenditures reported via the June 30, 2013 federal financial report are misstated and result in the Federal Government having inaccurate information about program expenditures.

Questioned Costs:

June 30, 2013

Total Expenditures Per SF-425	\$ 9,314,536
Total Expenditures Per FSF	\$ 9,437,173
<i>Under-reported Cost</i>	<i>(\$ 122,637)</i>

Recommendation:

We recommend that the Department of Health and Social Services implement policies and procedures to obtain and reconcile the expenditure support and DGL123 reports from all departments incurring costs relating to the SNAP Program. We also recommend a more thorough independent review process of the supporting workpapers created by the report preparer.

Views of Responsible Officials:

Agency Contact Name: Robert Bubacz

Agency Contact Phone Number: 302-255-9247

Corrective Action Plan:

The Department of Health and Social Services will review the prior submission to correct the errors cited in this finding on the next cumulative report to be submitted on 4/30/14. We would also like to state that in FY-14, DHSS brought in outside technical assistance in an effort to expand the documentation review/procedures for preparing the quarterly SNAP report. This outside assistance includes a heightened level of review and quality control of the supporting work papers for the reports prior to submission. We believe that this enhanced level of support during the reporting process will address the:

- Need for a more thorough review process by someone other than the preparer to detect or deter input errors prior to the submission of the quarterly report;

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

- The need to strengthen policies and procedures surrounding obtaining and reconciling the expenditure support and DGL123 reports from all departments incurring costs relating to the SNAP Program prior to preparation and submission of the Federal Financial reports. This will include the creation of checklists and supporting procedures to enhance the depth of polices/procedures.

Additionally, DHSS will include in the outside technical assistance review/quality control process a reconciliation of the expenditure reports to the State Financial System as part of the preparation of quarterly federal reports. In the process of future report reconciliation, the agency will correct category mis-coding errors. We would also like to point out that the technical assistance effort has been in place and utilized in earnest with the SNAP reports submitted for the FY-14 quarters.

Anticipated Completion Date:

Corrections will be submitted on the April 30, 2014 report for the quarter ending March 31, 2014.

The heightened level of review/quality control of reports prior to submission and strengthening of policies/procedures is an ongoing effort and was used for reports submitted throughout FY-14.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-021
Related Prior Year Finding: 12-16
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Medicaid and Medical Assistance
Federal Agency: U.S. Department of Health and Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778
ARRA: Yes
Compliance Requirement: Eligibility
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

For 16 out of 90 applicants selected for testing, the Division of Medicaid and Medical Assistance (DMMA) was unable to provide documentation at our original request to support that the recipient signed a written application for benefits under the penalty of perjury. The file did contain, social security number, income verification, citizenship or qualified alien status, and annual recertification documentation.

Fourteen applications were provided 13 weeks after the original request, but prior to the completion of all fieldwork, leaving 2 applications not located. Benefits provided to the 2 recipients were \$26,166 while the total benefits to the 90 applicants reviewed were \$1,212,678. The total benefits paid during FY2013 amounted to \$848,620,609.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Compliance exceptions:

There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the State or its designee shall:

B(1) Written Application

“Require a written application signed under penalty of perjury and include in each applicant’s case records facts to support the agency’s decision on the application (42 USC 1320b-7(d); 42 CFR sections 435.907 and 435.913).

Cause:

The missing applications are due to personnel failure to upload the application into the Document Imaging System (DIS) and/or the misplacement of the original application in the paper file.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Effect:

Households may receive government benefits without the legal security that individuals who make false statements will be persecuted to the full extent of the law. Federal monies may be utilized for recipients who did not qualify or continue to qualify for Medical assistance.

Questioned Costs:

There are questioned costs of \$26,166 associated with the 2 missing applications.

Recommendation:

We recommend that the DMMA enhance their retention policies and procedures within their State Plan to ensure proper records are maintained to support the applicant eligibility determination.

Views of Responsible Officials:

Agency Contact Name: Ray Fitzgerald

Agency Contact Phone Number: 302-255-9645

The Division of Social Services was able to locate the documentation for 14 of the 16 recipients cited in this finding. We would like to point out that there were several factors that severely hampered our staff's ability to provide the requested documentation to the auditors within normal time frames.

- Implementation of the Affordable Care Act – significant central and field staff resources have had to be devoted to supporting this major initiative and increased client volume being referred for enrollment.
- Implementation of the Eligibility Modernization Project – on 10/1/13 the new DSS eligibility system was activated. System implementation has been challenging causing work backlogs to the point that significant overtime has had to be expended to clear backlogs to the point some staff are working 7 days per week.
- As a result, our efforts to locate these cases were severely hampered by these extraordinary circumstances.

We would also like to point out that the 2 case files related to the questioned costs did contain the “facts to support the agency’s decision” regarding eligibility (42 CFR 435.914) and hence the questioned costs are an eligible and allowable cost under the Medicaid program.

Corrective Action Plan:

The Department will reinforce to DMMA and DSS staff that it is incumbent on staff to research all documentation sources at the time audit samples are provided. This will be reinforced by 6/30/14.

Anticipated Completion Date:

June 30, 2014

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-022
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Child Support Enforcement
Federal Agency: U.S. Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
ARRA: No
Compliance Requirement: Reporting
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

KPMG reviewed all four Quarterly Expenditure Reports (OCSE-396A) for the State fiscal year ended June 30, 2013. The OCSE-396A for the quarters ended December 31, 2012, March 31, 2013, and June 30, 2013, contained the following errors:

- Total Annual User (DRA) Fee revenue was calculated incorrectly by the amounts listed in the table below for the subsequent quarters through June 30, 2013. The amount reported on the OCSE-396A was understated by \$57,204.

Quarter Ending	Amount Reported per OCSE-396A	Actual Amount	(Understatement)
December 31, 2012	145,752	151,652	(5,900)
March 31, 2013	37,449	73,469	(36,020)
June 30, 2013	19,746	35,030	(15,284)
Totals	224,146	281,350	(57,204)

Criteria:

Control Exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance Reporting

The DCSE Program is required to submit the OCSE-396A, Quarterly Expenditures Report quarterly for each type of grant award received.

In addition, the 'Instructions for Completion of Form OCSE-396A' state that there are two parts to this report: Part 1 – Quarterly Report of Expenditures and Estimates and Part 2 – Itemized Prior Quarter Adjustments.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Cause:

The Excel formula used to calculate the (Total) Annual User (DRA) Fee for the quarter ended September 30, 2012 failed to include a needed cell. The formula error did not cause errors in the September 30th report and was not detected in the management review of the reports. The same formula was used for the subsequent quarters; consequently, the error was repeated for subsequent quarters through June 30, 2013.

Effect:

The DCSE Program reported incorrect amounts to the Federal Government.

Questioned Costs:

There are no questioned costs as the Program underreported net expenditures by \$57,204 as a result of these errors.

Recommendation:

We recommend that DCSE include verification of underlying calculations for the OCSE-396A report in their review procedures. In addition, DCSE should submit revised OCSE-396A reports for those quarters to correct the understatements.

Views of Responsible Officials:

DCSE concurs with KPMG's finding. The finding was a result of an improperly formatted cell in a section of a worksheet used to calculate DCSE revenue for Federal reporting purposes. The correct revenue amounts for the reporting quarters were put into the cell, but because the cell was not formatted to recognize a number the amount was not auto summed as a part of the total DRA Fee revenue. Therefore we overstated our reported expenditures by mistakenly understating our revenue. Due to the accuracy and review of the auto sum feature in prior period reports, management relied on the subsequent spreadsheets' formulas as there was no reason to change or reformat the cell were the error occurred. However, during our review of the September 30, 2013 396A report and the supporting documentation we identified and made the necessary correction to the cell in our Excel spreadsheet. As a result of this finding and DCSE's review, we reported the amount understated in the prior quarters in the Sept. 30, 2013 396A report as a \$57,204 adjustment. The impact of that adjustment reduced our FFY 2014 2nd Qtr grant award amount by \$57,204 (\$37,755 fed portion).

Agency Contact Name: **Charles Hayward**

Agency Contact Phone Number: **302-395-6520**

Corrective Action Plan:

Going forward, management will review the formulas each quarter and confirm the auto sum totals to ensure all amounts are being properly captured in the total calculation of revenues and expenditures.

Anticipated Completion Date: Completed

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-023
Related Prior Year Finding:	N/A
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of Child Support Enforcement (DCSE)
Federal Agency:	United States Department of Health and Human Services
Federal Program:	Child Support Enforcement
CFDA Number:	93.563
ARRA [Yes/No]:	No
Compliance Requirement:	Allowable Costs (Effort Reporting)
Control Finding [Yes/No]	Yes
Compliance Finding [Yes/No]	No
Scope Limitation [Yes/No]	No

Condition:

DCSE employees complete Time and Effort Certifications to document the time charged by employees to various State and Federal initiatives. They are prepared by the employee and reviewed by a supervisor. Payroll expenditure testing for allowable costs revealed that six out of twelve employees sampled submitted Time and Effort Certifications which were not properly approved and reviewed by a supervisor for multiple pay cycles. This represented twenty-four out of forty payroll transactions examined. The six employees charged \$58,160 to the program out of our sample of \$98,289. Total payroll expended for the program was \$5,263,450.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled.
(OMB Circular A-87, Attachment B.8.h.6)

Cause:

The exceptions occurred because these employees are part of the Delaware Department of Justice and the Division of Child Support Enforcement does not have procedures established that require supervisor review and approval of time charged to the federal grants from employees outside of its department.

Effect:

Employees are recording unapproved payroll charges to the federal grant.

Questioned Costs:

There are no questioned costs related to this control finding.

Recommendation:

We recommend that DCSE enhance controls by ensuring there is documentation of an adequate level of supervisory review for Time and Effort Certification. As the exceptions in finding were for employees who work for the DE Department of Justice (DOJ), we recommend that DCSE communicate to DOJ the need for supervisors to review and sign their employee time and effort certifications.

Views of Responsible Officials:

Regarding the exceptions noted in the Condition of this finding, we would like to provide the following observations and response.

- The noted time and effort certifications and/or time distributions tested were not properly approved by the employee's supervisor. These individuals work for and are directly supervised by the Delaware Department of Justice devoting 100% of their time providing legal services to the IV-D program. Although A-87 does not require the supervisor's signature – it is a good control measure to have a supervisory review/signature which will be communicated to the Delaware Department of Justice as a requirement. The work activities and costs reflected on the employees time certifications are allowable under the IV-D program.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Agency Contact Name: Charles Hayward

Agency Contact Phone Number: 302-395-6520

Corrective Action Plan:

DCSE will communicate to the Delaware Department of Justice that time and effort certifications must be signed by the employee's supervisor. The requirement will also be highlighted in the MOU with the Department of Justice.

Anticipated Completion Date:

Advise Delaware Department of Justice of supervisor signature requirement by March 21, 2014.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-024
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Public Health
Federal Agency: U.S. Department of Agriculture
Federal Program: Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
ARRA: No
Compliance Requirement: Cash Management
Control Finding: Yes
Compliance Finding: No
Scope Limitation: No

Condition:

The Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC) program utilizes a system query report, to download pending Accounts Receivable information from the State's general ledger, First State Financials (FSF), into a spreadsheet for the determination of the federal cash draws to be requested for the program.

There is a lack of segregation of duties within the program's federal draw down process, as the same WIC staff is responsible for executing the query, importing the query results into the spreadsheet, calculating the draw amounts, and performing the cash draw downs. For 7 out of 18 drawdowns tested, supervisory review was not completed prior to submission of request for payment. The 18 transactions sampled amounted to \$3,687,601. The 7 exceptions amounted to \$1,576,981 out of a total Federal cash drawdown population of \$16,971,257.

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements

Cause:

The program has designed the drawdown to be performed by the Fiscal Management Analyst III and reviewed by the Program Director. The Fiscal Management Analyst III responsible for preparing the drawdowns went on long term medical leave effective March 7, 2013 prior to his retirement on September 1, 2013. During this period, and while the Department is in the process of hiring his replacement, WIC's Program Director assumed this responsibility for both preparation and review.

Effect:

Without a management review control in place, the WIC program may not detect errors or non compliance with the CMIA Agreement or the terms of the grant agreements.

Questioned Costs:

No questioned costs, this is a control finding only.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

We recommend that WIC and DPH develop some program cross training to allow for proper segregation of duties when personnel turn-over occurs.

Views of Responsible Officials:

Agency Contact Name: Deborah Fisher

Agency Contact Phone Number: 302-744-4742

Corrective Action Plan:

In February 2013 (prior to the FY 2012 audit exit conference of March 29, 2013) DPH fully implemented enhancements to the management review procedure as a part of the control process. The cash management policy for WIC includes that in the event of staff absences, the central DPH fiscal office will be included in the draw review and approval process.

Anticipated Completion Date: Completed

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-025
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Public Health (DPH)
Federal Agency: U.S. Department of Agriculture
Federal Program: Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
ARRA: No
Compliance Requirement: Food Instrument and Cash-Value Voucher Disposition
Control Finding: Yes
Compliance Finding: No
Scope Limitation: No

Condition:

There was a lack of segregation of duties within the program's monthly reconciliation of the food vouchers redeemed to the bank account. The same WIC staff prepared and reviewed the report for 1 out of 2 reconciliations sampled. The vouchers redeemed on the 2 monthly reconciliations sampled summed to \$1,245,159, and the vouchers redeemed on the monthly reconciliation with the exception totaled \$629,525.

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements

Cause:

The program has designed the reconciliation to be performed by the Fiscal Management Analyst III and reviewed by the Program Director. The Fiscal Management Analyst III responsible for preparing the monthly reconciliation went on long term medical leave effective March 7, 2013 prior to his retirement on September 1, 2013. During this period, and while the Department is in the process of hiring his replacement, WIC's Program Director assumed this responsibility for both preparation and review.

Effect:

Without a separate management review control in place, WIC may not be able to detect errors in the reconciliation process.

Questioned Costs:

There are no questioned costs, only a control finding.

Recommendation:

We recommend that the WIC program and DPH enhance its monthly food reconciliation procedures by designating an alternate preparer or reviewer to compensate for the retirement of the Fiscal Management Analyst III until a replacement is hired. This will ensure there is an adequate level of supervisory review and ensuring proper segregation of duties between the preparer and the reviewer.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials:

Agency Contact Name: Deborah Fisher

Agency Contact Phone Number: 302-744-4742

Corrective Action Plan:

A Fiscal Management Analyst was hired effective 12/16/13 who is responsible for fiscal management and reporting for the WIC program. Additionally, a staff member in Support Services (DPH central office) has been identified to review and approve the monthly food reconciliation report for the WIC program in the event of a staff absence or shortage to ensure a separation of duties.

Anticipated Completion Date: Completed

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-026
Related Prior Year Finding:	N/A
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of Public Health
Federal Agency:	U.S. Department of Agriculture
Federal Program:	Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC)
CFDA Number:	10.557
ARRA:	No
Compliance Requirement:	Compliance Investigations of High-Risk Vendors
Control Finding:	Yes
Compliance Finding:	No
Scope Limitation:	No

Condition:

The Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC) program performs investigations of at least 5% of the ninety-one vendors they consider to be high risk. Investigators conduct this investigation by ascertaining that these vendors sell products that are required by the program and are reasonably priced. During this investigation, Investigators complete the “Compliance Buys” report to document the procedures performed and the associated results. At the end of the investigation, the Investigators are required to sign this report.

We sampled 5 of the 10 investigations performed and found one where the investigator failed to sign the “Compliance Buys” report. The program personnel reviewing the reports did not detect this error.

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Cause:

The Management Analyst III, who is in charge of overseeing the Investigators and monitoring the visits performed, failed to review all the completed “Compliance Buys” reports submitted by the Investigators.

Effect:

Without a management review completed, WIC may not detect or deter non-compliance, and WIC may continuously allow vendors to benefit from the program even though they are no longer in compliance with the federal requirements.

Questioned Costs:

There are no questioned costs as this exception is only a control observation.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

We recommend that WIC and the Division Public Health enhance its review process over the completion of the Compliance Buys report. WIC program personnel should ensure that the reports are completed properly and signed by the investigator at the conclusion of the each visit.

Views of Responsible Officials:

Agency Contact Name: Deborah Fisher

Agency Contact Phone Number: 302-744-4742

Corrective Action Plan:

The WIC vendor manager has instructed the investigator and reinforced that all compliance buy reports must be signed by the investigator prior to submission to the manager. All vendor compliance buy reports will be reviewed and approved by WIC vendor staff to ensure that the documentation is signed and complete. Unsigned compliance buy reports will be returned to the investigator for signature.

Anticipated Completion Date: Completed

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-027
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Public Health (DPH)
Federal Agency: U.S. Department of Agriculture
Federal Program: Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
ARRA: No
Compliance Requirement: Reporting
Control Finding: Yes
Compliance Finding: No
Scope Limitation: No

Condition:

There is a lack of segregation of duties within the program's preparation of the monthly financial reports (Form FNS-798). The same WIC personnel is responsible for preparing and reviewing the report for 1 out of 2 monthly reports sampled. The FNS-798 report for the month of June 2013 was prepared, reviewed, and certified by the same Program Manager. Total federal outlay reported on the June 2013 report was \$854,560 while the total federal outlay on the 2 reports tested was \$1,726,053. Total expenditures reported for the 12 months were \$15,114,720.

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements

Cause:

The Fiscal Management Analyst III who is responsible in preparing the monthly financial report went on long term medical leave effective March 7, 2013 prior to his eventual retirement on September 1, 2013. During this period, and while the Department is in the process of hiring his replacement, WIC's Program Director assumed the responsibility for both preparation and review of the reports.

Effect:

Without a management review control in place, WIC may not detect or deter non-compliance, and WIC may not be able to detect all un-reconciled items in the financial report prior to submission to USDA, the Federal funding Agency.

Questioned Costs:

No question costs were identified, the reports were in agreement to the general ledger.

Recommendation:

We recommend that WIC and DPH develop some program cross training to allow for proper segregation of duties when personnel turn-over occurs.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials:

Agency Contact Name: Deborah Fisher

Agency Contact Phone Number: 302-744-4742

Corrective Action Plan:

A Fiscal Management Analyst was hired effective 12/16/13 who is responsible for fiscal management and reporting for the WIC program. Additionally, a staff member in Support Services (DPH central office) has been identified to review and approve the monthly 798 report for the WIC program in the event of a staff absence or shortage to ensure a separation of duties.

Anticipated Completion Date: Completed

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-028
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Public Health (DPH)
Federal Agency: U.S. Department of Agriculture
Federal Program: Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
ARRA: No
Compliance Requirement: Reporting
Control Finding: Yes
Compliance Finding: No
Scope Limitation: No

Condition:

Effective April 2013, the Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC) Program replaced its old data system used for processing WIC information with a new system called WIC on the Web (WoW) which is hosted by a third party service provider. The WoW System is used to track participant eligibility as well as information on vouchers issued, redeemed, cancelled, and reissued.

The WIC program did not obtain or review a SOC I report from the third party provider. Additionally, upon inquiry, it was revealed that the third party service provider does not have a SOC I report for the period needed.

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

When using a service provider for critical systems the COSO requirements regarding review and monitoring should be incorporated into an organization's internal controls. Part 6 of OMB's Compliance Supplements identifies the following elements of monitoring:

Monitoring is a process that assesses the quality of internal control performance over time.

- Follow up on irregularities and deficiencies to determine the cause.
- Internal quality control reviews performed.
- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.

Cause:

The exception occurred because DHSS does not currently have a formal policy to obtain and review SOC I reports over service providers integral to their systems.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Effect:

The IT general control weaknesses could result in inaccurate processing of data and unauthorized access to systems.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

DHSS and agencies supporting the systems utilized for WIC should implement adequate IT general controls to address the system weaknesses identified. Management should implement controls to:

- 1) Obtain and review SOC I reports of service providers integral to the system for exceptions, weaknesses and user considerations.
- 2) Work with DTI in the implementation of a formal policy to complete a review over system security.

Views of Responsible Officials:

Agency Contact Name: Joanne White, WIC Director

Agency Contact Phone Number: 302-741-2900

Corrective Action Plan:

It should be noted that this data system (WOW) is hosted and managed by the State of Maryland Department of Health and Mental Hygiene, WIC program. The State of Delaware is under contract with the State of Maryland (DPH/DHSS MOA 12-197) for the implementation and operation of the Delaware WIC on the Web (WOW) system.

Delaware WIC does recognize that even though the term SOC1 is not utilized in the current Maryland MOU, the items that comprise it, such as internal controls, monthly report, etc. are listed as specific in items in the DPH MOU No12-197 section G. G21 specifically states : "Submit a monthly status report that describes the operational capacities and projected limitations or modification to be made to the system. This summary shall include the potential need for software or hardware upgrades or additions to accommodate increased demands. The report shall also include updates on system modifications, results of security monitoring, system performance indicators, system issue and other activities. Therefore a revised MOU should not be required, instead a procedure to ensure Delaware is receiving all of the contracted items needs to be put in place.

RESOLUTION: Delaware is meeting with Maryland WIC and their contractor on March 11, 2014 to address this issue. At that time a process will be written with a schedule for report item delivery and individual contact information to ensure that items listed in the MOU are obtained in a timely manner.

Delaware will also proceed with the annual data audit for the 2013 timeframe if it is found that it has not yet been conducted for the period.

Anticipated Completion Date:

September 30, 2014

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-029
Related Prior Year Finding: N/A
State Department Name: Department of Health and Social Services
State Division Name (if applicable): Division of Public Health
Federal Agency: Centers for Disease Control and Prevention
Federal Program: Immunization Cluster
CFDA Number: 93.268 and S-93.712
ARRA: Yes
Compliance Requirement: Allowable Costs (Effort Reporting)
Control Finding: Yes
Compliance Finding: No
Scope Limitation: No

Condition:

Four out of twelve employees selected for testing submitted signed Time and Effort Certifications that were not approved and reviewed by a supervisor for multiple pay cycles, as listed below. The four employees charged \$32,230 to the program out of our sample of \$57,094. Total payroll expended by the program was \$1,010,639. The distribution of the identified exceptions is reflected in the table below.

	Exceptions¹ (Quarter end)			
	9/30/2012	12/31/2012	3/31/2013	6/30/2013
Employee # 1	Yes	Yes	Yes	Yes
Employee # 2	Yes	- ²	- ²	- ²
Employee # 3	Yes	Yes	Yes	- ²
Employee # 4	- ²	Yes	- ²	- ²

¹ Submitted timesheets were not reviewed and approved by a supervisor.

² The employee charged time to the federal grant during this quarter but it was not included in sample.

Criteria:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The COSO framework for Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. Two of the control components are:

- Control Activities—Control policies and procedures must be established and executed to help ensure that the actions identified by management as necessary to address risks to achievement of the entity’s objectives are effectively carried out.
- Monitoring—The entire process must be monitored, and modifications made as necessary. In this way, the system can react dynamically, changing as conditions warrant.

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Year ended June 30, 2013

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results.
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled.
(OMB Circular A-87, Attachment B.8.h.6)

Cause:

The exceptions occurred because the Division of Public Health does not have clearly communicated procedures that require supervisor review and approval of time charged to the Federal grants.

Effect:

Employees may be recording the incorrect payroll charges to the federal grant without supervisory review.

Questioned Costs:

There are no questioned costs associated with this control finding as payroll was documented in accordance with A-87 despite the lack of a supervisor's approval.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

We recommend that DPH enhance controls by ensuring there is documentation of an adequate level of supervisory review for Time and Effort reports as well as enhancing its policies and procedures in preparation of the time and effort certification to ascertain compliance with the federal requirements.

Views of Responsible Officials:

Agency Contact Name: Dr. Martin Luta

Agency Contact Phone Number: 302-744-1050

Although A-87 does not require the supervisor's signature – it is a good control measure to have a supervisory review which will be incorporated into policy/procedures outlined in the corrective action. The work activities and costs reflected on the employee's time certifications was allowable under the Immunization program.

Corrective Action Plan:

A departmental policy on time and effort reporting is in the process of being formulated. This policy will be departmental in scope and once complete, it will be issued and disseminated departmentally. It will include the requirement, basis and importance of effort reporting, frequency and, where needed, to align/recode payroll charges to reflect effort as a required and ongoing process. It will also include the appropriate standards for monitoring/review of employee time/effort certifications by supervisors. Subsequently, training will be provided to departmental staffs completing effort reports as well as managers who supervise those staff.

Anticipated Completion Date:

Departmental policy formulation: March 31, 2014

Provision of training: By July 31, 2014

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-030
Related Prior Year Finding:	N/A
State Department Name:	Department of Health and Social Services
State Division Name (if applicable):	Division of Public Health
Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Public Health and Emergency Preparedness
CFDA Number:	93.069
ARRA:	No
Compliance Requirement:	Allowable Costs (Effort Reporting)
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

For twelve out of sixty-five payroll transactions sampled, either (i) the employee did not prepare Time and Effort certifications in a timely manner; or (ii) the Program was charged more than the employee certified in their time and effort certification and/or time distribution; or (iii) the Time and Effort certification was not prepared in accordance with A-87. The following exceptions were identified:

- Twelve (12) out of sixty-five payroll transactions tested sampled did not have the time and effort certification for the quarters or months requested. The time and effort certifications requested for the fiscal year ended June 30, 2013 were not completed until January 2014, when requested for audit. The amount charged to the grant was \$16,592.
- Three (3) out of 65 payroll charges tested charged the program more than the employee certified in their time and effort certification and/or time study report. The total charged to the grant was \$152.
- Eleven (11) out of 65 payroll charges tested show employees who work on multiple grant programs; however, effort reports were not completed at least on a monthly basis. The total charged to the grant was \$16,139.

The amount charged to the program for these twelve exceptions payroll transactions was \$16,592 out of our sample of \$124,487. Total payroll expended for the program was \$1,234,026.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work

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Year ended June 30, 2013

on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Cause:

The exceptions occurred because the Time and Effort certification of the Laboratory Section employees and Information Resource Management (IRM) section employees are not included in the review procedures being performed by the PHEP's Administrative Specialist. This individual is responsible for matching all the certifications received to an employee list containing all current employees in order to ascertain completeness and timely preparation of the time and effort certifications.

Additionally, the Program's effort reporting policy is not appropriate for employees who work on multiple grant programs as A-87 requires those certifications to be done at least monthly and not quarterly.

Effect:

The Program is charging payroll incorrectly to the federal grant.

Questioned Costs:

Questioned costs related to unapproved, incorrect or inappropriate time and effort certifications in the sample are \$16,592.

Recommendation:

We recommend that DPH enhance its policies and procedures in preparation of the time and effort certification to ensure compliance with the federal requirements. We recommend that DHSS establish policies and procedures that comply with OMB Circular A-87 and require the review and monitoring of both work and time and effort certifications submitted by employees from other DHSS Divisions. The effort reporting requirements should be communicated frequently to all employees and embedded in the training to communicate to all employees the policies, rules, and regulations related to effort reporting.

Views of Responsible Officials:

Agency Contact Name: Kevin F. Kelley, Sr. DMS Director
Agency Contact Phone Number: (302) 255-9088

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Regarding the exceptions noted in the Condition of this finding, we would like to provide the following observations and response.

- Twelve (12) out of sixty-five payroll transactions tested sampled did not have the time and effort certification for the quarters or months requested. The time and effort certifications requested for the fiscal year ended June 30, 2013 were not completed until January 2014, when requested for audit. The amount charged to the grant was \$16,592. One of the 12 exceptions was a DPH employee who unfortunately did not certify/complete an effort report timely which comprised \$453.72 of the questioned costs. This employee performs biological/bioterrorism and chemical/chemical terrorism testing which, although the effort report was not timely, is an allowable cost under the PHEP grant. The 11 other individuals were IRM staff and we would like to point out that in this audit period completed daily effort reporting logs in an automated time tracking system. They reported their time by minutes in a day worked on a specific grant and/or program which was subsequently allocated based on time reported by pay cycle. If an initial payroll charge for a pay cycle did not reflect the time recorded/ reported, (A) an adjustment was calculated via a reconciliation process and (B) the charges corrected via Payroll Funding Adjustments (PFA) to reflect the work and time/effort reported. For these staff the resulting charges comprise \$16,138.88 of the questioned costs and are inclusive of PFA adjustments processed to correct the charges to reflect the daily time recorded in the system devoted to supporting this grant program.
- Three (3) out of 65 payroll charges tested charged the program more than the employee certified in their time and effort certification and/or time study report. The total charged to the grant was \$152. This overcharge will be recoded to State funding.
- Eleven (11) out of 65 payroll charges tested show employees who work on multiple grant programs; however, effort reports were not completed at least on a monthly basis. The total charged to the grant was \$16,139. As mentioned above, the employees recorded their time and work activities on a daily basis into a time study system upon which the final adjusted payroll charges to the multiple activities (including the PHEP) were based. The costs are allowable under the PHEP program and were based upon actual time devoted to supporting the program.

Corrective Action Plan:

A departmental policy on time and effort reporting is in the process of being formulated. This policy will be departmental in scope and once complete, it will be issued and disseminated departmentally. It will include the requirement, basis and importance of effort reporting, frequency and, where needed, to align/recode payroll charges to reflect effort as a required and ongoing process. It will also include the appropriate standards for monitoring/review of employee time/effort certifications by supervisors. Subsequently, training will be provided to departmental staffs completing effort reports as well as managers who supervise those staff.

Additionally, EMSPS put a tracking system into place to ensure all Time and Effort reports are received from employees charged to the grant in a timely manner. This was corrected as of May 2013.

Anticipated Completion Date:

Departmental policy formulation: March 31, 2014

Provision of training: By July 31, 2014

Recoding to State funding: By June 30, 2014

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Year ended June 30, 2013

Reference Number:	2013-031
Related Prior Year Finding:	12-32
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Employment and Training
Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act
CFDA Number:	17.258, 17.259, 17.278, 17.260
ARRA:	No
Compliance Requirement:	Eligibility
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The case files reviewed for the 2013 audit had the following exceptions:

- For 6 of the 65 ISS's reviewed, although the clients were determined to be eligible, there was no evidence of proper review by management. The amount of benefits extended to these clients in fiscal year 2013 was \$8,165 while total benefits extended to the 65 clients sampled in our population were \$103,527. Total benefits expended for WIA for the year was \$3,309,258.
- For 1 of the 65 cases reviewed, although the file was reviewed by management, the client was incorrectly determined eligible as the client was a resident of Maryland.

Criteria:

1. Eligibility for Individuals

a. All Programs

Selective Service – No participant may be in violation of section 3 of the Military Selective Service Act (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).

b. All Subtitle B Statewide and Local Programs

- (1) An adult must be 18 years of age or older.
- (2) A dislocated worker means an individual who meets the definition in 29 USC 2801(9).
- (3) A dislocated homemaker means an individual who meets the definition in 29 USC 2801(10).
- (4) Before receiving training services, an adult or dislocated worker must have received at least one intensive service, been determined to be unable to obtain or retain employment through intensive services, and met all of the following requirements (20 CFR sections 663.240 and 663.310):
 - (a) Had an interview, evaluation, or assessment and determined to be in need of training services and have the skills and qualifications to successfully complete the selected training program.

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- (b) Selected a training service linked to the employment opportunities.
- (c) Was unable to obtain grant assistance from other sources, including other Federal programs, to pay the costs of the training.

c. Subtitle B Youth Activities

A person is eligible to receive services under Youth Activities if they are between the ages of 14 and 21 at the time of enrollment (20 CFR section 664.200) and demonstrate at least one of the following barriers to employment: deficient in basic literacy skills; a school dropout; homeless; a runaway; a foster child; pregnant or parenting; offender; or an individual who requires additional assistance to complete an educational program, or to secure and hold employment (20 CFR sections 664.200, .205, and .210). See III.G.3.d.(2), "Matching, Level of Effort, Earmarking – Earmarking," for the requirement that at least 95 percent of eligible youth participants be disadvantaged low-income youth as defined in 29 USC 2801(25).

The Program's Policy is that all Individual Service Strategy (ISS) forms must be reviewed by management as evidence by a signature on the face of the document.

Per the Delaware Work Investment Board (DWIB) policies and procedures, clients receiving benefits must be residents of Delaware.

Cause:

The Division implemented new policies and procedures pertaining to management review of the ISS documents in the previous fiscal year. However, some counselors were utilizing outdated templates and had not implemented the changes during the current fiscal year. Additionally, WIA staff were using checklists to determine eligibility that did not match the DWIB policies and procedures manual regarding state of residence rules.

Effect:

Without proper supervisor review and checklists that agree to policies and procedures, claimants who were not eligible under WIA criteria may inappropriately receive benefits from the Program.

Questioned Costs:

There are no questioned costs as each of the exceptions missing evidence of management review were correctly determined to be eligible for WIA services. In addition, there were no expenditures for the client that was incorrectly determined to be eligible for WIA services.

Recommendation:

The WIA Program should continue to reinforce policies and procedures relating to management's review of ISS's, including the requirement of management's signature on the face of the ISS. WIA should also ensure that policies and procedures match the checklists utilized by the staff for eligibility determination.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

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Year ended June 30, 2013

Corrective Action Plan:

On the face of the ISS there is a line for the case manager to initial the ISS prior to submitting the document to the Supervisor. The initials verify the case manager has completed the necessary portions of the ISS and it is ready for the supervisor's review.

Effective March 13, 2014 program policy will be updated to require that the client and case manager signatures be obtained prior to the document being forwarded to the supervisor for signature. The revision ensures necessary signatures are being obtained in a sequential flow and it also eliminates an unnecessary trip to the office for the client.

Residency is a DWIB definition. The definition for Residency on Page 5 for Youth stipulates the exception. Every so often DOL/DET will take an existing definition and apply it to another program if it is deemed appropriate. The definition was implemented for our WIA Adult and Dislocated Worker programs through a Q&A format that is used for answering questions, or clarifying policies/procedures/definitions. If this action plan is not acceptable then DOL/DET will issue policy for WIA Adult and Dislocated Worker programs related to Residency.

Anticipated Completion Date:

March 13, 2014

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Year ended June 30, 2013

Reference Number:	2013-032
Related Prior Year Finding:	12-33
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Employment and Training
Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act
CFDA Number:	17.258, 17.259, 17.278, 17.260
ARRA:	No
Compliance Requirement:	Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

Supporting documentation for the Federal Share of Expenditures of the ETA 9130 Federal Financial Reports was not maintained. Program staff pull First State Financial (FSF) queries and then make manual adjustments to calculate the accrual basis expenditures; however, the details of those adjustments are not kept. All reports for the quarters ended December 31, 2012 and June 30, 2013 were reviewed, totaling 45 reports.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Workforce Investment Act (WIA) program is required to report quarterly in 9130 Federal Financial Reports the expenditures incurred by the program, which should agree with the accounting records of the State.

Cause:

The WIA Program does not have policies and procedures in place to document the completeness and accuracy of the train of expenditures data from FSF for the accrual portion that is being reported in its 9130 reports.

Effect:

Failure to properly reconcile the queries of expenditure accruals can lead to errors in federal reports and total expenditures not being properly reported.

Questioned Costs:

Questioned costs are not determinable.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

The Program should consider reviewing the processes used to prepare reports by ensuring the original queries are saved and adding an additional reconciliation to ensure that the altered data reconciles to the general ledger in First State Financials (FSF).

Views of Responsible Officials:

DET did implement the recommendation from the FY12 audit and kept the original data downloaded directly from FSF as well as the file used to support the accrued expenditures. And both files were provided to the auditors on site as requested.

We do not agree that this should be a finding. However, we would accept this as a recommendation to improve and refine our current process.

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Auditor Response:

The Auditor acknowledges that we received the download from FSF and the file used to support the accrued expenditures. The Program, however, could not provide a sufficient audit trail between the original download from FSF and the amounts reported on the ETA 9130 Reports.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-033
Related Prior Year Finding:	12-34
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Employment & Training
Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act
CFDA Number:	17.258, 17.259, 17.278, 17.260
ARRA:	No
Compliance Requirement:	Subrecipient Monitoring
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

For one subrecipient out of three subrecipients tested, WIA (the Program) did not retain evidence that the subrecipient's DUNS number was received prior to the award being given. The DUNS number was reported on the FFATA report submitted in July 2012; however, no evidence verifying the accuracy or the timing of the receipt of the DUNS number could be provided.

In addition, for the same subrecipient tested above, the Program did not request to see any prior A-133 Audit Reports before they were selected as subrecipients. The Program could not provide support that they had ensured the subrecipients had adequate processes and procedures in place to run proper programs for WIA services or that they had ensured there were no unresolved issues or findings in previous A-133 Audits that would affect the WIA Program. The total expenditures for this subrecipient during the fiscal year totaled \$21,231.

The amount passed through to subrecipients in fiscal year 2013 was \$1,408,246 and no WIA subrecipients received ARRA funding during the fiscal year. WIA had a total of 10 subrecipients, of which two were new to the Program. The total expended in fiscal year 2013 for the Program was \$5,949,789.

Criteria:

Subrecipient Monitoring:

- *Determining Subrecipient Eligibility* – In addition to any programmatic eligibility criteria under E, "Eligibility for Subrecipients," for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- *Central Contractor Registration (CCR)* – **For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement.** Note that subrecipients of non-ARRA funds are not required to register in CCR prior to or after award.
- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).

- *During-the-Award Monitoring* – Monitoring the subrecipients use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations..

Cause:

WIA implemented new subrecipient monitoring policies and procedures during the year but the policies and procedures did not encompass all compliance requirements.

Effect:

The Program did not perform effective subrecipient monitoring. The 10 subrecipients utilized during the fiscal year could potentially not be meeting federal requirements.

Questioned Costs:

There are no questioned costs.

Recommendation:

The WIA Program should ensure that they have adequate subrecipient monitoring procedures in place and are following them for all subrecipients monitored during the year. The Program should also ensure that when selecting subrecipients, they review support that the subrecipients are adequate to receive federal funding.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

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Year ended June 30, 2013

Corrective Action Plan:

In response to a recommendation from FY12, DET did revise the RFP, starting with PY13, to include a request for the DUNS number and added a statement in Appendix A to ensure that when selecting subrecipients, they review support that the subrecipients are adequate to receive federal funding.

Anticipated Completion Date: Completed

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-034
Related Prior Year Finding: N/A
State Department Name: Department of Labor
State Division Name (if applicable): Division of Employment and Training
Federal Agency: U.S. Department of Labor
Federal Program: Workforce Investment Act
CFDA Number: 17.258, 17.259, 17.278, 17.260
ARRA: No
Compliance Requirement: Reporting - FFATA
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The program entered into contracts with their subrecipients at the beginning of July 2012 for State Fiscal Year Ended June 30, 2013 and submitted the required FFATA report under the Transparency Act. The report submitted in July 2012 encompassed all subrecipients that had signed contracts for the new State fiscal year and upon our review, we observed the following regarding the reporting process:

- The FFATA report was authorized and reviewed; however, the WIA Program could not provide supporting documentation for the DUNS number of one subrecipient.
- A subrecipient signed a contract in September 2012 for \$25,261. However, no FFATA report was subsequently prepared and submitted for this subrecipient.

Criteria:

Based on review of Part IV of the 2013 A-113 Compliance Supplement and 2 CFR part 170, Transparency Act implementation was phased in for contracts based on their total dollar value. Based on the Federal Acquisition Regulation (FAR) interim final rule, Transparency Act reporting is required for:

- Starting March 1, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more.

In addition, compliance testing of the Transparency Act reporting requirements shall include the following key data elements about the first-tier subrecipients and subawards under grants and cooperative agreements:

Subawardee DUNS #	The subawardee organization's 9 digit Data Universal Numbering System (DUNS) number
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The auditors must ensure that the key data elements were accurately reported and supported by the source documentation.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Cause:

The WIA Program reporting cycle results in the July FFATA report capturing most new subrecipient contracts for the new state fiscal year. However, the omitted contract was not signed until September and therefore outside the normal cycle. No secondary report was submitted.

With regards to the DUNS number issue, WIA Program personnel failed to retain appropriate documentation verifying the accuracy of the reported DUNS number.

Effect:

The Program is not completely and accurately reporting expenditures to subrecipients to the Federal government or ensuring they are verifying key data elements such as the DUNS number.

Questioned Costs:

There are no questioned costs as the \$25,261 is supported by a signed contract. The subrecipient with the DUNS number that was not supported is only a reporting error.

Recommendation:

The Program should consider reviewing the processes used to prepare reports to ensure that contracts signed during the fiscal year are appropriately reported. In addition, measures should be taken to ensure that appropriate documentation is retained to verify the accuracy of reported information.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

The DET agrees to review the FFATA reporting semi-annually to insure all contracts are included in the report.

DET did revise the RFP, starting with PY13, to include a request for the DUNS number

Anticipated Completion Date: March 31, 2014

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-035
Related Prior Year Finding:	12-35
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Employment & Training
Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act
CFDA Number:	17.258, 17.259, 17.278, 17.260
ARRA:	No
Compliance Requirement:	Allowable Costs (Effort Reporting)
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The payroll funding reconciliations used to reconcile the State's payroll system (PHRST) and WIA's internal time software (Autotime) were performed for all four quarters during the fiscal year. However, as of October 2013, the calculated adjustments to record actual time spent working on the grant for these quarters had not been recorded in the State's accounting system, First State Financials (FSF).

As a result of not recording payroll funding adjustments, 39 out of 40 payroll transactions tested were incorrect with the net effect of (\$5,270). The total adjustment needed to reconcile all four quarters is (\$3,444).

In addition, one of our 40 samples was an employee charging time for the National Emergency Grant which was incorrectly coded to the WIA Program. The total salary charged by this employee to the Program was \$1,108.

The population of payroll transactions in fiscal year 2013 subject to testing was \$1,530,926 while total expenditures for the program were \$5,949,789.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Per Circular A-87, Item #8, Compensation for Personal Services, Section (3h) & (4e):

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the

STATE OF DELAWARE

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award,
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

The exceptions occurred because the WIA Program was in process of implementing new payroll policies and experience staff turnover during the fiscal year.

The Schedule of Expenditures of Federal Awards (SEFA) related to two awards for National Emergency Grant (NEG) were incorrectly coded to CFDA 17.260 when they should have been coded to CFDA 17.277 effective July 1, 2011. Therefore, a total of \$397,627 in expenditures were incorrectly classified to the WIA cluster.

Effect:

The Program is not properly reporting payroll expenditures for the year ended June 30, 2013 since the PHRST data has not been updated for the adjustments needed during the year or for the correct time worked on the program's projects. The total amount of NEG expenditures incorrectly coded to the WIA grant in the SEFA was \$397,627.

Questioned Costs:

There are no questioned costs for the PFA error as the federal grant was undercharged.

Recommendation:

The WIA Program should record payroll funding adjustments timely. The Program should also consider alternatives to processing payroll funding adjustments at the employee level, such as recording aggregate journal entries to correct the allocation on a quarterly basis.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials:

The NEG expenditures were incorrectly identified as 17.260 in the FSF General Ledger, however, all expenditures were charged to the correct grant and correctly reported as such to USDOL.

The CFDA number does not affect our federal reporting or our expenditures because each grant is identified by a budget year, appropriation, project code and activity associated with the grant.

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET agrees that the payroll adjustment needs to be made timely. We are currently training a new individual to perform this duty.

Anticipated Completion Date: June 30, 2014

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-036
Related Prior Year Finding:	12-33
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Employment and Training
Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act
CFDA Number:	17.258, 17.259, 17.278, 17.260
ARRA:	No
Compliance Requirement:	Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The 9091 WIA Annual Report was authorized and marked as reviewed; however, the reported 'Rapid Response' expenditures could not be agreed to FSF expenditure detail. Reported 'Rapid Response' expenditures totaled \$155,289; however, FSF indicated a total of \$133,108 in expenditures resulting in an over-statement of \$22,181.

The total expended in fiscal year 2013 for the program was \$5,949,789.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Delaware Workforce Investment Act Program is required to file various reports related to its oversight and compliance over the federal funds it receives from the Department of Labor (DOL).

- *ETA-9091, WIA Annual Report (OMB Number 1205-0420)* – Sanctions related to State performance or failure to submit these reports timely can result in a total grant reduction of not more than five percent as provided in WIA Section 136 (g)(1)(B).

Reports must be complete, accurate, and prepared in accordance with the required accounting basis as well as trace to accounting records, supporting worksheets or other documentation that link reports to the data.

Cause:

The exception occurred because of staff turnover and an apparent mathematical error in the general ledger reconciliation that was not detected in the review process.

Effect:

The Program is not properly reporting expenditures to the Federal government, which could result in adjustments to future grants received from the U.S. Department of Labor.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Questioned Costs:

Although the underlying expenditures were not incurred, expenditures were over reported by \$22,181.

Recommendation:

The Program should consider reviewing the process used to prepare the reports and adding a requirement to document the reconciliation to the general ledger for detailed review.

Views of Responsible Officials:

Accrued expenditures of \$9,827.74 were included in the total reported bringing the total to \$142,936. This reduces the overstatement to \$12,353.

Although an error occurred on the WIA Annual 9091 report, we disagree that this amount constitutes questioned costs. These costs did not actually occur, and were not paid in error, they are overstated due to a calculation error on this report.

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET will implement a dual review of the 9091 WIA Annual Report. Unfortunately, an error occurred overstating the expenditures for the Rapid Response section of the report.

Anticipated Completion Date: June 30, 2014

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-037
Related Prior Year Finding:	N/A
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Vocational Rehabilitation
Federal Agency:	Social Security Administration
Federal Program:	Disability Insurance/SSI Cluster
CFDA Number:	96.001
ARRA:	No
Compliance Requirement:	Cash Management
Control Finding:	Yes
Compliance Finding:	No
Scope Limitation:	No

Condition:

In 9 of the 10 drawdown's tested, there was no evidence of management review. Additionally, there is a lack of segregation of duties as the same Disability Determination Services (DDS) program staff is preparing the drawdown request and submitting the draw. Total drawdown's tested was \$3,206,878 and total drawdown's per our population was \$7,099,353.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Cause:

The program did not have adequate procedures in place for management's review of the drawdown. As a result of prior year single audit findings at the Department of Labor, DDS implemented revised procedures to document review in May 2013. KPMG found that drawdowns after this date included evidence of review by management.

Effect:

Without an independent management review control in place, DDS may request funds in a manner which is not in compliance with the CMIA, Subpart B, or the terms of the grant agreements.

Questioned Costs:

There are no questioned costs as amounts agreed to underlying general ledger and were for actual expenditures.

Recommendation:

We recommend that DDS continue to implement its revised federal draw down procedures to ensure there is an adequate level of supervisory review of the drawdowns prior to submission to the federal agencies and to ensure proper segregation of duties over the cash management function.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials:

Pursuant to a prior year single audit finding, DDS implemented a procedure to ensure the weekly federal drawdowns are independently reviewed prior to submission to ensure proper segregation.

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

Effective May 6, 2013, DDS updated and implemented a new procedure to ensure the weekly federal drawdowns are independently reviewed prior to submission and to ensure proper segregation of duties. The submission report is reviewed by the Senior Accountant, initialed and dated prior to the drawdown of funds.

Anticipated Completion Date: Fully Corrected

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-038
Related Prior Year Finding:	N/A
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Unemployment Insurance
Federal Agency:	U.S. Department of Labor
Federal Program:	Unemployment Insurance
CFDA Number:	17.225, S-17.225
ARRA:	Yes
Compliance Requirement:	Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

We reviewed the 29 submitted ETA 9130 Federal Financial Reports for December 31, 2012 and June 30, 2013 and although all 29 reports were marked as reviewed by the appropriate individuals, three reports did not agree to the underlying general ledger, resulting in a \$50,000 understatement of expenditures.

The program had \$12,779,520 of FSF expenditures and \$177,894,022 of Non-FSF expenditures, or expenditures that are not recorded in FSF and relate to benefit payments. Total expenditures were \$190,673,542 during fiscal year 2013.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Unemployment Insurance (UI) program is required to report quarterly in 9130 Federal Financial Reports the expenditures incurred by the program, which should agree with the accounting records of the State.

Cause:

The review done by management is not detailed enough to detect reporting errors.

Effect:

The Program is not properly reporting expenditures to the Federal government, which could result in adjustments to future grants received from the U.S. Department of Labor.

Questioned Costs:

There are no questioned costs for the ETA 9130 Report as the errors resulted in understated expenditures of \$50,000.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

The Program should consider reviewing the process used to prepare the reports and adding a requirement to document the reconciliation to the general ledger so a detail review can be completed.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

Effective 10-28-2013 procedures were put into place for reviewing ETA 9130 reports. A Senior Accountant in the UI Fiscal Unit completes the reports as required. A Senior Accountant in the UI Fiscal Unit then prints the completed reports and attaches all back-up documentation and puts the documents into the ETA 9130 reports packet. A Senior Accountant in the UI Fiscal Unit then forwards all the reports and back-up documentation to the Fiscal Administrative Officer [FAO] who reviews the reports and back-up documentation for completion and accuracy. The FAO signs off on each report in the ETA 9130 reports packet and submits all the documentation to the Management Analyst in the UI Fiscal Unit. The Management Analyst reviews all the reports and back-up documentation in the ETA 9130 reports packet. Once this review is completed, the Management Analyst signs off on each report and the back-up documentation and then returns the ETA 9130 reports packet to the FAO. The FAO certifies the reports in the DOL Grantee System. The FAO prints the certification page including it with the back-up documentation for each of the reports in the ETA 9130 reports packet.

Anticipated Completion Date:

The "Corrective Action Plan" described above was implemented on October 28, 2013.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-039
Related Prior Year Finding:	N/A
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Unemployment Insurance
Federal Agency:	U.S. Department of Labor
Federal Program:	Unemployment Insurance
CFDA Number:	17.225, S-17.225
ARRA:	Yes
Compliance Requirement:	Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The ETA 581 Contribution Operations Report for June 30, 2013, did not correctly calculate the receivables over 15 months, as required to be reported in Line 44. The receivables reported as \$349,494 were overstated by \$104,030. The error was identified by the management reviewer; however, the update was not made when the report was transmitted.

The program had \$12,779,520 of FSF expenditures and \$177,894,022 of benefit payments, for total expenditures of \$190,673,542 during fiscal year 2013.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Unemployment Insurance (UI) program is required to report quarterly in ETA 581 Contribution Operations Reports on the volume of SWA work, performance in determining the taxable status of employers, and other information pertinent to the overall effectiveness of the tax program, which should agree with the accounting records of the State.

Cause:

While management did review the report and leave edits for the preparer, the staff did not update the report for the reviewer comments. The reviewer also should have looked at the report prior to submission to ensure all comments were corrected.

Effect:

The Program is not properly reporting program data to the Federal government.

Questioned Costs:

There are no questioned costs for the ETA 581 Report as the mathematical errors resulted an overstatement of receivables.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

The Program should require the reviewer to re-review the final report after all comments are cleared.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

A programming change was made to the Aging Receivables report to include the same time period as required by the U.S. DOL-ETA for the ETA 581 report. This programming change has eliminated the need to perform manual adjustments to the aging of receivables and will eliminate incorrect mathematical calculations.

Anticipated Completion Date:

The "Corrective Action Plan" described above was completed on October 22, 2013 and corrected the quarterly ETA 581 report in question as well as the ETA 581 report for the previous quarter. Revised ETA 581 reports were submitted to U.S. DOL-ETA on October 30, 2013.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-040
Related Prior Year Finding:	N/A
State Department Name:	Department of Labor
State Division Name (if applicable):	Division of Unemployment Insurance
Federal Agency:	U.S. Department of Labor
Federal Program:	Unemployment Insurance
CFDA Number:	17.225, S-17.225
ARRA:	Yes
Compliance Requirement:	Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

Certain attributes/components of the ETA 227 Overpayment Detection/Recovery Reports for the quarters ended December 31, 2012 and June 30, 2013 could not be agreed to supporting documentation.

The following errors occurred on the original ETA 227 reports submitted as of December 31, 2012 and are summarized in the table below:

For Section A – *Overpayments Established: Causes*, the report submitted did not agree to system generated reporting schedules for UI High Dollar Fraud Overpayments (-\$29,968 difference), UI High Dollar Non-Fraud Overpayments (-\$45,579 difference) and UCFE/UCX High Dollar Fraud Overpayments (\$4,950 difference).

For Section B – *Overpayments Established: Methods of Detection*, the report submitted did not agree to system generated reporting schedules for Non-Fraud Other (\$912 difference) and Non-Fraud Non-Controllable Total (-\$912 difference).

For Section C – *Recovery/Reconciliation*, the report submitted did not agree to system generated reporting schedules for UI Written Off (10,428 difference).

The following errors occurred on the original ETA 227 reports submitted as of June 30, 2013 and are summarized in the table below:

For Section B – *Overpayments Established: Methods of Detection*, the report submitted did not agree to system generated reporting schedules for Non-Fraud Wage/Benefit Crossmatch (-\$1,370 difference), Non-Fraud National Directory of New Hires (\$1,370 difference), and Non-Fraud Noncontrollable Total (\$670 difference).

For Section C – *Recovery/Reconciliation*, the report submitted did not agree to system generated reporting schedules for Non-Fraud UCFE/UCX Cash (\$1,157 difference), Non-Fraud UCFE/UCX Benefit Off-Set (-\$2,196 difference), Non-Fraud EB Benefit Off-Set (-\$2,196 difference), Non-Fraud UCFE/UCX State Income Tax Offset (\$6,358 difference), Fraud UI Written-Off (\$56,610 difference), Non-Fraud UI Written-off (\$55,073 difference), and Non-Fraud UCFE/UCX Written-Off (\$2,302 difference).

The following errors occurred on the original ETA 227 EUC 08 reports submitted as of June 30, 2013 and are summarized in the table below:

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Year ended June 30, 2013

For Section C – *Recovery/Reconciliation*, the report submitted did not agree to system generated reporting schedules for Non-Fraud UI Recovered-Total (-\$125,298 difference) and Fraud UI Recovered-Total (\$551 difference).

12/31/2012 - ETA 227 Overpayment Detection/Recovery

Reg/EUC08/TEUC	Section	Line	Amount per Transmitted Report	Amounts per System Support KPMG verified	\$ Difference
Reg	A - UI	112	238,042.00	268,010.00	(29,968.00)
Reg	A - UCFE/UCX	112	-	4,950.00	(4,950.00)
Reg	A - UI	113	111,341.00	156,920.00	(45,579.00)
Reg	B - Non-Fraud	207	89,778.00	88,866.00	912.00
Reg	B - Non-Fraud	208	272,470.00	273,382.00	(912.00)
Reg	C - UI	309	50,746.00	40,318.00	10,428.00

6/30/2013 - ETA 227 Overpayment Detection/Recovery

Reg/EUC08/TEUC	Section	Line	Amount per Transmitted Report	Amounts per System Support KPMG verified	\$ Difference
Reg	B - Non-Fraud	208	409,004.00	408,334.00	670.00
Reg	B - Non-Fraud	202	194,866.00	196,236.00	(1,370.00)
Reg	B - Non-Fraud	210	107,899.00	106,529.00	1,370.00
Reg	C - UCFE/UCX	303	3,374.00	2,217.00	1,157.00
Reg	C - UCFE/UCX	304	3,531.00	673.00	2,858.00
Reg	C - EB	304	1,155.00	3,351.00	(2,196.00)
Reg	C - UCFE/UCX	305	7,268.00	910.00	6,358.00
Reg	C - UI Fraud	309	78,516.00	21,906.00	56,610.00

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reg	C - UI Non-Fraud	309	83,058.00	27,985.00	55,073.00
Reg	C - UCFE/UCX	309	2,302.00	-	2,302.00
EUC08	C - UI Non-Fraud	303	73767	79045	(5,278.00)
EUC08	C - UI Non-Fraud	304	39544	156734	(117,190.00)
EUC08	C - UI Non-Fraud	305	39544	42374	(2,830.00)
EUC08	C - UI Fraud	307	551	0	551.00

The program had \$12,779,520 of FSF expenditures and \$177,894,022 of benefit expenditures, for total expenditures of \$190,673,542 during fiscal year 2013.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Unemployment Insurance Program is required to file various reports related to its oversight and compliance over the Federal funds it receives from the Department of Labor including:

ETA 227, Overpayment Detection and Recovery Activities (OMB No. 1205-0173) – Quarterly report on results of SWA activities in principal detection areas of benefit payment control (ET Handbook 401).

Reports must be complete, accurate, and prepared in accordance with the required accounting basis as well as trace to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Cause:

The person who is responsible for preparing the reports was unable to perform their duties and new personnel completed the reports. The errors were not detected by the reviewer.

Effect:

The Program is not properly reporting detailed information regarding overpayments, which could result in adjustments to future grants received from the U.S. Department of Labor.

Questioned Costs:

There were no questioned costs as the reporting is information about the activities of the UC department, not the program related expenditures reimbursed by the grant.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

The Program should develop a more detailed review process before sign-off and submission of the reports, including agreement to supporting documentation.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

12/31/2012 ETA 227 Report:

High Fraud/Non Fraud Dollar amounts:

The procedure in place is: An Accountant in the BPC Unit prepares the report; the BPC Manager reviews the report for accuracy, the BPC Manager then forwards the report to the Management Analyst II for transmission of the data. On January 27, 2014 an additional procedure was implemented. Specifically, when the transmission of the report is completed the Management Analyst II sends the BPC Manager a copy of the transmitted report, so the BPC Manager or the Accountant can ensure the data that was prepared was transmitted properly.

NOTE: A corrected report was transmitted to U.S. DOL-ETA on 10-24-2013.

Lines 207 and 208: The titles on the ETA 227 report for this section were labeled incorrectly, although the totals for this section were correct-- \$912.00 was put in an incorrect category. We are currently in the process of updating the report format so all the correct titles appear on each page of the report.

Line 309: This particular cell had an incorrect formula and it was pulling the data from an incorrect spot. This has been corrected and the data was retransmitted to U.S. DOL-ETA on 10-24-2013.

6/30/2013 ETA 227 Report:

Currently, the BPC Unit is following the established procedures for the retrieving data for the ETA 227 report. The report is being worked on daily by the Accountant and reviewed by the BPC Manager and then reviewed again after transmission is complete to ensure accuracy.

On 11-14-13 the BPC Manager contacted the IT unit and requested assistance in revising the collection of the data from the system. The changes include titles, categories and layout of the data collection to have our data collection mirror the ETA 227 report. The most identifiable issue with the collection of the data is detailing all the transactions that can occur during a quarter. Once we have this report in alignment with the ETA 227 report it will better enable us to control the report.

Note: A corrected report was transmitted to the U.S. DOL-ETA for all categories on 10-24-13.

Anticipated Completion Date:

Dates of those items in the corrective action plan that have been completed are indicated in the "Corrective Action Plan" above. Those not completed are projected to be completed within six months.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-041
Related Prior Year Finding:	N/A
State Department Name:	Department of Transportation
State Division Name (if applicable):	Department of Transportation
Federal Agency:	U.S. Department of Transportation
Federal Program:	Federal Transit Cluster
CFDA Number:	20.500; 20.507; S-20.507
ARRA:	Yes
Compliance Requirement:	Reporting (1512 Reporting)
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

Based on our review, we found there was no evidence of independent preparation and review of the 1512 Report required to be submitted for the quarter ended March 31, 2013. The same individual creates and submits the reports with no subsequent independent review. This control weakness resulted in the following errors with our sample of one 1512 report: for the one active ARRA grant during the year, the vendor payment schedules per the report did not agree to FSF accounting system detail resulting in an understatement of \$59,475 out of \$16,108,944 in expenditure per the report.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 43 CFR 12 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Delaware OMB 1512 Reporting Instruction Manual states —Prior to submission to the Federal website, the Primary Recipient is responsible for ensuring that no material errors or omissions exist. A material omission is defined as —instances where required data is not reported or reported information is not otherwise responsive to the data requests resulting in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity.

A significant reporting error is defined as —instances where required data is not reported accurately and such erroneous reporting results in significant risk that the public will be misled or confused by the recipient report in question. —The Prime recipient must ensure that there are no material omissions or significant reporting errors in each quarterly report.

The Delaware OMB 1512 Reporting Instruction Manual states —Data quality (i.e. accuracy, completeness and timely reporting of information) reviews required by the OMB June 22 Guidance are intended to avoid two key data problems – material omissions and significant reporting errors. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Subrecipients delegated to report on behalf of prime recipients share in this responsibility. In light of these data quality responsibilities, recipients and subrecipients should establish internal controls to ensure completeness, accuracy, and timely reporting of all amounts funded by the Recovery Act.

The Compliance Supplement also states that compliance testing of the ARRA reporting requirements shall include only the following key data elements of the 1512 reporting: Recipient Data Elements: Award Number, Award Amount, Total Federal Amount ARRA Funds Received/Invoiced, and Total Federal Amount of ARRA Expenditures.

Cause:

The exceptions occurred because there is no segregation of duties between the person creating and submitting the reports and the person reviewing the reports. As such, errors were not discovered.

Effect:

The Program is not properly reporting expenditures to the Federal government, which could result in adjustments to future grants received from the U.S. Department of Transportation.

Questioned Costs:

There are no questioned costs for the 1512 reports as the errors resulted in understated expenditures of \$59,475 for grant award DE-96-X001.

Recommendation:

The Program should assign a Program staff person to review the data entered prior to submission. Additionally, KPMG suggests a reconciliation from FSF to the 1512 Reports that ensures the 1512 Reports' accuracy as well as agreement to FSF.

Views of Responsible Officials:

Agency Contact Name: James Hoagland
Agency Contact Phone Number: 302-760-2036

Corrective Action Plan:

Current internal procedures have since been refined, and will be reviewed again. The Controller recommends the Contract Administration add a reviewer to their process to ensure that another staff member is added to the process to validate the data provided by the contractors is accurate. Finance will also validate the financial data provided prior to submission.

Anticipated Completion Date:

April 30, 2014

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-042
Related Prior Year Finding: 12-37
State Department Name: Department of Transportation
State Division Name (if applicable): Department of Transportation
Federal Agency: U.S. Department of Transportation
Federal Program: Federal Transit Cluster
CFDA Number: 20.500; 20.507; S-20.507
ARRA: Yes
Compliance Requirement: Reporting
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

We found that 6 of the 6 SF-425 Federal Financial Reports selected for testing agreed to the supporting documentation provided; however, the supporting documentation could not be reconciled back to the State's financial accounting system, First State Financials (FSF). The reported federal share of the expenditures was \$1,689,455 for the 6 reports, but the amount recorded in FSF cannot be determined.

The total population of SF-425 reports subject to testing reported expenditures of \$20,088,064 and FSF has \$24,258,411 of expenditures.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)) should be used by recipients as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated. The Federal Transit Cluster program is required to report expenditures incurred by the program quarterly in SF-425 Federal Financial Reports.

Cause:

The Program was in the process of updating their reporting policy and procedures to correct previous year findings. We note that FTC on a monthly basis, downloads expenditure data into excel, and then it is manually adjusted, by a Delaware Department of Transportation (DelDOT) Information and Technology personnel, to identify the expenditures relating to the Federal Transit Cluster program (FTC). We were unable to observe any evidence of review of the process, or evidence of any Federal expenditure reconciliations prepared by management to ensure the modified reports were complete and accurate. The Department of Transportation does not have policies or procedures in place to document the completeness and accuracy of the trail of expenditure data from FSF to what is being reported in its SF-425 reports.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Effect:

Failure to properly document the bridge of expenditure information reported can lead to errors in federal reports and incomplete data for a supervisory review.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend that the Department continue to implement the updated policies and procedures such as reconciliations and proper review and approval of the information being reported in SF-425 reports. We recommend that management also additionally consider restructuring FSF coding to enable direct reporting from FSF.

Views of Responsible Officials:

Agency Contact Name: Earle Timpson
Agency Contact Phone Number: 302-760-2678

Corrective Action Plan:

Regarding the capture of the FSF expenditures and the ability to reconcile the data to the SF-425 reports the following actions have been implemented. Programming staff have updated their policies and procedures for collecting and manipulating the month end data from FSF. Once all the queries are run the files are saved to record a month-end record. These files are then forwarded to Finance staff to be used for reporting and reconciliation. Additionally, the finding references a variance in SF-425 expenditures versus FSF expenditures. The variance of \$4+ million is created because of accrued unbilled and not a reconciliation problem. Several projects were funded with yet to be approved grants. This is possible due to "Pre-award authority".

Anticipated Completion Date:

October 2013

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-043
Related Prior Year Finding:	N/A
State Department Name:	Department of Transportation
State Division Name (if applicable):	Department of Transportation
Federal Agency:	U.S. Department of Transportation
Federal Program:	Federal Transit Cluster
CFDA Number:	20.500; 20.507; S-20.507
ARRA:	Yes
Compliance Requirement:	Subrecipient Monitoring
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The Department's subrecipient monitoring procedures have the following weaknesses:

- There was no evidence of the Program receiving and reviewing the OMB Circular A-133 reports for 2 subrecipients during the year. While both A-133 reports had findings reported, only one of the subrecipient's A-133 report had findings contributed to this Program. Because the A-133 reports were not obtained, there was no follow up on the corrective action plans for the findings related to this Program.
- The Program incurred \$9,202,370 in project costs for one subrecipient and \$6,906,217 in project costs for the other. Total Program costs during the year were \$24,258,411.

Criteria:

Control Exceptions:

The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance Exceptions:

When a subrecipient is given award money from the pass through entity, the pass through entity must ensure that they have properly identified to the subrecipient the terms of the award, that they must comply with federal requirements, ensure they are effectively monitoring the subrecipient, and that the subrecipient is conducting an audit every year if expending more than \$500,000 of federal funds. A Pass Through Entity is responsible for:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Cause:

Program management did not fully understand the distinction between a vendor and a subrecipient because the Department typically contracts with only vendors. Management believed the 2 subrecipients to be vendors and monitored them during the year as vendors.

Effect:

The Program did not properly monitor its subrecipients, which could result in problems with subrecipients going undetected by the Department.

Questioned Costs:

There are no questioned costs as the 2 subrecipients were monitored throughout the year; however, OMB Circular A-133 reports were not obtained. Single Audits were obtained after the fact from the entities and, although there were findings related to the Program for one of the subrecipients, no questioned costs were reported for the program.

Recommendation:

We recommend that the Program put procedures in place to ensure that they effectively identify subrecipients during the year and accurately monitor them during the award including obtaining the OMB Circular A-133 audit reports and following up on any issues reported.

Views of Responsible Officials:

Agency Contact Name: Earle Timpson
Agency Contact Phone Number: 302-760-2678

Corrective Action Plan:

DeIDOT/DTC has revised their procedures to include the requirement that we obtain a copy of a Subrecipients annual audit when that subrecipient incurs expenditures of more than \$500,000 of federal funds in a given year. Subsequent to DTC being made aware of this requirement they obtained information from both Amtrak and SEPTA and forwarded it to KPMG for their files. The SEPTA audit information was forwarded on September 30, 2013 and the Amtrak September 20, 2013. We assume this information was sufficient as DTC has not received any additional requests for documentation.

Anticipated Completion Date:

October 2013

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-044
Related Prior Year Finding:	N/A
State Department Name:	Department of Transportation
State Division Name (if applicable):	Department of Transportation
Federal Agency:	U.S. Department of Transportation
Federal Program:	Federal Transit Cluster
CFDA Number:	20.500; 20.507; S-20.507
ARRA:	Yes
Compliance Requirement:	FFATA Reporting
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

The Program had one subrecipient during the year that received Non-ARRA funding, however no Federal Funding Accountability and Transparency Act (FFATA) Report was submitted. The Program attempted to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) but was unable to register. The Program could not provide sufficient evidence that they attempted to resolve the issue so that they could submit the required report. As such, the Program did not demonstrate a good faith effort to comply with FFATA requirements. Total expenditures for the subrecipient totaled \$9,202,370.

Criteria:

Control Exceptions:

The A-102 Common Rule and its attachments found in 43 CFR 12 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance Exceptions:

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts.

As provided in 2 CFR part 170 and FAR Subpart 4.14, respectively, Federal agencies are required to include the award term specified in Appendix A to 2 CFR part 170 or the contract clause in FAR 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards, as applicable, in awards subject to the Transparency Act. Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. They first are required to register in Central Contractor Registration (CCR) (if they have not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration.

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Section 3: Federal Awards Findings and Questioned Costs

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Reporting requirements shall include the following key data elements about the first-tier subrecipients and subawards under grants and cooperative agreements: subaward date, Subawardee DUNS number, amount of subaward, Subaward Obligation/Action Date, Date of Report Submission, and Subaward Number.

Cause:

Program management was unable to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) as a prime awardee and no support could be provided that they attempted to resolve the issue.

Effect:

The Program is not completely and accurately reporting expenditures to subrecipients to the Federal government.

Questioned Costs:

There are no questioned costs.

Recommendation:

The Program should enhance their policy for FFATA reporting to ensure reports are being properly submitted and they maintain evidence of resolving issues in trying to submit the reports.

Views of Responsible Officials:

Agency Contact Name: Earle Timpson
Agency Contact Phone Number: 302-760-2678

Corrective Action Plan:

The FY2013 Audit identified Finding 13-DOT-05 with respect to FFATA Reporting. Since then DelDOT has been able to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) as a prime awardee. We have begun the process of entering historical data into the system to identify reimbursements to the subrecipients associated with specific grants. In some instances the subrecipient needs to obtain a DUNS number. We also encountered a problem where the award date to the Prime Awardee (DelDOT) was later than the award date to the subrecipient. DelDOT contacted the Federal Help Desk and FTA Region 3 for guidance. Eventually the Help Desk advised that we could enter a date later than to award date to the subrecipient. We anticipate that all the required prior data will be entered into FSRS by the end of the second quarter.

Anticipated Completion Date:

June 2014

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number:	2013-045
Related Prior Year Finding:	N/A
State Department Name:	Department of Transportation
State Division Name (if applicable):	Department of Transportation
Federal Agency:	U.S. Department of Transportation
Federal Program:	Highway Planning and Construction
CFDA Number:	20.205; S-20.205; 20.219
ARRA:	Yes
Compliance Requirement:	Reporting (1512 Reporting)
Control Finding:	Yes
Compliance Finding:	Yes
Scope Limitation:	No

Condition:

Of the 34 reports required to be submitted for the quarter ending March 31, 2013, we found no evidence of independent review on six of those 1512 Reports. The same individual creates and submits the reports with no subsequent independent review performed which resulted in the following errors in our sample:

- For award number N056038, the “Total Federal Amount of ARRA Expenditure” per the 1512 report does not agree to the First State Financials (FSF) accounting system detail, resulting in a \$103,409 understatement of reported expenditures. In addition, the vendor supporting payment schedules also did not agree to FSF accounting system detail as of March 31, 2013, resulting in an understatement of \$622,575 of reported expenditures.
- For award K007007, the vendor supporting payment schedules did not agree to FSF accounting system detail as of March 31, 2013, resulting in a \$56,877 understatement of reported expenditures.

Total expenditures reported on the 34 reports were \$102,867,069 while total expenditures for the six reports we reviewed totaled \$47,340,044.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 43 CFR 12 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

The Delaware OMB 1512 Reporting Instruction Manual states —Prior to submission to the Federal website, the Primary Recipient is responsible for ensuring that no material errors or omissions exist. A material omission is defined as —instances where required data is not reported or reported information is not otherwise responsive to the data requests resulting in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity.

A significant reporting error is defined as —instances where required data is not reported accurately and such erroneous reporting results in significant risk that the public will be misled or confused by the

STATE OF DELAWARE

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

recipient report in question. —The Prime recipient must ensure that there are no material omissions or significant reporting errors in each quarterly report.

The Delaware OMB 1512 Reporting Instruction Manual states —Data quality (i.e. accuracy, completeness and timely reporting of information) reviews required by the OMB June 22 Guidance are intended to avoid two key data problems – material omissions and significant reporting errors. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted.

Subrecipients delegated to report on behalf of prime recipients share in this responsibility. In light of these data quality responsibilities, recipients and subrecipients should establish internal controls to ensure completeness, accuracy, and timely reporting of all amounts funded by the Recovery Act.

The Compliance Supplement also states that compliance testing of the ARRA reporting requirements shall include only the following key data elements of the 1512 reporting: Recipient Data Elements: Award Number, Award Amount, Total Federal Amount ARRA Funds Received/Invoiced, and Total Federal Amount of ARRA Expenditures.

Cause:

The exceptions occurred because there is no segregation of duties between the preparation, submission, and review of the reports. As such, these errors were not discovered by a subsequent independent reviewer.

Effect:

The Program is not properly reporting expenditures to the Federal government, which could result in adjustments to future grants received from the U.S. Department of Transportation.

Questioned Costs:

There are no questioned costs for the 1512 reports as the errors resulted in understated expenditures of \$103,409 for grant award N056038 and \$56,877 for grant award K007007.

Recommendation:

The Program should assign a Program staff person to review the data entered prior to submission. Additionally, KPMG suggests a reconciliation from FSF to the 1512 Reports that both ensures the 1512 Reports' accuracy as well as agrees the total amounts to FSF.

Views of Responsible Officials:

This is a minor report timing error on continuing projects that can be corrected at any time per the 1512 reporting process. This does not appear to be a significant finding. *The discrepancies were caused by a difference in timing of reports between FHWA and Delaware Accounting System (FSF). These discrepancies have been identified and noted. Financial duties are segregated as they related to supplying the expenditures to the Contract Administration Section. Multiple people supply information and reconcile it between the two systems. The information is then reviewed and entered on a spreadsheet and submitted to Contract Administration. Contract Administration then enters the information onto the 1512 report and adds contractor information. Contract Administration then submits the 1512 report to FHWA. The contractor information was originally supplied by the contractors and then reviewed by Project Managers.*

Agency Contact Name: *Edited by Beverly Swiger* – Originally reported by James Hoagland

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Agency Contact Phone Number: 760-2036

Corrective Action Plan:

Current internal procedures have refined, and will be reviewed again. *There is currently only one project remaining that contains ARRA funding. This project is expected to spend through August 2014. We anticipate that this timing issue may still occur until these funds are fully expended.*

Anticipated Completion Date:

August 30, 2014

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Reference Number: 2013-046
Related Prior Year Finding: N/A
State Department Name: Department of Natural Resources and Environmental Control (DNREC)
State Division Name (if applicable): Division of Water Resources, Financial Assistance Branch (FAB)
Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
ARRA: No
Compliance Requirement: Special Tests and Provisions (Fund Establishment, Loan Repayments, Fund Earnings, and Uses of Funds)
Control Finding: Yes
Compliance Finding: Yes
Scope Limitation: No

Condition:

The Program had 18 loans entering repayment status in State Fiscal Year 2013. For two loans, totaling \$1,791,872, of the three loans tested, DNREC did not send notifications of “due dates” for the first loan repayments to subrecipients in a timely manner. As a result, payments did not begin within a year of the project completion date listed in the loan agreement. The 18 loans entering repayment status amounted to \$48,754,158 while the three loans examined totaled \$2,070,884.

In addition, DNREC did not have an effective control in place to ensure compliance with the federal requirements as management’s review of the signed agreement and loan activity did not deter or detect noncompliance.

Criteria:

Control exceptions:

The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance exceptions:

Repayment of loans shall begin within one year after project completion, and loans shall be fully amortized over not more than 20 years after project completion (40 CFR sections 35.3110(b) and 35.3120(a) and the policy statement titled *Transfer and Cross-Collateralization of Clean Water Revolving Funds and Drinking Water State Revolving Funds* published in the October 13, 2000, *Federal Register* (65 FR 60940)).

Effect:

DNREC was unable to ensure that repayment of loans started within one year after project completion.

Questioned Costs:

Questioned costs are not determinable.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2013

Recommendation:

DNREC should implement a tracking system at the time of loan closing that allows management to determine when a letter regarding first repayment should be submitted so that the payments are made timely.

Views of Responsible Officials:

DNREC's Financial Assistance Branch (FAB) acknowledges that the construction completion date as stated in the General Obligation Bond is "projected" and therefore subject to adjustment. However, the Financing agreements state a date of completion for projects in section 2.1(m) of each agreement. Section 3.4 of those agreements, Agreement to Accomplish Project, states that the Borrower will complete the project by the date set forth in Section 2.1(m) and, as worded, is not subject to adjustment. Amortized payments were started within one year of the actual construction completion date as required by the 40 CFR sections 35.3110(b) and 35.3120(a) and the policy statement titled Transfer and Cross-Collateralization of Clean Water Revolving Funds and Drinking Water State Revolving Funds published in the October 13, 2000, Federal Register (65 FR 60940), but not within one year of the completion date as established in the Financing Agreement of the loan closing documents.

Agency Contact Name:

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Agency Contact Phone Number:
(302) 739-9941

Corrective Action Plan:

FAB has reviewed the wording in the loan closing documents with the law firm Saul Ewing responsible for the preparation of those documents. Saul Ewing and DNREC will work together to revise those documents for all future loans to clarify the determination of the construction completion date and establish procedures for amending those documents to modify that date if justification is provided by the borrower and approved by FAB.

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Section 3: Federal Awards Findings and Questioned Costs

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FAB is also in the process of replacing our current loan servicing software program FABTrac with the program Enable which will include the ability for FAB to provide dates in the program for certain project milestones, including stated project completion dates, and Enable will advise both the engineering and financial sections of FAB if those dates are approaching so that the progress towards those milestones will be reviewed and appropriate corrective action can be taken if necessary.

Anticipated Completion Date:

FAB is already in discussions with Saul Ewing and necessary changes in the wording of the loan closing documents will be incorporated in all future loan agreements.

The Enable program is in the final design phases and is projected to be operational by July 1, 2014.

MATRIX OF FINDINGS BY FEDERAL AGENCY

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2013

Matrix of Findings by Federal Agency

Finding	USDA	DOI	DOL	DOT	EPA	ED	HHS	SSA
Prefix	10	15	17	20	66	84	93	96
2013-001						X		
2013-002						X		
2013-003						X		
2013-004						X		
2013-005						X		
2013-006						X		
2013-007						X		
2013-008						X		
2013-009						X		
2013-010						X		
2013-011						X		
2013-012						X		
2013-013	X						X	
2013-014	X						X	
2013-015							X	
2013-016							X	
2013-017							X	
2013-018							X	
2013-019							X	
2013-020	X							
2013-021							X	
2013-022							X	
2013-023							X	
2013-024	X							
2013-025	X							
2013-026	X							
2013-027	X							
2013-028							X	
2013-029	X							
2013-030							X	
2013-031			X					
2013-032			X					
2013-033			X					

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2013

Finding	USDA	DOI	DOL	DOT	EPA	ED	HHS	SSA
Prefix	10	15	17	20	66	84	93	96
2013-034			X					
2013-035			X					
2013-036			X					
2013-037								X
2013-038			X					
2013-039			X					
2013-040			X					
2013-041				X				
2013-042				X		X		
2013-043				X				
2013-044				X				
2013-045				X				
2013-046					X			

STATE OF DELAWARE

Summary Status of Prior Year Findings

Year ended June 30, 2013

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

Agency	U.S. Department of Education Delaware Technical and Community College Terry Campus											
Fiscal Year	2012											
Reference Number	12-1											
Related Prior Year Findings	11-DTCC-01											
Program Name (CFDA No.)	Special Tests and Provisions (Borrower Data Transmission and Reconciliation (Direct Loans))											
Type of Finding	Noncompliance, Significant Deficiency											
Compliance Requirement(s)	Special Tests and Provisions (Borrower Data Transmission and Reconciliation (Direct Loans))											
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Institutions must report all loan disbursements and submit required records to the DLSS via the Common Origination and Disbursement (COD) within 30 days of disbursement (<i>OMB No. 1845-0021</i>). Each month, the COD provides institutions with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301 and 303).</p>											
Condition	<p>The following is considered to be both a control and compliance exception. In connection with our test work over the Direct Loan program, we found that the Terry campus had not been performing and documenting monthly reconciliations for the campus' Direct Loan information based upon the School Account Statements (SAS) received from Direct Loan Servicing System (DLSS) prior to April 2012. The related expenditures for fiscal year 2012 are detailed in the table below.</p> <p>SFA Cluster</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: center;">Dollar Amount</th> </tr> </thead> <tbody> <tr> <td>Total Terry Campus Direct Loan Expenditures</td> <td style="text-align: right;">\$2,516,832</td> </tr> <tr> <td>Total Terry Campus SFA Expenditures, including Direct Loans</td> <td style="text-align: right;">8,437,972</td> </tr> <tr> <td>Total DTCC Direct Loan Expenditures (all campuses)</td> <td style="text-align: right;">8,486,901</td> </tr> <tr> <td>Total DTCC SFA Expenditures, including Direct Loans (all campuses)</td> <td style="text-align: right;">32,405,503</td> </tr> </tbody> </table>			Dollar Amount	Total Terry Campus Direct Loan Expenditures	\$2,516,832	Total Terry Campus SFA Expenditures, including Direct Loans	8,437,972	Total DTCC Direct Loan Expenditures (all campuses)	8,486,901	Total DTCC SFA Expenditures, including Direct Loans (all campuses)	32,405,503
	Dollar Amount											
Total Terry Campus Direct Loan Expenditures	\$2,516,832											
Total Terry Campus SFA Expenditures, including Direct Loans	8,437,972											
Total DTCC Direct Loan Expenditures (all campuses)	8,486,901											
Total DTCC SFA Expenditures, including Direct Loans (all campuses)	32,405,503											
Cause	Fiscal year 2011 was the first year for the Direct Loan program at Delaware Technical and Community College, but the Terry campus did not receive monthly SAS data files until April 2012 when they became aware of the need to reconcile the SAS statements to the campus' financial records.											
Effect	Direct Loan disbursements may be improperly recorded until April 2012 since a monthly reconciliation was not performed.											

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

<i>Recommendation</i>	We recommend the College continue its policy and procedure to ensure the SAS data file is being reconciled on a monthly basis and ensure that evidence of those reconciliations is maintained.
<i>Questioned Costs</i>	There are no known questioned costs associated with this finding since the campus' financial records were cumulatively reconciled as of June 30, 2012.
<i>Agency Contact Name</i>	<i>Jennifer Grunden, Terry Campus, Student Financial Aid Officer</i>
<i>Agency Contact Phone Number</i>	<i>(302) 857-1042</i>
<i>Corrective Action Plan</i>	Delaware Technical Community College Terry Campus has performed the monthly SAS reconciliation of the Direct Loan program since April 2012. Both electronic and paper SAS records/reconciliations have been retained.
<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	Completed
<i>Anticipated Completion Date (if not Fully corrected).</i>	N/A

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

Agency	Department of Education Brandywine School District Christina School District Caesar Rodney School District Delmar School District Laurel School District Milford School District Red Clay Consolidated School District Sussex Tech School District Woodbridge School District
Fiscal Year	2012
Reference Number	12-2
Related Prior Year Findings	11-ED-01
Related 2013 Finding	2013-002
Program Name (CFDA No.)	Title I Grants to Local Educational Agencies (84.010, S-84.389) Improving Teacher Quality State Grants (84.367) Special Education Cluster (84.027, 84.173, S-84.391, S-84.392) State Fiscal Stabilization Fund, Race-to-the-Top Incentive Grants, Recovery Act (S-84.395)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Allowable Costs (Effort Reporting)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)</p> <p>Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)</p>

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

	<p>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5) Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.</p> <p>Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results. <input type="checkbox"/> The entire time period being sampled. <input type="checkbox"/> The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)
<p>Condition</p>	<p>The following are considered to be both control and compliance exceptions:</p> <p><i>Brandywine School District</i> Based on a sample of 30 payroll expenditures totaling \$108,868, five employees charged \$35,562 to the Title I program, two employees charged \$3,456 to the Improving Teacher Quality program, nine employees charged \$23,058 to the Special Education program, and two employees charged \$6,299 to the Race-to-the- Top program, but were missing time and effort reports. In addition, two employees' charges totaling \$2,358 to the Race-to-the-Top program did not agree to the percentages approved on their time and effort reports by a net difference of \$173. Furthermore, five employees charging \$10,622 to Improving Teacher Quality program and two employees charging \$8,033 to Race-to-the-Top program did not have semi-annual certifications completed on a timely basis.</p> <p><i>Christina School District</i> Based on a sample of 31 payroll expenditures totaling \$149,121, one employee charged \$13,527 to the Improving Teacher Quality program and five employees charged \$31,939 to the Special Education program, but were missing time and effort reports.</p> <p><i>Caesar Rodney School District</i> Based on a sample of 17 payroll expenditures totaling \$32,697, four employees charged \$7,023 to the Special Education program, but were missing time and effort reports. The time and effort report for one employee charging \$2,012 to the Title I program did not illustrate the allocation of the remaining percentage of that employee's time for that particular pay period.</p> <p><i>Laurel School District</i> Based on a sample of nine payroll expenditures totaling \$21,786, all nine items had exceptions as follows; four employees charged \$10,320 to the Title I program, three</p>

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

employees charged \$6,232 to the Improving Teacher Quality program, one employee charged \$2,596 to the Special Education program, and one employee charged \$2,638 to the Race-to-the-Top program, but were missing time and effort reports.

Milford School District

Based on a sample of eight payroll expenditures totaling \$32,928, two employees' charges totaling \$17,945 to the Title I program did not agree to the percentages approved on their time and effort reports. The net difference for those two employees totaled \$12,848.

Red Clay Consolidated School District

Based on a sample of 60 payroll expenditures totaling \$203,236, four employees' charges totaling \$12,615 to the Improving Teacher Quality program did not agree to the percentages approved on their time and effort reports. The net difference for those four employees totaled \$36.

Sussex Tech School District

Based on a sample of two payroll expenditures totaling \$3,476, two employees charged \$3,476 to the Race-to-the-Top program, but were missing time and effort reports.

Woodbridge School District

Based on a sample of six payroll expenditures totaling \$19,435, all six items had exceptions as follows; one employee charged \$9,291 to the Title I program, one employee charged \$1,756 to the Improving Teacher Quality program and four employees charged \$8,388 to the Race-to-the-Top program, but were missing time and effort reports.

A summary of the major programs with payroll control and compliance exceptions are summarized below:

Title I Cluster

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Total Payroll Expenditures</i>	48,365	\$29,558,490
<i>Total Nonpayroll Expenditures</i>	9,398	15,944,124
<i>Total Program Expenditures</i>	57,763	46,110,587
<i>Payroll Sample</i>	65	291,777
<i>Payroll Control Exceptions</i>	12	68,021
<i>Payroll Compliance Exception:</i>	12	68,021

Improving Teacher Quality

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Total Payroll Expenditures</i>	23,955	\$10,231,071
<i>Total Nonpayroll Expenditures:</i>	1,951	2,640,005
<i>Total Program Expenditures</i>	25,906	13,129,615
<i>Payroll Sample</i>	65	194,484
<i>Payroll Control Exceptions</i>	11	11 25,007
<i>Payroll Compliance Exception:</i>	11	11 25,007

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

	<table border="1"> <thead> <tr> <th colspan="3"><i>Special Education Cluster</i></th> </tr> <tr> <th></th> <th><i># of Items</i></th> <th><i>Dollar Amount of Items</i></th> </tr> </thead> <tbody> <tr> <td><i>Total Payroll Expenditures</i></td> <td>55,949</td> <td>\$24,571,530</td> </tr> <tr> <td><i>Total Nonpayroll Expenditures:</i></td> <td>12,950</td> <td>17,274,629</td> </tr> <tr> <td><i>Total Program Expenditures</i></td> <td>68,889</td> <td>41,824,882</td> </tr> <tr> <td><i>Payroll Sample</i></td> <td>65</td> <td>198,681</td> </tr> <tr> <td><i>Payroll Control Exceptions</i></td> <td>19</td> <td>64,616</td> </tr> <tr> <td><i>Payroll Compliance Exception:</i></td> <td>19</td> <td>64,616</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3"><i>State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants</i></th> </tr> <tr> <th></th> <th><i># of Items</i></th> <th><i>Dollar Amount of Items</i></th> </tr> </thead> <tbody> <tr> <td><i>Total Payroll Expenditures</i></td> <td>20,777</td> <td>\$11,487,985</td> </tr> <tr> <td><i>Total Nonpayroll Expenditures:</i></td> <td>3,389</td> <td>15,047,588</td> </tr> <tr> <td><i>Total Program Expenditures</i></td> <td>24,166</td> <td>26,535,573</td> </tr> <tr> <td><i>Payroll Sample</i></td> <td>65</td> <td>182,227</td> </tr> <tr> <td><i>Payroll Control Exceptions</i></td> <td>9</td> <td>20,974</td> </tr> <tr> <td><i>Payroll Compliance Exception:</i></td> <td>9</td> <td>20,974</td> </tr> </tbody> </table>	<i>Special Education Cluster</i>				<i># of Items</i>	<i>Dollar Amount of Items</i>	<i>Total Payroll Expenditures</i>	55,949	\$24,571,530	<i>Total Nonpayroll Expenditures:</i>	12,950	17,274,629	<i>Total Program Expenditures</i>	68,889	41,824,882	<i>Payroll Sample</i>	65	198,681	<i>Payroll Control Exceptions</i>	19	64,616	<i>Payroll Compliance Exception:</i>	19	64,616	<i>State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants</i>				<i># of Items</i>	<i>Dollar Amount of Items</i>	<i>Total Payroll Expenditures</i>	20,777	\$11,487,985	<i>Total Nonpayroll Expenditures:</i>	3,389	15,047,588	<i>Total Program Expenditures</i>	24,166	26,535,573	<i>Payroll Sample</i>	65	182,227	<i>Payroll Control Exceptions</i>	9	20,974	<i>Payroll Compliance Exception:</i>	9	20,974
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Cause	The State Department of Education and the school districts cited above did not maintain proper and timely effort reporting for employees funded by federal programs.																																																
Effect	Salary and related costs allocated to the federal programs are not appropriately supported by semi-annual certifications or properly prepared time and effort reports.																																																
Recommendation	We recommend that the State Department of Education and the above school districts maintain properly prepared and signed personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.																																																
Questioned Costs	Known questioned costs amounted to a \$12,848 overcharge to the Title I program, a \$36 overcharge to the Improving Teacher Quality program, and a \$173 overcharge to the Race to the Top program. The following charges were missing time and effort reports: \$55,173 for the Title I program, \$24,971 for the Improving Teacher Quality program, \$64,616 for the Special Education program, and \$20,801 for the Race-to-the-Top program. In addition, a charge of \$2,012 for the Title I program was missing a 100% allocation of the employee's time for that pay period and five employees totaling \$10,622 charged to Improving Teacher Quality program and two employees totaling \$8,033 charged to Race-to-the-Top program did not have semi-annual certifications completed on a timely basis.																																																
Agency Contact Name	<i>Eulinda DiPietro</i>																																																
Agency Contact Phone Number	<i>(302) 735-4016</i>																																																
Corrective Action Plan	Delaware Department of Education will provide technical assistance to all Business Managers during a regularly scheduled quarterly meeting. Additionally, individual technical assistance will be provided to the school districts with findings. Delaware Department of																																																

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

	Education convened a program manager's workgroup in December 2012 to respond to cross cutting issues for the Department and to promote quality improvement. The workgroup brings together program and financial staff and meets every quarter. The focus of the February 2013 meeting was on the current monitoring tools for LEAs and whether modifications need to be made to ensure LEAs are meeting the time and effort requirements.
<i>Finding Status</i>	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	Technical assistance was provided to LEAs on February 11, 2013 and May 17, 2013. Supporting reference material for time and effort reporting was also provided. The DOE workgroup has continued to meet to modify monitoring tools for all federal programs
<i>Anticipated Completion Date (if not Fully corrected).</i>	Expected to be fully completed across all LEAs as of July 1, 2013.

STATE OF DELAWARE
 Summary Status of Prior Year Findings
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Agency	U.S. Department of Education
Fiscal Year	2012
Reference Number	12-3
Related Prior Year Findings	N/A
Program Name (CFDA No.)	Improving Teacher Quality State Grants (84.367)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Allowable Costs
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: The Improving Teacher Quality State Grant may be used for a broad span of activities designed to improve teacher quality that are identified in Section 2123(a) of the ESEA. Examples of allowable activities include: (1) providing “professional development” (as the term is defined in Section 9101(34) of the ESEA, 20 USC 6602(34)) to teachers, and, where appropriate, to principals and paraprofessionals in content knowledge and classroom practice; (2) developing and implementing a wide variety of strategies and activities to recruit, hire, and retain highly qualified teachers and principals; (3) developing and implementing initiatives to promote retention of highly qualified teachers and principals; (4) carrying out professional development programs to assist principals and superintendents in becoming outstanding managers and educational leaders; and (5) carrying out teacher advancement initiatives that promote professional growth and emphasize multiple career paths and pay differentiation, and establish programs and activities related to exemplary teachers. LEAs also may use funds to hire teachers to reduce class size (Sections 2101 and 2123(a) of the ESEA (20 USC 6601 and 6623(a))).</p> <p>In addition, to be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):</p> <ol style="list-style-type: none"> a. Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, paragraph C.2 for additional information on reasonableness of costs.) b. Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, paragraph C.3 for additional information on allocable costs.) c. Be authorized or not prohibited under State or local laws or regulations. d. Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items. e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

	<p>a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.</p> <p>g. Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.</p> <p>h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.</p> <p>i. Be net of all applicable credits. (Refer to A-87, Attachment A, paragraph C.4 for additional information on applicable credits.)</p> <p>j. Be adequately documented.</p>																					
Condition	<p>The following are considered to be both control and compliance exceptions. Based on a sample of 65 nonpayroll transactions totaling \$1,488,306, we found six transactions totaling \$60,800 that were approved, but we considered questionable for the Improving Teacher Quality program since the costs consisted of computers, tablets or data service center fees.</p> <p>Improving Teacher Quality</p> <table border="1"> <thead> <tr> <th></th> <th># of Items</th> <th>\$ Dollar Amount of Items</th> </tr> </thead> <tbody> <tr> <td>Total Payroll Expenditures</td> <td>23,955</td> <td>10,231,071</td> </tr> <tr> <td>Total Nonpayroll Expenditures</td> <td>1,951</td> <td>2,640,005</td> </tr> <tr> <td>Total Program Expenditures</td> <td>25,906</td> <td>13,129,615</td> </tr> <tr> <td>Nonpayroll Sample</td> <td>65</td> <td>1,488,306</td> </tr> <tr> <td>Nonpayroll Control Exceptions</td> <td>6</td> <td>60,800</td> </tr> <tr> <td>Nonpayroll Compliance Exception</td> <td>6</td> <td>60,800</td> </tr> </tbody> </table>		# of Items	\$ Dollar Amount of Items	Total Payroll Expenditures	23,955	10,231,071	Total Nonpayroll Expenditures	1,951	2,640,005	Total Program Expenditures	25,906	13,129,615	Nonpayroll Sample	65	1,488,306	Nonpayroll Control Exceptions	6	60,800	Nonpayroll Compliance Exception	6	60,800
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Nonpayroll Sample	65	1,488,306																				
Nonpayroll Control Exceptions	6	60,800																				
Nonpayroll Compliance Exception	6	60,800																				
Cause	Certain districts do not appear be aware that computer related costs are unallowable under the Improving Teacher Quality program.																					
Effect	Costs are being charged to the federal program that are not allowable.																					
Recommendation	We recommend that the Delaware Department of Education reinforce what costs are allowable under the Improving Teacher Quality program and ensure that proper approvals and appropriate supporting documentation is maintained for such costs.																					
Questioned Costs	The questioned costs for the Improving Teacher Quality program sample amounted to \$60,800.																					
Agency Contact Name	<i>Wendy Modzelewski</i>																					
Agency Contact Phone Number	<i>(302) 857-3312</i>																					
Corrective Action Plan	The Title II Part A Improving Teacher Quality grant has experienced significant program staff turnover at Delaware Department of Education. Turnover and inconsistent documentation for subgrant changes are potential contributors to this finding. Delaware Department of Education has convened a program manager’s workgroup comprised of financial and program staff who meets every quarter. During the February 2013 meeting, members of the workgroup discussed the necessity of having an electronic or hard copy of all amendments and budget adjustments that accompany a LEAs subgrant. Additionally, the new program manager will provide clarification to LEAs regarding allowable costs in relation to professional development and technology during the consolidated grant trainings scheduled in April 2013. Technical assistance will be also provided on an as needed basis as																					

STATE OF DELAWARE
 Summary Status of Prior Year Findings
 June 30, 2013

	consolidated grants are reviewed.
<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	DOE Program Managers were trained on the consolidated application process on 2/26/2013 and 3/4/2013 to clarify roles and expectations. Webinar and regional trainings were held for LEAs on April 11 th , April 18 th , April 25 th and April 30 th .
<i>Anticipated Completion Date (if not Fully corrected).</i>	

STATE OF DELAWARE
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 June 30, 2013

Agency	U.S. Department of Education, U.S. Department of Agriculture
Fiscal Year	2012
Reference Number	12-4
Related Prior Year Findings	11-ED-03
Related 2013 Findings	2013-005
Program Name (CFDA No.)	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Child and Adult Care Food Program (10.558) Title I Grants to Local Educational Agencies (84.010, S-84.389) Special Education Cluster (84.027, 84.173, S-84.391, S-84.392) Improving Teacher Quality State Grants (84.367) State Fiscal Stabilization Fund Cluster (S-84.394) State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act (S-84.395) Education Jobs Fund (S-84.410)
Type of Finding	Scope Limitation, Significant Deficiency
Compliance Requirement(s)	Cash Management
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 <i>et seq.</i>), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures of Treasury Subpart B of 31 CFR part 205 (Subpart B).</p> <p>We noted that of the major federal programs identified above, all but the State Fiscal Stabilization Fund Cluster and the State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants are subject to the CMIA. Those two federal programs are required to be in compliance with Subpart B cash draw down procedures.</p>
Condition	The following is considered to be the compliance exception and scope limitation as documented in the tables below. Until mid-October of 2011, the Department of Education's draw down information could not be reconciled to First State Financials (FSF), the State's general ledger. The spreadsheet files of the original draw down queries were maintained by DOE as supporting documentation, but the information on these files could not readily be traced back to FSF. Based on a sample of \$113,806,475 across all the major programs cited above, we found that 13 draws amounting to \$25,071,179 across all the major programs could not be reconciled to FSF because they were drawn prior to October 19, 2011, when a new system query was implemented.

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The following is considered to be a control exception as documented in the tables below. While the supervisor was reviewing the system query for drawdowns before they were executed, the review did not include a review of the query being reconciled to FSF, the State's general ledger, until mid-October of 2011.

The tables below represent the scope of items examined and the associated results (the compliance items refer to a scope limitation as they were unable to be tested for compliance):

Child Nutrition Cluster & Child and Adult Care Food Program (programs drawn together as part of a USDA block grant):

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$54,799,836
<i>Draw Population</i>	47	54,916,456
<i>Sample</i>	13	51,562,426
<i>Control Exception</i>	1	2,350,283
<i>Compliance Exception</i>	1	2,350,283

Title I Program

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$46,110,587
<i>Draw Population</i>	25	25,641,721
<i>Sample</i>	8	15,217,206
<i>Control Exception</i>	2	5,723,690
<i>Compliance Exception</i>	2	5,723,690

Improving Teacher Quality Program

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$13,129,615
<i>Draw Population</i>	22	13,277,690
<i>Sample</i>	8	4,839,550
<i>Control Exception</i>	2	1,958,077
<i>Compliance Exception</i>	2	1,958,077

Special Education Cluster

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$41,824,882
<i>Draw Population</i>	24	44,026,508
<i>Sample</i>	8	11,095,539
<i>Control Exception</i>	2	3,952,026
<i>Compliance Exception</i>	2	3,952,026

State Fiscal Stabilization Fund

	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>Program Expenditures</i>		\$11,018,968
<i>Draw Population</i>	12	14,886,965
<i>Sample</i>	5	3,915,774

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	Control Exception	2	2,122,099
	Compliance Exception	2	2,122,099
	State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants		
		# of Items	Dollar Amount of Items
	Program Expenditures		\$26,535,573
	Draw Population	20	27,981,540
	Sample	8	15,326,155
	Control Exception	2	4,691,901
	Compliance Exception	2	4,691,901
	Education Jobs Fund		
		# of Items	Dollar Amount of Items
	Program Expenditures		\$18,927,208
	Draw Population	21	19,824,437
	Sample	8	11,849,825
	Control Exception	2	4,273,103
	Compliance Exception	2	4,273,103
Cause	DOE utilized a preliminary system query to obtain the required information, but did not maintain original query results to reconcile to FSF. Beginning in mid-October of 2011, a new system inquiry was provided to the DOE which could be traced back to FSF.		
Effect	We were unable to determine whether the exceptions cited above were in accordance with their applicable compliance requirements, either the CMIA or the Treasury's Subpart B since we were unable to reconcile the drawdown to FSF and verify when the expenditures were recorded.		
Recommendation	As begun in October of 2011, the DOE should continue to ensure its federal draw down process has an adequate level of support for determining that drawdowns are in accordance with each programs compliance requirements. The support should include how the drawdown information can be traced to FSF.		
Questioned Costs	Questioned costs are not determinable.		
Agency Contact Name	Eulinda DiPietro		
Agency Contact Phone Number	(302) 735-4016		
Corrective Action Plan	This issue has been resolved. Prior to 10-17-2011 Delaware Department of Education was using a less preferred query to determine outstanding account receivables. After 10-17-2011, another query was identified as the most appropriate source of information for determining outstanding account receivables. The AR Pending query has been used since after 10-17-2011.		
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>		

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<i>Description of Status</i>	While the proper query was utilized after 10/17/2011, another issue arose with the application of deposits against the outstanding receivables in October 2012. The issue was fixed by Oracle in November 2012.
<i>Anticipated Completion Date (if not Fully corrected).</i>	Resolved as of 12/1/2012

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Agency	Department of Education Colonial School District Indian River School District
Fiscal Year	2012
Reference Number	12-5
Related Prior Year Findings	11-ED-04
Program Name (CFDA No.)	Title I Grants to Local Educational Agencies (84.010, S-84.389) Special Education Cluster (84.027, 84.173, S-84.391, S-84.392) Improving Teacher Quality State Grants (84.367)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Level of Effort (Maintenance of Effort)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>A Local Educational Agency (LEA) may receive funds under an applicable program only if the State Educational Agency (SEA) finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by U.S. Department of Education.</p> <p>An LEA's expenditures from State and local funds for free public education include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. They do not include the following expenditures: (a) any expenditure for community services, capital outlay, debt service and supplementary expenses as a result of a Presidentially declared disaster and (b) any expenditure made from funds provided by the Federal government.</p> <p>If an LEA fails to maintain fiscal effort, the SEA must reduce the amount of the allocation of funds under an applicable program in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA) (Section 9521 of ESEA (20 USC 7901); 34 CFR section 299.5).</p>
Condition	The following is considered to be a control exception. There appears to be a lack of independent review of the pre-populated maintenance of effort (MOE) amounts in the Consolidated Grant Applications for the school districts because for the eight school districts we tested, we found that the MOE calculation for Colonial and Indian River school districts included 2009 and 2008 financial information instead of 2010 and 2009 financial information. Since the Consolidated Grant Application we reviewed was for the 2011-2012 school year, the MOE calculation should have at least contained the school districts' financial information for fiscal years 2010 and 2009. A comparison of the most recent available financial information is necessary to determine whether the school districts are

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	meeting their MOE requirements as described in the Criteria section below.
Cause	The State Department of Education and school districts have not developed documentation and review procedures to ensure the pre-populated data input from the State Department of Education's information technology personnel and incorporated into the LEAs MOE calculation are independently reviewed for accuracy.
Effect	Recalculating the MOE for the Colonial and Indian River school districts using the appropriate financial data indicated that both districts met the MOE requirements; however, if such calculations are not monitored closely any shortfalls may not be identified and addressed on a timely basis.
Recommendation	We continue to recommend that the Delaware Department of Education reinforce how the MOE template should be completed and develop procedures to ensure that the school districts' MOE calculations have been completed accurately.
Questioned Costs	There are no questioned costs associated with this finding.
Agency Contact Name	<i>Eulinda DiPietro</i>
Agency Contact Phone Number	<i>(302) 735-4016</i>
Corrective Action Plan	Delaware Department of Education program, fiscal and technical staff has met to determine several strategies for ensuring accurate and appropriate data is reflected in the consolidated applications. Prior to data being uploaded to Educations Success Planning and Evaluation System (ESPES), finance, program and technical staff will review the MOE data from two different sources. Once the data is confirmed as accurate, the information will be uploaded to ESPES. The Consolidated Grant Application Coordinator will review the data in ESPES and compare to the data provided by the Business Office. The Federal Funds Manager will engage in the same process as a check.
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	Before MOE data is loaded in ESPES, two technical staff members who work in separate work groups review and then compare the MOE data they have calculated independently. Once the data is loaded in ESPES, the consolidated grant coordinator then reviews the data in ESPES. The Education Associate for Federal Funds then engages in the same process as a check.
Anticipated Completion Date (if not Fully corrected).	June 30, 2013

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Agency	US Department of Education
Fiscal Year	2012
Reference Number	12-6
Related Prior Year Findings	11-ED-06
Program Name (CFDA No.)	Title I Grants to Local Educational Agencies – ARRA (S-84.389) Special Education Cluster – ARRA (S-84.391, S-84.392) State Fiscal Stabilization Fund Cluster (S-84.394)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Special Tests and Provisions for Awards with ARRA Funding (Separate Accountability for ARRA Funding)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: As provided in 2 CFR section 176.210, Federal agencies require recipients to (1) agree to maintain records that identify adequately the source and application of ARRA awards; (2) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalogue of Federal Domestic Assistance (CFDA) number, and the amount of ARRA funds; and (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC.</p>
Condition	<p>The following is considered a control exception. There is no reconciliation of the Department of Education’s Schedule of Federal Expenditures (SEFA) by Catalogue of Federal Domestic Assistance (CFDA) number to those major programs identified in the First State Financials (FSF) by appropriation number.</p> <p>The following is considered a compliance exception. In connection with our review of the ARRA and regular program expenditures for the major programs being tested, we reconciled amounts in the SEFA to the Department of Education’s general ledger as well as the Federal Recovery Act website. We found that some of the Department of Education’s ARRA funds were incorrectly classified to the wrong CFDA number and other program expenditures were incorrectly included in the major program expenditures. For the year ended June 30, 2012, expenditures of \$4,545,061 and \$35,348 originally included in the Title I ARRA CFDA should have been included in the State Fiscal Stabilization Fund Cluster and the Special Education Cluster – ARRA, respectively and \$570,528 and \$255,832 included as Title I and Improving Teacher Quality, respectively, should have been included in other non-major federal programs.</p>
Cause	The exception occurred because the information used to extract the CFDA is not properly linked to the appropriation data so a portion of the ARRA and other program funds went to the incorrect CFDA numbers within FSF.
Effect	The State’s SEFA needs to be adjusted to reflect the proper amount of federal expenditures to the correct CFDA number.

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<i>Recommendation</i>	We continue to recommend that the State's SEFA be reconciled back to grant allocations on an annual basis to ensure all ARRA and other program funds have been properly reflected on the SEFA.
<i>Questioned Costs</i>	There are no questioned costs associated with this finding.
<i>Agency Contact Name</i>	<i>Eulinda DiPietro</i>
<i>Agency Contact Phone Number</i>	<i>(302) 735-4016</i>
<i>Corrective Action Plan</i>	Delaware Department of Education finance staff will review current grants and their associated CFDA numbers to verify and/or correct any erroneous entries. For FY 2013 grants, staff inputting grant related information in First State Financials used a grant template containing CFDA numbers that were reviewed prior and after populating the template.
<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	Fully corrected
<i>Anticipated Completion Date (if not Fully corrected).</i>	

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Agency	Department of Education Woodbridge School District
Fiscal Year	2012
Reference Number	12-7
Related Prior Year Findings	11-ED-08
Related 2013 Findings	2013-007
Program Name (CFDA No.)	Improving Teacher Quality State Grants (84.367)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Special Test and Provisions (Participation of Private School Children)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: For programs funded under Title I, Part A (CFDA 84.010), a Local Educational Agency (LEA), after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Eligible private school children are those who reside in a participating public school attendance area and have educational needs under section 1115(b) of ESEA (20 U.S.C. 6315(b)).</p> <p>For all other programs, an SEA, LEA, or any other educational service agency (or consortium of such agencies) receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served (Sections 5142 and 9501 of ESEA (20 USC 7217a and 7881); 34 CFR sections 299.6 through 299.9).</p>
Condition	<p>The following is considered a control exception. The State Department of Education provides a list of all private schools in a school district's attendance area that should be sent letters of intent to access federal funding. However, there is no mechanism in place to verify that all the school districts properly sent those letters of intent for all relevant programs.</p> <p>The following is considered a compliance exception. Based on our testwork to verify the school districts sent letters of intent for federal funding to each private school within its</p>

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	attendance area, we found that letters were sent to solicit Title I participation for all 40 schools tested, but letters regarding the Improving Teacher Quality program were not sent for four out of 40 schools.
<i>Cause</i>	School district personnel were not aware of the federal requirements or the Delaware Department of Education's policy to ensure that all private schools receive letters regarding participation for all eligible federal programs.
<i>Effect</i>	Some private schools did not receive letters of intent for certain federal programs for which they may be eligible to receive funding.
<i>Recommendation</i>	We recommend that the school district personnel be properly trained by the Delaware Department of Education to ensure the districts fulfill the federal requirements pertaining to the participation of services for private school children for all federal programs available to them.
<i>Questioned Costs</i>	There are no questioned costs associated with this finding.
<i>Agency Contact Name</i>	<i>Wendy Modzelewski</i>
<i>Agency Contact Phone Number</i>	<i>(302) 857-3312</i>
<i>Corrective Action Plan</i>	Resources regarding equitable services were distributed to LEAs in January 2013. Additionally, Delaware Department of Education program staff will provide technical assistance regarding this finding during the Consolidated Grant Application training for LEAs in April 2013. Delaware Department of Education program staff will review this component during regularly scheduled monitoring visits with LEAs.
<i>Finding Status</i>	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	LEAs were provided resources regarding equitable services in January 2013 and again during the consolidated application training on April 11, April 18, April 25 and April 30, 2013.
<i>Anticipated Completion Date (if not Fully corrected).</i>	July 1, 2013

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Agency	Department of Education
Fiscal Year	2012
Reference Number	12-8
Related Prior Year Findings	
Program Name (CFDA No.)	Special Education Cluster (84.027, 84.173, S-84.391, S-84.392)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Special Test and Provisions (Access to Federal Funds for New or Significantly Expanded Charter Schools)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: An SEA must ensure that a charter school LEA that opens for the first time or significantly expands its enrollment receives the funds under each covered program for which it is eligible. Significant expansion of enrollment means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that an SEA determines to be significant. Title V, Part B, Subpart 1 of ESEA (Section 5210(1) of ESEA (20 USC 7221i(1)))</p> <p>An SEA must determine a new or expanding charter school LEA's eligibility based on actual enrollment or other eligibility data available on or after the date the charter school LEA opens or significantly expands. An SEA may not deny funding to a new or expanding charter school LEA due to the lack of prior-year data, even if eligibility and allocation amounts for other LEAs are based on prior-year data. An SEA may allocate funds to, or reserve funds for, an eligible charter school LEA based on reasonable estimates of projected enrollment at the charter school LEA. If an SEA allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data, the SEA must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under a covered program on or before the date the SEA allocates funds to LEAs for the succeeding academic year.</p>
Condition	<p>The following is considered to be a compliance exception. We found three charter schools that opened during fiscal year 2012 were not included in the Special Education's allocation of funds prepared by the Delaware Department of Education (DOE). The State program manager requested discretionary funding for the new charters, but no documentation supports that the Special Education allocation amongst all school districts and charters was properly and equitably calculated.</p> <p>The following is considered to be a control exception. While the Special Education cluster allocation was prepared, the review control did not detect the error.</p>

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	Total Special Education Funding Allocated by this process is \$29,945,560.
Cause	While the State Department of Education recognized that three new charters were opened during the year because it did not have sufficient enrollment information for those charters, the State program manager requested discretionary funds that could be allocated to them instead of including them within the overall Special Education allocation.
Effect	The new charter schools may not have received all the federal funding they were entitled to.
Recommendation	We recommend that the DOE ensure that all new charters or those that expand significantly be included in the overall allocation for all federal programs. The allocation can be based on estimated data from the new charters which can be adjusted as actual figures are received.
Questioned Costs	Questioned costs are not determinable.
Agency Contact Name	<i>Eulinda DiPietro</i>
Agency Contact Phone Number	<i>(302) 735-4016</i>
Corrective Action Plan	The federal grant allocation process for new charters or those that expand significantly was revised and now adheres to the Non-Regulatory Guidance 34 CFR Part 76, Subpart H.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	Fully corrected
Anticipated Completion Date (if not Fully corrected).	

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<i>Agency</i>	Department of Education
<i>Fiscal Year</i>	2012
<i>Reference Number</i>	12-9
<i>Related Prior Year Findings</i>	11-ED-09
<i>Related 2013 Findings</i>	2013-009
<i>Program Name (CFDA No.)</i>	Special Education Cluster (84.027, 84.173, S-84.391, S-84.392)
<i>Type of Finding</i>	Material Noncompliance, Material Weakness
<i>Compliance Requirement(s)</i>	Level of Effort (Maintenance of Effort)
<i>Criteria</i>	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: SEA – LEVEL OF EFFORT A State may not reduce the amount of State financial support for special education and related services for children with disabilities (or State financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year. The Secretary reduces the allocation of funds under 20 USC 1411 for any fiscal year following the fiscal year in which the State fails to comply with this requirement by the amount by which the State failed to meet the requirement. If, for any fiscal year, a State fails to meet the State-level maintenance of effort requirement (or is granted a waiver from this requirement), the financial support required of the State in future years for maintenance of effort must be the amount that would have been required in the absence of that failure (or waiver) and not the reduced level of the State’s support (20 USC 1412(a)(18); 34 CFR section 300.163).</p> <p>LEA – LEVEL OF EFFORT Individual Disability Education Act (IDEA), Part B funds received by an LEA cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the LEA in the prior fiscal year. Allowances may be made for: (a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel; (b) a decrease in the enrollment of children with disabilities; (c) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by</p>

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	the State Educational Agency (SEA), because the child has left the jurisdiction of the agency, has reached the age at which the obligation of the agency to provide a free appropriate public education (FAPE) has terminated or no longer needs such program of special education; (d) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities; or (e) the assumption of costs by the high cost fund operated by the SEA under 34 CFR section 300.704 (20 USC 1413(a)(2); 34 CFR sections 300.203 and 300.204).																												
Condition	<p>The following is considered to be a control and compliance exception. The State Department of Education (DOE) did not maintain an approved copy of the State's MOE calculation for the year ended June 30, 2012. The following is considered to be a compliance exception. Based on a review of the LEA MOE calculations (referred to as the Excess Cost for IDEA template in the Consolidated Grant Applications), which compares the combination of state and local expenditures for Special Education for the most recent available fiscal years, we found that for the eight school districts selected for testing, six districts had state and local expenditure amounts for Special Education that had decreased from 2009 to 2010. While most of the districts included a brief description for the decrease in their respective Consolidated Grant Application, we did not obtain evidence that the rationale was substantiated by the DOE or was an acceptable allowance.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;"><i>Total State and Local Funds Expended for Special Education in 2010</i></th> <th style="width: 20%; text-align: center;"><i>Total State and Local Funds Expended for Special Education in 2009</i></th> <th style="width: 30%; text-align: center;"><i>Decrease</i></th> </tr> </thead> <tbody> <tr> <td><i>Caesar Rodney SD</i></td> <td style="text-align: right;">\$28,423,731</td> <td style="text-align: right;">29,505,688</td> <td style="text-align: right;">(1,081,957)</td> </tr> <tr> <td><i>Capital SD</i></td> <td style="text-align: right;">31,115,119</td> <td style="text-align: right;">31,531,570</td> <td style="text-align: right;">(416,451)</td> </tr> <tr> <td><i>Christina SD</i></td> <td style="text-align: right;">79,077,847</td> <td style="text-align: right;">79,834,413</td> <td style="text-align: right;">(756,566)</td> </tr> <tr> <td><i>Colonial SD</i></td> <td style="text-align: right;">30,627,972</td> <td style="text-align: right;">32,401,540</td> <td style="text-align: right;">(1,773,568)</td> </tr> <tr> <td><i>Red Clay SD</i></td> <td style="text-align: right;">41,070,288</td> <td style="text-align: right;">41,440,575</td> <td style="text-align: right;">(370,287)</td> </tr> <tr> <td><i>Seaford SD</i></td> <td style="text-align: right;">13,410,661</td> <td style="text-align: right;">13,810,661</td> <td style="text-align: right;">(400,000)</td> </tr> </tbody> </table>		<i>Total State and Local Funds Expended for Special Education in 2010</i>	<i>Total State and Local Funds Expended for Special Education in 2009</i>	<i>Decrease</i>	<i>Caesar Rodney SD</i>	\$28,423,731	29,505,688	(1,081,957)	<i>Capital SD</i>	31,115,119	31,531,570	(416,451)	<i>Christina SD</i>	79,077,847	79,834,413	(756,566)	<i>Colonial SD</i>	30,627,972	32,401,540	(1,773,568)	<i>Red Clay SD</i>	41,070,288	41,440,575	(370,287)	<i>Seaford SD</i>	13,410,661	13,810,661	(400,000)
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Cause	The State Department of Education is not maintaining its MOE calculation. In addition, the Excess Cost calculations for the Special Education program included in the Consolidated Grant Applications are not being substantively reviewed.																												
Effect	The State or the school districts may not have met their Special Education MOE requirements, which could impact the amount of IDEA funds that should be available and allocated.																												
Recommendation	<p>We recommend that the State MOE calculation for Special Education be stored in a central repository at the State Department of Education to ensure its availability even if personnel turnover occurs.</p> <p>We also recommend that the DOE carefully review the school districts Excess Cost calculations included within the Consolidated Grant Applications. Furthermore, when the school districts have a decrease in the Excess Cost calculation, the DOE should validate the rationale for the decrease and then make allocation adjustments, as necessary.</p>																												
Questioned Costs	Questioned costs are not determinable.																												

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Agency Contact Name	<i>Emily Falcon</i>
Agency Contact Phone Number	<i>(302) 735-4041</i>
Corrective Action Plan	Delaware Department of Education staff have been identified and assigned specific MOE responsibilities to ensure MOE calculations are computed accurately, transferred appropriately to the Consolidated Grants through ESPES and follow up occurs when MOE or IDEA Excess amounts decrease. The Financial Reform Workgroup will provide oversight for all activities involving MOE and IDEA Excess. The Consolidated Grant application has been revised to collect more in depth information for when preliminary data indicates a LEA has not met the MOE or IDEA Excess.
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	In addition to the activities listed in the Corrective Action Plan, the Education Associate for Federal Funds maintains a spreadsheet of MOE and IDEA Excess data in the consolidated grants and follows up with each LEA to determine if the alternative formulas are used if the net result is favorable to the LEAs. Additionally, staff will better document the correlation of data from DFMS and FSF to justify MOE and IDEA Excess information in ESPES.
Anticipated Completion Date (if not Fully corrected).	June 30, 2013

STATE OF DELAWARE
 Summary Status of Prior Year Findings
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Agency	U.S. Department of Agriculture Department of Education
Fiscal Year	2012
Reference Number	12-10
Related Prior Year Findings	11-ED-10
Related 2013 Findings	2013-010
Program Name (CFDA No.)	Child and Adult Care Food Program (10.558)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Eligibility (Subrecipients)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: In accordance with the Child and Adult Care Food (CACFP) Program, a State administering agency must follow the following eligibility requirements:</p> <ul style="list-style-type: none"> a. Administering agencies may disburse CACFP funds only to those organizations that meet the eligibility requirements stated in the following program requirements: (1) generic requirements for all institutions at 7 CFR section 226.15 and 42 USC 1766(a)(6) and (d)(1); (2) additional requirements for sponsoring organizations at 7 CFR section 226.16; (3) additional requirements for child care centers (whether independent or sponsored) at 7 CFR section 226.17; (4) additional requirements for day care homes (which must be sponsored) at 7 CFR section 226.18; (5) additional requirements for outside-school-hours centers at 7 CFR section 226.19; (6) additional requirements for adult day care centers (whether independent or sponsored) at 7 CFR section 226.19a; (7) additional requirements for at-risk afterschool programs at 7 CFR section 226.17a; and (8) additional requirements for emergency shelters at 42 USC 1766(t). b. For-profit child care and outside-school-hours care centers may participate in the CACFP if they meet either of the following two criteria: (1) at least 25 percent of the enrolled children or 25 percent of the licensed capacity, whichever is less, are funded under Title XX of the Social Security Act; or (2) at least 25 percent of the children in their care are eligible for free or reduced price meals. Children who participate only in the at-risk afterschool component of the program must not be considered in determining whether the institution met this 25 percent threshold (42 USC 1766(a)(2)(B); 7 CFR section 226.11(c)(4)). c. For-profit adult day care centers may be eligible for CACFP if at least 25 percent of their participants receive benefits under Title XIX or Title XX of the Social Security

STATE OF DELAWARE
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	Act (7 CFR section 226.2 (definition of “for-profit center”)).
Condition	<p>The following are considered both control and compliance exceptions. Based on our review of the applications of thirty-one subrecipients receiving \$4,853,009 of Child and Adult Care Food Program funds during the year, we noted the following items not detected by the State Department of Education’s review process:</p> <p><input type="checkbox"/> The annual applications do not contain all the required components of the performance standards. The standards require that the organizations have documentation of administrative capability, which includes documentation of appropriate and effective management practices as well as criteria that the organization has an adequate number and type of staff to ensure the operation of the Program.</p> <p><input type="checkbox"/> For one organization’s application file, there was no written notification of approval or disapproval of the application within thirty calendar days of receipt. This organization received \$55,099 of program funds during the year.</p> <p>Total expenditures for the program during the year amounted to \$15,057,912.</p>
Cause	Standard applications have not been updated to ensure all federal regulations have been incorporated. In addition, one applicant’s file was missing evidence that the applicant was notified within thirty days of their approval or disapproval.
Effect	The applications do not contain all the components required by federal regulations and documentation of notification for one applicant was missing in the applicant’s file.
Recommendation	We recommend that the Delaware Department of Education revise its CACFP applications to ensure all necessary components listed in the Federal regulations are explicitly incorporated.
Questioned Costs	Questioned costs are not determinable.
Agency Contact Name	<i>Linda C. Wolfe, Director, School Support Services</i>
Agency Contact Phone Number	<i>(302) 735-4060</i>
Corrective Action Plan	<p><input type="checkbox"/> In fiscal year 2011, the on-line application was amended to ensure compliance with Provision 1 requirements. Provision 2 requirements for CACFP programs have been monitored via the New Sponsor Checklist, which is maintained in the permanent file of each sponsor; the review of the Management Plan; and the routine administrative reviews. The required elements, regarding capability, will be added to the New and Renewing on-line applications.</p> <p><input type="checkbox"/> Documentation for the organization in question will be reviewed and completed.</p> <p><input type="checkbox"/> Both findings will be addressed through the development of written internal processes to ensure compliance with all federal and state requirements.</p>
Finding Status	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
Description of Status	<p>The state agency will soon complete the work order required to have our software manufacturer add elements to the online application that will specifically address these conditions. The final software revisions will be in place before the next application review process in October 2013.</p> <p>The approval letter for Goldies Kids has been put in the program file. The state agency has also implemented a procedure that requires the use of emails to document conversations</p>

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	between staff and applicants when delays in approval occur. This will provide the tracking capability referred to in the audit.
<i>Anticipated Completion Date (if not Fully corrected).</i>	October 31, 2013

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Agency	U.S. Department of Health and Human Services U.S. Department of Agriculture U.S. Environmental Protection Agency Division of Management Services
Fiscal Year	2012
Reference Number	12-11
Related Prior Year Findings	11-DHSS-01
Program Name (CFDA No.)	Supplemental Nutritional Assistance Program Cluster (10.551, 10.561) Temporary Assistance for Needy Families (93.558, S-93.714) Child Care Cluster (93.575, 93.596) State Children’s Health Insurance Program (93.767) Medicaid Cluster (93.775, 93.777, S-93.777, 93.778) Child Support Enforcement (93.563) Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468) Low-Income Home Energy Assistance Program (93.568) Immunization Cluster (93.268, S-93.712)
Type of Finding	Scope Limitation, Significant Deficiency
Compliance Requirement(s)	Cash Management
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures by prescribed in Treasury in Subpart B of 31 CFR part 205 (Subpart B).</p> <p>All of the major federal programs in this finding, except for State Children’s Health Insurance Program, Child Care and Development Fund, and Immunization Cluster are subject to the CMIA. These 3 federal programs are required to be in compliance with Subpart B cash draw down procedures. Both CMIA and Subpart B cash draw down procedures require have similar requirements that support the exception being presented together in one category.</p>

STATE OF DELAWARE
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Condition	<p>The Division of Management Services (DMS) utilizes a system query to download pending Accounts Receivable information from the State’s general ledger, First State Financials (FSF), into a spreadsheet program. The spreadsheet program is then manually sorted, adjusted and linked to another external spreadsheet in order to calculate the amounts ready to be drawn down for each federal program.</p> <p>The following is considered to be the control exception as documented in the chart below. There is a lack of segregation of duties within DMS’ federal draw down process. The same DMS staff responsible for executing the query importing the query results into the spreadsheet, and modifying the spreadsheet in order to calculate the draw amounts is performing the cash draw downs, and reconciling the subsequent cash receipts to the Accounts Receivable information in FSF. All our exceptions were processed before February 8, 2012. On February 8, 2012, the Division implemented procedures surrounding supervisory review to establish segregation of duties and to ensure the proper draw amounts are being requested. Immediately after printing out the hard copy of the amounts to be drawn and prior to entering the amounts into the draw system, the Grants Unit Supervisor must examine the amounts to be drawn and sign the hard copy indicating review/approval.</p> <p>The following is considered to be the compliance exception and scope limitation as documented in the chart below. The draw down information could not be directly traced back to FSF and therefore lacked appropriate support for the amount drawn down. All our exceptions were processed prior to October 28, 2011. The FSF system does not have the ability to be queried as to historical balances, and only the adjusted spreadsheet files, rather than the original system query results, were maintained by DMS as supporting documentation for the federal draw downs selected for audit test work. On October 28, 2011, the Division began archiving copies of the original FSF query results to ensure balances presented on the manipulated spreadsheet were accurate, correct, and supported by detailed reports.</p> <p>The table below represents the scope of items examined and the associated results (the compliance items refer to a scope limitation as they were unable to be tested for compliance):</p> <p><i>Low-Income Home Energy Assistance Program</i></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><i># of Items</i></th> <th style="text-align: center;"><i>Dollar Amount of Items</i></th> </tr> </thead> <tbody> <tr> <td><i>SEFA Expenditures</i></td> <td></td> <td style="text-align: right;">\$11,978,905</td> </tr> <tr> <td><i>Draw Population</i></td> <td style="text-align: center;">70</td> <td style="text-align: right;">11,990,771</td> </tr> <tr> <td><i>Sample</i></td> <td style="text-align: center;">19</td> <td style="text-align: right;">7,728,975</td> </tr> <tr> <td><i>Control Exceptions</i></td> <td style="text-align: center;">11</td> <td style="text-align: right;">2,873,375</td> </tr> <tr> <td><i>Compliance Exceptions</i></td> <td style="text-align: center;">9</td> <td style="text-align: right;">3,828,853</td> </tr> </tbody> </table> <p><i>Medicaid Cluster</i></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><i># of Items</i></th> <th style="text-align: center;"><i>Dollar Amount of Items</i></th> </tr> </thead> <tbody> <tr> <td><i>SEFA Expenditures</i></td> <td></td> <td style="text-align: right;">\$846,161,660</td> </tr> <tr> <td><i>Draw Population</i></td> <td style="text-align: center;">388</td> <td style="text-align: right;">857,643,293</td> </tr> <tr> <td><i>Sample</i></td> <td style="text-align: center;">65</td> <td style="text-align: right;">275,253,060</td> </tr> <tr> <td><i>Control Exceptions</i></td> <td style="text-align: center;">34</td> <td style="text-align: right;">101,754,772</td> </tr> <tr> <td><i>Compliance Exceptions</i></td> <td style="text-align: center;">18</td> <td style="text-align: right;">91,004,404</td> </tr> </tbody> </table>		<i># of Items</i>	<i>Dollar Amount of Items</i>	<i>SEFA Expenditures</i>		\$11,978,905	<i>Draw Population</i>	70	11,990,771	<i>Sample</i>	19	7,728,975	<i>Control Exceptions</i>	11	2,873,375	<i>Compliance Exceptions</i>	9	3,828,853		<i># of Items</i>	<i>Dollar Amount of Items</i>	<i>SEFA Expenditures</i>		\$846,161,660	<i>Draw Population</i>	388	857,643,293	<i>Sample</i>	65	275,253,060	<i>Control Exceptions</i>	34	101,754,772	<i>Compliance Exceptions</i>	18	91,004,404
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<i>State Children's Health Insurance Plan</i>		
	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>SEFA Expenditures</i>		\$15,532,999
<i>Draw Population</i>	60	15,843,323
<i>Sample</i>	16	3,872,386
<i>Control Exceptions</i>	11	2,497,500
<i>Compliance Exceptions</i>	7	1,924,228
<i>Child Support Enforcement</i>		
	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>SEFA Expenditures</i>		\$26,646,112
<i>Draw Population</i>	39	24,712,521
<i>Sample</i>	11	15,431,882
<i>Control Exceptions</i>	4	5,856,637
<i>Compliance Exceptions</i>	4	5,856,637
<i>Child Care and Development Fund</i>		
	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>SEFA Expenditures</i>		\$14,076,667
<i>Draw Population</i>	139	14,780,962
<i>Sample</i>	40	10,209,285
<i>Control Exceptions</i>	22	5,618,011
<i>Compliance Exceptions</i>	14	3,410,194
<i>Supplemental Nutrition Assistance Program</i>		
	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>SEFA Expenditures</i>		\$14,259,395
<i>Draw Population</i>	146	13,166,976
<i>Sample</i>	38	7,943,061
<i>Control Exceptions</i>	20	5,308,026
<i>Compliance Exceptions</i>	4	2,139,866
<i>Temporary Assistance for Needy Families</i>		
	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>SEFA Expenditures</i>		\$34,813,071
<i>Draw Population</i>	90	35,351,666
<i>Sample</i>	24	2,327,631
<i>Control Exceptions</i>	15	12,922,401
<i>Compliance Exceptions</i>	8	8,043,931
<i>Drinking Water State Revolving Fund</i>		
	<i># of Items</i>	<i>Dollar Amount of Items</i>
<i>SEFA Expenditures</i>		\$16,526,758
<i>Draw Population</i>	164	16,927,421
<i>Sample</i>	43	11,861,209
<i>Control Exceptions</i>	22	6,720,408
<i>Compliance Exceptions</i>	9	2,211,216

STATE OF DELAWARE
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	<table border="1"> <thead> <tr> <th colspan="3"><i>Immunization Cluster</i></th> </tr> <tr> <th></th> <th><i># of Items</i></th> <th><i>Dollar Amount of Items</i></th> </tr> </thead> <tbody> <tr> <td><i>SEFA Expenditures</i></td> <td></td> <td>\$1,772,904</td> </tr> <tr> <td><i>Draw Population</i></td> <td>48</td> <td>1,621,203</td> </tr> <tr> <td><i>Sample</i></td> <td>13</td> <td>615,368</td> </tr> <tr> <td><i>Control Exceptions</i></td> <td>7</td> <td>319,276</td> </tr> <tr> <td><i>Compliance Exceptions</i></td> <td>5</td> <td>204,426</td> </tr> </tbody> </table>	<i>Immunization Cluster</i>				<i># of Items</i>	<i>Dollar Amount of Items</i>	<i>SEFA Expenditures</i>		\$1,772,904	<i>Draw Population</i>	48	1,621,203	<i>Sample</i>	13	615,368	<i>Control Exceptions</i>	7	319,276	<i>Compliance Exceptions</i>	5	204,426
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Cause	<p>Each of the two exceptions resulted from lack of sufficient procedures that were implemented during the audit period. The results of our audit procedures after February 8, 2012 for control exceptions and after October 28, 2011 for compliance exceptions supports that the changes have addressed conditions.</p> <p>The exception occurred because DMS utilizes a system query to obtain the required information from the State's accounting system due to the large volume of grants being drawn down by the Department; however, the original query results were not maintained. Due to staffing shortages, DMS was unable to establish an adequate segregation of duties over the cash management function. DMS has implemented a supervisory review of all draw down requests for payments prior to submission to the Federal agencies to ensure the proper amounts are being requested, as well as the saving of all original system queries prior to manipulation. As of October 2011, the First State Financial system was reconfigured to include the lag times established within the CMIA Agreement.</p>																					
Effect	Without a management review control in place, DMS may request funds in a manner which is not in compliance with the CMIA or Subpart B as required by the terms of the grant agreements. Therefore, those amounts drawn down without the new procedures, both control and compliance are not properly supported and are questioned costs.																					
Recommendation	<p>We recommend that DMS maintain their enhanced federal draw down procedures by ensuring there is an adequate level of supervisory review of the cash draws prior to submission to the federal agencies and to ensure proper segregation of duties over the cash management function.</p> <p>We also recommend that DMS continue to maintain the original FSF query results that correspond to each draw down either in hardcopy or in a non-alterable electronic format so that the draw down information can be validated.</p>																					
Questioned Costs	Questioned costs are not determinable as sampling methodology does not support projection of errors.																					
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>																					
Agency Contact Phone Number	<i>(302) 255-9235</i>																					
Corrective Action Plan	This is a repeat finding from last year's audit as corrective action was implemented during part of SFY-12. The below box outlines the corrective action in place part of SFY-12 (and acknowledged by KPMG above under "condition").																					

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	<p><u>Archived copies of original FSF queries:</u></p> <p><input type="checkbox"/> On 10/28/11, when KPMG pointed out that archived copies of the original FSF query results were not maintained, DHSS began archiving copies of the original query results (as recommended).</p> <p><u>Supervisory review of cash draws prior to submission:</u></p> <p><input type="checkbox"/> When the FSF download is sorted to calculate amounts to be drawn for each Federal program, a hard copy is printed out and then used to enter the amounts to be drawn into the Federal systems.</p> <p><input type="checkbox"/> Starting on 2/8/12, DHSS instituted the following practice. After printing out the hard copy of the amounts to be drawn (and prior to the draws being entered into the Federal systems), (1) the Grants unit supervisor or designee will be given the hard copy document, (2) examine the amounts to be drawn and (3) sign the hard copy to document their review/approval.</p> <p>With the above corrective action steps in place, this finding should not be repeated during SFY-13. During the transition in implementing the supervisory review of cash draws (starting on 2/8/12), there were several deposits that did not have supervisory approval (otherwise they were in compliance). DHSS will continue its efforts to ensure an adequate level of supervisory review of the cash draws as recommended.</p>
<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	The corrective action described in the finding response was put in place on 2/28/12.
<i>Anticipated Completion Date (if not Fully corrected).</i>	

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Agency	U.S. Department of Health and Human Services Division of Management Services
Fiscal Year	2012
Reference Number	12-12
Related Prior Year Findings	11-DHSS-02
Program Name (CFDA No.)	Temporary Assistance for Needy Families (93.558, S-93.714) Child Care Cluster (93.575, 93.596) State Children’s Health Insurance Program (93.767) Medicaid Cluster (93.775, 93.777, S-93.777, 93.778) Child Support Enforcement (93.563)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Special Tests and Provisions (ADP Risk Analysis and System Security Review)
Criteria	<p>Control exceptions:</p> <p>The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions:</p> <p>Per 45 CFR § 95.621 ADP reviews.</p> <p>(f) ADP System Security Requirements and Review Process—</p> <p>(1) ADP System Security Requirement. State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing.</p> <p>(2) ADP Security Program. State ADP Security requirements shall include the following components:</p> <p>(i) Determination and implementation of appropriate security requirements as specified in paragraph (f)(1) of this section.</p> <p>(ii) Establishment of a security plan and, as appropriate, policies and procedures to address the following area of ADP security:</p> <p>(A) Physical security of ADP resources;</p> <p>(B) Equipment security to protect equipment from theft and unauthorized use;</p> <p>(C) Software and data security;</p>

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	<ul style="list-style-type: none"> (D) Telecommunications security; (E) Personnel security; (F) Contingency plans to meet critical processing needs in the event of short or long-term interruption of service; (G) Emergency preparedness; and, (H) Designation of an Agency ADP Security Manager. <p>(iii) Periodic risk analyses. State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur.</p> <p>(3) ADP System Security Reviews. State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.</p> <p>(4) Costs incurred in complying with provisions of paragraphs (f)(1)–(3) of this section are considered regular administrative costs which are funded at the regular match rate.</p> <p>(5) The security requirements of this section apply to all ADP systems used by State and local governments to administer programs covered under 45 CFR part 95, subpart F.</p> <p>(6) The State agency shall maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site review.</p>
<p>Condition</p>	<p>The following is considered to be both a control and compliance exception. DHSS has not completed a review of the Automated Data Processing (ADP) system security of installations involved in the administration of Health and Human Services (HHS) programs that complies with HHS requirements in the last two years. In the prior fiscal year, DHSS had provided a SOC 1 report for the MMIS system but it could not be used as evidence of the required risk analysis and security review. According to the American Institute of CPAs (AICPA), SOC 1 reports cover controls at service organizations relevant to user entities' internal controls over financial reporting and the nature of its scope is not technically sufficient to completely cover the following components that are required by HHS:</p> <ul style="list-style-type: none"> (A) Physical security of ADP resources; (B) Equipment security to protect equipment from theft and unauthorized use; (C) Software and data security; (D) Telecommunications security; (E) Personnel security; (F) Contingency plans to meet critical processing needs in the event of short or long-term interruption of service; (G) Emergency preparedness; and, (H) Designation of an Agency ADP Security Manager.

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	<p>The DHSS/IRM Unit is currently in the process of writing new policies and working through the exact wording and logistics to be included to ensure all standards of 45 CFR Section 95.621 are addressed by the biennial review.</p> <p>Total expenditures in fiscal year 2012 for the respective programs are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Medicaid Cluster -</td> <td style="text-align: right;">\$846,161,660</td> </tr> <tr> <td>SCHIP -</td> <td style="text-align: right;">\$ 15,532,999</td> </tr> <tr> <td>Child Support Enforcement -</td> <td style="text-align: right;">\$ 26,646,112</td> </tr> <tr> <td>CCDF -</td> <td style="text-align: right;">\$ 14,076,667</td> </tr> <tr> <td>TANF -</td> <td style="text-align: right;">\$ 34,813,071</td> </tr> </table>	Medicaid Cluster -	\$846,161,660	SCHIP -	\$ 15,532,999	Child Support Enforcement -	\$ 26,646,112	CCDF -	\$ 14,076,667	TANF -	\$ 34,813,071
Medicaid Cluster -	\$846,161,660										
SCHIP -	\$ 15,532,999										
Child Support Enforcement -	\$ 26,646,112										
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TANF -	\$ 34,813,071										
Cause	The exception occurred because DHSS does not currently have a formal policy or process to monitor and review system security.										
Effect	Security vulnerabilities can lead to the DHSS systems being compromised. The agency may not be able to measure its security posture and identify security vulnerability when security assessment is not performed on a periodic basis, which can increase the potential for confidential personal information to be compromised.										
Recommendation	DHSS should continue to work with DTI in the implementation of a formal policy to complete a bi-annual review over system security as required by HHS.										
Questioned Costs	There are no questioned costs associated with this finding.										
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>										
Agency Contact Phone Number	<i>(302) 255-9235</i>										
Corrective Action Plan	As stated last year, DHSS's Information Resource Management unit was to work with the State Department of Technology and Information to draft and implement a formal policy by January 1, 2013 to complete biannual system security reviews as required by 45 CFR § 95.621. That work was completed and the formal policy posted on their website on January 4, 2013 under Departmental IRM Administrative Document Number 28. The policy can be found at http://intranet.dhss.state.de.us/dms/irm/irmadmindocs.html .										
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>										
Description of Status	As stated in the audit response, corrective action was completed 1/4/13.										
Anticipated Completion Date (if not Fully corrected).											

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Agency	U.S. Department of Health and Human Services U.S. Department of Agriculture U.S. Environmental Protection Agency Division of Management Services
Fiscal Year	2012
Reference Number	12-13
Related Prior Year Findings	
Related 2013 Findings	2013-013
Program Name (CFDA No.)	Supplemental Nutritional Assistance Program Cluster (10.551, 10.561) Temporary Assistance for Needy Families (93.558, S-93.714) Child Care Cluster (93.575, 93.596) Child Support Enforcement (93.563) Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468) Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Immunization Cluster (93.268, S-93.712)
Type of Finding	Material Weakness
Compliance Requirement(s)	Reporting (SEFA Reconciliation)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>The SEFA is prepared by the auditee, and must be presented fairly in all material respects in relation to the auditee's financial statements as a whole. The SEFA represents the expenditures subject to audit under the Single Audit.</p> <p><i>45.CFR.92.20 (b) The financial management systems of other grantees and subgrantees must meet the following standards:</i></p> <p><i>(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.</i></p> <p><i>(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.</i></p> <p><i>The regulation effectively requires the Federal Financial reports are to be supported by the official books and records of the grantee.</i></p> <p><i>A-102 Cash Management. Agency methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grants and cooperative</i></p>

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	<p><i>agreements and the recipient's need for the funds.</i></p> <p><i>(1) Such transfers shall be made consistent with program purposes, applicable law and Treasury regulations contained in 31 CFR Part 205, Federal Funds Transfer Procedures.</i></p>																																																																												
Condition	<p>The following is considered to be a control exception. We found that reports submitted to the federal agencies did not agree to expenditures presented on the Schedule of Expenditure of Federal Awards (SEFA) for some programs. Additionally we observed that total cash drawn down for these same programs differed from the expenditures presented on the SEFA. Program management and the Division of Management Services (DMS) were unable to provide explanations or reconcile the variances. The respective program fiscal year 2012 expenditures and variances are presented in the table below:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th colspan="4" style="text-align: center;"><u>SNAP</u></th> </tr> <tr> <th style="width: 45%;"></th> <th style="text-align: center;"><u>6/30/2012</u></th> <th style="text-align: center;"><u>Variance to SEFA</u></th> <th style="text-align: center;"><u>Percent Variance</u></th> </tr> </thead> <tbody> <tr> <td><i>Federal Expenditure Per SEFA*</i></td> <td style="text-align: right;">\$ 14,259,395</td> <td></td> <td></td> </tr> <tr> <td><i>Federal Expenditures Reported</i></td> <td style="text-align: right;">\$ 6,898,342</td> <td style="text-align: right;">\$ 7,361,053</td> <td style="text-align: right;">51.62%</td> </tr> <tr> <td><i>Federal Cash Drawdowns</i></td> <td style="text-align: right;">\$ 13,166,976</td> <td style="text-align: right;">\$ 1,092,419</td> <td style="text-align: right;">7.66%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th colspan="4" style="text-align: center;"><u>TANF</u></th> </tr> <tr> <th style="width: 45%;"></th> <th style="text-align: center;"><u>6/30/2012</u></th> <th style="text-align: center;"><u>Variance to SEFA</u></th> <th style="text-align: center;"><u>Percent Variance</u></th> </tr> </thead> <tbody> <tr> <td><i>Federal Expenditure Per SEFA</i></td> <td style="text-align: right;">\$ 34,813,071</td> <td></td> <td></td> </tr> <tr> <td><i>Federal Expenditures Reported</i></td> <td style="text-align: right;">\$ 29,484,781</td> <td style="text-align: right;">\$ 5,328,290</td> <td style="text-align: right;">15.31%</td> </tr> <tr> <td><i>Federal Cash Drawdowns</i></td> <td style="text-align: right;">\$ 35,351,666</td> <td style="text-align: right;">\$ (538,595)</td> <td style="text-align: right;">-1.55%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th colspan="4" style="text-align: center;"><u>CCDF</u></th> </tr> <tr> <th style="width: 45%;"></th> <th style="text-align: center;"><u>6/30/2012</u></th> <th style="text-align: center;"><u>Variance to SEFA</u></th> <th style="text-align: center;"><u>Percent Variance</u></th> </tr> </thead> <tbody> <tr> <td><i>Federal Expenditure Per SEFA</i></td> <td style="text-align: right;">\$ 14,076,667</td> <td></td> <td></td> </tr> <tr> <td><i>Federal Expenditures Reported</i></td> <td style="text-align: right;">\$ 14,412,044</td> <td style="text-align: right;">\$ (335,377)</td> <td style="text-align: right;">-2.38%</td> </tr> <tr> <td><i>Federal Cash Drawdowns</i></td> <td style="text-align: right;">\$ 14,780,962</td> <td style="text-align: right;">\$ (704,295)</td> <td style="text-align: right;">-5.00%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;"><u>DWSRF</u></th> </tr> <tr> <th style="width: 45%;"></th> <th style="text-align: center;"><u>6/30/2012</u></th> <th style="text-align: center;"><u>Variance to SEFA</u></th> <th style="text-align: center;"><u>Percent Variance</u></th> </tr> </thead> <tbody> <tr> <td><i>Federal Expenditure Per SEFA</i></td> <td style="text-align: right;">\$ 16,526,758</td> <td></td> <td></td> </tr> <tr> <td><i>Federal Cash Drawdowns</i></td> <td style="text-align: right;">\$ 16,927,421</td> <td style="text-align: right;">\$ (400,663)</td> <td style="text-align: right;">-2.42%</td> </tr> </tbody> </table>	<u>SNAP</u>					<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>	<i>Federal Expenditure Per SEFA*</i>	\$ 14,259,395			<i>Federal Expenditures Reported</i>	\$ 6,898,342	\$ 7,361,053	51.62%	<i>Federal Cash Drawdowns</i>	\$ 13,166,976	\$ 1,092,419	7.66%	<u>TANF</u>					<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>	<i>Federal Expenditure Per SEFA</i>	\$ 34,813,071			<i>Federal Expenditures Reported</i>	\$ 29,484,781	\$ 5,328,290	15.31%	<i>Federal Cash Drawdowns</i>	\$ 35,351,666	\$ (538,595)	-1.55%	<u>CCDF</u>					<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>	<i>Federal Expenditure Per SEFA</i>	\$ 14,076,667			<i>Federal Expenditures Reported</i>	\$ 14,412,044	\$ (335,377)	-2.38%	<i>Federal Cash Drawdowns</i>	\$ 14,780,962	\$ (704,295)	-5.00%	<u>DWSRF</u>					<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>	<i>Federal Expenditure Per SEFA</i>	\$ 16,526,758			<i>Federal Cash Drawdowns</i>	\$ 16,927,421	\$ (400,663)	-2.42%
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<u>IMMUNIZATION</u>			
	<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>
<i>Federal Expenditure Per SEFA*</i>	\$ 1,772,904		
<i>Federal Cash Drawdowns</i>	\$ 1,621,203	\$ 151,701	8.56%
<u>WIC</u>			
	<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>
<i>Federal Expenditure Per SEFA*</i>	\$ 11,016,952		
<i>Federal Expenditures Reported</i>	\$ 11,553,147	\$ (536,195)	-4.87%
<i>Federal Cash Drawdowns</i>	\$ 13,549,689	\$ (2,532,737)	-22.99%
<u>CHILD SUPPORT</u>			
	<u>6/30/2012</u>	<u>Variance to SEFA</u>	<u>Percent Variance</u>
<i>Federal Expenditure Per SEFA</i>	\$ 26,646,112		
<i>Federal Cash Drawdowns</i>	\$ 24,712,521	\$ 1,933,591	7.26%
<i>*This amount excludes non-cash items.</i>			
<i>Cause</i>	There are many potential causes for differences in the numbers reported above including 1) timing of drawdown as compared to incurring the expenditures, 2) scope of grants included in federal financial reports and drawdowns differing from SEFA reports, 3) adjustments being made to reporting and drawdowns that cross programs or periods 4) differences in coding of underlying data in reporting module 5) errors made by program personnel. The differences cannot be reconciled because there is no procedure in place for the State agencies to reconcile total expenditures reported in the financial reports to the Federal Government as compiled from the State's general ledger system (FSF) to the reports from FSF that are used to compile the SEFA. Additionally, there is no process in place to review submitted financial reports and compare them to cash drawn down on a periodic basis and at year-end for reasonableness/accuracy.		
<i>Effect</i>	Expenditures reported via federal financial reports may be misstated which may result in the Federal Government having inaccurate information about the expenditures that were incurred by the programs. See findings 12-18 and 12-19 for known errors in financial reporting. Additionally, it is possible that cash drawdowns are not synchronized with adjusted expenditures incurred.		
<i>Recommendation</i>	We recommend that DMS and program management work with the Division of Accounting to put in place a reconciliation process to agree expenditures per federal financial reports to expenditures coded to their CFDA #'s in FSF. We also recommend that the Divisions ensure they are reconciling cash drawn down to federal financial reports periodically and at year end to ensure accuracy and completeness.		

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Questioned Costs	Questioned costs are not determinable.
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>
Agency Contact Phone Number	<i>(302) 255-9235</i>
Corrective Action Plan	<p>Each year the Division of Accounting provides the SEFA information to KPMG. A draft of this finding was shared with DHSS in January 2013 (late in the audit cycle) and KPMG provided some of the SEFA query details to DHSS so that we could then start to reconcile the amounts. It should be pointed out that in order to be able to reconcile, DHSS needs to be provided the detailed information to reconcile to and with enough lead time. In the programs we were able to reconcile at this late point in the audit process, the following points outline reasons for the variances.</p> <ol style="list-style-type: none"> 1. Timing of expenditures. Expenditures that occur at the end of a given State fiscal year (i.e. June) are not drawn until the beginning of the next year (July). As a result expenditures can appear lower than draws simply because of the timing for posting each set of transactions. When the next fiscal year ends, the reverse situation can occur (expenditures higher than draws). That was the case in almost all of the variances. 2. Reporting errors. This was the case with the SNAP program. It should be noted that the reporting error was corrected by the 6/30/12 report submission. <p>Finally, in those reconciliations that we were able to perform, we found no costs inappropriately charged or drawn for Federal programs. As such we do not concur with the finding given the above information.</p> <p>Early on for the next audit cycle DHSS will request from the Division of Accounting the detailed list of transactions that comprise the applicable CFDA number SEFA amounts being provided to the auditor to allow sufficient time for reconciliation. Additionally we have been recently provided a query by the Division of Accounting that we can run that would provide the details for the annual SEFA amounts which we will also take advantage of next audit cycle. Finally, for those DHSS grants which other State agencies receive a part of the funding, DHSS will be reaching out to them to ensure that they are reconciling their portions of the applicable grants.</p>
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	No further updates. Planned corrective action will be carried out for next audit cycle which will be for SFY-13.
Anticipated Completion Date (if not Fully corrected).	During SFY-13 Single Audit cycle.

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Agency	U.S. Department of Health and Human Services U.S. Department of Agriculture Division of Management Services
Fiscal Year	2012
Reference Number	12-14
Related Prior Year Findings	11-DHSS-05
Program Name (CFDA No.)	Supplemental Nutritional Assistance Program Cluster (10.551, 10.561) Temporary Assistance for Needy Families (93.558, S-93.714) Child Care Cluster (93.575, 93.596) State Children’s Health Insurance Program (93.767) Medicaid Cluster (93.775, 93.777, S-93.777, 93.778)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Allowable Costs
Criteria	<p>Control exceptions:</p> <p>The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions:</p> <p>The State of Delaware follows a PACAP that administers federal programs within the DSS, DMMA, and Division of Management Services (DMS), all of which are divisions within the Delaware DHSS. The PACAP plan was effective for the period July 1, 2005 through September 30, 2008, with an automatic annual conditional approval until the new PACAP is approved. A State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan (45 CFR section 95.507).</p>
Condition	<p>The following is considered to be both a control and compliance exception. The Department of Health and Social Services (DHSS) did not follow its cost allocation plan when charging costs related to the Division of Medicaid and Medical Assistance (DMMA). The Public Assistance Cost Allocation Plan (PACAP) designates DMMA costs to be charged directly to the Medicaid Program or through the indirect charge method across all DMMA programs which include the following programs: Medicaid, Delaware Healthy Children Program (SCHIP), Delaware Prescription Assistance Program, Long-Term Care Medicaid Program, Chronic Renal Disease Program, Qualified Medicare Beneficiary Programs, Children’s Community Alternative Disability Program, and Breast and Cervical Cancer Program. However, DHSS allocated the DMMA related costs among the Division of Social Services (DSS) programs which include the following programs: Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Child Care and Development Fund (CCDF).</p>

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	<p>Total expenditures in fiscal year 2012 for the respective programs are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Medicaid Cluster -</td> <td style="text-align: right;">\$846,161,660</td> </tr> <tr> <td>SCHIP -</td> <td style="text-align: right;">\$ 15,532,999</td> </tr> <tr> <td>SNAP -</td> <td style="text-align: right;">\$237,305,936</td> </tr> <tr> <td>CCDF -</td> <td style="text-align: right;">\$ 14,076,667</td> </tr> <tr> <td>TANF -</td> <td style="text-align: right;">\$ 34,813,071</td> </tr> </table>	Medicaid Cluster -	\$846,161,660	SCHIP -	\$ 15,532,999	SNAP -	\$237,305,936	CCDF -	\$ 14,076,667	TANF -	\$ 34,813,071
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Cause	The exceptions occurred because the State did not set up the proper allocation method within its general ledger system to allocate DMMA costs in accordance with the approved PACAP.										
Effect	DMMA costs of \$1.9 million were allocated to DSS federal programs in a manner not consistent with the approved PACAP.										
Recommendation	We recommend the State ensures its general ledger, First State Financials (FSF), is properly configured to allocate costs out of the cost pool in accordance with its approved PACAP Plan. We also recommend that the PACAP Plan be revised to reflect an allocation of costs to federal programs based on the true effort being provided to those federal programs. The State should also implement procedures to perform a review of the costs being allocated out of the cost pool to ensure it is being allocated in accordance with the approved PACAP.										
Questioned Costs	Questioned costs are not determinable.										
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>										
Agency Contact Phone Number	<i>(302) 255-9235</i>										
Corrective Action Plan	<p>As background (and as stated in the FY-10 Single Audit response), in February 2010, DHSS had an independent firm review the department's Random Moment Sampling (RMS) process in place at that time and changes were implemented to improve that process and the resulting allocations.</p> <p>Subsequently, DHSS replaced the Random Moment Time Study (RMTS) and cost allocation system software (both applications were unsupported and outdated). The replacement internet based RMTS was fully implemented on 1/1/11 and cost allocation plan amendment submitted in December 2010. Workers (RMTS respondents) were trained prior to implementation. Annual refresher training for workers began January 2012. The cost allocation software was also installed and implemented in July 2011 including provision of a technical documentation/users manual and DHSS staffs trained in its use.</p> <p>In FY-11, DHSS awarded a contract to secure further outside assistance to review DHSS's system of Federal program administration and cost allocation including an in-depth review of the public assistance programs DHSS participates in, allocation methodologies and the supporting systems/processes. The objective of this concentrated effort is to (1) update/document the cost pools and allocation methodologies, (2) upgrade/improve the systems related to and supporting the Public Assistance Cost Allocation Plan (PCAP) and (3) production of an up-to-date, integrated DHSS PCAP with sound quality control procedures.</p> <p>At this point the various internal DHSS organizations have been interviewed to identify the various cost pools and an initial draft update to the DHSS PCAP narrative developed. This includes a clear segregation of DSS and DMMA costs in the plan and the application of</p>										

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	<p>discrete and different allocation methods to those costs. The next work phase commenced February 2012 which is to design/refine the various allocation methodologies, time studies, accounting structures that need to be in place. This phase is critical in order for us to be able to fully formulate the PCAP and then have the systems/structures in place prior to the PCAP submission and implementation.</p> <p>That work continues and we target completion in the first half of calendar year 2013 with the resulting PCAP submitted to the Department of Health and Human Services Division of Cost Allocation.</p> <p>Lastly, it should be pointed out that the DMMA workers (via the eligibility process they carry out) participating in the Random Moment time Study legitimately support and benefit the Federal programs in DSS and by extension, so do the other cost pools in DMMA. The programs benefiting from DMMA and DSS cross both organizations and are not restricted to just one organization.</p> <p>Finally, what the new narrative and updated PCAP (when implemented) will do is to more comprehensively account for all cost pools and organizational units in DSS and DMMA. By programming different and/or more discrete allocation methods into the DHSS cost allocation software (previously mentioned in this response), the software will create more specific cost pools that can then be set up in the State accounting system and assigned to expenditures in the system itself.</p>
<i>Finding Status</i>	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
<i>Description of Status</i>	<p>DHSS is in the process of finalizing the new PCAP with submission targeted for August 2013.</p>
<i>Anticipated Completion Date (if not Fully corrected).</i>	<p>August 2013 (submission to DCA)</p>

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Agency	U.S. Department of Agriculture Department of Health and Social Services Division of Management Services
Fiscal Year	2012
Reference Number	12-15
Related Prior Year Findings	
Program Name (CFDA No.)	Supplemental Nutritional Assistance Program Cluster (10.551, 10.561)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Special Tests and Provisions (ADP System for SNAP)
Criteria	<p>Control exceptions:</p> <p>The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>According to 7 CFR sections 272.10 and 277.18, State agencies are required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.</p> <p>When using a service provider for critical systems the COSO requirements regarding review and monitoring should be incorporated into an organization's internal controls. Part 6 of OMB's Compliance Supplements identifies the following elements of monitoring:</p> <p>Monitoring is a process that assesses the quality of internal control performance over time.</p> <ul style="list-style-type: none"> • Follow up on irregularities and deficiencies to determine the cause. • Internal quality control reviews performed. • Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.
Condition	<p>The following is considered to be a control exception. IT control deficiencies identified below were noted in the service organizations' SOC I examination report for DSS's critical applications:</p> <p><i>JP Morgan Treasury Services:</i></p> <p>The following control deficiencies related to Electronic Benefits Transfer (EBT) were noted as a result of the Service Organization Controls (SOC I/SSAE 16) examination of JP Morgan</p>

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	<p>Treasury Services, the service organization that provides EBT services to DSS:</p> <p><i>Access to systems is limited to authorized individuals.</i></p> <p><i>Exception:</i> Controls are not suitably designed to prevent or detect unauthorized use of the system administrator accounts with direct access to data. Passwords to these accounts were shared amongst team members and/or stored in clear text within configuration files, allowing EFS information technology personnel unmonitored access to these accounts, and facilitating unauthorized access to these accounts. As a result, the controls are not suitably designed to achieve the control objective, “Controls provide reasonable assurance that access to systems is limited to authorized individuals.” The above deficiency led to an opinion qualification.</p> <p><i>Access to systems</i></p> <p><i>Exception:</i></p> <p>a. For the period July 1, 2011 through June 30, 2012, the SOC I auditor selected a sample of 26 new users and for each sampled user determined whether access had been approved by authorized management or a designee. The Soc I auditor noted that one unauthorized member of production support had logged into an administrator account and used that account to grant herself unauthorized access to the FEB application. The user was able to grant herself this access as a result of the design exception noted under the access administration control above.</p> <p>b. Two operating system level access recertifications, inclusive of security administrative access and GTI managed job scheduler access, were performed during the period. The SOC I auditor tested a sample of twenty-five users from the recertification that was initiated in October 2011, and noted no exceptions. As of June 2012, the tool used to facilitate the access recertification changed. As a result, the SOC I auditor selected an additional sample of users from the June 2012 recertification and noted that operating system level access was not recertified for three of twenty-five users sampled. While automated notification of access recertification tasks were reported to appropriate management, the manual action required to complete the recertification process was not performed due to a misunderstanding of the process associated with the new tool.</p> <p>In addition, DSS provided us with the SOC 1 report for the SNAP EBT contractor which included a qualified opinion as noted above. There is no evidence that this SOC I report was reviewed by program personnel. Additionally, DHSS has not addressed the weaknesses identified in the report or implemented any additional procedures to mitigate the identified risk.</p> <p>The total SNAP benefits paid were \$223,046,541 and total expenditures for fiscal year 2012 amounted to \$237,305,936.</p>
<i>Cause</i>	The exception occurred because DHSS does not currently have a formal policy to monitor and review SOC I reports over service providers integral to their systems, and determine corrective actions for the State and the service provider.
<i>Effect</i>	The IT general control weaknesses could result in inaccurate processing of data and unauthorized access to systems. Without adequate IT general controls, the systems utilized for the SNAP program could be inappropriately accessed which could allow unauthorized or erroneous entries into the system without DSS knowledge or oversight.

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Recommendation	<p>DHSS and agencies supporting the systems utilized for SNAP should implement adequate IT general controls to address the system weaknesses noted. Management should implement controls to:</p> <ol style="list-style-type: none"> 1) Obtain and review SOC I reports of service providers integral to the system for exceptions, weaknesses and user considerations. 2) Work with DTI in the implementation of a formal policy to complete a review over system security.
Questioned Costs	There are no questioned costs associated with this finding.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	<p>The Div. of Management Services (Client Payments/Information Resource Management units) will work to formulate a formal policy/procedure to obtain and review SOC I reports of service providers (e.g. JP Morgan) integral to the system and review for exceptions, weaknesses and user considerations. It should be pointed out that JP Morgan did provide a copy of the Price Waterhouse SOC I report (issued 10/29/12) to DHSS on 11/6/12. Additionally, DHSS reached out to JP Morgan which provided on 2/13/13 the corrective actions/remediation steps that they have taken to resolve the cited exceptions. The steps taken are as follows.</p> <p>The 2/13/13 JP Morgan corrective actions stated for the exception “Access to systems is limited to authorized individuals”:</p> <p>Regarding the exception “Access to systems” exception, JP Morgan corrective action stated: <i>The following steps were executed in direct response to the issue noted by our auditors within our SSAE16 report:</i></p> <ul style="list-style-type: none"> ✓ <i>The database system functional accounts are only intended to be used by the application to interface with the database: to prevent inappropriate access the passwords were changed and encrypted (where required to be referenced in the application code).</i> ✓ <i>To further segregate, restrict and identify update access to the Security Gateway database, a unique break-glass functional account was created with a reduced number of authorized users. This database contains the application user profiles and entitlements for FEB (and several other in-scope applications).</i> ✓ <i>Technical production support user IDs have been reviewed to confirm all staff have “read-only” accounts assigned. Any production incident requiring update access requires the use of a break-glass account.</i> ✓ <i>Senior Management has issued a statement to remind all Technologists it is against J.P. Morgan Chase Policies and Standards to share passwords and failure to adhere to these policies is punishable up to and including termination.</i> ✓ <i>Organizational changes were made among the staff and management of the Production Support group responsible for this exception.</i> ✓ <i>A quarterly review of application user access is being performed to ensure users are granted access to our applications only by formal access request.</i>
Finding Status	<p>Fully Corrected. <input checked="" type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>

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<i>Description of Status</i>	As an update, the Div. of Management Services (Client Payments/Information Resource Management units) formulated the formal policy/procedure to obtain and review SOC I reports of service providers (e.g. JP Morgan) integral to the system and review for exceptions, weaknesses and user considerations.
<i>Anticipated Completion Date (if not Fully corrected).</i>	Policy/procedure was put in place 5/16/13.

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Agency	U.S. Department of Health and Human Services Division of Medicaid and Medical Assistance
Fiscal Year	2012
Reference Number	12-16
Related Prior Year Findings	11-DMMA-01
Related 2013 Findings	2013-021
Program Name (CFDA No.)	Medicaid Cluster (93.775, 93.777, S-93.777, 93.778)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Eligibility
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the State or its designee shall:</p> <p><i>B(1) Written Application</i> “Require a written application signed under penalty of perjury and include in each applicant’s case records facts to support the agency’s decision on the application (42 USC 1320b-7(d); 42 CFR sections 435.907 and 435.913).</p> <p><i>B(2) Income and Eligibility Verification System</i> Use the income and eligibility verification system (IEVS) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits. With approval from HHS, States may use alternative sources for income information. States also: (a) may target the items of information for each data source that are most likely to be most productive in identifying and preventing ineligibility and incorrect payments, and a State is not required to use such information to verify the eligibility of all recipients; (b) with reasonable justification, may exclude categories of information when follow-up is not cost effective; and (c) can exclude unemployment compensation information from the Internal Revenue Service or earnings information from SSA that duplicates information received from another source (42 USC 1320b-7(a); 42 CFR sections 435.948(e) and 435.953).</p> <p>Require, as a condition of eligibility objections, refuses to obtain a SSN. In redetermining eligibility, if the case record does not contain the required SSN, the agency must require the recipient to furnish the SSN (42 CFR section 435.920(b)) (42 USC 1320b-7(a)(1); 42 CFR sections 435.910 and 920).</p>

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	<p>Verify each SSN of each applicant and recipient with SSA to insure that each SSN furnished was issued to that individual and to determine whether any others were issued (42 CFR sections 435.910(g) and 42 CFR 435.920).”</p> <p><i>B(6) Redetermination</i> Redetermine the eligibility of Medicaid recipients with respect to circumstances that may change (e.g., income eligibility), at least every 12 months. The agency may consider blindness and disability as continuing until the review physician or review team determines that the recipient’s blindness or disability no longer meets the definition contained in the plan. There must be procedures designed to ensure that recipients make timely and accurate reports of any changes in circumstances that may affect their eligibility. The State must promptly redetermine eligibility when it receives information about changes in a recipient’s circumstances that may affect his or her eligibility (42 CFR section 435.916).</p>
Condition	<p>The following are considered to be both control and compliance exceptions.</p> <p><i>B(1) Written Application</i> For 6 out of 90 applicants selected, the Division of Medicaid and Medical Assistance (DMMA) was unable to provide documentation to support that the recipient signed a written application for benefits under the penalty of perjury. Benefits provided to the 6 recipients were \$11,254.79.</p> <p><i>B(2) Income and Eligibility Verification System</i> For 3 out of 90 applicants selected, DMMA did not provide evidence that the applicant’s Social Security Number was verified with the Social Security Administration (SSA) at any point within the period of receiving benefits. Benefits provided to the 3 recipients were \$5,535.72.</p> <p><i>B(6) Redetermination</i> For 1 out of 90 applicants selected, DMMA did not provide evidence that the recipient was properly redetermined to be eligible for benefits within the required timeframe of 12 months. Benefits provided to the one recipient were \$699.03.</p> <p>Total benefit payments for the fiscal year 2012 per FSF were \$786,738,561 while total expenditures for the program in fiscal year 2012 amounted to \$846,161,660.</p>
Cause	<p>The missing applications could be due to staff failing to upload the application into the Document Imaging System (DIS) and/or the misplacement of the original application in the paper file.</p> <p>The lack of Social Security Number verification resulted from the Delaware Client Information System (DCIS-II) System not having included the applicant within the population to run through the data matching interfaces with the Social Security Administration.</p> <p>The reason for the late redetermination is unknown.</p>
Effect	<p>Households may receive government benefits without the legal security that individuals who make false statements will be persecuted to the full extent of the law. Federal monies may be utilized for recipients who did not qualify or continue to qualify for Medical assistance.</p>

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Recommendation	We recommend that the DMMA enhance their retention policies and procedures within their State Plan to ensure proper records are maintained to support the applicant eligibility determination. We also recommend that the State modify its procedures to ensure that all cases are subject to data matching with the SSA. We recommend that the DMMA implement procedures to ensure that all recipients are recertified on an annual basis through the implementation of system alert functions within the DCIS-II System.
Questioned Costs	There are \$17,489.54 of questioned costs associated with the items noted above.
Agency Contact Name	Ray Fitzgerald, DSS Deputy Director
Agency Contact Phone Number	(302) 255-9645
Corrective Action Plan	<p>The enclosed plan represents DHSS' response to the Single State Audit findings.</p> <p><i>B(1) Written Application & B(6) Redetermination</i></p> <p>Our agency implemented a Document Imaging System (DIS) used to electronically record client records. The process we had in place was not as effective as we needed it to be resulting in the following problems:</p> <ul style="list-style-type: none"> a. DIS process procedures varied from location to location which resulted in inconsistent documentation of electronic client verification. This inconsistency created the following issues: <ul style="list-style-type: none"> i. Inability to locate required documentation including client verification and application information because documents were mislabeled; misfiled; or not scanned properly. ii. Client paper files were not retained as long as they should have been. b. As a result of these finding we have or will implement the following procedures to ensure that required verification is recorded in electronic client files: <ul style="list-style-type: none"> i. We are centralizing our DIS processes and procedures and will create standard procedures to ensure consistency when sorting, scanning and labeling documents. This process is currently being phased in at a pace of approximately 3 locations per month. We started this process in October 2012 and expect the process to be fully implemented by December 2013. ii. To support this phase-in we are directing our offices who are not yet included in the centralized DIS process to retain paper files for 6 months to ensure that we minimize incidents of irregularities (missing information) resulting from disparate local processes. c. DMMA will document the physical location of closed cases so we know where to locate requested information for future audits. <ul style="list-style-type: none"> i. Note: DMMA continues to dispute the error finding for Case#0000008309. This application was signed by the Social Worker from Christiana Care with client signing the Authorization to release information. Case was denied 3/2/2012 because the client wasn't placed; once he was placed @ NH, case opened 3/9/2012.

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	<p><i>B(2) Income and Eligibility Verification System</i></p> <p>a. Consistent with Medicaid Common Eligibility policy reference 14105.1 Exception For Infants, which states, "Infants born 1/1/91 and after do not have to provide or apply for a number until the child turns age one", DSS will ensure that a child's SS# is verified at the recertification/periodic review (for any program of assistance) or before the child turns 1, whichever time period is the shortest. This will ensure that all newborn children, existing or newly added to a case, will have a SS# listed or will be removed from the case prior to turning 1.</p> <p>b. DSS will instruct our staff to verify that all SS#'s are entered accurately prior to confirmation. This added level of quality assurance will minimize incidents of data entry error.</p> <p style="padding-left: 40px;">i. Note: DSS continues to dispute the error finding for Case#6003554066; our records indicate that the SSN has been in the system since her birth in 2007 and we provided verification to support that on 10/4/2012. The child's name was changed in January 2010.</p> <p>Anticipated Completion Date:</p> <p>B(1)- b(i)- December 31, 2013 b(ii)- June 30, 2013 B(2)- a- December 31, 2013 b- June 30, 2013</p> <p>Auditors' Response:</p> <p>B(1) – The audit evidence provided by DMMA was subsequent to the completion of audit fieldwork and was incomplete, therefore, our conclusion continues to be that DMMA was unable to provide documentation to support that the recipient signed a written application for benefits under the penalty of perjury.</p> <p>B(2) – The audit evidence provided by DMMA was three months subsequent to the completion of audit fieldwork and was incomplete, therefore, our conclusion continues to be that DMMA was unable to provide evidence that the applicant's Social Security Number was verified with the Social Security Administration (SSA) at any point within the period of receiving benefits.</p>
<p><i>Finding Status</i></p>	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
<p><i>Description of Status</i></p>	<p>The following updates are provided to the corrective action.</p> <p style="padding-left: 40px;">B(1)- b(i)- December 31, 2013: Centralization of DIS processes/procedures is in progress. Currently all but 2 location field office locations in New Castle county are centralized. Kent and Sussex counties are planning to begin implementation in late May early June 2013.</p> <p style="padding-left: 40px;">b(ii)- June 30, 2013: Field offices were directed in March 2013 to retain paper files for 6 months to ensure that they minimize incidents of irregularities (missing information) resulting from disparate local</p>

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	<p>processes.</p> <p>B(2)- a- December 31, 2013: Field office managers have been directed to discuss and reinforce with field staff the Medicaid Common Eligibility policy reference 14105.1 Exception For Infants no later than 6/30/13.</p> <p>b- June 30, 2013: Field office managers have been directed to discuss and reinforce with field staff no later than 6/30/13 that they are to verify that all SS#'s are entered accurately prior to confirmation. This added level of quality assurance will minimize incidents of data entry error.</p> <p>Additionally, regarding SSN's, DSS runs a match daily with the Social Security Administration to verify SSN's and receives a daily response from SSA. If there is a mismatch, an alert is sent to the eligibility worker to reconcile.</p>
<p><i>Anticipated Completion Date (if not Fully corrected).</i></p>	<p>December 31, 2013</p>

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Agency	U.S. Department of Health and Human Services Division of Medicaid and Medical Assistance
Fiscal Year	2012
Reference Number	12-17
Related Prior Year Findings	11-DMMA-02
Program Name (CFDA No.)	State Children’s Health Insurance Program (93.767)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Eligibility
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Per Delaware’s State Plan: “Eligibility will be established using gross income of all immediate family members living in the same household with a standard \$90 disregard per earner, a disregard for the moment of actual child care expenses up to \$175 for children age 2 and above and \$200 for children under age 2. In addition, there will be a disregard of the first \$50 of child support for potentially eligible children. The resultant countable income will be compares to 200% of the FPL for a family size of those in the immediate family with one exception (a pregnant woman will count as [2] people for the determining the FPL level to use). Income less than or equal to 200% of the FPL will qualify the children for eligibility for the Delaware Healthy Children Program.”</p> <p>The Delaware State Plan also states that applicants “must be ineligible for enrollment in any public group health plan”.</p>
Condition	<p>The following is considered to be a both a control and compliance finding. One out of our sample of 85 children receiving SCHIP benefits was determined to be ineligible and received \$2,275 in benefits. We noted that the applicant’s income exceeded the income limit as described by the Delaware State Plan for SCHIP. We also noted that the applicant was enrolled in a public group health plan while receiving SCHIP benefits, which is not in compliance with eligibility requirements per the Delaware State Plan for SCHIP.</p> <p>Total benefit payments for the fiscal year were \$13,297,709 while total expenditures for the program in fiscal year 2012 amounted to \$15,532,999.</p>
Cause	The exception occurred because DMMA did not follow the Delaware State Plan requirements in regards to the determination of eligible recipients.
Effect	Children receiving SCHIP benefits may not be eligible to receive these benefits.
Recommendation	We recommend that the DMMA follow the set guidelines and rules established for eligibility determinations within the Delaware State Plan for SCHIP as approved by the Department of Health and Human Services.
Questioned Costs	There are \$2,275 in questioned costs associated with the payment of benefits for the identified exception.

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Agency Contact Name	<i>Ray Fitzgerald, DSS Deputy Director</i>
Agency Contact Phone Number	<i>(302) 255-9645</i>
Corrective Action Plan	<p>This case was open in CHIP on 4/30/12 based on income of \$2,003.00 which made the child eligible for the program. Two days later on 5/2/2012 a much higher income was added but since the case had already opened in CHIP it remained open for the guaranteed eligibility period.</p> <p>We are limited on what we can do to prevent these issues because of the 12 month guaranteed eligibility period. We will attempt to mitigate the dollar error by attempting the following:</p> <ol style="list-style-type: none"> 1. Run a quarterly match between MMIS and our SCHIP client population to determine if the client has third party insurance. Currently there are no linkages to perform this task automatically. 2. We will also reinforce with our staff the care that needs to be paid to properly entering income data, especially for CHIP cases, to minimize the chance of errors like this happening in the future.
Finding Status	<p>Fully Corrected. <input checked="" type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
Description of Status	<p>The quarterly match run between MMIS and the SCHIP population was being performed by the 3/30/13 time line as outlined in number 1 of the corrective action plan. Regarding number 2 of the corrective action plan, the corrective action was discussed and reinforced with field managers and managers in turn discussed and reinforced with their field staff by the 3/30/13 timeline.</p>
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Department of Health and Human Services Division of Social Services
Fiscal Year	2012
Reference Number	12-18
Related Prior Year Findings	11-DSS-04
Program Name (CFDA No.)	Child Care Cluster (93.575, 93.596)
Type of Finding	Noncompliance, Material Weakness
Compliance Requirement(s)	Reporting
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: SF-425, Federal Financial Report-</p> <ol style="list-style-type: none"> 1) The submission of interim FFRs will be on a quarterly, semi-annual, or annual basis, as directed by the Federal agency. A final FFR shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. For final FFRs, the reporting period end date shall be the end date of the project or grant period. 2) Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period. Annual reports shall be submitted no later than 90 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.
Condition	<p>The following is considered to be both a control and compliance exception. We were unable to obtain and test the reconciliation of the CCDF amounts reported on the SF-425 report to the amounts reported on the First State Financials (FSF) system reports or the supporting documentation provided. We note that total cumulative expenditures per FSF were \$32,893,806 and the SF-425 reported total expenditures of \$32,928,648 for the quarter ending March 31, 2012. For the quarter ending June 30, 2012, total cumulative expenditures per FSF were \$21,292,386 and the SF-425 reported total expenditures of \$21,049,741.</p> <p>The total expenditures for the program in fiscal year 2012 amounted to \$14,076,667.</p>
Cause	The exception occurred because multiple state agencies including the Department of Services for Children, Youth and Their Families and the Department of Education expend CCDF funds but the Department of Health and Social Services does not have a procedure in place to obtain and reconcile other State department expenditures that are included within the SF-425 reports.
Effect	The amounts reported to the Federal Agency, the Department of Health and Human Services, on the SF-425 report could not be reconciled to amounts reported on the FSF system generated reports (DGL123) which may result in the Federal Government having less/more information about the expenditures that were incurred by the program.

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Recommendation	We recommend that the Department of Health and Social Services implement policies and procedures surrounding obtaining the appropriate general ledger reports (e.g. DGL123) from all departments expending costs relating to the CCDF Program prior to preparation and submission of the SF-425 report.
Questioned Costs	<p><u>March 31, 2012</u> Total Expenditures Per SF-425 \$ 32,928,648 Total Expenditures Per FSF \$ 32,893,806 Over-reported Costs \$ 34,842</p> <p><u>June 30, 2012</u> Total Expenditures Per SF-425 \$ 21,049,741 Total Expenditures Per FSF \$ 21,292,386 Under-reported Costs \$ (242,645)</p>
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	<p>In an examination of the March 31, 2012 report it was determined that the “Total Expenditures Per SF-425” of \$32,928,648 were obtained by the auditors from the DHSS reports (based upon state accounting system data) used for effectuating draws from the federal draw system. This report includes cumulative draw and expenditure information for FFY-2010 through FFY-2012 derived from the State accounting system. It should also be pointed out that the reason “Total Expenditures Per SF-425” decreased from \$32,928,648 as of March 31, 2012 to \$ 21,049,741 on June 30, 1012 is due to the fact that the June 30 report does not include the FFY-10 grant expenditures. That grant year was fully expended/finalized by March 31, 2012 and subsequently dropped off the Federal reporting system. Therefore that grant year was no longer being reported.</p> <p>The questioned costs as of March 31, 2012 and June 30, 2012 and variance is related to expenditures occurring in other departments and that DMS did not obtain the accounting report/budgetary expenditure information directly from other Departments. Steps have been taken to ensure that DMS receives and uses the other department’s expenditure data (see corrective action).</p> <p>DHSS began the process of obtaining financial data from other Departments of the State in January 2013. OMB will be providing the DOE DGL123 and DGL018 on a quarterly basis and DSCYF will be providing their department’s financial data for grant funds received from DHSS. The SF-425 PMS report will be corrected when the quarter ending 3/31/13 report is submitted.</p>
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	As described in the finding responses, corrective action was put in place April 30, 2013 for this finding.

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<i>Anticipated Completion Date (if not Fully corrected).</i>	
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Agency	U.S. Department of Health and Human Services Division of Social Services
Fiscal Year	2012
Reference Number	12-19
Related Prior Year Findings	11-DSS-06
Program Name (CFDA No.)	Temporary Assistance for Needy Families (93.558, S-93.714)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Reporting
Criteria	Control exceptions: The A-1 02 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Compliance exceptions: Per 45 CFR Section 265.3(c), “(1) Each State must file quarterly expenditure data on the State’s use of Federal TANF funds, State TANF expenditures, and State expenditures of MOE funds in Separate State programs. (2) If a State is expending Federal TANF funds received in prior fiscal years, if must file a separate quarterly TANF Financial Report (or, as applicable, Territorial Financial Report) for each fiscal year that provides information on the expenditures of that year’s TANF funds.”
Condition	The following is considered to be both a control and compliance exception. We were unable to obtain and test the reconciliation of the TANF amounts reported on the SF-425 report to the amounts reported on the First State Financials (FSF) System generated reports as well as the supporting documentation provided. We note that grant inception to date cumulative expenditures per FSF were \$45,959,452 and the SF-425 reported total cumulative expenditures of \$40,493,431 for the quarter ending March 31, 2012. For the quarter ending June 30, 2012, grant inception to date cumulative expenditures per FSF were \$56,713,553 and the SF-425 reported total cumulative expenditures of \$56,640,638. Total expenditures for the program in fiscal year 2012 amounted to \$34,813,071.
Cause	The exceptions occurred because the Department of Health and Social Services does not have a procedure in place to obtain and reconcile Department for Services for Children, Youth, and Families (Department 37) and DHSS (Department 35) expenditures that are included within the SF-425 reports.
Effect	The amounts reported to the Federal Agency, the Department of Health and Human Services, on the SF-425 report could not be reconciled to amounts reported on the FSF system generated reports (DGL123) which results in the Federal Government having less/more information about the expenditures than were incurred by the program.
Recommendation	We recommend that the Department of Health and Social Services implement policies and procedures surrounding obtaining the DGL123 reports from all departments expending costs relating to the TANF Program prior to preparation and submission of the SF-425 report as well as performing reconciliation procedures prior to submission of report.

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Questioned Costs	<p><u>March 31, 2012</u> Total Expenditures Per SF-425 \$ 40,493,431 Total Expenditures Per FSF \$ 45,959,452 <i>Under-reported Costs</i> <i>\$ (5,466,021)</i></p> <p><u>June 30, 2012</u> Total Expenditures Per SF-425 \$ 56,640,638 Total Expenditures Per FSF \$ 56,713,553 <i>Under-reported Costs</i> <i>\$ (72,915)</i></p>
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>
Agency Contact Phone Number	<i>(302) 255-9235</i>
Corrective Action Plan	<p>In an examination of the March 31, 2012 report it was determined that an omission occurred when the report was prepared and that cumulative expenditures for the FFY-12 grant year were not updated. Hence the cumulative expenditures were under stated. This error was discovered when preparing the June 30, 2012 report and corrected when that report was submitted.</p> <p>The June 30, 2012 questioned costs were the result of not obtaining budgetary information directly from other Departments understating the total reported costs. Subsequently the expenditure data was obtained from the other departments and corrected on the report submitted for the quarter ending 12/31/12.</p> <p>Subsequently steps have been taken to ensure use of the other department's expenditure data.</p> <p>DHSS began the process of obtaining financial data from other departments in the State in January 2013. OMB will be providing the DOE DGL123 and DGL018 on a quarterly basis and DSCYF will be providing their department's financial data for grant funds received from DHSS.</p>
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	<p>As described in the finding responses, corrective action was put in place January 2013 for this finding. Subsequently, recognizing problems with reporting accuracy, in FY-14 DHSS brought in outside technical assistance in an effort to expand the documentation review/procedures for preparing the quarterly TANF report. This outside assistance includes a heightened level of review and quality control of the supporting work papers for the reports prior to submission.</p>
Anticipated Completion Date (if not Fully corrected).	<p>The technical assistance effort began in earnest later in FY-14 (1/1/14) and will be substantially used for the report to be submitted for the quarter ending 3/31/14.</p>

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Agency	U.S. Department of Health and Human Services Division of Social Services
Fiscal Year	2012
Reference Number	12-20
Related Prior Year Findings	
Related 2013 Findings	2013-016
Program Name (CFDA No.)	Child Care Cluster (93.575, 93.596)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Allowable Costs (Effort Reporting)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)</p> <p>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)</p>

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	<p>Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:</p> <ul style="list-style-type: none"> • The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results. • The entire time period being sampled. • The results must be statistically valid and applied to the period being sampled. <p>(OMB Circular A-87, Attachment B.8.h.6)</p>
Condition	<p>The following is considered to be both a control and compliance exception. During the testing of allowable or unallowable costs for payroll, four out of forty employees selected for testing submitted Time and Effort Certifications that were not approved and reviewed by a supervisor for multiple pay cycles. The four employees charged \$27,891 to the program out of our sample of \$71,045. Total payroll expended by the program was \$620,227.</p> <p>Total expenditures for the program in fiscal year 2012 amounted to \$14,076,667</p>
Cause	<p>The exceptions occurred because the Division of Social Services does not have procedures established that require supervisor review and approval of time charged to the Federal grants.</p>
Effect	<p>Employees may be recording the incorrect or unapproved payroll charges to the federal grant.</p>
Recommendation	<p>We recommend that DSS enhance controls by ensuring there is documentation of an adequate level of supervisory review for Time and Effort reports.</p>
Questioned Costs	<p>Costs not properly approved were \$27,891.</p>
Agency Contact Name	<p>Harry Roberts, DHSS Controller</p>
Agency Contact Phone Number	<p>(302) 255-9235</p>
Corrective Action Plan	<p>The cited incomplete time and effort certifications for the CCDF program were a result of the fact that the certification form did not have a place for the supervisor's signature. The form has been revised to include the supervisor's signature and has been distributed for use.</p> <p>It should be pointed out that the work the 4 staff were engaged are allowable under the CCDF program. Their duties are:</p> <p>Employee #1 works as the CCDF administrator. They develop and submit the CCDF plan and oversee and coordinate related Quality activities.</p> <p>Employee #2 works as the Policy Administrator and writes provider policy for the child care providers who are paid from CCDF funds as well as oversees the child care monitors.</p> <p>Employee #3 works in the DSCYF Office of Child Care Licensing and develops the rules concerning the licensing of child care providers.</p> <p>Employee #4 (left our employ as of 5/18/12) worked as a child care monitor. This person made site visits to child care providers who received CCDF funds to ensure payments were</p>

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	made properly.
<i>Finding Status</i>	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	While the corrective action was put in place on 1/16/13 as described in the finding response, due to continued problems with effort reporting, additional steps are being taken. A departmental policy on time and effort reporting is in the process of being formulated. This policy will be departmental in scope and once complete, it will be issued and disseminated departmentally. It will include the requirement, basis and importance of effort reporting, frequency and, where needed, to align/recode payroll charges to reflect effort as a required and ongoing process. It will also include the appropriate standards for monitoring/review of employee time/effort certifications by supervisors. Subsequently, training will be provided to departmental staffs completing effort reports as well as managers who supervise those staff. Additionally, DSS will design and put in place an effort reporting tracking system to ensure that CCDF effort reports are properly completed and tracked. This will include assigning an administrator to review effort reports and track the corrective action plan for this finding.
<i>Anticipated Completion Date (if not Fully corrected).</i>	Departmental policy formulation: March 31, 2014 Provision of training: By July 31, 2014.

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Agency	U.S. Department of Health and Human Services Division of Social Services
Fiscal Year	2012
Reference Number	12-21
Related Prior Year Findings	
Program Name (CFDA No.)	Child Care Cluster (93.575, 93.596)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Matching, Earmarking
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: <u>Matching</u> Per the June 2012 Compliance Supplement, “A State is eligible for Federal matching funds (limit specified in 42 USC 618 and 45 CFR section 98.63) only for those allowable State expenditures that exceed the State’s MOE requirement, provided all of the Mandatory Funds (CFDA 93.596) allocated to the State are also obligated by the end of the fiscal year (45 CFR section 98.53). State expenditures will be matched at the Federal Medical Assistance Percentage (FMAP) rate for the applicable fiscal year. This percentage varies by State and is available on the Internet at http://www.aspe.hhs.gov/health/fmap.htm. To be eligible an activity must be allowable and be described in the approved State plan (45 CFR section 98.53). The State of Delaware’s rate was 53.15 percent for the period of October 1, 2010 through September 30, 2011 and 54.17 percent for the period of October 1, 2011 through September 30, 2012.</p> <u>Earmarking</u> Per the June 2012 Compliance Supplement, “A State/Territory may not spend on administrative costs more than five percent of total CCDF awards expended (i.e., the total of CFDA 93.575 and 93.596) and any State expenditures for which Matching Funds (CFDA 93.596) are claimed (42 USC 9858c(c)(3)(C); 45 CFR section 98.52).”
Condition	<p><u>Matching</u> The following is considered to be a control exception. During the testing of the Matching requirements for the Child Care Development Fund (CCDF) program, we found that for 25 out of 25 expenditures selected which were subject to matching requirements the Division of Social Services did not apply the correct Federal Medical Assistance Percentage. The effect of the error of the sample of \$3,472,798, subject to testing was an under-match of \$133,618 for CFDA #93.596. Total population of expenditures subject to matching requirements was \$4,383,143.</p>

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	<p><u>Earmarking</u> The following is considered to be a compliance and control exception. The CCDF's 2012 Fiscal Year ACF 696-Report included \$1,957,591 in administrative expenditures. The total expenditures for the June 30, 2012 period were \$11,170,374; therefore, the five percent limit on administrative expenditures was exceeded by \$1,399,072.</p> <p>Total expenditures for the program in fiscal year 2012 amounted to \$14,076,667.</p>
Cause	<p><u>Matching</u> The exception occurred because the Division of Social Services incurs state match in excess of the requirement and therefore does not true-up the FMAP percentages on a transaction by transaction basis.</p> <p><u>Earmarking</u> The exception occurred because the Division of Social Services does not have controls in place to monitor the earmarking requirements established by the Federal government.</p>
Effect	<p><u>Matching</u> The coding individual transactions between federal and state are not captured at the appropriate federal participation rate. As a result, the matching requirement is managed in the aggregate by the program.</p> <p><u>Earmarking</u> The Division of Social Services exceeded earmarking limitations and expended a greater amount of federal funds on administrative expenditures.</p>
Recommendation	We recommend the Division implement policies and procedures surrounding ensuring that the correct FMAP rate is applied and earmarking limits are appropriately met and reported.
Questioned Costs	<p><u>Matching</u> No questioned costs, as the State over matches the program.</p> <p><u>Earmarking</u> Total CCDF Expenditures \$11,170,374 Administrative Earmark (5%) \$558,519 Total Administrative Expenditures \$1,957,591</p> <p>Exceeded limit by \$1,399,072</p>
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>
Agency Contact Phone Number	<i>(302) 255-9235</i>
Corrective Action Plan	After the 6/30/12 ACF 696 report was prepared and submitted, a spreadsheet cell error was discovered. As a result, \$1,028,043 that was reported on line 1.g. (Direct Service) was also reported on line 1.a. (Administration) overstating Administration expenditures. The error was subsequently corrected on the 9/30/12 ACF 696 report that was submitted on 11/14/12.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>

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<i>Description of Status</i>	As described in the finding response the error was corrected on the 9/30/12 ACF 696 report submitted on 11/16/12.
<i>Anticipated Completion Date (if not Fully corrected).</i>	

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Agency	U.S. Department of Agriculture Department of Health and Social Services Division of Public Health
Fiscal Year	2012
Reference Number	12-22
Related Prior Year Findings	
Program Name (CFDA No.)	Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
Type of Finding	Scope Limitation, Material Weakness
Compliance Requirement(s)	Cash Management
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.</p>
Condition	<p>The Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC) utilizes a system query report, to download pending Accounts Receivable information from the State's general ledger, First State Financials (FSF), into a spreadsheet for the determination of the federal cash draws to be requested for the program.</p> <p>The following is considered to be the control exception. There is a lack of segregation of duties within the program's federal draw down process, as the same WIC staff is responsible for executing the query, importing the query results into the spreadsheet, calculating the draw amounts, and performing the cash draw downs. For 11 out of 11 samples selected, supervisory review of the draw down was not completed prior to submission of request for payment. The 11 transactions sampled amounted to \$567,822.</p> <p>The following is considered to be the compliance exception and scope limitation. The draw down information could not be directly traced back to FSF for 2 out of 11 samples selected because the FSF system does not have the ability to be queried as to historical balances. Only the adjusted spreadsheet files, rather than the original system query results, were maintained by Division of Public Health (DPH) and WIC as supporting documentation for the federal draw downs selected for audit test work. The two items without documentation in our test amounted to \$12,668.</p> <p>The population of cash draws subject to testing amounted to \$13,549,689 for fiscal year 2012 while the total expended for the program was \$11,016,952.</p>

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Cause	The exception occurred because the WIC Program utilizes a system query to obtain the required information from the State's accounting system due to the large volume of grants being drawn down by the Department; however, the original query results were not maintained.
Effect	Without a management review control in place, WIC may request funds in a manner which is not in compliance with the CMIA Agreement or the terms of the grant agreements.
Recommendation	<p>We recommend that WIC and DPH maintain their enhanced federal draw down procedures by ensuring there is an adequate level of supervisory review of the cash draws prior to submission to the federal agencies and to ensure proper segregation of duties over the cash management function.</p> <p>We also recommend that WIC and DPH continue its current policy to maintain the original FSF query results that correspond to each draw down either in hardcopy or in a non-alterable electronic format so that the draw down information can be validated.</p>
Questioned Costs	The impact of the calculation of interest liability if any cannot be determined.
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>
Agency Contact Phone Number	<i>(302) 255-9235</i>
Corrective Action Plan	<p>It is the written policy of WIC and DPH that all federal draws be reviewed and approved in writing before submission to the federal agencies. The policy also requires that the reviewer and approver of the cash draw is not the same individual who has initiated and prepared the draw. The policy also requires the original FSF query results to be maintained in hardcopy or non-alterable electronic format in order to validate the draw down information. The policy will be modified to include a provision that in the event WIC staff absences occur that would cause a lack of proper segregation of duties and supervisory review, the central DPH fiscal office will be included/inserted into the draw review/approval process.</p> <p>It should be pointed out that during the audit period, WIC did not request any funds in a manner which was not in compliance with the CMIA Agreement or the terms of the grant agreements. Although there was an issue of lack of supervisory review/segregation of duties as cited, the funds drawn were for allowable costs under the WIC grant and do not represent questioned costs.</p>
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	The corrective action was carried out as described in the finding response and timeline. Additionally, the central DPH fiscal office has been included in the draw review/approval process. In February 2013 (prior to the FY-2012 audit exit conference of March 29, 2013) DPM fully implemented enhancements to the management review procedure as part of the control process. The cash management policy for WIC includes that in the event of staff absences, the central DPM fiscal office will be included in the draw review and approval process.
Anticipated Completion Date (if not Fully corrected).	February 2013

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Agency	U.S. Environmental Protection Agency Department of Health and Social Services Division of Public Health
Fiscal Year	2012
Reference Number	12-23
Related Prior Year Findings	
Program Name (CFDA No.)	Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Reporting
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions:</p> <p><i>Financial Reporting</i> Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.</p> <p><i>Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)).</i> Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.</p>
Condition	<p>The following is considered to be a compliance exception. The SF-425, Federal Financial Report, prepared and submitted for the DWSRF program as of December 31, 2011, does not have supporting documentation for the cumulative recipient share of expenditures reported of \$5,162,257.</p> <p>Total expenditures for the program in fiscal year 2012 amounted to \$16,526,758.</p>
Cause	The exception occurred because the Division uses a manually altered spreadsheet to track the reported amount, but did not properly retain the FSF reports to support the calculation. The supporting spreadsheet could not be agreed to re-created general ledger reports.

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<i>Effect</i>	The Federal Financial Reports' total recipient shares could be incorrect as reported.
<i>Recommendation</i>	We recommend the Division implement policies surrounding retention of supporting documentation for amounts recorded and reported on Federal Financial Reports.
<i>Questioned Costs</i>	There are no questioned costs as the program exceeded the required non-ARRA match.
<i>Agency Contact Name</i>	<i>Harry Roberts, DHSS Controller</i>
<i>Agency Contact Phone Number</i>	<i>(302) 255-9235</i>
<i>Corrective Action Plan</i>	To strengthen the audit trail for match and to correspond to each FFR report, the Division has begun the collection and retention of supporting FSF documentation for transactional amounts recorded and reported on Federal Financial Reports. It should also be pointed out that the EPA, the granting federal agency, has been conducting quarterly reviews and has not expressed any concerns regarding match.
<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	The corrective action was put in place by May 2013 as described in the finding response. Collection and retention of supporting FSF documentation was completed for all grants processed during FY2013.
<i>Anticipated Completion Date (if not Fully corrected).</i>	

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Agency	U.S. Environmental Protection Agency Department of Health and Social Services Division of Public Health
Fiscal Year	2012
Reference Number	12-24
Related Prior Year Findings	
Program Name (CFDA No.)	Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Procurement, Suspension and Debarment
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>The June 2012 Compliance Supplement states, “The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§____.36); OMB Circular A-110 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award. Most of the Federal agencies have adopted this guidance and relocated their associated agency rules in Title 2 of the CFR as final rules. For any agency that has not completed its adoption of 2 CFR part 180, pending completion of that adoption, agency implementations of the common rule remain in effect. Appendix II includes the current CFR citations for all agencies. In either case, the applicable requirements are specified in the terms and conditions of award.”</p> <p>“Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.”</p>
Condition	The following is considered to be a control exception. During the testing of Procurement, Suspension and Debarment for the Drinking Water State Revolving Fund (DWSRF), the Department of Natural Resources and Environmental Control (DNREC) did not properly conduct an Excluded Parties List search for one out of two vendors selected for testing to ensure that the vendor was properly excluded from the Federal Suspension and Debarment listing or obtain certification from the vendor through the contracting process. A total of \$93,853 was expended to the vendor during the fiscal year. Total contracts tested were \$229,762 and the total population of procurements was 11 non-subrecipients.

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	Total expenditures for the program in fiscal year 2012 amounted to \$16,526,758.
Cause	The exception occurred because the Program did not use the State's "boiler plate" contract for this vendor, so they should have perform a check of the EPLS; however, the program did not know coordinate between DPH and DNREC to one or the other since federal funds were use.
Effect	The program may have entered into a contractual agreement with a vendor which is suspended and/or debarred.
Recommendation	We recommend that the Department follow the steps surrounding Suspension and Debarment established within the Statewide Procurement manual. We also recommend that the DPH and DNREC utilize the "boiler-plate" contract established by the Department of Health and Social Services which includes language surrounding Federal Suspension and Debarment.
Questioned Costs	There were no questioned costs associated with this finding, the EPLS was checked subsequent to year end and the contractor was neither suspended nor debarred.
Agency Contact Name	<i>Harry Roberts, DHSS Controller</i>
Agency Contact Phone Number	<i>(302) 255-9235</i>
Corrective Action Plan	As stated in the finding condition, DNREC was the entity that had entered into a collaborative research agreement (e.g. contract) with the cited contractor. The research agreement was put in place in 2003 that included the EPA requirements at that time and during FY-12 two projects were funded from a set aside in the DWSRF grant. Unfortunately the 2003 EPA requirements were subsequently amended and did not include the provisions that have been questioned in this audit. Fortunately the contractor was neither suspended nor debarred. It should be pointed out that DNREC began negotiations with the contractor to update the collaborative research agreement in November 2012 and the new agreement will include provisions that fully conform with the current federal Suspension and Debarment requirements. Additionally, until a new agreement is in place DNREC will suspend funding any new projects from EPA funds with this contractor.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	Internal Controls have been modified to address the deficiency identified in this review and other weaknesses. Checklists required for transaction processing have been updated and additional training has been provided for program management staff. The Department believes these actions will prevent the action noted in the review from reoccurrence..
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Environmental Protection Agency Department of Health and Social Services Division of Public Health
Fiscal Year	2012
Reference Number	12-25
Related Prior Year Findings	
Program Name (CFDA No.)	Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Special Tests and Provisions (Deposits to DWSRF)
Criteria	Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.
Condition	The following is considered to be a control exception. During the testing of the Drinking Water State Revolving Fund's (DWSRF) Special Tests and Provisions: Deposits to DWSRF, for 14 out of 19 cash receipts, there was no evidence of a supervisory review performed over the receipts. The total cash receipts without supervisory review amounted to \$1,279,038 out of a sample of \$1,781,456. The Program recorded \$5,663,366 in deposits for the fiscal year. Total expenditures for the program in fiscal year 2012 amounted to \$16,526,758.
Cause	The exception occurred due to a lack of awareness of the review internal control by the personnel performing this function.
Effect	The Program could improperly record a cash receipt amount or accounting code which could go undetected without supervisory review.
Recommendation	We recommend the Division enforce review procedures and policies surrounding recording of cash receipts for the DWSRF program.
Questioned Costs	There are no questioned costs associated with this finding.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	The central DPH fiscal office will monitor the DWSRF Program to ensure that all cash receipts are properly reviewed and approved in writing prior to transmittal of information and documentation to the DPH Fiscal Office for final processing. The Program will continue to perform monthly cash receipts reconciliations to ensure that amounts have been properly recorded in FSF. Although there was an issue of lack of supervisory review as cited, it should be pointed out that no cash receipts were improperly recorded regarding the amount or to incorrect accounting codes. Therefore the cited dollars do not represent questioned costs.

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<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	The corrective action was put in place by 3/29/13 as described in the finding response. Additional information regarding the steps put in place are as follows. Receipts are reviewed and signed by supervision. The receipts along with deposit instructions are taken to the DPH central fiscal office for processing. The central fiscal office personnel reviews the documentation and signs for receipt. Electronic deposits are received from the Program Manager. The program Manager's e-mail is retained as approval to process. The e-mail along with instruction are taken to the DPH central fiscal office for receipt and processing.
<i>Anticipated Completion Date (if not Fully corrected).</i>	

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Agency	U.S. Department of Health and Human Services Division of State Service Centers
Fiscal Year	2012
Reference Number	12-26
Related Prior Year Findings	11-SSC-03
Related 2013 Findings	2013-015
Program Name (CFDA No.)	Low-Income Home Energy Assistance Program (93.568)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Reporting, Period of Availability
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: <u>Reporting</u> Grantees must submit a report no later than August 1 indicating the amount expected to be carried forward for obligation in the following fiscal year and the planned use of those funds. Funds in excess of the maximum carryover limit are subject to reallocation to other LIHEAP grantees in the following fiscal year, and must be reported (42 USC 8626).</p> <p>The LIHEAP Program is required to submit the SF-425, Federal Financial Report, annually for the period October 1, 2010 – September 30, 2011 for each type of grant award received.</p> <p>In addition, per Transmittal No. LIHEA-AT-2012-01, grantees should follow the instructions provided with the SF-425 form when filing the report, which per the Transmittal attachments, are the general instructions titled ‘Federal Financial Report Instructions.’ The general instructions state that federal agencies may require both cash management information on lines 10(a) through 10(c) and financial status information lines 10(d) through 10(o).</p> <p><u>Period of Availability</u> At least 90 percent of the LIHEAP block grant funds payable to the grantee must be obligated in the fiscal year in which they are appropriated. Up to 10 percent of the funds payable may be held available (or carried over) for obligation no later than the end of the following fiscal year. Funds not obligated by the end of the following fiscal year must be returned to ACF. There are no limits on the time period for expenditure of funds (42 USC 8626).</p> <p>Leveraging incentive award funds and REACH funds must be obligated in the year in which they are awarded or the following fiscal year, without regard to the carryover limit. However, they may not be added to the base on which the carryover limit is calculated (45</p>

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	<p>CFR sections 96.87(j)(1) and (k)).</p> <p>Funds not obligated within these time periods must be returned to ACF (45 CFR section 96.87(k)). LIHEAP emergency contingency funds are generally subject to the same obligation and expenditure requirements applicable to the LIHEAP block grant funds, but the contingency award letter should be reviewed to see if different requirements were imposed.</p>
Condition	<p>The following are considered to be both control and compliance exceptions. Upon review of the reconciliation detail that was used to create the interim SF-425 Report for Federal Fiscal year ended September 30, 2011 and the Carryover & Reallotment Report for Federal Fiscal Year 2011, amended 2/27/12, the following errors were noted:</p> <ul style="list-style-type: none"> • ‘Carryover Funds to FFY 2012’ of \$1,585,391 were included as a portion of the \$13,937,315 federal share of expenditures when the expenditures had not been expended as of 9/30/11, the report date. • \$500,000 of funds transferred to Delaware Department of Natural Resources and Environmental Control (DNREC), after 9/30/11, for Weatherization services were included as a portion of the \$13,937,315 federal share of expenditures when the amounts had not been expended as of 9/30/11, the report date. • A \$60,757 obligation was included twice in calculating funds obligated and incorrectly included as part of the total federal share of unliquidated obligations amount of \$740,568. <p>The reconciliation detail errors resulted in the following reporting errors:</p> <p><u>Interim FFY 2011 SF-425 Report filed 2/28/12</u></p> <ul style="list-style-type: none"> • The reported “Federal share of expenditures” \$13,937,315 was overstated by \$2,085,391. The amount reported should have been \$11,851,924. • The reported “Federal share of unliquidated obligations” \$740,569 was overstated by \$60,758. The amount reported should have been \$679,811. • As a result, the reported “Total Federal share” \$14,677,884 was overstated by \$2,146,149. The amount reported should have been \$12,531,735. • And the reported “Unobligated balance of Federal funds” \$1,176,026 was understated by \$2,146,149. The amount reported should have been \$3,322,175. <p><u>FFY 2011 Carryover & Reallotment Report amended 2/27/12</u></p> <ul style="list-style-type: none"> • The reported “Projected unobligated balance of \$2,761,418 was understated by \$560,757. The amount reported should have been \$3,322,175. • As a result, the reported “Reallotment amount” of \$1,176,027 was understated by \$560,757. The amount reported should have been \$1,736,784. <p>In addition, the SF-425 Reports for Federal Fiscal year 2011 and 2010 omitted the Federal Cash portion of the reports and did not report any cash receipts or cash disbursements.</p> <p>The total expenditures for the program in fiscal year 2012 amounted to \$11,978,905.</p>
Cause	<p>The exceptions occurred because the program, through human error, mistakenly included financial data pertaining to the FFY 2012 period on the reconciliation detail worksheet used to calculate the amounts reported on the FFY 2011 SF-425 Report and Carryover & Reallotment Report and the program lacked of supervisory review of the filing.</p>

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	The cash amounts were excluded due to LIHEAP personnel's belief that they did not need to be included although no federal instructions noted this.
Effect	The LIHEAP Program reported incorrect amounts to the Federal Government and omitted cash amounts to the Federal Government. In addition, since the 90% threshold still was not met, LIHEAP must return more unobligated funds to the ACF than originally reported.
Recommendation	We recommend that LIHEAP implement at least one preparer and one reviewer to evaluate the reconciliation FSF of the SF-425 Reports and Carryover & Reallotment Report before submission. We also recommend LIHEAP follow general instructions for the reports and include all required information as needed.
Questioned Costs	There are no questioned costs as the expenditures reported of \$13,937,315 agreed to First State Financial system reports but were reported in the wrong federal fiscal years.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	<p>A corrected SF-425 Report was submitted to ACF through the federal On-Line Data Collection System (OLDC) on November 21, 2012. We contacted the ACF LIHEAP Officials on November 13, 2012 asking for their guidance in regard to appropriate corrective action pertaining to the FFY 2011 Carryover and Reallotment Report. We have not received a response. If we do not receive a response by 12/7/2012, we will submit a corrected Carryover and Reallotment Report.</p> <p>We will designate a preparer and reviewer to evaluate the reconciliation of FSF with the SF-425 Reports and Carryover and Reallotment Report before submission. Beginning with the SF-425 Reports due 12/31/2012 we will include the financial data in the federal cash portion of the reports.</p>
Finding Status	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
Description of Status	The corrective action plan described in the finding response is in place and is being followed. The FY11 Carryover and Reallotment Report was submitted to HHS on January 28, 2013. However, the FY12 Report had already been submitted prior in August 2012 and was also incorrectly reported.
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Department of Health and Human Services Division of State Service Centers
Fiscal Year	2012
Reference Number	12-27
Related Prior Year Findings	11-SSC-02
Program Name (CFDA No.)	Low-Income Home Energy Assistance Program (93.568)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Reporting (Special Reporting)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: The LIHEAP Program is required to submit the Annual Report on Households Assisted by LIHEAP (OMB No. 0970-0060). As part of the application for block grant funds each year, a report is required for the preceding fiscal year of (1) the number and income levels of the households assisted for each component (heating, cooling, crisis, and weatherization), and (2) the number of households served that contained young children, elderly, or persons with disabilities. Territories with annual allotments of less than \$200,000 and Indian tribes are required to report only on the number of households served for each component (42 USC 8629; 45 CFR section 96.82):</p> <p>Key Line Items – (1) Section 1 – LIHEAP Assisted Households (2) Section 2 – LIHEAP Applicant Households</p>
Condition	<p>The following are considered to be both control and compliance exceptions. Some attributes/components of the LIHEAP Household Annual Report for the period October 1, 2010 – September 30, 2011 could not be agreed to supporting documentation and/or supporting documentation could not be provided or was not sufficient for some of the attributes/components. The program's internal auditor identified the report was incorrect and prepared a revised report in September 2012 for the period ended September 31, 2011, although the revised report has not been submitted as of audit fieldwork completion.</p> <p>The following errors occurred on the original report submitted in December 2011 for the year ended September 30, 2011:</p> <p>LIHEAP ASSISTED HOUSEHOLDS:</p> <ul style="list-style-type: none"> • For the Heating line item, the report submitted did not agree to the supporting documenting for Total Number of assisted Households (-454 households difference), Under 75% Poverty (87 households difference), 75%-100% Poverty (-134 households difference), 101%-125% Poverty (-141 households difference), 126%-150% Poverty (-106 households difference), Over 150% Poverty (-160 households difference), 60 years

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	<p>or Older (-306 households difference), Disabled (690 households difference), and Age 5 Years or younger (-756 households difference).</p> <ul style="list-style-type: none"> • For the Cooling line item, the report submitted did not agree to the supporting documenting for Total Number of assisted Households (846 households difference), Under 75% Poverty (404 households difference), 75%-100% Poverty (104 households difference), 101%-125% Poverty (182 households difference), 126%-150% Poverty (113 households difference), Over 150% Poverty (43 households difference), 60 years or Older (74 households difference), Disabled (858 households difference), and Age 5 Years or younger (308 households difference). • For the Other-Furnaces line item, the report submitted did not agree to the supporting documenting for Total Number of assisted Households (-32 households difference), Under 75% Poverty (-27 households difference), 75%-100% Poverty (-1households difference), 101%-125% Poverty (2 households difference), 126%-150% Poverty (-4 households difference), Over 150% Poverty (-2 households difference), 60 years or Older (-18 households difference), Disabled (-11 households difference), and Age 5 Years or younger (-3 households difference). • Support was not available due to system limitations for the Elderly, Disabled, or Young Child' totals per the report for Heating, Cooling, Winter/year round crisis, Other-Furnaces, and SNAP. • Requested data (which is not required to be submitted) for Age 2 Years or Younger and Age 3 Years through 5 year did not agree to supporting documentation for Heating (-548 and -718 households difference), and could not be provided for the amounts reports on the Report for Cooling, Winter/year round crisis, and other-furnaces. <p>LIHEAP APPLICANT HOUSEHOLDS:</p> <ul style="list-style-type: none"> • For the Heating line item, the report submitted did not agree to the supporting documenting for Total Number of applicant Households (-1009 households difference), Under 75% Poverty (-9 households difference), 75%-100% Poverty (-205 households difference), 101%-125% Poverty (-205 households difference), 126%-150% Poverty (-256 households difference), and Over 150% Poverty (-334 households difference). • For the Cooling line item, the report submitted did not agree to the supporting documenting for Total Number of assisted Households (846 households difference), Under 75% Poverty (404 households difference), 75%-100% Poverty (104 households difference), 101%-125% Poverty (182 households difference), 126%-150% Poverty (113 households difference), and Over 150% Poverty (43 households difference). • For the Other-Furnaces line item, the report submitted did not agree to the supporting documenting for Total Number of assisted Households (-32 households difference), Under 75% Poverty (-27 households difference), 75%-100% Poverty (-1households difference), 101%-125% Poverty (2 households difference), 126%-150% Poverty (-4 households difference), and Over 150% Poverty (-2 households difference). <p>The total expenditures for the program in fiscal year 2012 amounted to \$11,978,905.</p>
Cause	<p>The exceptions occurred because the report uses supporting documentation from Captains System, CAP's system, and emails from other subrecipients and there were errors when consolidating the different data elements together for the report which was not detected by the review process. In addition, some of the amounts per the report could not be supported or the underlying data elements of the support had not been provided to LIHEAP by the subrecipients at the time the report was created and submitted. LIHEAP switched systems in</p>

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	January 2012, however, the submitted report was prepared utilizing the old system prior to the changeover.
Effect	The LIHEAP Program is reporting incorrect data to the Federal Government in terms of applicant information.
Recommendation	We recommend that the LIHEAP Program continue to enforce policies and procedures that the review process of reports includes ensuring reports agree to underlying support. We also recommend that LIHEAP continue to ensure all underlying elements that are utilized to create the report are provided by the subrecipients at the time the report is created.
Questioned Costs	There are no questioned costs associated with this finding as the data represents applicant data and not expenditures.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	A corrected LIHEAP Household Report for the period October 1, 2010 – September 30, 2011 was prepared and submitted to ACF on November 20, 2012. The Department’s IRM Unit has designed and developed a household data report in CAPS to capture all the data elements required on the LIHEAP Household Annual Report for LIHEAP heating assistance activities. We will enforce procedures to obtain the raw household data for cooling activities from the LIHEAP sub-recipient and the two vendors that administer the cooling programs. The raw data will be organized and summarized in a worksheet to facilitate reporting on the LIHEAP Household Annual Report.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	The Revised 2011 LIHEAP Household Report was submitted to ACF on 11/20/12 as stated in the finding response. Procedures to collect data for the household report were revised during the FFY’12 program year and were put into effect when the 2012 Household Report was submitted to ACF on February 1, 2013. The Summer Cooling Assistance Program (SCAP) air conditioner component data elements were not entered into the CAPS database in 2012. OCS requested all the approved applications be sent directly to our office. OCS staff, under the supervision of the Internal Auditor, recorded each of the data elements required to be on the household report on a worksheet designed by the Internal Auditor. The items were recorded on the worksheet and are available for review as source documentation when the 2012 program is audited.
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Department of Health and Human Services Division of State Service Centers
Fiscal Year	2012
Reference Number	12-28
Related Prior Year Findings	
Program Name (CFDA No.)	Low-Income Home Energy Assistance Program (93.568)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Procurement, Suspension and Debarment
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 45 CFR 92 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Title 29, Chapter 69, State Procurement, Subchapter VI. Professional Services, Subsection 6985. <i>Sole source procurement</i> states:</p> <p>(a) A contract may be awarded for materiel or nonprofessional services without competition if the agency head, prior to the procurement, determines in writing that there is only 1 source for the required materiel or nonprofessional service. Sole source procurement shall not be used unless there is sufficient evidence that there is only 1 source for the required material or service and that no other type of material or service will satisfy the requirements of the agency. The agency shall examine cost or pricing data, which shall include lifecycle costing analysis as specified in §§ 6902 and 6909A(b) of this title if the sole source offers more than 1 type or variety of equipment, prior to an award under this section. Sole source procurement shall be avoided, except when no reasonable alternative sources exist. A written determination by the agency stating the basis for the sole source procurement shall be included in the agency contract file. Textbooks and relate instructional materials are sole source purchases.</p> <p>(b) An agency seeking a sole source procurement shall prepare written documentation citing the existence of a sole source condition. The document shall include the specific efforts made to determine the availability of any other source and an explanation of the procurement need. The agency may, for confirmation, submit this documentation to the Section for review and comment prior to the intended date of award.</p> <p>(c) The agency shall negotiate with the single supplier, to the extent practicable, a contract advantageous to the agency. The agency shall enter into a formal contract stating the terms and conditions of the procurement.</p>

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Condition	<p>The following is considered to be both a control and compliance exception. LIHEAP incurred \$18,351 for training calendars from Project Energy Savers, LLC, to provide their recipients with energy reducing ideas. The calendars are instructional materials, it was determined by the Program that Project Energy Savers, LLC was a sole source procurement. During a review of LIHEAP expenditures, the Director asked to see the three quotes for the calendar procurement and it was discovered that the steps for determination of the vendor as a sole source were not followed. The Director stopped approval on the voucher until she received the necessary information needed per the sole source procurement policies. The necessary documents were provided; however, as the goods had already been ordered, received, and distributed, no contract was entered into with the vendor. A sample of one vendor with expenditures of \$18,351 in fiscal year 2012 was tested out of a population of six vendors with total expenditures of \$400,921.</p> <p>The total expenditures for the program in fiscal year 2012 amounted to \$11,978,905.</p>
Cause	<p>The exception occurred because the Program did not follow Delaware sole source procurement policies because there was confusion if they applied given that the purchase was to be a one-time purchase.</p>
Effect	<p>The Program did not enter into a contract, as required, and did not comply with Delaware procurement policies.</p>
Recommendation	<p>The Program should ensure they are complying with Delaware procurement policies and ensure all staff are knowledgeable of the policies and procedures especially those dealing with vendor and procurement purchases.</p>
Questioned Costs	<p>The \$18,351 in expenditures were spent on allowable activities, but not properly procured.</p>
Agency Contact Name	<p><i>Harry Roberts, DHSS Controller</i></p>
Agency Contact Phone Number	<p><i>(302) 255-9235</i></p>
Corrective Action Plan	<p>Steps will be taken to ensure appropriate OCS staff are trained on Delaware Procurement Policies. In the winter of 2012, Program Managers and Administrators attended a fiscal and budget overview with staff of DMS and DSSC that included a discussion of contracting for professional services and procurement of goods. Additionally, a training (conducted by the DSSC CFO, Internal Auditor and Director) to review fiscal and procurement policies will be provided to staff and completed by 2/27/13.</p>
Finding Status	<p>Fully Corrected. <input checked="" type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
Description of Status	<p>The corrective action described in the finding response was carried out and completed by the designated timelines (2/27/13).</p>
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Department of Education Department of Labor Division of Vocational Rehabilitation
Fiscal Year	2012
Reference Number	12-29
Related Prior Year Findings	
Program Name (CFDA No.)	Vocational Rehabilitation Cluster (84.126, S-84.390)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Allowable Costs (Effort Reporting)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)</p> <p>Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)</p> <p>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)</p>

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	<p>Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:</p> <ul style="list-style-type: none"> • The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results. • The entire time period being sampled. • The results must be statistically valid and applied to the period being sampled. <p>(OMB Circular A-87, Attachment B.8.h.6)</p>
Condition	<p>The following is considered to be both a control and a compliance exception. The time certification for one employee with payroll amounting to \$77.82 out of 40 employees sampled with a total payroll value of \$26,659.20 was not signed by the employee although the supervisor signed but did not date the certification. The certification was for the month of October 2011.</p> <p>The population of payroll transactions subject to testing amounted to \$4,051,252 for fiscal year 2012 while the total expended for the program was \$12,859,090.</p>
Cause	The exception occurred because the employee had taken time off during the month for a sickness and management did not obtain the sign-off. The employee eventually retired and left the Program in December of that year.
Effect	Salaries may be inappropriately allocated to the DVR Program for different percentages than what is actually worked by the employees.
Recommendation	We recommend that the DVR enforce existing policies that time certifications are properly signed and dated by both the employee and supervisor in a timely basis.
Questioned Costs	Questioned salary costs for sample items are \$77.02 where the certificate was not completed by the employee.
Agency Contact Name	<i>Kris Brooks, DOL Controller</i>
Agency Contact Phone Number	<i>(302) 761-8024</i>
Corrective Action Plan	While we agree that the timesheet in question was not signed by the employee, in this case there were unusual circumstances which prevented the employee from signing his timesheet. He was extremely ill and being treated in a medical facility out of state for an extended period of time. That illness eventually forced him to leave employment with the State of Delaware. That being said, the Division of Vocational Rehabilitation will make every effort to ensure that all timesheets are properly signed in the future.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Department of Labor Division of Employment & Training
Fiscal Year	2012
Reference Number	12-30
Related Prior Year Findings	
Program Name (CFDA No.)	Workforce Improvement Act Cluster (17.258, 17.259, 17.260, S-17.260, 17.278)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Cash Management
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures by prescribed in Treasury in Subpart B of 31 CFR part 205 (Subpart B).</p> <p>KPMG notes WIA is required to be in compliance with Subpart B cash drawdown procedures. The timing of the cash drawdown should be within the proper period and should trace and agree to supporting documentation.</p>
Condition	<p>The following is considered to be a control exception. For the two cash drawdowns tested totaling \$5,206,504.52, one did not have evidence of management review and the other request did not have evidence of who prepared it and it was submitted by the reviewer. There is a lack of segregation of duties as the same Workforce Investment Act (WIA) program staff is responsible for calculating the total draw (as evidenced through supporting documentation) and requesting the draw amount.</p> <p>We also found a larger than normal lag time between when the Program is expending funds compared to when they are requesting funds for reimbursement. The Program had five draws during the year all of which were several months after the expenditures had been drawn indicated by the table below:</p>

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	Deposit ID #	Draw Amount	Draw Date	Dates per DAR006 Report	# Months Btw DAR006 Reports & When Funds are Drawdown
	Deposit ID #1198	974,942.00	12/28/2011	June 2011, July 2011	5-6 Month Lag
	Deposit ID #1249	245,707.41	1/30/2012	June 2011, July 2011, August 2011	5-7 Month Lag
	Deposit ID #1532	2,117,615.43	5/31/2012	August 2011, September 2011	8-9 Month Lag
	Deposit ID #1589	1,309,258.66	6/22/2012	April 2011, May 2011, November 2011, December 2011	13-14 Month Lag (April/May); 6-7 Month Lag (Nov./Dec.)
	Deposit ID #1603	3,897,245.86	6/27/2012	February 2012 to June 2012	1-4 Month Lag
Total drawdowns during fiscal year 2012 were \$8,544,780 while the total expended for the program was \$7,930,774.					
Cause	A lack of segregation of duties and untimely drawdowns occurred because of staffing turnover and related training time for new personnel.				
Effect	Without an independent management review control in place, WIA may request funds in a manner which is not in compliance with the CMIA, Subpart B, or the terms of the grant agreements. WIA is also not effectively meeting the cash requirements of actual expenditures for the State and Program with the amount of time that transpires between expenditures of funds and reimbursement of those funds.				
Recommendation	We recommend that WIA enhance its federal draw down procedures to ensure draws are done in a more timely manner and there is an adequate level of supervisory review of the cash draws prior to submission to the federal agencies and to ensure proper segregation of duties over the cash management function.				
Questioned Costs	There are no questioned costs as amounts agreed to underlying general ledger reports (DAR006 Reports) and were for actual expenditures.				
Agency Contact Name	Kris Brooks, DOL Controller				
Agency Contact Phone Number	(302) 761-8024				
Corrective Action Plan	DET will revise drawdown procedures to ensure timely draws and that segregation of duties between the preparer and reviewer are clearly documented by the signature of the authorized preparer and approver.				
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>				

STATE OF DELAWARE
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June 30, 2013

<i>Description of Status</i>	
<i>Anticipated Completion Date (if not Fully corrected).</i>	

STATE OF DELAWARE
 Summary Status of Prior Year Findings
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Agency	U.S. Department of Labor Division of Employment & Training
Fiscal Year	2012
Reference Number	12-31
Related Prior Year Findings	
Program Name (CFDA No.)	Workforce Improvement Act Cluster (17.258, 17.259, 17.260, S-17.260, 17.27
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Reporting (SEFA)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: The SEFA is prepared by the auditee, and must be presented fairly in all material respects in relation to the auditee's financial statements as a whole.</p> <p>We note that per Memorandum 'DOL Federal Award Recipients and single auditors', from the Assistant Inspector General for Audit, dated July 25, 2012, "CFDA #17.260, which included WIA Dislocated Worker Formula grants and National Emergency Grants (NEG's) has been removed from the CFDA. The new CFDA for the WIA Dislocated Worker Program is 17.278 and is included in the WIA cluster. The new CFDA # number for the NEG program is 17.277. For awards on or after July 1, 2010, CFDA 17.277 should be audited under Part 7 of the Supplement and not as part of the WIA cluster."</p>
Condition	<p>The following is considered to be both a control and compliance exception. We found that \$147,881 of FY12 expenditures were incorrectly coded to CFDA #17.278 in First State Financials (FSF), and therefore, were incorrectly classified on the State's Schedule of Expenditures of Federal Awards (SEFA).</p> <p>The coding error had the following effect on our testing samples:</p> <ul style="list-style-type: none"> • Total nonpayroll expenditures incorrectly coded to #17.278 totaled \$78,121 (\$60,085 of which was three items in our sample of 40 transactions); and • Total payroll expenditures incorrectly coded to #17.278 totaled \$69,760 (\$4,959 of which was three items in our sample of 65 transactions). <p>In addition, we noted that two awards totaling \$675,554 and \$1,516,084 for National Emergency Grant (NEG) with effective dates of September 1, 2010 and October 1, 2010, respectively, were coded to CFDA #17.260 in FSF when they should have been coded to #17.277 effective July 1, 2011. Therefore, a total of \$1,910,186 in expenditures was incorrectly classified to the WIA cluster on the State's SEFA.</p>

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	<p>The coding error had the following effect on our testing samples:</p> <ul style="list-style-type: none"> • Total nonpayroll expenditures incorrectly coded to #17.260 totaled \$1,769,910 (\$1,285,646 of which was 11 items in our sample of 40 transactions); and • Total payroll expenditures incorrectly coded to #17.260 totaled \$140,276 (\$8,656 of which was nine items in our sample of 65 transactions). <p>The total expended in fiscal year 2012 for the Program was \$7,930,774.</p>
Cause	<p>The exceptions occurred because there is no higher level control in place for the State agencies to reconcile total expenditures reported per the financial reports to the Federal Government to the total expenditures in FSF that are eventually reported on the Schedule of Federal Expenditures of Federal Awards (SEFA) which is extracted from FSF by the Division of Accounting. The State agencies use a Federal Aid Master (FM) document to setup new grant awards in FSF, and the CFDA # on the one FM document was recorded incorrectly in FSF which resulted in the SEFA being incorrect. In addition, State agencies do not review the information entered by the State's Office of Management and Budget (OMB) into FSF per the FM to ensure the information is complete and accurate. The errors were not detected by WIA personnel since the process used by the Division of Employment and Training to create financial reports only captured known FSF data and there was no determination of completeness.</p>
Effect	<p>Expenditures may be incorrectly reported for the Program on the SEFA.</p>
Recommendation	<p>We recommend that the Division ensure they are performing reconciliations of expenditures per federal financial reports to expenditures coded to their CFDA #'s in FSF. We also recommend that the Division ensures they are updating Federal Aid Masters for updated Federal regulations and also ensure they review information input into FSF from their grant awards for accuracy and completeness.</p>
Questioned Costs	<p>There are no questioned costs as the issue identified was only a classification error within the State's accounting system and on the SEFA for the year ended June 30, 2012.</p>
Agency Contact Name	<p>Kris Brooks, DOL Controller</p>
Agency Contact Phone Number	<p>(302) 761-8024</p>
Corrective Action Plan	<p>As stated in the conditions, one FM was coded correctly by DOL and keyed incorrectly by OMB. Therefore we do not consider this a DOL error.</p> <p>In response to condition regarding the National Emergency Grant award totaling \$675,544 with the effective date of September 1, 2010, please note that the NOO states that the CFDA# is 17.260. (see attached) Therefore, when this grant was loaded into FSF the expenditures were not incorrectly classified on the State's Schedule of Expenditures of Federal Awards.</p> <p>Since the NEG grants both ended on 09/30/12, we will not be making any adjustments to the CFDA# in FSF for FY13.</p> <p>We agree to review FM information after it is input into FSF for accuracy and completeness. And in the future will update our grants in FSF per changes in Federal regulations.</p>

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<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	
<i>Anticipated Completion Date (if not Fully corrected).</i>	

STATE OF DELAWARE
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Agency	U.S. Department of Labor Department of Labor Division of Employment & Training
Fiscal Year	2012
Reference Number	12-32
Related Prior Year Findings	11-DOL-02
Related 2013 Findings	2013-030
Program Name (CFDA No.)	Workforce Improvement Act Cluster (17.258, 17.259, 17.260, S-17.260, 17.278)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Eligibility
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>The Program's Policy is that all Employment Development Plans (EDP) or Individualized Service Strategy Forms (for WIA Youth participants) must be reviewed by management as evidenced by a signature on the face of document. Eligibility checklists also accompany each client file and detail eligibility criteria that must be met, but they are only used as a management tool and are not required per WIA's policy.</p> <p>WIA is required to determine eligibility for all participants based specific criteria, in addition to correctly calculating the benefit to be paid to the participant and ensuring the benefit is discontinued when eligibility expires. Furthermore, in accordance with State Policy an Employment Development Plan should be completed and reviewed for eligible participants.</p>
Condition	<p>The following is considered to be a control exception. For 4 of the 65 Employment Development Plans (EDPs) reviewed, although the clients were determined to be eligible, there was no evidence of proper review by management. The amount of benefits extended to these clients in fiscal year 2012 was \$7,010.</p> <p>The total expended in fiscal year 2012 for the program was \$7,930,774.</p>
Cause	The exception occurred because the Division needed to strengthen its policies and procedures pertaining to management review of the EDP's and ISS documents. New policies and procedures were implemented during the current fiscal year.
Effect	Without proper supervisor review, claimants who were not eligible under WIA criteria may inappropriately receive benefits from the Program.
Recommendation	The WIA Program should continue to reinforce policies and procedures relating to management review of EDPs including the requirement of management's signature on the face of the EDP.

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<i>Questioned Costs</i>	There are no questioned costs as each of the exceptions was correctly determined to be eligible for WIA services.
<i>Agency Contact Name</i>	<i>Kris Brooks, DOL Controller</i>
<i>Agency Contact Phone Number</i>	<i>(302) 761-8024</i>
<i>Corrective Action Plan</i>	It is possible that the questioned folders were reviewed prior to implementation of revised policy. DET will adhere to the current policy and procedures that ensure the review of the EDP includes the signature of the supervisor on the face of the EDP.
<i>Finding Status</i>	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	Effective March 13, 2014 program policy will be updated to require that the client and case manager signatures be obtained prior to the document being forwarded to the supervisor for signature. The revision ensures necessary signatures are being obtained in a sequential flow and it also eliminates an unnecessary trip to the office for the client.
<i>Anticipated Completion Date (if not Fully corrected).</i>	March 13, 2014

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Agency	U.S. Department of Labor Division of Employment & Training
Fiscal Year	2012
Reference Number	12-33
Related Prior Year Findings	11-DOL-04
Related 2013 Findings	2013-031 2013-035
Program Name (CFDA No.)	Workforce Improvement Act Cluster (17.258, 17.259, 17.260, S-17.260, 17.278)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Reporting
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: The Delaware Workforce Investment Act Program is required to file various reports related to its oversight and compliance over the federal funds it receives from the DOL.</p> <p><i>ETA-9130, Financial Report (OMB No. 1205-0461)</i> – All ETA grantees are required to submit quarterly financial reports for each grant award they receive. Reports are required to be prepared using the specific format and instructions for the applicable program(s); in this case, Workforce Investment Act instructions for the following: Statewide Adult; Workforce Statewide Youth; Statewide Dislocated Worker; Local Adult; Local Youth; and Local Dislocated Worker. A separate ETA 9130 is submitted for each of these categories.</p> <p><i>ETA-9091, WIA Annual Report (OMB Number 1205-0420)</i> – Sanctions related to State performance or failure to submit these reports timely can result in a total grant reduction of not more than five percent as provided in WIA Section 136 (g)(1)(B).</p> <p>Reports must be complete, accurate, and prepared in accordance with the required accounting basis as well as trace to accounting records, supporting worksheets or other documentation that link reports to the data.</p>
Condition	<p>The following is considered to be both a control and compliance exception. Based on the review of the financial and performance reports required to be submitted, we found the following:</p> <ul style="list-style-type: none"> • The 9130 Reports were authorized and reviewed, but the reports did not agree to underlying general ledger resulting in a \$1,389 understatement of expenditures. The \$1,389 is made up of FY11 ETA 9130 Local Dislocated Worker report (\$891) and the FY11 ETA 9130 for Local Adult report (\$498). • The 9091 WIA Annual Report was authorized and reviewed; however, the report omitted allowable costs from the general ledger of \$62,875.

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	The total expended in fiscal year 2012 for the program was \$7,930,774.
Cause	The exception occurred because of staff turnover and a mathematical error in the general ledger reconciliation that was not detected in the review process.
Effect	The Program is not properly reporting expenditures to the Federal government, which could result in adjustments to future grants received from the U.S. Department of Labor.
Recommendation	The Program should consider reviewing the process used to prepare the reports and adding an additional level of review to ensure reports are properly presented and agree to the general ledger.
Questioned Costs	There are no questioned costs for the ETA 9130 Reports and the ETA 9091 Report as the errors resulted in understated expenditures of \$1,389 for the ETA 9130 Reports and \$62,875 for the ETA 9091 Report.
Agency Contact Name	<i>Kris Brooks, DOL Controller</i>
Agency Contact Phone Number	<i>(302) 761-8024</i>
Corrective Action Plan	We have revised our procedures. We now use FSF reports to ensure that all expenses will be captured without the need for downloading and data manipulation for 9130 report preparation. For older grants, we will still need to run a query, download and manipulate the data using excel. For these grants we have included an additional review step to ensure the totals reconcile to the original data.
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	DET did implement revised procedures as interpreted for this finding. We will need to add an additional level of review for the ETA 9091 report.
Anticipated Completion Date (if not Fully corrected).	June 2014

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Agency	Department of Labor Division of Employment & Training
Fiscal Year	2012
Reference Number	12-34
Related Prior Year Findings	
Related 2013 Findings	2013-032
Program Name (CFDA No.)	Workforce Improvement Act Cluster (17.258, 17.259, 17.260, S-17.260, 17.278)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Subrecipient Monitoring, Special Tests and Provisions (ARRA Subrecipient Monitoring)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions:</p> <p>Subrecipient Monitoring:</p> <ul style="list-style-type: none"> • <i>Determining Subrecipient Eligibility</i> – In addition to any programmatic eligibility criteria under E, “Eligibility for Subrecipients,” for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25). • <i>Central Contractor Registration (CCR)</i> – For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement. Note that subrecipients of non-ARRA funds are not required to register in CCR prior to or after award. • <i>Award Identification</i> – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).

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	<ul style="list-style-type: none"> • <i>During-the-Award Monitoring</i> – Monitoring the subrecipients use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. • <i>Subrecipient Audits</i> – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at http://www.whitehouse.gov/omb/circulars/a133/a133.html) and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions • <i>Ensuring Accountability of For-Profit Subrecipients</i> – Awards also may be passed through to for-profit entities. For-profit subrecipients are accountable to the pass-through entity for the use of Federal funds provided. Because for-profit subrecipients are not subject to the audit requirements of OMB Circular A-133, pass-through entities are responsible for establishing requirements, as needed, to ensure for-profit subrecipient accountability for the use of funds. • <i>Pass-Through Entity Impact</i> – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable Federal regulations. <p>Special Test: Subrecipient Monitoring – ARRA Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification in their SEFA and SF-SAC.</p>
Condition	<p>The following are considered to be compliance and control exceptions resulting from the testing of 4 subrecipients out of the population of 12:</p> <ul style="list-style-type: none"> • For 2 of the 3 Non-ARRA subrecipients tested, WIA (the Program) did not obtain the subrecipients’ DUNS numbers before the award was given. The DUNS numbers were received 8 months after the contracts were signed and the first expenditures expended. • For 1 of the 4 subrecipients tested which was a new non-ARRA subrecipient and had expenditures of \$58,080 during the fiscal year, we noted the Fiscal Monitoring report was never reviewed by management or sent to the Subrecipient. The site visit occurred during October 2011 and no follow up of the control issues noted during the site visit was done by the Program as of December 2012. There were no questioned costs identified during the monitoring. • Another non-ARRA subrecipient’s fiscal monitoring visit was conducted in April 2012, the report was sent to the subrecipient with a list of issues found giving the subrecipient 30 days to respond. As of December 2012, no support had been received from the

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	<p>subrecipient nor had the Program followed up with the issues found. The subrecipient had expenditures of \$109,465 of which \$14,995 was questioned during the monitoring visit.</p> <ul style="list-style-type: none"> • Another subrecipient’s fiscal monitoring visits were conducted in December 2011 and January 2012. The fiscal monitoring report was sent to the subrecipient with the list of issues found giving the subrecipient 30 days to respond. As of December 2012, no support had been received nor had the Program followed up with the issues found. This ARRA subrecipient had expenditures of \$30,796 of which \$111 was determined to have been underpaid during the monitoring visit. • We found the two above non-ARRA subrecipients with expenditures of \$58,080 and \$109,465 were new during the year and the Program did not request to see any prior A-133 Reports before they were selected as subrecipients to receive federal funding. • One of the four samples tested for subrecipient monitoring had ARRA related expenditures of \$30,796 which represented total expenditures to the subrecipient. While the contract contained standard contract language acknowledging “contractor acknowledges and agrees that the federal, Single Audit Act, 31 U.S.C 7501-7505, and OMB A-128 or A-133 audits will apply to this program as a condition for federal funding”, there was no specific ARRA laws or regulations reference. There was no language indicating that the subrecipient must register in the Central Contractor Registration (CCR) or that they must provide for separate identification in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form. <p>The amount passed through to subrecipients in fiscal year 2012 was \$1,448,029. The total expended in fiscal year 2012 for the program was \$7,930,774.</p>
Cause	<p>The exceptions occurred because WIA was in the process of implementing new subrecipient monitoring policies and procedures during the year. The new policies and procedures did not encompass all compliance requirements leading to WIA to not effectively monitoring all the subrecipients that were selected.</p> <p>In addition, a standard contract template was used for all subrecipient contracts; however, ARRA laws and regulations and specific ARRA requirements were not added to the standard template for the one subrecipient who received ARRA funding.</p>
Effect	<p>The Program is not fulfilling its subrecipient monitoring responsibilities and the 12 subrecipients utilized during the fiscal year could potentially not be meeting federal requirements.</p>
Recommendation	<p>The WIA Program should ensure that they have adequate subrecipient monitoring procedures in place and are following them for all subrecipients monitored during the year. The Program should also ensure when selecting subrecipients at the beginning of the year, that they review support that the subrecipients are adequate to receive federal funding.</p> <p>In addition, they should ensure WIA ARRA contracts contain language regarding ARRA laws and regulations as well as specific requirements that apply to subrecipients being paid with ARRA funding.</p>
Questioned Costs	<p>Questioned costs are \$14,995 for expenditures identified and questioned during the monitoring visit for the three subrecipients noted above.</p>
Agency Contact Name	<p>Kris Brooks, DOL Controller</p>

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<i>Agency Contact Phone Number</i>	<i>(302) 761-8024</i>
<i>Corrective Action Plan</i>	DET will ensure that the sub-recipient monitoring procedures incorporate all compliance requirements so that we can effectively monitor all selected sub-recipients. DET will also address the issue of ensuring fiscal stability for each new sub-recipient that is awarded a contract through the bid proposal process before a contract is written.
<i>Finding Status</i>	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	DET did implement new procedures during FY-13. However, contracts are done on an annual basis so the collection of the DUNS number and evidence verifying the financial stability of the sub-contractor was incorporated into the RFP that went out in January 2014 for contracts starting in June.
<i>Anticipated Completion Date (if not Fully corrected).</i>	January 2014

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Agency	U.S. Department of Labor Division of Employment & Training
Fiscal Year	2012
Reference Number	12-35
Related Prior Year Findings	11-DOL-05
Related 2013 Findings	2013-034
Program Name (CFDA No.)	Workforce Improvement Act Cluster (17.258, 17.259, 17.260, S-17.260, 17.278)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Allowable Costs (Effort Reporting)
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: Per Circular A-87, Item #8, Compensation for Personal Services, Section (3h) & (4e):</p> <p>(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.</p> <p>(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> (a) More than one Federal award, (b) A Federal award and a non-Federal award, <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and

STATE OF DELAWARE
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	<p>(d) They must be signed by the employee.</p> <p>(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and</p> <p>(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.</p>
Condition	<p>The following is considered to be both a control and compliance exception. Payroll funding reconciliations used to reconcile the State's payroll database (PHRST) and WIA's internal time software (Autotime) were performed for all four quarters during the fiscal year but none of the adjustments are recorded and 46 out of 65 samples tested that required payroll funding adjustments with a net effect of (\$8,351) were not recorded. The total adjustment needed to reconcile all four quarter reconciliations is (\$4,121).</p> <p>In addition, three of our 65 samples were employees from the Department of Education (DOE). The employees did not submit Time and Effort (T&E) reports during the fiscal year. The employees' salaries charged to the WIA program were \$3,630.</p> <p>The population of payroll transactions in fiscal year 2012 subject to testing was \$2,003,513 while the total expended for the program was \$7,930,774.</p>
Cause	<p>The exceptions occurred because the WIA Program was in process of implementing new payroll policies during the fiscal year. As such, payroll funding reconciliations were not done timely. In addition, the DOE employees use contract percentages for billing to the Program.</p>
Effect	<p>The Program is not properly reporting payroll expenditures for the year ended June 30, 2012 since the PHRST data has not been updated to account for the adjustments needed during the year and the correct time worked on the Program's projects.</p>
Recommendation	<p>The Program should ensure subrecipients are using the correct percentages of time worked on their Projects within the payroll database. The Program should also ensure they are following procedures and policies regarding payroll funding reconciliations and the corresponding adjustments being reviewed and then adjusted in First State Financials in a timely manner after year end.</p>
Questioned Costs	<p>There are no questioned costs for the PFA error as the federal grant was undercharged. The three samples from DOE amount to \$3,630.</p>
Agency Contact Name	<p>Kris Brooks, DOL Controller</p>
Agency Contact Phone Number	<p>(302) 761-8024</p>
Corrective Action Plan	<p>DET will ensure that the sub-recipients are using the correct percentages of time worked on their projects within the payroll data base during our scheduled fiscal monitoring visits. We will also continue to monitor the monthly financial reports expenditures submitted against the approved budget in the contract to ensure they do not exceed the line items.</p>
Finding Status	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p>

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	No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	DET did not make the annual payroll adjustment timely during FY-13 due to the process of implementing new payroll policies and staff turnover.
<i>Anticipated Completion Date (if not Fully corrected).</i>	April 30, 2014

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Agency	U.S. Department of Labor Division of Unemployment Insurance
Fiscal Year	2012
Reference Number	12-36
Related Prior Year Findings	
Program Name (CFDA No.)	Unemployment Insurance (17.225, S-17.225)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Cash Management
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 29 CFR 97 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>The timing of the cash drawdown should be within the proper period and should trace and agree to supporting documentation. All drawdowns must have adequate segregation of duties between preparing the drawdown and reviewing the drawdown as evidenced by the signature of an authorized preparer and signer on the drawdown support.</p>
Condition	<p>The following is considered to be a control exception. For two out of fourteen cash drawdowns tested totaling \$752,984, there was no evidence of independent preparation and review. Both samples were properly reviewed and signed by management, but the preparer did not sign off on the drawdown. Total drawdowns selected for sampling was \$3,683,447.</p> <p>The total population of drawdowns subject to testing was \$13,036,776 while total expenditures for the program were \$249,596,643.</p>
Cause	The exception occurred because the UI Program had turnover during the year. The newly hired staff was learning UI's policies and procedures and the lack of a preparer's signature on the drawdowns was an oversight attributable to learning the new process.
Effect	Without a preparer and management review control in place, UI may request funds in a manner which is not in compliance with the CMIA Agreement.
Recommendation	We recommend that UI enforce its federal drawdown procedures to ensure there is both a preparer and reviewer signature on each drawdown.
Questioned Costs	There are no questioned costs as amounts agreed to underlying general ledger reports (DAR006 Reports) and were for actual expenditures.
Agency Contact Name	Kris Brooks, DOL Controller
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	DUI has revised their drawdown procedures to require two signatures on the drawdown request form. In addition, they have requested that the Office of Administration not process any drawdown requests that do not have two UI fiscal staff signatures.

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<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	
<i>Anticipated Completion Date (if not Fully corrected).</i>	

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Agency	U.S. Department of Transportation
Fiscal Year	2012
Reference Number	12-37
Related Prior Year Findings	N/A
Related 2013 Findings	2013-041
Program Name (CFDA No.)	Federal Transit Cluster (20.500, 20.507, S-20.507)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Reporting
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: The Federal Transit Cluster program is required to report quarterly in SF-425 Federal Financial Reports the expenditures incurred by the program, which should agree with the accounting records of the State.</p>
Condition	<p>The following is considered to be both a control and compliance exception. During our review of 7 SF-425 Federal Financial Reports, we identified 7 of the 7 reports tested agreed to the supporting documentation provided; however, the supporting documentation could not be reconciled back to the State's financial accounting system, First State Financial (FSF). The reported federal share of the expenditures was \$580,622 for the 7 reports, and the amount reported in FSF cannot be determined.</p> <p>The total population of SF-425 reports subject to testing amounted to \$7,310,718 of the total \$7,310,718 of expenditures for this program.</p>
Cause	<p>On a monthly basis, FSF expenditure data is downloaded into excel, and is then manually adjusted, by a Delaware Department of Transportation (DelDOT) Information and Technology personnel, to identify the expenditures relating to the Federal Transit Cluster program (FTC). We were unable to observe any evidence of review of the process, or evidence of any Federal expenditure reconciliations prepared by management to ensure the modified reports were complete and accurate. The Department of Transportation does not have policies or procedures in place to document the completeness and accuracy of the trail of expenditure data from FSF to what is being reported in its SF-425 reports.</p>
Effect	<p>Failure to properly document the bridge of expenditure information reported can lead errors in federal reports and not provide data for a supervisory review.</p>
Recommendation	<p>We recommend that the Department put in place policies and procedures such as reconciliations and proper review and approval of the information being reported in SF-425 reports. We recommend that management also additionally consider restructuring FSF coding to enable direct reporting from FSF.</p>
Questioned Costs	<p>Questioned costs are not determinable.</p>

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Agency Contact Name	<i>Beverly Swiger, DelDOT</i>
Agency Contact Phone Number	<i>(302) 760-2090</i>
Corrective Action Plan	The department understands this finding and has already identified this as a performance need. DelDOT Finance is in the process of hiring a Fiscal Management Analyst who will have responsibility for this function. The Controller and Director of Finance have held previous discussions with the Director of Accounting and the First State Financials (FSF) Manager regarding this matter and DelDOT is committed to improving this process. The newly hired Fiscal Management Analyst will work closely with Division of Accounting (DOA) staff to see what requirements are needed in order to provide more detailed reports that will produce data that can be verified against other source and systematically reconciled. DelDOT will also work with the FSF team to inquire about the ability to add the CFDA number into a field in one of the modules in FSF. This will allow for more detailed reports without the need to run various queries that cannot be reconciled between various systems.
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	The department has addressed this issue by having our IT staff person complete a documented approach to his reporting structure. He created a published instruction booklet which outlines each step of the process. He then saves each query that is used. When completed, a certification documented is prepared. A member from our Internal Audit section reviews and signs the certification document once he verifies the validity of the process. The final report(s) are locked so that changes cannot be made by others. KPMG Auditors met with this staff person on 8/6/13 to review the process.
Anticipated Completion Date (if not Fully corrected).	This has been corrected in FY14 so the anticipated completion date is 8/6/13.

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Agency	U.S. Department of Transportation
Fiscal Year	2012
Reference Number	12-38
Related Prior Year Findings	N/A
Program Name (CFDA No.)	Highway Planning and Construction Cluster (20.205, S-20.205, 20.219)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Real Property Acquisition and Relocation Assistance
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 49 CFR 16 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Property acquired must be appraised by qualified independent appraisers. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner (49 CFR part 24). According to the Department's policies over property acquisitions, a manager is required to sign the negotiation record/assignment sheet to show review and approval to prepare the offer to the property owner.</p>
Condition	<p>The following is considered to be a control exception. During our review of 37 files related to property acquisitions, we identified 1 file where there was no evidence of management review of the negotiation record/assignment sheet for a \$29,920 transaction.</p> <p>The total population of real property acquisition payments subject to testing amounted to \$10,098,985 of the total \$192,172,135 of expenditures for this program.</p>
Cause	Failure by management to sign-off on the negotiation record/assignment sheet was an oversight.
Effect	Failure to properly review the negotiation record/assignment sheet could lead to non-compliance with federal regulations, or inappropriately supported transactions.
Recommendation	We recommend that the Department ensures that there are policies and procedures in place to evidence management review and approval of the negotiation record/assignment sheet prior to acquiring real property.
Questioned Costs	There are no questioned costs associated with this finding as the payment was supported by an appraisal.
Agency Contact Name	Earle Timpson on behalf of Robert Cunningham, DelDOT Assistant Director of Right of Way (ROW)
Agency Contact Phone Number	Earle: (302) 760-2678; Bob: (302) 760-2078
Corrective Action Plan	DelDOT ROW managers will be instructed to be sure to sign all negotiations record/assignment sheets prior to assigning the case. In addition, the ROW manual will be amended to specifically state the need for a management signature prior to negotiations being assigned.

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<i>Finding Status</i>	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
<i>Description of Status</i>	The ROW manual was revised on May 1, 2013 to reflect that all assignment sheets must be signed prior to cases being delegated in writing. In addition, the signature form must be signed by a ROW manager.
<i>Anticipated Completion Date (if not Fully corrected).</i>	Fully corrected

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Agency	U.S. Department of Interior Department of Natural Resources and Environmental Control
Fiscal Year	2012
Reference Number	12-39
Related Prior Year Findings	
Program Name (CFDA No.)	Fish and Wildlife Cluster (15.605, 15.611)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Allowable Costs, Period of Availability
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 43 CFR 12 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>Compliance exceptions: To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):</p> <ol style="list-style-type: none"> a. Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, paragraph C.2 for additional information on reasonableness of costs). b. Be allocable to Federal awards under the provisions of A-87 (Refer to A-87, Attachment A, paragraph C.3 for additional information on allocable costs.) c. Be authorized or not prohibited under State or local laws and regulations. d. Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items. e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. g. Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87. h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation. i. Be net of all applicable credits. (Refer to A-87, Attachment A, paragraph C.4 for additional information on applicable credits.) j. Be adequately documented.
Condition	The following is considered to be the compliance exception. In a sample of 65 expenditures totaling \$5,496,910, DNREC could not provide supporting documentation for two expenditure transactions totaling \$13,405. As a result, we were unable to test these transactions for compliance with allowable costs requirements of A-87. Both transactions occurred within the period of availability for each respective project.

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	<p>The following is considered to be the control exception. DNREC uses a routing slip on all expenditure transactions to document internal and program management review and approval of the allowability of costs, and a review that costs are incurred within the period of availability, prior to processing within FSF. This routing slip is attached to the invoice or other related supporting documentation for transactions. Although there were FSF workflow approvals for the two expenditures referenced above, we were unable to test the routing slip approval process that documents a review of compliance with allowable costs and period of availability requirements, due to the lack of supporting documentation for the transactions.</p> <p>The total expended for the program in fiscal year 2012 was \$9,019,321.</p>
Cause	The exceptions occurred because program management did not maintain appropriate supporting documentation for all expenditure transactions, or routing slip approvals for all transactions.
Effect	Without supporting documentation and an effective management review process, unallowable transactions may be charged to the program and/or charges to projects may not be in compliance with period of availability requirements.
Recommendation	DNREC should ensure that supporting documentation is maintained for all federal expenditures. In addition, DNREC should ensure that routing slips documenting management review and approval of expenditures are maintained with supporting documentation for all transactions.
Questioned Costs	Questioned costs are \$13,405, the dollar value of the two transactions that did not have appropriate supporting documentation.
Agency Contact Name	<i>Carrie Erickson, Controller II</i>
Agency Contact Phone Number	<i>(302) 739-9055</i>
Corrective Action Plan	DNREC will ensure that proper supporting documentation is maintained in the vendor files for all federal expenditures. One missing document was located and the second document was re-established for proper filing through electronic records and invoice retrieval from vendor.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	
Anticipated Completion Date (if not Fully corrected).	

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Agency	U.S. Department of Interior Department of Natural Resources and Environmental Control
Fiscal Year	2012
Reference Number	12-40
Related Prior Year Findings	
Program Name (CFDA No.)	Fish and Wildlife Cluster (15.605, 15.611)
Type of Finding	Significant Deficiency
Compliance Requirement(s)	Cash Management
Criteria	Control exceptions: The A-102 Common Rule and its attachments found in 43 CFR 12 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.
Condition	DNREC does not have a management review/approval control in place to review drawdowns for compliance with cash management requirements prior to submission, nor is there segregation of duties in the calculation and processing of drawdown requests.
Cause	Management did not have a sufficient internal control structure in place over cash drawdowns as required by the A-102 Common Rule.
Effect	Without a management review control in place or proper segregation of duties, DNREC may request funds in a manner that is not in compliance with the terms of grant agreements.
Recommendation	We recommend that DNREC implement internal control policies and procedures to ensure that there is an adequate level of supervisory review of the cash draws prior to submission to the Department of the Interior and to ensure proper segregation of duties over the cash management function.
Questioned Costs	There are no questioned costs associated with this finding.
Agency Contact Name	Carrie Erickson, Controller II
Agency Contact Phone Number	(302) 739-9055
Corrective Action Plan	DNREC concurs with the finding as it has already implemented tighter internal controls on federal reimbursements as of July 2012. Two fiscal staff members prepare and approve every federal reimbursement. Secondly, as a result of this finding, an internal control procedure shall be implemented ensuring a second review of the reimbursement documentation occurs prior to requesting funds by an internal approver or business manager. Once funds are received, an accounts receivable document will be prepared by a grant specialist and approved by a business manager.
Finding Status	Fully Corrected. <input checked="" type="checkbox"/> Not Corrected or Partially Corrected. <input type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	

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<i>Anticipated Completion Date (if not Fully corrected).</i>	
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Agency	U.S. Department of Education Department of Finance
Fiscal Year	2012
Reference Number	12-41
Related Prior Year Findings	
Related 2013 Findings	2013-011
Program Name (CFDA No.)	Title I Grants to Local Educational Agencies (84.010, S-84.389) Special Education Cluster (84.027, 84.173, S-84.391, S-84.392) State Fiscal Stabilization Fund Cluster (S-84.394)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Equipment and Real Property Management
Criteria	<p>Control exceptions: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.</p> <p>The State of Delaware’s Budget and Accounting Policy Manual, Section 13.2.3, states, “The federal threshold for asset tracking is \$5,000, which is lower than the State’s CAPITAL asset threshold. Agencies are responsible for ensuring that all assets valued between \$5,000 and \$25,000 that are purchased with federal funds are properly accounted for in the agency’s NOCAP records. Assets valued above \$25,000 that are purchased with federal funds are maintained in the State’s CAPITAL asset listings.”</p> <p>Compliance exceptions: Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. However, consistent with a non-Federal entity’s policy, lower limits may be established.</p> <p>A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.</p> <p>Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of</p>

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	Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.
Condition	<p>The following is considered a control and compliance exception. The State-wide fixed asset register within FSF identifies equipment with a purchase price of at least \$25,000 that was acquired with federal funds. However, the register does not include detail of the equipment by each individual federal award (i.e. CFDA #), and does not include equipment purchases between \$5,000 and \$25,000.</p> <p>In addition, certain individual state departments that administer federal programs do not maintain a subsidiary ledger outside of FSF in order to track and inventory federally funded equipment greater than the \$5,000 threshold, or to be able to rollforward the purchase and disposal activity during the fiscal year. Although many of the programs at the State have equipment purchases that are not significant to the overall federal programs, the three major programs cited (Title I, Special Education, and SFSF) had material purchases of equipment using federal awards. For each of these programs, the State could not provide a complete inventory or rollforward of equipment purchased with federal funds for the period 7/1/11 to 6/30/12.</p>
Cause	There are no department level policies or procedures in place for the managers of federal programs to maintain rollforwards for equipment year to year to keep a proper inventory of federally funded equipment and certain equipment data is not captured in the State-wide fixed asset register.
Effect	The Programs could be purchasing or disposing of equipment in a manner inconsistent with what is required by federal regulations.
Recommendation	We recommend policies and procedures are reinforced to ensure that the various departments maintain equipment roll forwards to show total accumulated purchases and disposals as well as conducting a biannual inventory to validate the accuracy of the lists. This could be accomplished with coding to FSF property records or a separate subsidiary fixed asset ledger.
Questioned Costs	There are no questioned costs associated with this finding.
Agency Contact Name	<i>Kristopher Knight, Director of Division of Accounting; Eulinda DiPietro, Education Associate</i>
Agency Contact Phone Number	<i>(302) 672-5500; (302) 735-4016</i>
Corrective Action Plan	Capital Asset reporting and monitoring requirements vary by Federal Sponsor. As noted in the Criteria section above, the Division of Accounting (the Division) requires each agency to ensure compliance with applicable grant agreements. Further, all State agencies are expected to adhere to the policy prescribed in the Budget and Accounting Manual. The Division also facilitates a State-wide annual capital asset inventory. Going forward, we will continue to reinforce the Division practices in efforts to ensure greater compliance with federal guidelines.
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	The Division continues to reinforce Capital Asset Reporting policies and facilitate the State's capital inventory each year to ensure compliance with applicable laws and

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	<p>regulations. The Delaware Department of Education was not made aware of the specifics involved in Finding 12-41 until contacted by the U.S. Department of Education in 11/2013. Additionally, DOE was not consulted when the correction action plan was developed by the Division of Accounting, which impeded DOE from implementing programmatic changes or providing additional technical assistance sessions. Policies and procedures are available on DOE's website and are reinforced during the annual Consolidated Application training. Now that the Delaware Department of Education is aware of the finding, we will determine whether further training is necessary to ensure compliance with federal requirements.</p>
<p><i>Anticipated Completion Date (if not Fully corrected).</i></p>	<p>June 2014</p>

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Agency	Department of Health and Social Services Division of Child Support Enforcement
Fiscal Year	2011
Reference Number	11-CSE-01
Related Prior Year Findings	10-CSE-03
Program Name (CFDA No.)	Child Support Enforcement (93.563, S-93.563)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Special Tests and Provisions (Establishment of Paternity and Support Obligations)
Criteria	The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR Section 302.33 or 45 CFR Section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR Sections 303.4 and 303.5, 45 CFR Sections 309.100 and 309.105). For State IV-D agencies, these services must be provided within the time frames specified in 45 CFR Sections 303.3(b)(3) and (b)(5), 303.3(c) and, 303.4(d). According to the DCSE Policy Manual as well as the Child Support Enforcement Code (45 CFR 308.2(b)(1)), after locating the alleged father of the child, the Child Support Enforcement Office has 90 days in order to establish or attempt to establish paternity as well as establish a support obligation order.
Condition	For 12 of 65 support obligation cases sampled, paternity was not established or attempted to be established within the required timeframes for children born out of wedlock. On average, the cases were 180 days beyond the timeframe set within the policies and procedures.
Cause	Noncompliance with the establishment of paternity and support obligations was due to lack of oversight by the assigned case employee and supervisor or a shortage of staff at the agency or the Attorney General's Office who processes support petitions. Per discussion with Program management, the cause of this noncompliance relates to Family Court dealing with backlog issues of court cases and filling of petitions. Currently there is a shortage of attorneys within the Attorney General's office resulting in cases not being filed and completed within the required allotted timeframe.
Effect	If action is not taken within the required timeframe to establish paternity, when applicable, court petitions and support obligations cannot be conducted timely.
Recommendation	We recommend that Child Support Enforcement management work with the Attorney General's Office to reduce the noted backlog.
Questioned Costs	Questioned costs associated with this finding are not applicable as this is an attribute of program activity.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	The Division of Child Support Enforcement (DCSE) recognizes that establishment of paternity and getting cases through to the court must be improved. The number of Child Support Specialist and administrator/supervisor positions has decreased over the past 4 years

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	<p>at the same time as an approximate 25% increase in the caseload. These two factors have contributed to our inability to meet established timeframes. During the week of January 16, 2012, DCSE was notified that we will be given a combination of 6 new full and part time Child Support Specialist positions, all of which will be deployed to assist with establishment. DCSE has also designated a child support specialist to be deployed to Christina Hospital, the state's largest birthing facility. That CSS will work with hospital staff and new un-wed parents to complete voluntary acknowledgments of paternity (VAP). If the parents ever seek child support orders through DCSE having the VAP in place will greatly expedite the adjudication of paternity and the establishment of new support orders.</p> <p>DCSE caseworkers will be undertaking large scale paternity establishment and case closure projects in order to increase the number of paternities established in the IV-D caseload. This will involve a greater level of outreach to our custodial parents. The hope is that as a result, better information will be gathered to expedite the generating and filing of New Support petitions with the Family Court in Delaware.</p> <p>DCSE management has a robust working relationship with the Delaware Department of Justice (DOJ), Family Services Unit. When the DCSE caseworker generates a New Support Petition, the petition is turned over to an Administrative Support Specialist for logging into an Access databases. Once completed, an email is sent to the paralegal at the DOJ informing them of the total number of petitions (broken down by type) being sent to them by courier. The DCSE courier delivers and retrieves mail daily from the DOJ. In addition, DCSE is in the process of developing and implement a new information system to replace DACSES. The new system, called DECSS (Delaware Child Support System) is designed to expedite the exchange of information with the DOJ and to automate the as much as possible the moved of cases through the establishment process. The petitions will be passed electronically as data to the DAG's for review and approval, and when approved will be sent electronically to the Family Court. We expect that the elimination of transferring paper to multiple destinations will reduces the paternity establishment and the support order issuance process significantly. DECSS is scheduled for implementation in October, 2013.</p> <p>New Support Petitions are a quick turnaround by the attorneys at the DOJ. DCSE management is going to implement the following processes internally and with the DOJ to ensure timely filings of new support petitions with the Family Court in order to not hamper the establishment of paternity in new child support cases.</p> <ol style="list-style-type: none"> 1) DCSE management will work with the DOJ to ensure that new support petitions are acted upon first. 2) Each Friday, the Administrative Support Staff will query the Access data base to determine how many petitions are pending approvals at the DOJ. Any unsigned petitions with the DOJ for more than 2 weeks will be addressed with the paralegal. 3) E-mails will be sent to the paralegal at the DOJ when it has determined that the number of petitions located at the DOJ appears to be high. 4) Reminders monthly will be sent to the Child Support Specialists, by DCSE management ensuring that they can electronically transmit the signed petition to Family Court. 5) DCSE management will request Quarterly meetings with the Service of Process vendor to work out any challenges that are affecting timely service of noncustodial parents.
<i>Finding Status</i>	Fully Corrected. <input type="checkbox"/>

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	Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input checked="" type="checkbox"/> No longer warranting further action. <input type="checkbox"/>																																												
Description of Status	<p>Staff at the Division of Child Support Enforcement believes that there will always be a need to strictly monitor paternity establishment efforts statewide. As a result, many of the objectives proposed will be ongoing in order to ensure compliance. DCSE was granted permission from DHSS to hire four seasonal employees (29.75 hours) in New Castle County to specifically focus their efforts on paternity establishment. These 4 positions are still within the DCSE staffing complement although there has been some turnover of three of the four seasonal positions they are all staffed at this time. It is worth noting that one employee in the seasonal positions is a returning employee who is retired from the state. Additionally, we were able to return an employee to their previous Child Support Specialist position from Long Term Disability. All new employees are undergoing an extensive training program.</p> <p>1) DCSE caseworkers have begun to undertake the annual large scale paternity establishment and case closure projects in order to increase the number of paternities established in the IV-D caseload. Although DCSE staff establish paternity and close child support as part of normal case processing activities, each year as the federal fiscal year begins to come to a close, DCSE management with the assistance of the systems unit provide Child Support Specialist in each office with a list of cases to work for paternity establishment. This will involve a greater level of outreach to our custodial parents. The hope is that as a result, better information will be gathering to expedite the generating and filing of New Support petitions with the Family Court in Delaware. Establishment staff in all three offices are working extremely hard to meet with custodial parents in order to gather information (paternity/locate) in order to get the case processes. The practice in New Castle County office of the 13 establishment staff scheduling 10 interviews a week per employee has continued. All operation's staff has been authorized to volunteer to work late on Wednesday night for compensatory time in order to close child support cases. The below information represents the number of paternities established for cases closed statewide through May 2012.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 20px;"> <thead> <tr> <th colspan="2" style="text-align: center;"><u>Paternity Establishments by Month</u> <u>2012</u></th> <th colspan="2" style="text-align: center;"><u>Paternity Establishments by Month</u> <u>2013</u></th> </tr> </thead> <tbody> <tr> <td>January 15, 2012 to January 31, 2012</td> <td style="text-align: right;">292</td> <td>January 16, 2013 - January 30, 2013</td> <td style="text-align: right;">146</td> </tr> <tr> <td>February 1, 2012 to February 29, 2012</td> <td style="text-align: right;">589</td> <td>January 31, 2013 - February 15, 2013</td> <td style="text-align: right;">257</td> </tr> <tr> <td>February 29, 2012 to March 30, 2012</td> <td style="text-align: right;">501</td> <td>February 16, 2013 - February 27, 2013</td> <td style="text-align: right;">447</td> </tr> <tr> <td>April 1, 2012 to April 28, 2012</td> <td style="text-align: right;">495</td> <td>February 28, 2013 - March 27, 2013</td> <td style="text-align: right;">516</td> </tr> <tr> <td>May 1, 2012 to May 31, 2012</td> <td style="text-align: right;">629</td> <td>March 28, 2013 - April 29, 2013</td> <td style="text-align: right;">684</td> </tr> <tr> <td>June 1, 2012 to June 28, 2012</td> <td style="text-align: right;">451</td> <td>April 30, 2013 - May 30, 2013</td> <td style="text-align: right;">506</td> </tr> <tr> <td>June 29, 2012 to July 30, 2012</td> <td style="text-align: right;">697</td> <td>May 31, 2013 - June 27, 2013</td> <td style="text-align: right;">413</td> </tr> <tr> <td>July 31, 2012 to August 30, 2012</td> <td style="text-align: right;">818</td> <td>June 16, 2013 - June 27, 2013</td> <td style="text-align: right;"><u>699</u></td> </tr> <tr> <td>August 31, 2012 to September 15, 2012</td> <td style="text-align: right;"><u>259</u></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">4,731</td> <td style="text-align: center;">Total</td> <td style="text-align: right;">2,998</td> </tr> </tbody> </table>	<u>Paternity Establishments by Month</u> <u>2012</u>		<u>Paternity Establishments by Month</u> <u>2013</u>		January 15, 2012 to January 31, 2012	292	January 16, 2013 - January 30, 2013	146	February 1, 2012 to February 29, 2012	589	January 31, 2013 - February 15, 2013	257	February 29, 2012 to March 30, 2012	501	February 16, 2013 - February 27, 2013	447	April 1, 2012 to April 28, 2012	495	February 28, 2013 - March 27, 2013	516	May 1, 2012 to May 31, 2012	629	March 28, 2013 - April 29, 2013	684	June 1, 2012 to June 28, 2012	451	April 30, 2013 - May 30, 2013	506	June 29, 2012 to July 30, 2012	697	May 31, 2013 - June 27, 2013	413	July 31, 2012 to August 30, 2012	818	June 16, 2013 - June 27, 2013	<u>699</u>	August 31, 2012 to September 15, 2012	<u>259</u>			Total	4,731	Total	2,998
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Cases Closed by Month

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Kent	326	148	282	205	225	179	139	150	279	147	152	171	2,373
NCC	325	459	594	463	767	586	552	755	1539	811	581	336	7,768
Sussex	222	209	219	182	219	192	307	252	256	233	201	282	2,774
Total	873	816	1065	850	1,211	957	998	1157	2074	1191	934	789	12,915

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Kent	189	169	194	336	188	257							1,333
NCC	574	362	489	503	367	343							2,638
Sussex	220	125	184	205	252	205							1,191
Total	983	656	867	1,044	807	805							5,162

- 2) DCSE management will work with the DOJ to ensure that new support petitions are acted upon first. **Update: We continue to communicate with the DOJ periodically, ensuring that they understand the importance of procession new support petitions. New Support petitions are separated prior to being sent to the DOJ so the documents are acted upon first. Additionally we communicate via e-mail with the DOJ and Family Court on the number of petitions being sent o the DOJ for Signature.**

- 3) Each Friday, the Administrative Support Staff will query the Access data base to determine how many petitions are pending approvals at the DOJ. Any unsigned petitions with the DOJ for more than 2 weeks will be addressed with the paralegal. **No Update: After working with the Information Resources Management staff it was determined that the functionality of querying the Access database is not possible. Administrative staff still uses Microsoft Access as a means of tracking petitions sent to and returned from the Department of Justice. In lieu of being able to query an electronic system, Support staff that oversee the transfer of documents to the DOJ, have been instructed to be cognizant of the flow of documents between offices. When there has been a lull in returned petitions they have been informed to notify the manager.**

- 4) E-mails will be sent to the paralegal at the DOJ when it has determined that the number of petitions located at the DOJ appears to be high. **No Update: The manager, when necessary will notify the DOJ, in order to ensure there is a flow of petitions between the two offices. There has not been a need to take this action.**

- 5) Reminders monthly will be sent to the Child Support Specialists, by DCSE management ensuring that they can electronically transmit the signed petition to Family Court. **Update: During the previous reporting period, there has not been a need to send out reminders to staff to electronically transmit their petitions to Family Court, Family Court has not notified DCSE management that there is a shortage of filings to be processed. Staff is transmitting filings as soon as they are signed and returned to them.**

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	<p>6) DCSE management will request Quarterly meetings with the Service of Process vendor to work out any challenges that are affecting timely service of non-custodial parents. No Update: While meetings have not been occurring on a scheduled basis, when issues arise related to serving a non-custodial parent or billing DCSE has open lines of communication via telephone conversations with the contractor to work out challenges.</p>
<p><i>Anticipated Completion Date (if not Fully corrected).</i></p>	<p>The anticipated completion dates for the above 6 points are as follows.</p> <ol style="list-style-type: none"> 1) DCSE caseworkers will be undertaking large scale paternity establishment and case closure projects, etc.: Anticipated Completion Date: Ongoing 2) DCSE management will work with the DOJ to ensure that new support petitions are acted upon first. Anticipated Completion Date: Ongoing 3) Each Friday, the Administrative Support Staff will query the Access data base to determine how many petitions are pending signatures at the DOJ, etc.: Anticipated Completion Date: Ongoing, but cannot be completed via an Access database query but in the alternate method outlined above. 4) E-mails will be sent to the paralegal at the DOJ when it has determined that the number of petitions located at the DOJ appears to be high. Anticipated Completion Date: Ongoing 5) Reminders monthly will be sent to the Child Support Specialists, by DCSE management ensuring that they can electronically transmit the signed petition to Family Court. Anticipated Completion Date: Ongoing 6) DCSE management will request Quarterly meetings with the Service of Process vendor to work out any challenges that are affecting timely service of non-custodial parents. Anticipated Completion Date: Ongoing and as needed

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Agency	Department of Health and Social Services Division of Child Support Enforcement
Fiscal Year	2010
Reference Number	10-CSE-02
Related Prior Year Findings	09-CSE-01
Program Name (CFDA No.)	Child Support Enforcement (93.563, S-93.563)
Type of Finding	Noncompliance, Significant Deficiency
Compliance Requirement(s)	Special Test and Provisions- Enforcement of Support Obligations
Criteria	<p>Enforcement of Support Obligations (Per A-133 June 2010 Compliance Supplement)</p> <p>For all cases referred to the IV-D agency or applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance State or tribal law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100 or 45 CFR section 309.110. State IV-D agencies must initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent whichever occurs later. If service of process is unsuccessful, unsuccessful attempts must be documented and meet the State's guidelines defining diligent efforts. If enforcement attempts are unsuccessful, the State IV-D agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time (45 CFR section 303.6). Optional enforcement techniques available for use by the State's are found at 45 CFR sections 303.71, 303.73, and 303.104.</p>
Condition	For 1 of 65 support obligation cases sampled, the non-custodial parent (NCP) was delinquent on paying child support for more than 60 days and the agency did not initiate enforcement (i.e. court petition) within the required timeframes.
Cause	Non-compliance with the enforcement of support obligations was due to lack of oversight by the assigned case employee worklist and supervisor.
Effect	If action is not taken within the required time frames, the client (custodial parent) may not receive the child support payments entitled to them.
Recommendation	<p>We recommend that management strengthen internal controls, including the following initiatives:</p> <ol style="list-style-type: none"> 1. Worklist management initiative 2. Training initiative 3. Redistribution of caseloads

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	4. Division of Child Support Enforcement/Division of Social Services interface 5. New DACES system
Questioned Costs	There are no questioned costs associated with this finding.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	<p>While DCSE concurs with the findings, we are also pleased with the progress made in this area since last year's Single Audit. The Division of Child Support Enforcement has taken and will continue to take the following corrective actions in response to this finding.</p> <p>The following points address the recommendations contained in the finding in the order they are listed.</p> <ul style="list-style-type: none"> • Work list management initiative <p>Phase I: Eliminate the creation of duplicate work list items. Completed September 5, 2004</p> <p>Phase II: Consolidation of the creation of the work list items, including a new hierarchy of the work list items. Completed April 17, 2005</p> <p>Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers. Completed June 20, 2007</p> <p>Phase IV: All processes and work lists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to Work List items. Completed June 2010</p> <p>Phase V: Evaluation Completion of the total Work List Management initiative was completed in December 2010, with that being said management will from time to time work with Division systems staff to ensure Worklist functionality is still meeting the intent of this initiative.</p> • Training initiative <p>DACSES Work List Management training was conducted statewide with division employees. In accordance with this recommendation, the training was part of the ongoing work-list management initiative to assist DCSE staff with better manage of their overall caseload and in accordance with Federal case processing guidelines.</p> <p>The training was developed to enable staff to be able to navigate and manage a work-list utilizing the new functionalities in the Work List Management screen. Work List</p>

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Management training will continue on a regular basis to DCSE employee. **Completed June 9, 2006, June 21, 2006, January 27, 2010, and March 31, 2010. The DCSE Training Unit during the past fiscal year (2010) conducted seven Worklist Maintenance classes for approximately 18 operation's unit staff.** This will continue to be an ongoing process as the DCSE Training Unit offers an open computer lab for staff to fine tune work list management skills.

- **Redistribution of caseloads**

DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.

There will be two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.

Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases. **Completed January 22, 2008**

- **Division of Child Support Enforcement/Division of Social Services interface**

Our automatic interface of medical insurance information with the Division of Social Services /Medicaid began May 16, 2008. DCSE staff no longer needs to send paper copies of our DCSE medical questionnaire to the Medicaid office, as information entered into DACSES is sent via the interface once a month. Effective October 2008, DACSES now enters a notation on the case events screens when information is sent via the interface. The entry will appear for all cases sent to Medicaid, starting with May 2008 data.

Completed October 2008

The DSS interface will be reengineered with the implementation of the new DACSES system scheduled for completion in FY 2013.

- **New post-court DACSES screen- (action taken different than original corrective action plan);**

The data necessary for the medical interface is currently captured in other areas of DACSES. Management has decided not to implement the post-court screen and will

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	<p>upgrade the existing functionality when DACSES is replaced.</p> <ul style="list-style-type: none"> • National medical support notice <p>DCSE fully implemented the National Medical Support Notice. Completed July of 2004</p> <ul style="list-style-type: none"> • New DACSES system (partially corrected) <p>DCSE received approval of the Implementation Planning Document and the RFP for solicitation of an implementation vendor in May 2009. The RFP was issued in July of 2009 and the bids were returned in September 2009. Currently DCSE is in active negotiations with vendors for both the implementation activities and the quality assurance services. The contracts will be submitted to OCSE in March 2010 for approval and project kickoff is anticipated for May 1, 2010</p>
<i>Finding Status</i>	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
<i>Description of Status</i>	<p>The two items identified below remain as ongoing efforts. They are Training initiative and New DACSES system.</p> <ul style="list-style-type: none"> • Training initiative <p>DACSES Work List Management training was conducted statewide with division employees. In accordance with this recommendation, the training was part of the ongoing work-list management initiative to assist DCSE staff with better manage of their overall caseload and in accordance with Federal case processing guidelines.</p> <p>The training was developed to enable staff to be able to navigate and manage a work-list utilizing the new functionalities in the Work List Management screen. Work List Management training will continue on a regular basis to DCSE employee. Completed June 9, 2006, June 21, 2006, January 27, 2010, and March 31, 2010 and March 2011.</p> <p>Update: The DCSE Training Unit during the past fiscal year (2012) conducted 3 Worklist Maintenance classes for the Operation’s unit staff statewide. Worklist Maintenance training occurs as a stand alone course of study and open computer lab opportunities. There were 11 open labs scheduled in 2012. The open computer lab time offers employees one on one attention in handling worklists management issues with an experienced trainer. This will continue to be an ongoing process as the DCSE Training Unit offers an open computer lab for staff to fine tune work list management skills.</p> <p>In May 2012, members of the DCSE Training unit met individually with each of the Operation’s unit Managers and Child Support Supervisors throughout the state. The goal of the meetings was to assess the needs of the child support worker regardless of unit. The assessment was completed during the first week of June. Worklist management is a continued need of based on the assessments. The</p>

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	<p>Training unit indicated that the Child Support Specialist in Kent and Sussex are maintaining relatively current worklists (no more than a 30-day backlog). Workers in New Castle are struggling to maintain their worklists. The Training unit will still address worklist management/case closure downstate during the unit trainings; however, I'll ask that their focus be more on gathering information about how downstate staff prioritizes their work/worklists. The Training unit can then share that information with the units in New Castle County.</p> <ul style="list-style-type: none"> • New DACSES system (partially corrected) <p>Update: The project (begun on June 1, 2010) is now in its second year. The new system to be called DECSS (Delaware Child Support System) is on scheduled to go live in October 2013. The systems' robust automated next step case processing and comprehensive locate interfaces will greatly expedite the enforcement of support obligations</p> <p>Update 2013: The system is on schedule to go- live in Oct 2013.</p>
<p><i>Anticipated Completion Date (if not Fully corrected).</i></p>	<ul style="list-style-type: none"> • Training initiative. Anticipated Completion Date: Ongoing • Division of Child Support Enforcement/Division of Social Services interface. Anticipated Completion Date: The DSS interface will be reengineered with the implementation of the new DACSES system scheduled for completion in FY 2013. • New post-court DACSES screen- (action taken different than original corrective action plan). Anticipated Completion Date: As previously stated, will upgrade the existing functionality when DACSES is replaced and implemented in 2013. • New DACSES system. (partially corrected). Scheduled Completion Date: October 2013

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Agency	Department of Health and Social Services Division of State Service Centers
Fiscal Year	2010
Reference Number	10-SSC-02
Related Prior Year Findings	N/A
Program Name (CFDA No.)	Low Income Home Energy Assistance Program (93.568)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Subrecipient Monitoring
Criteria	<p>U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300 states in part:</p> <p>In terms of subrecipient monitoring, a pass-through entity is responsible for:</p> <p><i>During-the-Award Monitoring</i> – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.</p> <p>Monitoring activities normally occur throughout the year and may take various forms, such as:</p> <p><i>Reporting</i> – Reviewing financial and performance reports submitted by the subrecipient.</p> <p><i>Site Visits</i> – Performing site visits at the subrecipient to review financial and programmatic records and observe operations</p> <p><i>Regular Contact</i> – Regular contacts with subrecipients and appropriate inquiries concerning program activities.</p>
Condition	<p>The Division monitors the subrecipients use of Federal Awards through reporting, site visits, and regular contact. We note that while the LIHEAP Program abides by these requirements, the activities they are performing at Catholic Charities site visits are not sufficient to constitute proper monitoring since substantially all of the program is run by this subrecipient. There are no specific procedures in place to select client files for eligibility monitoring but rather a different amount of files seems to be tested for each programmatic site visit. In addition, only one fiscal monitoring visit is conducted per year and 6 invoices and the related support were reviewed. Given that the subrecipient in the past has not kept adequate support with the invoice (check copy, eligibility letter, support showing what clients were serviced, etc) or sent proper support along with the invoice for reimbursement, and that 6 invoices, representing \$4,182,760, were reviewed during the site visit, we feel that the site visit is not as effective or extensive as it needs to be in order to effectively monitor the subrecipient during the year. Total costs incurred by this subrecipient for the fiscal year ended June 30, 2010 was \$13,452,771.</p>

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Cause	The Division has not fully implemented policies and procedures pertaining to monitoring subrecipients especially in relation to site visits conducted at the subrecipients.
Effect	The Division did not fulfill its responsibilities related to subrecipient monitoring for their subrecipient who ran the entire program; therefore subrecipients could be administering awards in a way that does not comply with federal regulations.
Recommendation	We recommend that the Division enhance its current policies and procedures over subrecipient monitoring, specifically focusing on enhancing procedures and policies for site visits in order to ensure they are effectively monitoring the subrecipients.
Questioned Costs	Questions costs could be no more than \$13,452,771 which represents the total subrecipient expenditures.
Agency Contact Name	Harry Roberts, DHSS Controller
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	<p>We disagree with the auditors' assertion that the activities performed by the Division in regard to monitoring the sub-recipient Catholic Charities are not sufficient to constitute proper monitoring. Furthermore, we disagree with the auditors' representation of the Division's fiscal monitoring procedures.</p> <p>The Division used an on-site monitoring tool to perform the fiscal monitoring of the sub-recipient. Using the monitoring tool the Division reviewed the sub-recipient's cash receipts, accounts receivable, payroll, eligibility, accounts payable, record retention, written procedures and single audit. The monitoring included extensive testing of all supporting documentation for six invoices totaling \$4,182,760 that represented 31 per cent of the total sub-recipient expenditures amounting to \$13,452,771. The fiscal monitoring included numerous site visits at two locations and four follow-up meetings with sub-recipient officials. The fiscal monitoring began May 14, 2009 and was completed in August 2009. A summary report was issued to the sub-recipient on August 28, 2009 that communicated the results of the monitoring review along with recommendations for improvement.</p> <p>In addition to fiscal monitoring, the Division performed program monitoring site visits. In answer to the comment that we had no specific procedure for selecting client files, this is incorrect. In the past we have defined our monitoring by the number of site visits and the length of the review. We established the number of times to do site monitoring and looked at as many files that were feasible during that visit. It is true we did not define a number of files to be reviewed, but the procedure was clear and fully executed.</p> <p>Independent of this audit, we employed a consultant to assist us in updating all of our policies and procedures. While we stand by past practices as being valid, per above, program monitoring policies and procedures were enhanced and have already been implemented.</p> <p>More detailed monitoring instruments have been developed. Further, we have established as a base the review of 1% (roughly 200) randomly selected client files per fiscal year in regard to heating. There will be a review of 5% (roughly 25 files) for the summer cooling program.</p> <p>Further, this random selection systematically examines all categories of beneficiaries. We now examine files based on eligibility, looking at both eligible and denied households. We also review all types of program service (i.e., heating, crisis, air conditioners, and electric</p>

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	<p>assistance). The Recommendation from the auditor did not include a method for selecting client files for review, but we would like to note that the above outlined process will be employed. These changes will be evident in the SFY'2011 program monitoring.</p> <p>In addition to the review of client files, there will be an annual site visit for Catholic Charities for an Administrative Review conducted by the Program Administrator. For those years when we have a cooling program, there will be one such visit for each of the two summer cooling contractor agencies providing services to our clients.</p>
<i>Finding Status</i>	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
<i>Description of Status</i>	<p>Section 700 Program Monitoring of the Delaware Energy Assistance Program (DEAP) Manual covers monitoring procedures. The procedures include client files, eligibility determination, approvals and denials, as well as an annual Administrative Review. An annual Fiscal Monitoring was conducted during the past two years (2012 and 2013) by an Internal Auditor, hired specifically for fiscal monitoring. Reports were prepared and sent to the contractor agencies.</p> <p>We will contact IRM to determine if a system generated sampling plan can be developed to pull case files for review.</p>
<i>Anticipated Completion Date (if not Fully corrected).</i>	<p>Contact with IRM will occur by 7/31/13. Completion date for a sampling plan is unknown at this time.</p>

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Agency	Department of Services for Children, Youth, and Their Families
Fiscal Year	2009
Reference Number	09-CYF-01
Related Prior Year Findings	04-CYF-01, 05-CYF-01, 06-CYF-01, 07-CYF-01, 08-CYF-01
Program Name (CFDA No.)	Foster Care – Title IV-E (93.658)
Type of Finding	Disclaimer of Opinion
Compliance Requirement(s)	All
Criteria	<p>Federal regulations require that “The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHHS, DCA), if any of the following events occur:</p> <ul style="list-style-type: none"> • The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures. • A material defect is discovered in the cost allocation plan by the Director, DCA, or the State. • The State plan for public assistance programs is amended so as to affect the allocation of costs. • Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.” (45 CFR §95.509) <p>The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that “Cost disallowances will be made for inappropriate claims resulting from a State’s failure to comply with its approved cost allocation plan...or its failure to submit an amended plan as required.” (Grants Administration Manual 6-200-50).</p>
Condition	<p>The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 6, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part: “Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.</p> <p>After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”</p>

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	<p>The report further states that:</p> <p>“The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised 95-2 methodology to allocate candidates’ case management costs...during the quarters ended December 1999 through June 2003.” And that:</p> <p>“Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”</p> <p>The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”</p> <p>DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.</p> <p>For the period under audit for purposes of the Single Audit (July 1, 2008 through June 30, 2009), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and DHHS Grants Administration Manual Chapter 6-200-50.</p> <p>Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2009 were \$1,135,673, representing 30% of the total program costs of \$3,777,636.</p> <p>In Fiscal Year 2006, the Federal Health and Human Services Inspector General’s office audited the Department’s allocation of administrative and training costs to the Title IV-E program for which a final report has been issued. As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.</p>
<i>Cause</i>	Differing interpretations of federal regulations concerning allocable costs.
<i>Effect</i>	Failure to obtain timely approval of the cost allocation plan could result in questioned costs.
<i>Recommendation</i>	We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred within a letter dated May 25, 2005 included as an appendix to that report.
<i>Questioned Costs</i>	Questioned costs are not determinable.
<i>Agency Contact Name</i>	<i>Christine L. Kraft, DSCYF Controller</i>

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Agency Contact Phone Number	(302) 892-4548
Corrective Action Plan	<p>DSCYF submitted a new Title IV-E Foster Care and Adoption Assistance Cost Allocation Plan (CAP) to the US DHHS Division of Cost Allocation New York, NY, and to the Administration for Children and Families Region III Office, Philadelphia PA on August 29, 2011. Both offices have acknowledged receipt of the CAP which contains a new Random Moment Time Sample survey, a proposed methodology for reinstating Foster Care Candidacy (Pre-Placement) claims, and updated allocation schedules that reflect the reorganization of the department as of July 1, 2011.</p> <p>As of June 30, 2012, DSCYF has received initial commentary and questions concerning the contents of the proposed CAP from the US DHHS Division of Cost Allocation New York, NY, the ACF Region III Office, Philadelphia PA, and the Centers for Medicare and Medicaid Services Region III Office, Philadelphia PA. DSCYF is currently reviewing the commentary and questions, and plans to resubmit the CAP prior to the end of August 2012.</p> <p>As of June 2013, negotiations with the US DHHS Division of Cost Allocation New York, NY, as well as the Centers for Medicare and Medicaid Services (CMS) and the Administration for Children and Families (ACF), Region III Offices, Philadelphia, PA, remain ongoing with the most recent version of the CAP having been submitted on June 12, 2013. It should be noted that with this version DSCYF has decided not to continue to pursue claiming for Division of Family Services Pre-placement Foster Care Candidates and has also decided not to pursue Medicaid administrative cost claiming for our Division of Youth Rehabilitative Services (DYRS) and these two items have been removed from the proposed CAP. DSCYF has received a set of updated questions from CMS, and we are awaiting additional commentary and questions from ACF.</p>
Finding Status	Fully Corrected. <input type="checkbox"/> Not Corrected or Partially Corrected. <input checked="" type="checkbox"/> Action taken different than original Corrective Action Plan. <input type="checkbox"/> No longer warranting further action. <input type="checkbox"/>
Description of Status	Negotiations with US DHHS Division of Cost Allocation New York, NY, as well as the Centers for Medicare and Medicaid Services (CMS) and the Administration for Children and Families (ACF), Region III Offices, Philadelphia, PA, remain ongoing.
Anticipated Completion Date (if not Fully corrected).	December 2013.

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Agency	Department of Services for Children, Youth, and Their Families
Fiscal Year	2009
Reference Number	09-CYF-03
Related Prior Year Findings	N/A
Program Name (CFDA No.)	Adoption Assistance (93.659)
Type of Finding	Material Noncompliance, Material Weakness
Compliance Requirement(s)	Allowable Costs
Criteria	<p>Federal regulations require that “The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHHS, DCA), if any of the following events occur:</p> <ul style="list-style-type: none"> • The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures. • A material defect is discovered in the cost allocation plan by the Director, DCA, or the State. • The State plan for public assistance programs is amended so as to affect the allocation of costs. • Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.¶ (45 CFR §95.509) <p>The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that “Cost disallowances will be made for inappropriate claims resulting from a State’s failure to comply with its approved cost allocation plan...or its failure to submit an amended plan as required.” (Grants Administration Manual 6-200-50).</p>
Condition	<p>The U.S. Department of Health and Human Services (DHHS) Office of Inspector General issued report number A-03-03-00562 dated July 6, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:</p> <p>“Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.</p> <p>After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the</p>

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	<p>Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”</p> <p>The report further states that: “The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised 95-2 methodology to allocate candidates’ case management costs...during the quarters ended December 1999 through June 2003.¶ And that: “Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”</p> <p>The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”</p> <p>DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.</p> <p>For the period under audit for purposes of the Single Audit (July 1, 2008 through June 30, 2009), the Adoption Assistance program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and DHHS Grants Administration Manual Chapter 6-200-50.</p> <p>Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Adoption Assistance program for the year ended June 30, 2009 were \$235,365, representing 12% of the total program costs of \$1,914,290.</p> <p>In Fiscal Year 2006, the Federal Health and Human Services Inspector General’s office audited the Department’s allocation of administrative and training costs to the Title IV-E program for which a final report has been issued.</p>
<i>Cause</i>	Differing interpretations of federal regulations concerning allocable costs.
<i>Effect</i>	Failure to obtain timely approval of the cost allocation plan could result in questioned costs.
<i>Recommendation</i>	We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred within a letter dated May 25, 2005 included as an appendix to that report.
<i>Questioned Costs</i>	Questioned costs are not determinable.
<i>Agency Contact Name</i>	<i>Christine L. Kraft, DSCYF Controller</i>
<i>Agency Contact Phone Number</i>	<i>(302) 892-4548</i>

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<p><i>Corrective Action Plan</i></p>	<p>DSCYF submitted a new Title IV-E Foster Care and Adoption Assistance Cost Allocation Plan (CAP) to the US DHHS Division of Cost Allocation New York, NY, and to the Administration for Children and Families Region III Office, Philadelphia PA on August 29, 2011. Both offices have acknowledged receipt of the CAP which contains a new Random Moment Time Sample survey, a proposed methodology for reinstating Foster Care Candidacy (Pre-Placement) claims, and updated allocation schedules that reflect the reorganization of the department as of July 1, 2011. DSCYF has requested that the CAP become effective as of October 1, 2011.</p> <p>As of June 30, 2012, DSCYF has received initial commentary and questions concerning the contents of the proposed CAP from the US DHHS Division of Cost Allocation New York, NY, the ACF Region III Office, Philadelphia PA, and the Centers for Medicare and Medicaid Services Region III Office, Philadelphia PA. DSCYF is currently reviewing the commentary and questions, and plans to resubmit the CAP prior to the end of August 2012.</p> <p>As of June 2013, negotiations with the US DHHS Division of Cost Allocation New York, NY, as well as the Centers for Medicare and Medicaid Services (CMS) and the Administration for Children and Families (ACF), Region III Offices, Philadelphia, PA, remain ongoing with the most recent version of the CAP having been submitted on June 12, 2013. It should be noted that with this version DSCYF has decided not to continue to pursue claiming for Division of Family Services Pre-placement Foster Care Candidates and has also decided not to pursue Medicaid administrative cost claiming for our Division of Youth Rehabilitative Services (DYRS) and these two items have been removed from the proposed CAP. DSCYF has received a set of updated questions from CMS, and we are awaiting additional commentary and questions from ACF.</p>
<p><i>Finding Status</i></p>	<p>Fully Corrected. <input type="checkbox"/></p> <p>Not Corrected or Partially Corrected. <input checked="" type="checkbox"/></p> <p>Action taken different than original Corrective Action Plan. <input type="checkbox"/></p> <p>No longer warranting further action. <input type="checkbox"/></p>
<p><i>Description of Status</i></p>	<p>Negotiations with US DHHS Division of Cost Allocation New York, NY, as well as the Centers for Medicare and Medicaid Services (CMS) and the Administration for Children and Families (ACF), Region III Offices, Philadelphia, PA, remain ongoing.</p>
<p><i>Anticipated Completion Date (if not Fully corrected).</i></p>	<p>December 2013.</p>

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The following findings from years prior to FY12 have been fully corrected or no longer warrant further action:

Finding Number	Program Name	Program CFDA #	Compliance Requirement	Status
11-DHSS-04	State Children's Health Insurance Program; Medicaid Cluster	93.767; 93.775, 93.777, S-93.777, 93.778, S-93.778	Suspension and Debarment	Fully Corrected
11-SSC-01	Low-Income Home Energy Assistance Program	93.568	Allowable Costs, Subrecipient Monitoring	Fully Corrected
11-DSS-01	Child Care Cluster	93.575, 93.596, S-93.713	Special Tests and Provisions (Fraud Detection and Repayment)	No Longer Warranting Further Action
11-DSS-02	Child Care Cluster	93.596, 93.575, S-93.713	Earmarking	Fully Corrected
11-DSS-05	Supplemental Nutritional Assistance Program Cluster	10.551, 10.561, S-10.561	Reporting	Fully Corrected
11-DSS-07	Child Care Cluster	93.596, 93.575, S-93.713	Special Tests and Provisions (Health and Safety Requirements)	Fully Corrected
11-DOL-01	Vocational Rehabilitation Cluster	84.126, 84.390	Eligibility	Fully Corrected
11-DOL-06	Workforce Improvement Act Cluster	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Reporting (Section 1512)	Fully Corrected
08-DPH-02	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	Equipment and Real Property Management	Fully Corrected