



STATE OF DELAWARE

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

Year ended June 30, 2011

(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
1601 Market Street
Philadelphia, PA 19103-2499

**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 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, 2011, which collectively comprise the State's basic financial statements and have issued our report thereon dated February 6, 2012. As discussed in note 1(b) to the financial statements, the State adopted Governmental Accounting Standards Board Statement (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011. We conducted our audit in accordance with 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. Other auditors audited the financial statements of the State's 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

Management of the State is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 over financial reporting, 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. We consider the deficiencies in the State's internal control over financial reporting described in items 2011-01 through 2011-03 in the accompanying schedule of findings and responses to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over



The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware
February 6, 2012
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financial reporting 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 items 2011-04 through 2011-06 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

We noted certain matters that we reported to the State's management in a separate letter dated March 6, 2012.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Secretary of Finance, Office of the Governor, Attorney General, Comptroller General, Office of Management and Budget, and the U.S. Department of Health and Human Services and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 6, 2012



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of the State of Delaware (the State) 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 its major federal programs for the year ended June 30, 2011. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, and the Charter Schools, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2011. 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, Delaware Technical and Community College (DTCC) Foundation, 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.

Except as discussed in the following paragraph, 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. Our audit does not provide a legal determination of the State's compliance with those requirements.



We were unable to obtain sufficient documentation supporting the compliance of the State with certain major programs regarding cash management, maintenance of effort, and special tests and provisions requirements, nor were we able to satisfy ourselves as to the State’s compliance with those requirements by other auditing procedures. The specific instances of program compliance requirements are identified and described in the accompanying schedule of findings and questioned costs as follows:

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Education	11-ED-03	10.558	Child and Adult Care Food Program	Cash Management
		10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	
		84.010, S-84.389	Title I Grants to Local Educational Agencies	
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster	
		84.367	Improving Teacher Quality State Grants	
		S-84.394	State Fiscal Stabilization Fund Cluster	
		S-84.395	State Fiscal Stabilization Fund, Race-to-the-Top Incentive Grants, Recovery Act	
Department of Education	11-ED-09	84.027, 84.173, S-84.391, S-84.392	Special Education Cluster	Level of Effort (Maintenance of Effort)
Department of Health and Social Services	11-DHSS-01	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management
		93.558, S-93.714	Temporary Assistance for Needy Families	
		93.575, 93.596, S-93.713	Child Care Cluster	
		93.767	State Children’s Health Insurance Program	
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster	



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
		93.563, S-93.563	Child Support Enforcement	
		66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds	
		93.568	Low-Income Home Energy Assistance Program	
		93.268, S-93.268, S-93.712	Immunization Cluster	
Department of Agriculture	11-AGR-04	10.913	Farm and Ranch Lands Protection Program	Special Tests and Provisions (Property Monitoring Site Visits)

The State did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major programs. The specific instances of noncompliance are identified and described in the accompanying schedule of findings and questioned costs as follows:

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Education – Brandywine School District, Christina School District, Delmar School District, Red Clay Consolidated School District, Smyrna School District, Woodbridge School District	11-ED-01	84.010, S-84.389	Title I Grants to Local Educational Agencies	Allowable Costs (Effort Reporting)
		84.027, 84.173, S-84.391, 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	11-ED-10	10.558	Child and Adult Care Food Program	Eligibility (Subrecipients)
Department of Education	11-ED-11	10.558	Child and Adult Care Food Program	Subrecipient Monitoring



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
		10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	
Department of Health and Social Services – Division of Medicaid and Medical Assistance	11-DMMA-02	93.767	State Children’s Health Insurance Program	Eligibility
Department of Health and Social Services – Division of Social Services	11-DSS-04	93.575, 93.596, S-93.713	Child Care Cluster	Reporting
Department of Health and Social Services – Division of Social Services	11-DSS-05	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Reporting
Department of Health and Social Services – Division of Social Services	11-DSS-06	93.558, S-93.714	Temporary Assistance for Needy Families	Reporting
Department of Health and Social Services – Division of Child Support Enforcement	11-CSE-01	93.563, S-93.563	Child Support Enforcement	Special Tests and Provisions (Establishment of Paternity and Support Obligations)
Department of Health and Social Services – Division of Public Health	11-DPH-01	66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds	Subrecipient Monitoring
Department of Health and Social Services – Division of Public Health	11-DPH-03	93.268, S-93.268, S-93.712	Immunization Cluster	Special Tests and Provisions (Control, Accountability, and Safeguarding of Vaccine)
Department of Health and Social Services – Division of Public Health	11-DPH-04	93.268, S-93.268, S-93.712	Immunization Cluster	Special Tests and Provisions (Record of Immunization)
Department of Health and Social Services – Division of State Service Centers	11-SSC-01	93.568	Low-Income Home Energy Assistance Program	Allowable Costs, Subrecipient Monitoring
Department of Health and Social Services – Division of State Service Centers	11-SSC-02	93.568	Low-Income Home Energy Assistance Program	Reporting (Special Reporting)
Department of Health and Social Services – Division of State Service Centers	11-SSC-03	93.568	Low-Income Home Energy Assistance Program	Reporting, Period of Availability
Department of Health and Social Services – Division of State Service Centers	11-SSC-04	93.568	Low-Income Home Energy Assistance Program	Reporting (Financial Reporting)



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Labor – Division of Employment & Training	11-DOL-06	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Reporting (Section 1512)
Department of Labor – Division of Employment & Training	11-DOL-07	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Earmarking
Department of Agriculture	11-AGR-01	10.913	Farm and Ranch Lands Protection Program	Allowable Costs, Cash Management, Matching, Reporting
Department of Agriculture	11-AGR-03	10.913	Farm and Ranch Lands Protection Program	Reporting
Department of Transportation	11-DOT-01	20.500, 20.507, S-20.507	Federal Transit Cluster	Special Tests – Separate Accountability for ARRA Funding

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirements identified in the second preceding paragraph, and except for the noncompliance identified in the preceding paragraph, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, 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 follows:

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Delaware Technical and Community College - Terry Campus	11-DTCC-01	84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster	Borrower Data Transmission and Reconciliation (Direct Loans)
Department of Education	11-ED-06	84.010, S-84.389	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Separate Accountability for ARRA Funding)
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster	



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
		S-84.394	State Fiscal Stabilization Fund Cluster	
Department of Education – Woodbridge School District	11-ED-07	84.010, S-84.389	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Private School Children)
		84.367	Improving Teacher Quality State Grants	
Department of Education	11-ED-08	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Title I Monitoring Report)
Department of Education	11-ED-12	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Subrecipient Monitoring (Management Evaluation Report)
Department of Education	11-ED-13	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting
Department of Health and Social Services	11-DHSS-02	93.558, S-93.714	Temporary Assistance for Needy Families	Special Tests and Provisions (ADP Risk Analysis and Security Review)
		93.575, 93.596, S-93.713	Child Care Cluster	
		93.767	State Children’s Health Insurance Program	
		93.775, 93.777, S-93.777, 93.778, S-93.778	Medicaid Cluster	
		93.563, S-93.563	Child Support Enforcement	
Department of Health and Social Services – Division of Child Support Enforcement	11-DHSS-03	93.563, S-93.563	Child Support Enforcement	Suspension and Debarment
Department of Health and Social Services	11-DHSS-04	93.767	State Children’s Health Insurance Program	Suspension and Debarment
		93.775, 93.777, S-93.777, 93.778, S-93.778	Medicaid Cluster	



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Health and Social Services	11-DHSS-05	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs
		93.558, S-93.714	Temporary Assistance for Needy Families	
		93.575, 93.596, S-93.713	Child Care Cluster	
		93.767	State Children's Health Insurance Program	
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster	
Department of Health and Social Services – Division of Medicaid and Medical Assistance	11-DMMA-01	93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster	Eligibility
Department of Health and Social Services – Division of Social Services	11-DSS-01	93.575, 93.596, S-93.713	Child Care Cluster	Special Tests and Provisions (Fraud Detection and Repayment)
Department of Health and Social Services – Division of Social Services	11-DSS-03	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Matching
Department of Health and Social Services – Division of Public Health	11-DPH-02	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Reporting
Department of Health and Social Services – Division of Public Health	11-DPH-05	66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds	Allowable Costs (Effort Reporting)
Department of Labor – Division of Vocational Rehabilitation	11-DOL-01	84.126, S-84.390	Vocational Rehabilitation Cluster	Eligibility
Department of Labor – Division of Employment & Training	11-DOL-02	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Eligibility



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Labor – Division of Employment & Training	11-DOL-03	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Subrecipient Monitoring
Department of Labor – Division of Employment & Training	11-DOL-04	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Reporting
Department of Labor – Division of Employment & Training	11-DOL-05	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Allowable Costs (Effort Reporting)
Delaware National Guard	11-DNG-01	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management, Reporting
Delaware National Guard	11-DNG-02	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
Department of Agriculture	11-AGR-02	10.913	Farm and Ranch Lands Protection Program	Cash Management
Office of Management and Budget	11-OMB-01	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting (Federal Funding Accountability and Transparency Act)
		10.558	Child and Adult Care Food Program	
		10.557	Special Supplemental Nutrition Program for Women, Infants and Children	
		20.500, 20.507, S-20.507	Federal Transit Cluster	
		20.205, S-20.205, 20.219	Highway Planning & Construction Cluster	



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
		66.458, S-66.458	Capitalization Grants for Clean Water State Revolving Funds	
		66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds	
		84.010, S-84.389	Title I Grants to Local Educational Agencies	
		84.367	Improving Teacher Quality State Grants	
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster	
		93.767	State Children's Health Insurance Program	
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster	
Department of Finance	11-FIN-01	17.225, S-17.225	Unemployment Insurance	Cash Management
		10.557	Special Supplemental Nutrition Program for Women, Infants and Children	

Internal Control over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 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 identified below by two asterisks (**) to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or 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 identified below by an asterisk (*) to be significant deficiencies.

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Delaware Technical and Community College - Terry Campus	11-DTCC-01	84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster	Borrower Data Transmission and Reconciliation (Direct Loans)	*
Department of Education – Brandywine School District, Christina School District, Delmar School District, Red Clay Consolidated School District, Smyrna School District, Woodbridge School District	11-ED-01	84.010, S-84.389	Title I Grants to Local Educational Agencies	Allowable Costs (Effort Reporting)	**
		84.027, 84.173, S-84.391, 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		**
Smyrna School District	11-ED-02	84.010, S-84.389	Title I Grants to Local Educational Agencies	Allowable Costs (Indirect Costs)	*
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster		*
Department of Education	11-ED-03	10.558	Child and Adult Care Food Program	Cash Management	**



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
		10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster		**
		84.010, S-84.389	Title I Grants to Local Educational Agencies		**
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster		**
		84.367	Improving Teacher Quality State Grants		**
		S-84.394	State Fiscal Stabilization Fund Cluster		**
		S-84.395	State Fiscal Stabilization Fund, Race-to-the-Top Incentive Grants, Recovery Act		**
Department of Education and School Districts	11-ED-04	84.010, S-84.389	Title I Grants to Local Educational Agencies	Level of Effort (Maintenance of Effort)	*
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster		*
		84.367	Improving Teacher Quality State Grants		*
Department of Education	11-ED-05	84.010, S-84.389	Title I Grants to Local Educational Agencies	Reporting	*
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster		*
		84.367	Improving Teacher Quality State Grants		*
Department of Education	11-ED-06	84.010, S-84.389	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Separate Accountability for ARRA Funding)	*
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster		*
		S-84.394	State Fiscal Stabilization Fund Cluster		*



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Department of Education – Woodbridge School District	11-ED-07	84.010, S-84.389	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Private School Children)	*
		84.367	Improving Teacher Quality State Grants		*
Department of Education	11-ED-08	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Title I Monitoring Report)	*
Department of Education	11-ED-09	84.027, 84.173, S-84.391, S-84.392	Special Education Cluster	Level of Effort (Maintenance of Effort)	**
Department of Education	11-ED-10	10.558	Child and Adult Care Food Program	Eligibility (Subrecipients)	**
Department of Education	11-ED-11	10.558	Child and Adult Care Food Program	Subrecipient Monitoring	**
		10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster		**
Department of Education	11-ED-12	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Subrecipient Monitoring (Management Evaluation Report)	*
Department of Education	11-ED-13	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting	*
Department of Health and Social Services	11-DHSS-01	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management	**
		93.558, S-93.714	Temporary Assistance for Needy Families		**
		93.575, 93.596, S-93.713	Child Care Cluster		**
		93.767	State Children’s Health Insurance Program		**
		93.775, 93.777, S-93.777, 93.778, S-93.778	Medicaid Cluster		**
		93.563, S-93.563	Child Support Enforcement		**



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
		66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds		**
		93.568	Low-Income Home Energy Assistance Program		**
		93.268, S-93.268, S-93.712	Immunization Cluster		**
Department of Health and Social Services	11-DHSS-02	93.558, S-93.714	Temporary Assistance for Needy Families	Special Tests and Provisions (ADP Risk Analysis and Security Review)	*
		93.575, 93.596, S-93.713	Child Care Cluster		*
		93.767	State Children's Health Insurance Program		*
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster		*
		93.563, S-93.563	Child Support Enforcement		*
Department of Health and Social Services – Division of Child Support Enforcement	11-DHSS-03	93.563, S-93.563	Child Support Enforcement	Suspension and Debarment	*
Department of Health and Social Services	11-DHSS-04	93.767	State Children's Health Insurance Program	Suspension and Debarment	*
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster		*
Department of Health and Social Services	11-DHSS-05	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs	*
		93.558, S-93.714	Temporary Assistance for Needy Families		*
		93.575, 93.596, S-93.713	Child Care Cluster		*
		93.767	State Children's Health Insurance Program		*



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster		*
Department of Health and Social Services – Division of Medicaid and Medical Assistance	11-DMMA-01	93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster	Eligibility	*
Department of Health and Social Services – Division of Medicaid and Medical Assistance	11-DMMA-02	93.767	State Children’s Health Insurance Program	Eligibility	**
Department of Health and Social Services – Division of Social Services	11-DSS-01	93.575, 93.596, S-93.713	Child Care Cluster	Special Tests and Provisions (Fraud Detection and Repayment)	*
Department of Health and Social Services – Division of Social Services	11-DSS-02	93.575, 93.596, S-93.713	Child Care Cluster	Earmarking	**
Department of Health and Social Services – Division of Social Services	11-DSS-03	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Matching	*
Department of Health and Social Services – Division of Social Services	11-DSS-04	93.575, 93.596, S-93.713	Child Care Cluster	Reporting	**
Department of Health and Social Services – Division of Social Services	11-DSS-05	10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster	Reporting	**
Department of Health and Social Services – Division of Social Services	11-DSS-06	93.558, S-93.714	Temporary Assistance for Needy Families	Reporting	**
Department of Health and Social Services – Division of Social Services	11-DSS-07	93.575, 93.596, S-93.713	Child Care Cluster	Special Tests and Provisions (Health and Safety Requirements)	*
Department of Health and Social Services – Division of Child Support Enforcement	11-CSE-01	93.563, S-93.563	Child Support Enforcement	Special Tests and Provisions (Establishment of Paternity and Support Obligations)	**
Department of Health and Social Services – Division of Public Health	11-DPH-01	66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds	Subrecipient Monitoring	**



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Department of Health and Social Services – Division of Public Health	11-DPH-02	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Reporting	*
Department of Health and Social Services – Division of Public Health	11-DPH-03	93.268, S-93.268, S-93.712	Immunization Cluster	Special Tests and Provisions (Control, Accountability, and Safeguarding of Vaccine)	**
Department of Health and Social Services – Division of Public Health	11-DPH-04	93.268, S-93.268, S-93.712	Immunization Cluster	Special Tests and Provisions (Record of Immunization)	**
Department of Health and Social Services – Division of Public Health	11-DPH-05	66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds	Allowable Costs (Effort Reporting)	*
Department of Health and Social Services – Division of State Service Centers	11-SSC-01	93.568	Low-Income Home Energy Assistance Program	Allowable Costs, Subrecipient Monitoring	**
Department of Health and Social Services – Division of State Service Centers	11-SSC-02	93.568	Low-Income Home Energy Assistance Program	Reporting (Special Reporting)	**
Department of Health and Social Services – Division of State Service Centers	11-SSC-03	93.568	Low-Income Home Energy Assistance Program	Reporting, Period of Availability	**
Department of Health and Social Services – Division of State Service Centers	11-SSC-04	93.568	Low-Income Home Energy Assistance Program	Reporting (Financial Reporting)	**
Department of Labor – Division of Vocational Rehabilitation	11-DOL-01	84.126, S-84.390	Vocational Rehabilitation Cluster	Eligibility	*
Department of Labor – Division of Employment & Training	11-DOL-02	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Eligibility	*
Department of Labor – Division of Employment & Training	11-DOL-03	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Subrecipient Monitoring	**



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Department of Labor – Division of Employment & Training	11-DOL-04	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Reporting	*
Department of Labor – Division of Employment & Training	11-DOL-05	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Allowable Costs (Effort Reporting)	**
Department of Labor – Division of Employment & Training	11-DOL-06	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Reporting (Section 1512)	**
Department of Labor – Division of Employment & Training	11-DOL-07	17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster	Earmarking	**
Delaware National Guard	11-DNG-01	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management, Reporting	*
Delaware National Guard	11-DNG-02	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting	*
Department of Agriculture	11-AGR-01	10.913	Farm and Ranch Lands Protection Program	Allowable Costs, Cash Management, Matching, Reporting	**
Department of Agriculture	11-AGR-02	10.913	Farm and Ranch Lands Protection Program	Cash Management	*
Department of Agriculture	11-AGR-03	10.913	Farm and Ranch Lands Protection Program	Reporting	**
Department of Agriculture	11-AGR-04	10.913	Farm and Ranch Lands Protection Program	Special Tests and Provisions (Property Monitoring Site Visits)	**



State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Department of Transportation	11-DOT-01	20.500, 20.507, S-20.507	Federal Transit Cluster	Special Tests – Separate Accountability for ARRA Funding	**
Office of Management and Budget	11-OMB-01	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting (Federal Funding Accountability and Transparency Act)	*
		10.558	Child and Adult Care Food Program		*
		10.557	Special Supplemental Nutrition Program for Women, Infants and Children		*
		20.500, 20.507, S-20.507	Federal Transit Cluster		*
		20.205, S-20.205, 20.219	Highway Planning & Construction Cluster		*
		66.458, S-66.458	Capitalization Grants for Clean Water State Revolving Funds		*
		66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds		*
		84.010, S-84.389	Title I Grants to Local Educational Agencies		*
		84.367	Improving Teacher Quality State Grants		*
		84.027, 84.173, S-84.391, S-84.392	Special Education Cluster		*
		93.767	State Children’s Health Insurance Program		*
		93.775, 93.777, S-93.777, 93.778 S-93.778	Medicaid Cluster		*
Department of Finance	11-FIN-01	17.225, S-17.225	Unemployment Insurance	Cash Management	*
		10.557	Special Supplemental Nutrition Program for Women, Infants and Children		*



Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated February 6, 2012, which includes a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's 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 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 financial statements, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is public record and its distribution is not limited.

KPMG LLP

March 29, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department of Agriculture		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 374,922
10.028	Wildlife Services	67,014
10.069	Conservation Reserve Program	30,494
10.163	Market Protection and Promotion	21,175
10.169	Specialty Crop Block Grant Program	44,351
10.170	Specialty Crop Block Grant Program-Farm Bill	197,189
10.215	Low Input Farming Systems Research and Education	37,291
10.458	Crop Insurance Education in Targeted States	210,007
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	495,082
10.479	Food Safety Cooperative Agreements	38,074
10.550	Food Distribution	2,686,750
SNAP Cluster		
10.551	Supplemental Nutrition Assistance Program (SNAP)	198,156,079
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	12,507,533
10.561	S ARRA - State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	288,356
	Subtotal CFDA #10.561	12,795,889
	Total Food Stamp Cluster	210,951,968
Child Nutrition Cluster		
10.553	School Breakfast Program	1,364,224
10.555	National School Lunch Program	32,206,176
10.556	Special Milk Program for Children	35,110
10.559	Summer Food Service Program for Children	2,233,085
	Total Child Nutrition Cluster	35,838,595
10.557	Special Supplemental Nutrition Program for Women, Infants & Children	12,217,706
10.558	Child and Adult Care Food Program	12,995,983
10.560	State Administrative Expenses for Child Nutrition	532,694
Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	161,820
10.568	S ARRA - Emergency Food Assistance Program (Administrative Costs)	97,888
	Subtotal CFDA #10.568	259,708
10.569	Emergency Food Assistance Program (Food Commodities)	1,781,659
	Total Emergency Food Assistance Cluster	2,041,367
10.565	Commodity Supplemental Food Program	160,143
10.574	Team Nutrition Grants	158,999
10.578	WIC Grants to States (WGS)	54,375
10.579	Child Nutrition Discretionary Grants Limited Availability	36,674
10.582	Fresh Fruit and Vegetable Program	1,145,706
10.664	Cooperative Forestry Assistance	175,673
10.675	Urban and Community Forestry Program	196,316
10.676	Forest Legacy Program	2,044,456
10.678	Forest Stewardship Program	128,368
10.680	Forest Health Protection	77,879
10.688	S Recovery Act of 2009: Wildlife Fire Management	221,826
10.769	Rural Business Enterprise Grants	113,936
10.912	Environmental Quality Incentives Program	80,850
10.913	Farmland Protection Program	8,636,837
	Total U.S. Department of Agriculture	292,012,700

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department of Commerce		
Public Works and Economic Development Cluster		
11.300	Investments for Public Works and Economic Development Facilities	30,508
11.300	S ARRA-Investments for Public Works and Economic Development Facilities	707,875
	Subtotal CFDA #11.300	738,383
11.307	Economic Development Special Economic Development and Adjustment Adjustment Assistance Program	501,057
	Total Public Works and EDF Cluster	1,239,440
11.405	Andromonous Fish Conservation Act Program	50,341
11.419	Coastal Zone Management Administration Awards	2,425,108
11.420	Coastal Zone Management Estuarine Research Reserves	494,733
11.439	Marine Mammal Data Program	60,000
11.472	Unallied Science Program	751,521
11.474	Atlantic Coastal Fisheries Cooperative Management Act	117,421
11.555	Public Safety Interoperable Communications Grant Program	1,471,203
11.557	S ARRA-Broadband technology Opportunities Program	374,548
11.558	S ARRA-State Broadband Data and Development Grant Program	666,337
	Total U.S. Department of Commerce	7,650,652
U.S. Department of Defense		
12.000	Issue of Department Of Defense excess equipment	32,825
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	37,436
12.401	National Guard Military Operations and Maintenance (O&M) Projects	19,629,625
12.Unassigned	State Grant Number 08-07-24-04	85,703
	Total U.S. Department of Defense	19,785,589
U.S. Department of Housing and Urban Development		
14.235	Supportive Housing Program	1,285,361
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	94,699
14.401	Fair Housing Assistance Program	129,340
14.900	Lead-Based Paint Hazard Control In Privately-Owned Housing	700,336
	Total U.S. Department of Housing and Urban Development	2,209,736
U.S. Department of the Interior		
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration	2,535,427
15.611	Wildlife Restoration	1,811,725
	Total Fish and Wildlife Cluster	4,347,152
15.614	Coastal Wetlands Planning, Protection and Restoration Act	62,328
15.615	Cooperative Endangered Species Conservation Fund	1,032,994
15.622	Sport fishing and Boating Safety Act	110,000
15.633	Landowner Incentive	321,518
15.634	State Wildlife Grants	365,400
15.657	Endangered Species Conservation Recovery	1,334
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	10,513
15.904	Historic Preservation Fund Grants-In-Aid	437,993
15.904	S ARRA-Historic Preservation Fund Grants-In-Aid	27,567
	Subtotal CFDA #15.904	465,560

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
15.916	Outdoor Recreation, Acquisition, Development and Planning	164,897
15.930	Chesapeake Bay Gateways Network	38,977
15.Unassigned	State Grant Number 09-03-03-01	<u>90,114</u>
	Total U.S. Department of the Interior	<u>7,010,787</u>
U.S. Department of Justice		
16.017	Sexual Assault Services Program	109,640
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	277,930
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	31,258
16.523	Juvenile Accountability Incentive Block Grants	186,797
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	487,120
16.541	Part E Developing, Testing, and Demonstrating Promising New Programs	48,151
16.543	Missing Children's Assistance	255,497
16.544	Youth Gang Prevention	138,405
16.548	Title V - Delinquency Prevention Program	139,179
16.550	State Justice Statistics Program for Statistical Analysis Centers	74,300
16.554	National Criminal History Improvement Program	93,198
16.575	Crime Victim Assistance	1,576,458
16.576	Crime Victim Compensation	809,486
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2,635
16.582	Crime Victim Assistance/Discretionary Grants	24,994
16.588	Violence Against Women Formula Grants	746,114
16.588	S ARRA-Violence Against Women Formula Grants	<u>415,207</u>
	Subtotal CFDA #16.588	1,161,321
16.593	Residential Substance Abuse Treatment for State Prisoners	97,010
16.595	Community Capacity Development Office	87,394
16.606	State Criminal Alien Assistance Program (SCAAP)	157,080
16.607	Bulletproof Vest Partnership Program	120,690
16.609	Project Safe Neighborhoods	61,450
16.710	Public Safety Partnership and Community Policing Grants	1,422,469
16.726	Juvenile Mentoring Program	89,499
16.727	Enforcing Underage Drinking Laws Program	278,100
16.735	Protecting Inmates & Safeguarding Communities	18,618
16.736	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	425,413
	JAG Program Cluster	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,295,370
16.803	S Recovery Act - Edward Byrne Memorial Justice Assistance Grant	<u>2,726,490</u>
	Total JAG Program Cluster	4,021,860
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	269,437
16.741	Forensic DNA Capacity Enhancement Program	172,160
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	38,343
16.744	Anti Gang Initiative	11,738
16.746	Capital Case Litigation	500
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	12,598
16.800	S ARRA-Recovery Act-Internet Crimes Against Children Task Force Program	114,138
16.801	S ARRA-Recovery Act-State Victim Assistance Formula Grant Program	162,592
16.802	S ARRA-Recovery Act-State Victim Compensation Formula Grant Program	3,591
16.812	Second Chance Act Prisoner Reentry Initiative	2,878
16.816	John R Justice Prosecutors and Defenders Incentive Act	51,464
16.Unassigned	Unassigned - Asset Forfeiture - Justice	<u>513,549</u>
	Total U.S. Department of Justice	<u>13,548,940</u>

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department of Labor		
17.002	Labor Force Statistics	762,652
17.005	Compensation and Working Conditions	69,975
17.203	Labor Certification for Alien Workers	59,536
Employment Services Cluster		
17.207	Employment Service / Wagner-Peyser Funded Activities	2,272,089
17.207	S ARRA-Employment Service / Wagner-Peyser Funded Activities	641,273
	Subtotal CFDA #17.207	2,913,362
17.801	Disabled Veterans' Outreach Program (DVOP)	170,136
17.804	Local Veterans' Employment Representative Program	420,891
	Total Employment Services Cluster	3,504,389
17.225	Unemployment Insurance	181,822,294
17.225	S Unemployment Insurance	127,264,167
	Total Unemployment Insurance	309,086,461
17.235	Senior Community Service Employment Program	3,084,597
17.235	S ARRA-Senior Community Service Employment Program	5,195
	Total Senior Community Service Employment Program	3,089,792
17.245	Trade Adjustment Assistance	1,755,750
WIA Cluster		
17.258	WIA Adult Program	1,514,192
17.258	S ARRA-WIA Adult Program	81,000
	Subtotal CFDA #17.258	1,595,192
17.259	WIA Youth Activities	2,707,764
17.259	S ARRA-WIA Youth Activities	351,181
	Subtotal CFDA #17.259	3,058,945
17.260	WIA Dislocated Workers	764,526
17.260	S ARRA-WIA Dislocated Workers	973,569
	Subtotal CFDA #17.260	1,738,095
17.278	WIA Dislocated Formula Grants	1,399,071
	Total WIA Cluster	7,791,303
17.266	Work Incentives Grant	6
17.269	Community Based Job Training Grants	153,390
17.271	Work Opportunity Tax Credit Program	89,422
17.275	S ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	395,288
17.504	Consultation Agreements	408,642
17.505	OSHA Data Initiative	23,649
	Total U.S. Department of Labor	327,190,255
U.S. Department of Transportation		
20.000	Coast Guard Marine, Harbor, and Waterfront Services	1,225
20.106	Airport Improvement Program	104,836
20.108	Aviation Research Grants	5,069
20.218	National Motor Carrier Safety	778,866
20.231	Performance and Registration Information Systems Management	8,381
20.232	Commercial Drivers License Program Improvement Grant	56,000
20.237	Commercial Vehicle Information Systems & Networks	2,635
20.238	Commercial Drivers License Information System (CDLIS) Modernization Grant	193,444

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
Highway Planning and Construction Cluster		
20.205	Highway Planning and Construction	121,007,749
20.205	S ARRA-Highway Planning and Construction	<u>61,384,884</u>
	Subtotal CFDA #20.205	<u>182,392,633</u>
20.219	Recreational Trails Program	<u>399,352</u>
	Total Highway Planning and Construction Cluster	182,791,985
Federal Transit Cluster		
20.500	Federal Transit - Capital Investment Grants	193,989
20.507	Federal Transit Cluster	8,314,878
20.507	S ARRA-Federal Transit Cluster	<u>5,960,684</u>
	Subtotal CFDA #20.507	<u>14,275,562</u>
	Total Federal Transit Cluster	14,469,551
Transit Services Program Cluster		
20.513	Capital Assistance Program	526,591
20.516	Job Access_Reverse Commute	415,222
20.521	New Freedom Program	<u>191,663</u>
	Total Transit Services Program Cluster	1,133,476
Highway Safety Cluster		
20.600	State and Community Highway Safety	1,820,072
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	629,849
20.602	Occupant Protection Incentive Grants	63,171
20.609	Safety Belt Performance Grants	197,269
20.610	State Traffic Safety Information System Improvement Grants	254,118
20.612	Incentive Grant Program to Increase Motorcyclist Safety	125,116
20.613	Child Safety and Child Booster Seats Incentive Grants	<u>80,900</u>
	Total Highway Safety Cluster	3,170,495
20.505	Federal Transit_Metropolitan Planning Grants	503,145
20.509	Formula Grants for Other Than	474,569
20.514	Public Transportation Research - FTA	4,437
20.607	Alcohol Open Container Requirements	1,317,901
20.700	Pipeline Safety	48,628
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	113,995
20.721	PHMSA Pipeline Safety Program One Call Grant	14,629
20.Unassigned	State Grant Number 07-05-15-33 and 08-03-18-01	<u>329,305</u>
	Total U.S. Department of Transportation	205,522,572
Department of the Treasury		
21.Unassigned	Unassigned - Asset Forfeiture - Treasury	<u>81,089</u>
	Total Department of the Treasury	81,089
Equal Employment Opportunity Commission		
30.001	Employment Discrimination - Title VII of the Civil Rights Act of 1964	<u>167,885</u>
	Total Equal Employment Opportunity Commission	167,885
General Services Administration		
39.011	Unassigned	<u>1,347,810</u>
		1,347,810

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
National Aeronautics and Space Administration		
43.Unassigned	Unassigned	44,080
Total National Aeronautics and Space Administration		44,080
Institute of Museum and Library Services		
45.310	Grants to States	1,758,320
45.312	Institute of Museum and Library Services-National Leadership Grant	82,390
Total Institute of Museum and Library Services		1,840,710
National Endowment for the Arts		
45.025	Promotion of the Arts - Partnership Agreements	910,124
45.025	S ARRA-Promotion of the Arts - Partnership Agreements	20,417
Total National Endowment for the Arts		930,541
National Science Foundation		
47.076	Education and Human Resources	187,555
47.076	S ARRA-Education and Human Resources	124,462
	Subtotal CFDA #47.076	312,017
47.080	Office of Cyber Infrastructure	83,296
Total National Science Foundation		395,313
U.S. Department of Veterans Administration		
64.203	State Cemetery Grants	1,144,302
Total U.S. Department of Veterans Administration		1,144,302
U.S. Environmental Protection Agency		
66.001	Air Pollution Control Program Support	1,222,911
66.032	State Indoor Radon Grants	157,780
66.034	Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	313,822
66.040	State Clean Diesel Grant Program	300,747
66.040	S ARRA-State Clean Diesel Grant Program	1,017,193
	Subtotal CFDA #66.040	1,317,940
66.202	Congressionally Mandated Projects	22,340
66.419	Water Pollution Control State and Interstate Program Support	1,320,001
66.432	State Public Water System Supervision	444,604
66.433	State Underground Water Source Protection	55,594
66.454	Water Quality Management Planning	95,530
66.454	S ARRA-Water Quality Management Planning	68,998
	Subtotal CFDA #66.454	164,528
66.458	Capitalization Grants for Clean Water State Revolving Funds	11,732,811
66.458	S ARRA-Capitalization Grants for Clean Water State Revolving Funds	13,889,352
	Subtotal CFDA #66.458	25,622,163
66.460	Nonpoint Source Implementation Grants	905,190
66.461	Wetland Program Development Grants	236,188
66.466	Chesapeake Bay Program	500,809

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES	
66.468	Capitalization Grants for Drinking Water State Revolving Funds	8,519,953	
66.468	S Capitalization Grants for Drinking Water State Revolving Funds	<u>5,379,555</u>	
	Subtotal CFDA #66.468		13,899,508
66.472	Beach Monitoring and Notification Program Implementation Grants		284,974
66.511	Office of Research and Development Consolidated Research		9,755
66.605	Performance Partnership Grants		289,038
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		168,111
66.707	TSCA Title IV State Lead Grants Certification of Lead Based Paint Professionals		148,094
66.801	Hazardous Waste Management State Program Support		714,143
66.802	Hazardous Substance Response Trust Fund		463,333
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		557,840
66.805	Leaking Underground Storage Tank Trust Fund Program Corrective Action Program	291,122	
66.805	S ARRA-Leaking Underground Storage Tank Trust Fund Program Corrective Action Program	<u>611,176</u>	
	Subtotal CFDA #66.805		902,298
66.809	Core Program Cooperative Agreements		484,771
66.817	State and Tribal Response Program Grants		457,352
66.818	Brownfields Assessment & Cleanup Cooperative Agreements		80,757
66.951	Environmental Education Grants		<u>1,202</u>
	Total U.S. Environmental Protection Agency		<u><u>50,745,046</u></u>
U.S. Department of Energy			
81.041	State Energy Program	128,801	
81.041	S ARRA-State Energy Program	<u>3,323,000</u>	
	Subtotal CFDA #81.041		3,451,801
81.042	Weatherization Assistance for Low-Income Persons	81,896	
81.042	S ARRA-Weatherization Assistance for Low-Income Persons	<u>1,423,961</u>	
	Subtotal CFDA #81.042		1,505,857
81.122	S ARRA-Electricity Delivery and Energy Reliability, Research, Development & Analysis		118,500
81.127	S ARRA-Energy Efficient Appliance Rebate Program		2,469
81.128	S ARRA-Energy Efficient and Conservation Block Grant Program		<u>2,058,166</u>
	Total U.S. Department of Energy		<u><u>7,136,793</u></u>
U.S. Department of Education			
84.002	Adult Education - State Grant Program		1,602,117
Title I, Part A Cluster			
84.010	Title I Grants to Local Educational Agencies	38,521,298	
84.389	S ARRA-Title I Grants to Local Educational Agencies, Recovery Act	<u>14,584,158</u>	
	Total Title I, Part A Cluster		53,105,456
84.011	Migrant Education - State Grant Program		277,097
84.013	Title I State Agency Program for Neglected and Delinquent Children		440,745
84.018	International; Overseas Seminars Abroad Bilateral Projects		751
Special Education Cluster (IDEA)			
84.027	Special Education - Grants to States (IDEA, Part B)	35,188,322	
84.173	Special Education - Preschool Grants (IDEA Preschool)	1,247,378	
84.391	S ARRA-Special Education Grants to States, Recovery Act	12,462,922	
84.392	S ARRA-Special Education - Preschool Grants Recovery Act	<u>446,731</u>	
	Total Special Education Cluster		49,345,353

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
	Student Financial Assistance Cluster	
84.007	Federal Supplemental Educational Opportunity Grants	312,422
84.033	Federal Work Study Program	254,264
84.063	Federal Pell Grant Program	21,927,940
84.268	Federal Direct Student Loans	7,193,275
	Total Student Financial Assistance Cluster	29,687,901
	Impact Aid Cluster	
84.041	Impact Aid (Title VIII of ESEA)	1,755
	Total Impact Aid Cluster	1,755
	TRIO Cluster	
84.042	TRIO - Student Support Services	332,898
84.044	TRIO - Talent Search	621,443
84.047	TRIO - Upward Bound	1,572,932
	Total TRIO Cluster	2,527,273
84.048	Vocational Education - Basic Grants to States	2,325,054
84.048	S ARRA-Vocational Education - Basic Grants to States	1,481,582
	Subtotal CFDA #84.048	3,806,636
84.069	Leveraging Educational Assistance Partnership	203,436
	Vocational Rehabilitation Cluster	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	9,838,729
84.390	S ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	837,294
	Total Rehabilitation Cluster	10,676,023
	Independent Living State Grants Cluster	
84.169	Independent Living - State Grants	278,110
84.398	S ARRA-Independent Living State Grants Recovery Act	69,926
	Total Independent Living State Grants Cluster	348,036
	Independent Living Services for Older Individuals Who Are Blind Cluster	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	239,963
84.399	S ARRA-Independent Living Services for Older Individuals Who are Blind Recovery Act	1,682
	Total Independent Living Serv. For Older Individuals/Blind Cluster	241,645
	Early Intervention Services (IDEA) Cluster	
84.181	Special Education - Grants for Infants and Families with Disabilities	1,820,009
84.393	S ARRA-Special Education-Grants for Infants & Families, Recovery Act	1,111,023
	Total Early Intervention Services (IDEA) Cluster	2,931,032
84.184	Safe and Drug-Free Schools and Communities - National Program	221,833
84.185	Byrd Honors Scholarships	122,250
84.186	Safe and Drug-Free Schools and Communities - State Grants	729,203
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	237,831
	Education of Homeless Children and Youth Cluster	
84.196	Education for Homeless Children and Youth	151,832
84.196	S ARRA-Education for Homeless Children and Youth	11,005
	Subtotal CFDA #84.196	162,837
84.387	S ARRA-Education for Homeless Children and Youth Recovery Act	87,850
	Total Education of Homeless Children and Youth Cluster	250,687
84.213	Even Start - State Educational Agencies	282,734
84.215	Fund for the Improvement of Education	1,154,549
84.243	Tech-Prep Education	202,030

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	41,623
84.282	Charter Schools	3,467
84.287	Twenty-First Century Community Learning Centers	4,464,056
84.293	Foreign Language Assistance	50,648
Educational Technology State Grants Cluster		
84.318	Education Technology State Grants	767,020
84.386	S ARRA-Education Technology State Grants, Recovery Act	2,037,022
	Total Educational Technology State Grants Cluster	2,804,042
84.304	Cooperative Education Exchange Program	521
84.323	Special Education-State Program Improvement Grants for Children with Disabilities	281,787
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	83,662
84.330	Advanced Placement Program	43,400
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	41,591
84.357	Reading First State Grants	246,726
84.358	Rural Education Achievement Program	106,012
84.365	English Language Acquisition Grants	586,686
84.366	Mathematics and Science Partnerships	409,177
84.367	Improving Teacher Quality State Grants	13,108,631
84.369	Grants for State Assessments and Related Activities	5,150,336
School Improvement Grants Cluster		
84.377	School Improvement Grants	39,839
84.388	S ARRA-School Improvement Grants, Recovery Act	715,851
	Total School Improvement Grants Cluster	755,690
84.378	College Access Challenge Grant Program	313,380
84.395	S ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-top Incentive Grants, Recovery Act	10,494,776
State Fiscal Stabilization Fund Cluster		
84.394	S ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants Recovery Act	44,663,713
	Total State Fiscal Stabilization Fund Cluster	44,663,713
84.Unassigned	S ARRA-Unassigned	2,702,584
	Total U.S. Department of Education	244,748,881
U.S. Election Assistance Commission		
90.401	Help America Vote Act Requirements Payments	19,742
	Total U. S. Election Assistance Commission	19,742
U.S. Department of Health and Human Services		
93.Unassigned	Unassigned	40,300
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	46,368
93.008	Medical Reserve Corps Small Grant Program	3,528
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	40,597
93.042	Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	47,444

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	148,046
	Aging Cluster	
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	1,938,135
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,824,136
93.053	Nutrition Services Incentive Program	513,867
93.705	S ARRA-Aging Home-Delivered Nutrition Services for States	18,825
93.707	S ARRA-Aging Congregate Nutrition Services for States	161,844
	Total Aging Cluster	5,456,807
93.048	Special Programs for the Aging-Title IV and Title II Discretionary Projects	329,276
93.052	National Family Caregiver Support	746,384
93.061	Innovations in Applied Public Health Research	19,361
93.064	Laboratory Training, Evaluation, and Quality Assurance Programs	60,738
93.069	Public Health Emergency Preparedness	4,767,873
93.071	Medical Enrollment Assistance Program	260
93.072	Lifespan Respite Care Program	12,266
93.089	Emergency System for Advanced Registration of Volunteer Health Professionals	42,380
93.092	Personal Responsibility Education Program	1,473
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,602,290
93.110	Maternal and Child Health Federal Consolidated Programs	411,364
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	259,542
93.127	Emergency Medical Services for Children	119,903
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	214,314
93.136	Injury Prevention and Control Research and State and Community Based Programs	51,889
93.150	Projects for Assistance in Transition from Homelessness (PATH)	350,000
93.165	Grants for State Loan Repayment	45,779
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	168,628
93.217	Family Planning Services	1,191,505
93.236	Grants for Dental Public Health Residency Training	372,625
93.240	State Capacity Building	56,806
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,835,164
93.251	Universal Newborn Hearing Screening	123,957
93.259	Rural Access to Emergency Devices Grant	181,773
93.270	Adult Viral Hepatitis Prevention and Control	56,827
	Immunization Cluster	
93.268	Immunization Grants	10,747,711
93.712	S ARRA Immunization	234,000
	Total Immunization Cluster	10,981,711
93.279	Drug Abuse Research Programs	6,000
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	4,129,933
93.296	State Partnership Grant Program to Improve Minority Health	94,002
93.389	Research Infrastructure	180,686
93.402	S ARRA - State Loan Repayment Program	8,800
93.414	S ARRA - State Primary Care Offices	29,152
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	77,766
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	191,972
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	15,714

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	36,139
93.519	Affordable Care Act (ACA) Consumer Assistance Program Grants	24,416
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	175,602
93.523	The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	19,863
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges	79,358
93.556	Promoting Safe and Stable Families	1,049,605
	TANF Cluster	
93.558	Temporary Assistance for Needy Families	48,706,558
93.714	S ARRA Emergency Contingency Fund for Temporary Assistance for Needy Families	1,652,991
	Total TANF Cluster	50,359,549
93.563	Child Support Enforcement	19,435,853
93.563	S ARRA-Child Support Enforcement	946,035
	Total Child Support Enforcement	20,381,888
93.566	Refugee and Entrant Assistance-State Administered Programs	84,710
93.568	Low-Income Home Energy Assistance	12,724,456
	CSBG Cluster	
93.569	Community Services Block Grant	3,759,987
93.569	S ARRA-Community Services Block Grant	2,017,907
	Total CSBG Cluster	5,777,894
93.586	State Court Improvement Program	342,636
	CCDF Cluster	
93.575	Child Care and Development Block Grant	3,486,267
93.596	Child Care Mandatory & Matching Funds of the Child Care and Development Fund	11,303,466
93.713	S ARRA Child Care and Development Block Grant	741,854
	Total CCDF Cluster	15,531,587
93.597	Grants to States for Access and Visitation Programs	73,326
93.599	Chafee Education and Training Vouchers Program (ETV)	94,195
	Head Start Cluster	
93.600	Head Start	149,415
93.708	S ARRA - Head Start	139
	Total Head Start Cluster	149,554
93.630	Developmental Disabilities Basic Support and Advocacy Grants	466,432
93.643	Children's Justice Grants to States	77,175
93.645	Child Welfare Services - State Grants	979,785
93.658	Foster Care - Title IV-E	3,688,067
93.658	S ARRA-Foster Care - Title IV-E	16,465
	Subtotal CFDA #93.658	3,704,532
93.659	Adoption Assistance	1,501,110
93.659	S ARRA-Adoption Assistance	29,410
	Subtotal CFDA #93.659	1,530,520
93.667	Social Services Block Grant	5,679,075
93.669	Child Abuse and Neglect State Grants	107,579
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	766,707
93.674	Chafee Foster Care Independent Living	530,362
93.717	S ARRA - Preventing Healthcare - Associated Infections	44,821
93.718	Health Information Technology Regional Extension Centers Program	492,557
93.719	S ARRA - State Grants to Promote Health Information Technology	442,038
93.723	S ARRA-Prevention and Wellness State, Territories and Pacific Islands	712,230

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
93.725	S ARRA-Communities Putting Prevention to Work; Chronic Disease Self-Mgmt Program	55,809
93.767	Children's Health Insurance Program	12,739,778
	Medicaid Cluster	
93.775	State Medicaid Fraud Control Units	1,094,907
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,357,784
93.777	S ARRA-State Survey and Certification of Health Care Providers and Suppliers	7,889
	Subtotal CFDA #93.777	1,365,673
93.778	Medical Assistance Program	762,040,173
93.778	S ARRA-Medical Assistance Program	129,907,408
	Subtotal CFDA #93.778	891,947,581
	Total Medicaid Cluster	894,408,161
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	200,817
93.791	Money Follows the Person Rebalancing Demonstration	767,414
93.859	Pharmacology, Physiology, and Biological Chemistry Research	505
93.889	National Bioterrorism Hospital Preparedness Program	1,243,506
93.913	Grants to States for Operation of Offices of Rural Health	132,706
93.917	HIV Care Formula Grants	4,735,668
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	212,968
93.939	HIV Prevention Activities Non-Governmental Organization Based	188,700
93.940	HIV Prevention Activities Health Department Based	1,796,660
93.941	HIV Demonstration, Research, Public & Professional Education Projects	35,633
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	437,549
93.946	Cooperative Agreements to Support State-Based Safe Motherhood & Infant Health Initiative Programs	125,815
93.958	Block Grants for Community Mental Health Services	515,863
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,121,981
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	481,137
93.991	Preventive Health and Health Services Block Grant	125,751
93.994	Maternal and Child Health Services Block Grant to the States	1,965,108
	Total U.S. Department of Health and Human Services	1,082,251,323
	Corporation for National and Community Service	
94.002	Retired and Senior Volunteer Program	166,328
94.003	State Commissions	119,542
94.006	AmeriCorps	695,547
94.009	Training and Technical Assistance	81,963
	Foster Grandparent/Senior Companion Cluster	
94.011	Foster Grandparent Program	653,343
	Total Foster Grandparent/Senior Companion Cluster	653,343
	Total Corporation for National and Community Service	1,716,723
	Social Security Administration	
	Disability Insurance/SSI Cluster	
96.001	Social Security - Disability Insurance	6,768,477
	Total Disability Insurance/SSI Cluster	6,768,477
96.008	Social Security - Benefits Planning, Assistance, and Outreach Program	87,001
	Total Social Security Administration	6,855,478

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA NO.	GRANT NAME	EXPENDITURES
U.S. Department Homeland Security		
97.001	Special Projects	42,826
	Homeland Security Cluster	
97.067	Homeland Security Grant Program	4,355,829
	Total Homeland Security Cluster	4,355,829
97.012	Boating Safety Financial Assistance	973,869
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	85,872
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	87,616
97.029	Flood Mitigation Assistance	1,089,708
97.036	Public Assistance Grants	7,649,854
97.041	National Dam Safety Program	51,098
97.042	Emergency Management Performance Grants	2,736,001
97.043	State Fire Training Systems Grants	2,534
97.045	Cooperating Technical Partners	383,613
97.078	Buffer Zone Protection Plan (BZPP)	638,117
97.089	Driver's License Security Grant Program	142,077
97.111	Regional Catastrophic Preparedness Grant Program	170,000
97.116	S ARRA-Port Security Grant Program	666,884
	Total U.S. Department Homeland Security	19,075,898
	Total Expenditures of Federal Awards	2,293,432,845

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, 2011

(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, Delaware Technical and Community College Foundation, 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, 2011 totaled \$7,193,275. 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, 2011 are \$170,002,228.

(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)	\$ 2,533,857
10.569	Emergency Food Assistance Program (Commodities)	1,781,659
93.268	Immunization Grants (Vaccines)	9,119,829
10.551	Supplemental Nutrition Assistance Program (EBT Payments)	198,156,079

STATE OF DELAWARE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(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 approximately 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

(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, 2011

(1) Summary of Auditors' Results

Basic Financial Statements

- (a) The type of report issued by KPMG LLP on the basic financial statements: **Unqualified.**
- (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: **Yes.**
- (d) Noncompliance which is material to the basic financial statements: **No.**

Federal Awards

- (e) Disclaimer of opinion identified in the internal control over major programs: **No.**
- (f) Material weaknesses identified in the internal control over major programs: **Yes.**

Major programs with material weaknesses:

CFDA No.	Program Name
10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster
10.558	Child and Adult Care Food Program
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.913	Farm and Ranch Lands Protection Program
17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Enforcement Act Cluster
20.500, 20.507, S-20.507	Federal Transit Cluster
66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.010, S-84.389	Title I Grants to Local Educational Agencies

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA No.	Program Name
84.027, 84.173, S-84.391, S-84.392	Special Education Cluster
84.367	Improving Teacher Quality Grants
S-84.394	State Fiscal Stabilization Fund Cluster
S-84.395	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.268, S-93.712	Immunization Cluster
93.558, S-93.714	Temporary Assistance for Needy Families Cluster
93.568	Low-Income Home Energy Assistance Program
S-93.563, 93.563	Child Support Enforcement
93.575, 93.596, S-93.713	Child Care Cluster
93.767	Children's Health Insurance Program
93.775, 93.777, S-93.777, 93.778, S-93.778	Medicaid Cluster

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

Major programs with significant deficiencies:

CFDA No.	Program Name
10.551, 10.561, S-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
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.913	Farm and Ranch Lands Protection Program

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA No.	Program Name
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225, S-17.225	Unemployment Insurance
17.258, S-17.258, 17.259, S-17.259, 17.260, S-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
66.458, S-66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468 S-66.468	Capitalization Grants for Drinking 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-84.391, S-84.392	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.126, S-84.390	Vocational Rehabilitation Cluster
S-84.394	State Fiscal Stabilization Fund Cluster
93.558, S-93.714	Temporary Assistance For Needy Families Cluster
S-93.563, 93.563	Child Support Enforcement
93.575, 93.596, S-93.713	Child Care Cluster
93.767	Children's Health Insurance Program

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA No.	Program Name
93.775, 93.777, S-93.777, 93.778, S-93.778	Medicaid Cluster

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

Type of Opinion	Program Name
<i>Qualified</i> 10.551, 10.561, S-10.561	Supplemental Nutrition Assistance Program Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
10.913	Farm and Ranch Lands Protection Program
17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	Workforce Investment Act Cluster
20.500, 20.507, S-20.507	Federal Transit Cluster
66.468, S-66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.010, S-84.389	Title I Grants to Local Educational Agencies, Part A, Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

Type of Opinion	Program Name
84.027, 84.173, S-84.391, S-84.392	Special Education Cluster
84.367	Improving Teacher Quality State Grants
S-84.394	State Fiscal Stabilization Fund Cluster
S-84.395	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.558, S-93.714	Temporary Assistance For Needy Families Cluster
93.575, 93.596, S-93.713	Child Care Cluster
93.563, S-93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance Program
93.268, S-93.712	Immunization Cluster
93.767	Children's Health Insurance Program
93.775, 93.777, S-93.777, 93.778, S-93.778	Medicaid Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

Type of Opinion	Program Name
<i>Unqualified</i>	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225, S-17.225	Unemployment Insurance
20.205, S-20.205, 20.219	Highway Planning and Construction Cluster
66.458, S-66.458	Capitalization Grants for Clean Water State Revolving Funds
84.126, S-84.390	Vocational Rehabilitation Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
97.036	Public Assistance Grants

(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, S-10.561	2010ID250341 2010IS252041 2010IS251941 2010IE251841 2010IS252241 2010IS251441 2010IS803641 2010IQ270341 2011IS251441	Supplemental Nutrition Assistance Program Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA Number	Federal Award Number	Program Name
	2011IS251941	
	2011IS252041	
	2011IS802641	
	2011IS803641	
	11081DE451E2518	
	11111DE458Q3903	
	11DE401S2522	
	12121DE401E2518	
	12121DE401S2519	
	12121DE401S2520	
	12121DE401S2522	
	12121DE401S8026	
	12121DE401S8036	
	1212DE401S2514	
10.553, 10.555, 10.556, 10.559	SCHOOL LUNCH SCHOOL BREAKFAST 1DE300301 2011IN109941 2012IN109941	Child Nutrition Cluster
10.557	2009IW500341 2010IW500341 2012IW100641 11111DE701W1003 11111DE701W1006	Special Supplemental Nutrition Program for Women, Infants & Children
10.558	1DE300301 2012IN109941 2012IN202041	Child and Adult Care Food Program
10.913	7321J2-7-13 7321J2-9-13 7321J2-1-11	Farm and Ranch Lands Protection Program
12.401	1001\1003-1005\1007\ 1002 1021 1023 APPEND 1625 1626 W912L5-10-2-1001 11-1001-3-4-5-10-40 11-1002 11-1021 11-1023 11-1627 12-1001 12-1002 12-1023 ANG O&M 2012	National Guard Military Operations and Maintenance (O&M) Projects

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

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CFDA Number	Federal Award Number	Program Name
17.225, S-17.225	UI-16738-08-55-A-10 UI180120955A10 UI10446530955A10 UI180129MO UI195741055A10 DOL LOC - UI UI-22267-12-55-A-10	Unemployment Insurance
17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278	2-115-Y 2-117-Y 2-119-STYY 2-120-STYY 3-122-Y 3-124-Y 3-126-STYY 3-146-STSY 3-262-STSY AA-16020-07-55-A-10 AA-17113-08-55-A-10 AA-18631-09-55-A-10 AA-18631-6-XO AA-18631-6-ZO AA-20186-10-55-A-10 AA-21387-11-55-A-10 EM-19298-09-60-A-10 EM-20482-10-60-A-10 LM 1007	Workforce Investment Act Cluster
20.205, S-20.205, 20.219	TRANSPORTATION ENHANCEMENT	Highway Planning and Construction Cluster
20.500, S-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	Federal Transit Cluster
66.458, S-66.458	CS-10000107-0 CS-10000108-0 CS-10000110-0 CS-10000111-0 2W-10000209-0	Capitalization Grants for Clean Water State Revolving Funds
66.468, S-66.468	2F-093914-09-0 FS-993914050 FS-99391406	Capitalization Grants for Drinking Water State Revolving Funds

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA Number	Federal Award Number	Program Name
	FS-99391407-0	
	WP-97360401-0	
	FS-993914-08-0	
	FS-99391406-0	
	FS-993914-09-0	
	FS-99391410	
	FS-99391411	
84.007, 84.033, 84.063, 84.268	P007A090812	Student Financial
	P007A090814	Assistance Cluster
	P007A090815	
	P007A110812	
	P007A110815	
	P033A090812	
	P033A090814	
	PO33A110812	
	P033A110814	
	P033A110815	
	P033P090815	
	P063P092885	
	P063P093468	
	P063P093817	
	P375A092885	
	P375A093468	
	P375A102885	
	P375A103817	
	AcadComp11TY40753	
	FWSP11OW1812	
	FWSP11OW1815	
	FWSP11OW1816	
	PELL11OW1802	
	PELL11ST1805	
	PELL11TY1806	
	PELL12OW41009	
	PELL12ST41009	
	PELL12TY41009	
	SEOG11OW1822	
	SEOG11OW1825	
	SEOG11OW1826	
	DIRLEND11OW	
	DIRLEND11ST	
	DIRLEND11TY	
	DIRLEND12OW40340	
	DIRLEND12ST40340	
	DIRLEND12TY40340	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA Number	Federal Award Number	Program Name
84.010, S-84.389	S010A070008	Title I Grants to Local Educational Agencies
	S010A080008	
	S010A090008	
	S010A100008A	
	S010A110008	
	S013A090008	
	S365A100008	
	S389A090008	
	S394A090053	
	A389A090008	
	H391AO90022	
	S389A090008	
	SFSF49-09	
	SFSF50-09	
	SFSF51-09	
SFSF52-09		
84.027, 84.173, S-84.391, S-84.392	H027A060022	Special Education Cluster (IDEA)
	H027A1010022	
	H027060022	
	HO27A060022	
	H027A070022	
	H027A080022	
	H027A090022	
	H027A100022A	
	H027A110022	
	H173A070025	
	H173A080025	
	H173A090025	
	H173A100025	
	H173A110025	
	H391A090022	
H392A090025		
84.126, S-84.390	H126A090009	Vocational Rehabilitation Cluster
	H126A090010	
	H126A100009	
	H126A100011	
	H126A110009	
	H126110010	
	H126120010	
	H126A120009	
	H126A110009	
	H390A090009	
H390A090010		

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA Number	Federal Award Number	Program Name
84.367	S367A080007 S367A090007 S367A100007A S367A110007 S367B070008A S367B080008 S367B090008A S367B100008 S367B110008	Improving Teacher Quality State Grants
S-84.394	S394A090053 S397A090053	State Fiscal Stabilization Fund Cluster
S-84.395	S395A100007	State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act
93.268, S-93.268, 93.712	3H23IP322567-07SI 5H23IP322567-08 OCCH322567	Immunization Cluster
93.558, S-93.714	G-0802DETANF G-0902DETANF G-1002DETANF G-1001DETAN2 0901DETAN2 1102DETANF 1202DETANF	Temporary Assistance for Needy Families Cluster
93.563, S-93.563	0904DE4004 1004DE4002 1004DE4004 1104DE4004 1204DE4005	Child Support Enforcement
93.568	G-09B1DELIEA G-10B1DELIEA G-11B1DELIEA G12B1DELIEA 1001DELIE2	Low-Income Home Energy Assistance Program
93.575, 93.596, S-93.713	07072507A 2009G9966005 0801DECCDF 1001DECCDF 1101DECCDF 1201DECCDF G-0801DECCDF G-0901DECCDF G1001DECCDF	Child Care Cluster

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Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2011

CFDA Number	Federal Award Number	Program Name
	G0901DECCD7	
93.767	05-0805DE5021 05-0905DE5021 1005DE5021 1105DE5021	State Children's Health Insurance Program
93.775, 93.777, S-93.777, 93.778, S-93.778	09INC-FMAP 01-1001-DE-5050 01-1101-DE-5050 05-1005-DE-5001 05-1005-DE-5002 05-1005-DE-5ASC 05-01005DEARRA 05-1101DE5ADM 05-1205DE5ADM 05-1205DE5MAP 05-1205-DE-5002 05-1005DE5028 05-1005DE5048 1201-DE-5050 1005DE5MAP 1005DE5000 1105DE5001 1105DEARRA 1105DEEXTN 1205DE5000 1205DE5001 1205DEIMPL 1205DEINCT	Medicaid Cluster
97.036	FEMA-1654-DR-DE FEMA-1896-DR-DE FEMA-3336-EM-DE FEMA-4037-DR-DE	Public Assistance Grants

(k) Dollar threshold used to distinguish between Type A and Type B programs: **\$6,880,299.**

(l) 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*:

Six findings related to the basic financial statements for the year ended June 30, 2011 were reported in accordance with *Government Auditing Standards* by KPMG LLP. See **Section 2** of the Schedule of Findings and Questioned Costs for items **2011-01** to **2011-06**.

(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, 2011

2011-01. Lack of Controls over the Comprehensive Annual Financial Report (CAFR) Preparation (associated with prior year findings 2010-01, 2009-01, 2008-1, 2008-05, 2007-01, 06-FIN-01, 06-FIN-02, 05-FIN-01, 05-FIN 02, 04-FIN-01, 04-FIN-02, 03-FIN-01, 03-FIN-02)

Background/Condition

The State implemented a new accounting system, First State Financial (FSF), on July 1, 2011. Although FSF has the functionality to generate a balance sheet, this functionality was not utilized during the year. Instead, as in prior years, management continued to operate on a cash receipt and disbursement basis of accounting during the year. At year-end, 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).

As the FSF is not used throughout the year to capture transactions on 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. To add to the complexity, the State's component units and several large agencies/departments have separate audits that need to be coordinated. Unless an agency receives a separate audit, accrual accounting packages (GAAP packages) continue to be completed annually by personnel in departments and agencies across the State. As such, the State's financial reporting process is dependent on cooperation from the State's component units and other agencies. The State's Division of Accounting (DOA) compiles this information using an ad-hoc report writer software program, CAFR 2000.

As noted above, when there is not a separate audit, GAAP packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. These processes include the development of accounts receivables and related allowances for uncollectible accounts, accruals of State obligations, the development of construction-in-progress related to capital assets, and the capture of cash and investment balances controlled outside of the Treasurer's Office. Many of the State's agencies use systems outside of the current statewide accounting system to gather and track the required information. This adds to the complexity of the year-end reporting and reconciliation process. In addition, the GAAP package reporting process includes the preparation of over 125 packages and relies heavily on agency personnel, many of whom lack the necessary experience and accounting background to properly complete the packages. DOA conducts training on the preparation of the packages and conducts internal reviews of certain GAAP packages to ensure that amounts are accurate and properly supported. As a result, the financial statement preparation process still entails compiling worksheets, completing reconciliations, customizing reports and recording various adjustments.

While a timeline was developed for the completion of major milestones for the CAFR process, there were significant delays due to the complexity of the process and the need to obtain a significant portion of financial data from the various agencies and other entities that are included within the State's reporting entity.

Consequently, 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 susceptible to errors. During our audit, we noted the following deficiencies in internal control over financial reporting as follows:

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Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2011

General Fund Rental and Sales Revenues:

During our audit of general fund *Rentals and Sales*, we found one (1) error amounting to \$1,670 where revenue was improperly classified. When this error was extrapolated over the entire account balance, it resulted in a projected error of \$12.3 million. No adjustment was made to the financial statements as a result of this error. The item in error was related to a fee charged by the State Fire Marshall to companies licensed to perform inspections in accordance with National Fire Protection Association's National Fire Codes and Standards. As such, this transaction should have been classified as *Licenses, Fees, Permits, and Fines*. In addition, there were significant fluctuations between these accounts from prior years. Management was unable to clearly articulate the reasons for these fluctuations.

Year End Accounts Payable Accruals:

We noted numerous errors during our testing of the June 30, 2011 accounts payable balances in the general, federal, and capital projects funds. In all three funds, we noted that numerous invoices were not properly accrued as of June 30, 2012. Specifically, we noted the following:

- One (1) general fund expenditure related to service periods that crossed the State's fiscal year-end; however, the accrual was not properly pro-rated between fiscal years.
- Two (2) invoices for services that occurred in fiscal year 2012 were improperly accrued in the general fund as of June 30, 2011.
- One (1) federal fund expenditure related to service periods that crossed the State's fiscal year-end; however, the accrual was not properly pro-rated between fiscal years.
- Two (2) invoices for services that occurred in fiscal year 2012 were improperly accrued in the federal fund as of June 30, 2011.
- Four (4) invoices in the capital projects fund related to services that occurred in fiscal year 2011 that were not properly accrued in the capital projects fund as of June 30, 2011.

The aggregate net overstatements in the general and federal funds were \$18.5 million and \$21.0 million, respectively; due to the significance of these entries, adjustment was required in the financial statements for these amounts. The net understatement in the capital projects fund was \$1.7 million. An adjustment for this amount was not recorded in the financial statements.

Taxes Receivable

During our audit of the taxes receivable GAAP package, we noted that the allowance for doubtful accounts calculation was inconsistent with the methodology implemented during fiscal year 2009. Specifically, we noted that the Division of Revenue's GAAP package contained several errors resulting in an understatement of \$11.6 million in taxes receivable.

Quarterly Treasurer's Office Reconciliation

The State could not provide an accurate detailed listing of outstanding deposits for the September 2010 and December 2010 reconciliations. For the March 2011 reconciliation, the State provided a system report, FSF Outstanding Deposits report (DAR008O), as a detailed listing of outstanding deposits as of March 31, 2011 which totaled \$48.1 million. However, the outstanding deposits as of March 31, 2011 per the quarter-end reconciliation totaled \$47.2 million, resulting in a variance of approximately \$900 thousand. In order to

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2011

properly reconcile amounts from the accounting records to the bank balances, a complete listing of outstanding deposits must be maintained.

Loans and Notes Receivables

During our audit of *Loans and Notes Receivables*, we noted that the loan detail received from the DOA was \$2.9 million less than the amount recorded in the financial statements. Specifically, the balance recorded in the federal fund for *Loans and Notes Receivables* was \$258.9 million while the total from the loan tracking software obtained from the State was \$256.0 million, resulting in an overstatement of \$2.9 million.

Implementation of New Accounting Pronouncement -Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB No. 54):

The State implemented GASB No. 54 during fiscal year 2011. During our audit of the implementation, we noted the following errors in the general fund, which required adjustment in the financial statements:

- There was a general lack of adequate underlying documentation to support the proposed classifications included in management's designation of fund balance, including \$820 thousand relating to the Ryan White Comprehensive AIDS Resources Emergency (CARE) rebate program, \$750 thousand of Medicaid Escrow funds, and \$760 thousand of Food Stamps as committed fund balance;
- \$32.6 million of the general fund's fund balance was improperly classified as assigned instead of committed fund balance;
- \$13.3 million of Medicaid and Children's Health Insurance Program (CHIP) was improperly classified as committed instead of restricted fund balance;
- \$1.3 million of Federal Child Support was improperly classified as committed instead of restricted fund balance;
- \$558 thousand of Women, Infants, and Children (WIC) funds was improperly classified as committed fund balance instead of restricted fund balance.

Grants Receivable

During our audit of the Department of Health and Social Services (DHSS) *Grants Receivables* GAAP package information, we noted the receivable balance was calculated net of related deferred revenue balances resulting in both deferred revenues and grant receivables being understated by \$9.7 million, which required adjustment in the federal fund financial statements.

Secondly, during our audit of the Department of Natural Resources and Environmental Control (DNREC) GAAP package for grants receivables, we noted the Delaware Clean Water grant was improperly posted in the amount of \$6.3 million. Per review of the supporting documentation (E-3 form), we noted the grants receivable balance should have been zero; however, the total amount per FSF was incorrectly recorded due to human error causing the balance to be overstated by \$6.3 million. Due to the significance of this error, an adjustment was made to the financial statements.

Lastly, during our overall review of *Grants Receivables*, we obtained the Federal drawdown requests prepared by various agencies, including DHSS, Department of Education, Department of Agriculture and Department of Labor for the 60-day period following year-end, which drives revenue recognition, and noted that the entire amount of the receivables reported in the related GAAP packages was recorded as

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2011

revenue, even though \$53.2 million of the funds were not drawn-down within the 60 day period of availability. Consequently, it was necessary to reclassify this amount from *Grant Revenue* to *Deferred Revenue* in the financial statements.

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 it has 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. Additionally, the State had difficulty producing timely ad-hoc reports for financial reporting and analysis. 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. Lastly, certain State agencies/departments do not have sufficient working knowledge of how to properly generate and interpret various system reports leading to errors and delays in reporting financial information to DOA.

Personnel Assigned

Many of the personnel assigned to complete the GAAP packages sent to DOA by the agencies/departments are not formally-trained accountants and; therefore, do not have the necessary skills and experience to accurately prepare the GAAP packages. In addition, there was a significant amount of turnover at the agencies with the personnel responsible for completing the GAAP packages in recent years.

Lack of Managerial Review

Controls are in place over management review of financial statement information provided by the agencies/departments for inclusion in the State-wide financial statements; however, the controls were not operating effectively. Instead, management relies heavily on the audit process to identify and propose corrections to errors in the financial statements.

Effect

Due to the manual 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.

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Section 2: Financial Statement Findings

Year ended June 30, 2011

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 include an evaluation of the reasonableness of individual financial statement line items 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. Specific 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.

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 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. In addition, due to the size and complexity of the State, we recommend that the State continue to expand its resources with additional trained accountants at State agencies/departments.

We 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. The importance of accurate and timely submission of financial information should be communicated to the senior management responsible for these entities/agencies. The process to transition the preparation of the GAAP package to new personnel should be planned and coordinated to maximize knowledge transfer. In addition, we recommend that accounting resources in the DOA continue to communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the GAAP packages. The current year training on GAAP package preparation should be updated to include more theoretical basis for what should be included in the packages.

Lastly, we recommend that the DOA take appropriate ownership of the State's financial statements and the amounts therein and rely less on the audit process to identify errors and propose significant adjustments.

Views of Responsible Officials

The State takes great pride and ownership in its new accounting system (the 'System') and the related method that was undertaken to evaluate business processes associated with our thirty year old decommissioned legacy system. The evaluation process included an in depth review of legacy processes, consultation with external auditors, communication with other States, and inquiries of industry consultants and professional organizations. Based on the immense scale of the State's System implementation plan and the results of our evaluation, it was decided to address legacy business process conversion in phases. The phased approach would allow for systematic and gradual conversion of core business processes and decrease system conversion risks. Processes such as journal entry review, grant management and capital asset management were implemented when the system went live in July 2010. Other initiatives, which include the recording and reporting of certain accrual basis transactions, decreased reliance on the GAAP package process, and increased reliance on certain System reporting tools, will further help to improve statewide efficiency once implemented. The successful implementation of such initiatives will also improve the CAFR compilation process.

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Section 2: Financial Statement Findings

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It should also be noted that the State operates and records transactions on the cash and budget basis of accounting. The cash basis of accounting differs significantly from the accrual basis of account, which is the State's basis for reporting information included in the annual CAFR.

This fiscal year's CAFR season was a very challenging. Timelines were adjusted throughout the audit season to account for auditor and auditee learning curves, unanticipated changes in resources, and the addition of certain Single Audit requests, not previously funneled through the Division of Accounting (DOA). DOA will continue to work with our external auditors to refine our protocol for communicating throughout the audit process.

There are often timing and coordination issues as it relates to outside audits over entities whose financial information is also reflected in schedules such as loans and notes receivables, grants receivables, and accounts payable. We recognize which agencies are responsible for the material balances and will work with those agencies to make adjustments outside of the GAAP package process.

In the future, DOA will discuss our planned GASB Statement implementation approach with our external auditors earlier in the audit process. The GASB Statement No. 54 approach was discussed at the start of the audit, however, detail was not provided until one month after the start of audit fieldwork. DOA performed extensive research on the Statement and participated in a National Association of State Comptrollers GASB 54 Committee to develop a baseline for our approach. However, some of the conclusions reached, based on information received and inquiries made, conflicted with the opinions of our auditors; resulting in many of the differences noted.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2011

2011-02. Lack of Controls over Accounting and Reporting at the Local School Districts (associated with prior year findings 2010-02, 2009-02, 2008-03)

Background/Conditions

The school districts (LSDs) are considered part of the State's primary government and the LSDs' activity is consolidated into the financial information of the State and reported to the DOA through the use of GAAP packages, as previously described. As such, a series of modified accrual journal entries are prepared and recorded by the DOA based on the information in the GAAP packages. Due to the nature of these entities, the LSDs are extremely de-centralized from the rest of the State's primary government agencies. In addition, the majority of LSD personnel with the responsibility for the preparation and submission of the financial information used in the preparation of the State's financial statements lack the necessary experience and accounting background to properly and accurately complete the information required on the GAAP packages.

During the course of our audit, we selected and performed detailed procedures for eight LSDs as follows: Brandywine, Colonial, Christina, Delmar, New Castle County Vo-Tech, Smyrna, Red Clay, and Woodbridge. Although the information submitted by the local school districts is subject to review by the DOA, we noted the following:

School District Review of CAFR Information

A robust and through review of the LSDs' GAAP package information was not properly performed by the DOA. Specifically, during our analytical review of the *School District Financial Statement Consolidation Schedule* (Consolidation Schedule), we noted that the *Other Revenue* balance was approximately \$30 million, which appeared significantly higher in comparison to the remaining revenue categories reflected on the Consolidation Schedule, based on our understanding of the LSD's operations. Based on discussions with the DOA, we determined that the DOA had not performed a sufficient analytical review of the LSDs financial information to properly identify unusual balances nor did DOA perform any follow-up with the LSDs to detect material errors in classification of revenue amounts. Additionally, the LSDs have insufficient knowledge of how the LSD activity is compiled into the State-wide financial statements, and therefore, the LSDs do not perform a review over the Consolidation Schedule.

As a result, we noted various items that were misclassified, including approximately \$30.9 million which was double-counted as revenues and expenses due to inter-agency receipts and expenditures of federal funds that were not properly eliminated. As a result, these amounts were adjusted in the financial statements.

Criteria

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

Cause

There is a lack of formally-trained accountants with the necessary skills to accurately prepare the financial information included in the State-wide financial statements. The DOA inappropriately relies on the LSDs to properly use the FSF system to record transactional detail including the proper use of vouchers, cash

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Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2011

receipts and intra-governmental vouchers and relies heavily on the audit process to identify and propose corrections to GAAP package amounts.

Effect

Due to the manual 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.

Recommendations

We recommend that LSD personnel be adequately trained on the proper use of FSF to record transactions. We further recommend that the DOA perform an analytical review over the *School District Financial Statement Consolidation Schedule* and perform a thorough review of all manual journal entries and GAAP package amounts to ensure that such entries and amounts are recorded accurately. We also recommend that, with the assistance of the DOA, the LSDs perform account analyses of financial statement line items to ensure the propriety of the composition of financial statement amounts.

Views of Responsible Officials

DOA facilitates trainings and issues policies throughout the year to ensure that accounting procedures are appropriately communicated throughout the State. DOA's mission is to provide accounting expertise to the State's many organizations and monitor compliance with prescribed policies. During the CAFR preparation process all organizations included in the CAFR reporting unit make representations to DOA that those policies have been followed. This, along with monitoring procedures that are performed throughout the year, allows DOA the ability to rely on information that over 2400 users enter into the System on a daily basis. Even with such representations, DOA performs varied analysis of account balances and reviews accounts for material differences. However, due to the detailed nature of testing performed during the audit, external auditors will continue to identify more financial discrepancies than those found by our higher level analyses. DOA is currently revising trainings and other external communication tools, such as the Budget and Accounting Manual, in order to decrease potential discrepancies going forward.

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Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2011

2011-03. Financial Reporting at the Delaware Department of Transportation (Department) (associated with prior year findings 2010-05, 2009-05, 2008-10, 2008-11, 2007-03, 2007-05, 06-DOT-01)

Background/Condition

Prior Year Observation

The Department has contracted for the past several years with an outside CPA firm to compile its financial statements for the Transportation Trust Fund, for the Delaware Transit Corporation, and for the consolidated Delaware Department of Transportation entity.

The process used to obtain the necessary information for balances outside of the Transportation Trust Fund is not clearly documented, does not occur on a clear timetable, and relies heavily on one individual to provide information requested by the contractor for compilation purposes. Financial statement items impacted include receivables, payables, and capital assets, including infrastructure assets.

There is no independent review of the information for completeness, accuracy, and conformity with generally accepted accounting principles prior to its being provided to the contractor, increasing the risk of potential undetected misstatements, errors, or omissions.

Additionally, as the State of Delaware is a complex organization with a significant amount of transactions occurring between State agencies, accounting for these transactions requires constant communication between agencies in order to properly record the financial position of each agency. Information for other post employment benefits and pollution remediation obligation was not available timely from other State agencies.

Current Year Status

With the implementation of the FSF, there were significant delays with the completion of tasks related to financial reporting. The Department did not perform reconciliations from subledgers to the general ledger throughout the year, or at year-end to ensure that FSF general ledger was complete and accurate. The FSF system balance sheet functionality was not utilized during the year to assist in preparing financial reporting schedules. Instead the same methodology was used as in prior year's which included rolling forward revenue and expense transactions to prepare the financial statements. As a result, the Department had difficulty reconciling cash at year-end due to lack of understanding of FSF and not performing routine reconciliations.

Furthermore, there is still significant reliance on one key individual and dependence on timely communication between State agencies.

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

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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

The First State Financials (FSF) accounting system is a cash-basis financial management system that has the ability and the flexibility to accommodate modified and full accrual accounting. However, the State of Delaware is not utilizing the functionality available to accommodate the modified and full accrual accounting. Additionally, it is difficult to obtain ad-hoc reports for financial reporting and analysis. The system does not easily identify, by fund, what cash balances are held by the Treasurer's office. As a result, reports utilized from FSF require significant manual manipulation through spreadsheets to develop the trial balances and related financial statements.

Effect

Due to the manual 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 the Department develop, for the 2012 audit cycle, the following:

- A monthly closing process and timetable including account reconciliations and resolution of identified reconciling items that is completed within 3 weeks after each month end
- A detailed list of balances (other than those in the Transportation Trust Fund) and what detailed reports, supporting schedules, and other documentation are needed to support the compilation of financial statements and disclosures related to those balances
- A specific timetable of when each of the detailed reports, supporting schedules, and other documentation will be completed
- Interim review process to evaluate data before year end to identify any issues and correct them before year end close, including communicating with other State agencies with whom the Department may have transactions that require additional accounting considerations
- A periodic monitoring process to ensure adherence to the timetable

We further recommend that the Department consider whether the current level of staffing is appropriate to:

- Disperse responsibility for specific reports, schedules and documentation to others within the accounting function
- Provide for an independent review of information for completeness, accuracy and conformity with generally accepted accounting principles prior to its receipt by the compilation contractor
- Review data throughout the year for completeness and accuracy

Views of Responsible Officials

Management agrees that, with the implementation of the new state-wide financial system, numerous unforeseen issues have presented themselves and we are working diligently to resolve them and implement changes which should improve the reporting process, specifically:

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1. Management has implemented monthly account reconciliations and resolution processes.
2. DeIDOT is reaching out to the State Division of Accounting (DOA) to discuss potential modifications to the existing First State Financials (FSF) reporting capabilities to better meet DeIDOT needs.
3. Once the DOA and DeIDOT have agreed on specific reports, they would be available to DeIDOT personnel on a regular monthly basis.
4. DeIDOT will make periodic interim reviews of accounting data to detect and correct errors before the end of the fiscal year.
5. DeIDOT will make every effort to adhere to timetables established for monitoring of accounting data.
6. DeIDOT is launching a new effort to cross train personnel that are associated with the accounting and audit processes and to distribute some of the responsibilities to others.
7. DeIDOT will continue to monitor and review accounting data for completeness and accuracy as it relates to the compilation and audit of our financial information.

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2011-04. Accounting for Investments

Background/Condition

It is the State's policy to present its investments, net of any payables for securities purchased, receivables for any securities sold, and accrued interest. As the criteria allowing the right of setoff (as outlined in the *Criteria* section below) was not met for these transactions, we noted that the State inappropriately netted \$25.1 million of receivables for securities sold, \$7.5 million of accrued interest, and \$87.1 million of payables for securities purchased against the investment balance at June 30, 2011. These amounts were subsequently adjusted in the financial statements.

Additionally, the State does not record all of the reconciling items noted on the cash reconciliation prepared by the Office of the State Treasurer. This resulted in an understatement of investments of approximately \$6.0 million.

Lastly, we noted two (2) errors when auditing the cash and investment reconciliation as follows:

- The reconciliation recorded a mark-to-market adjustment for investments; however, the investment balance was already carried forward from the trustee statements at market value, resulting in an overstatement of investments of approximately \$2.1 million;
- The investment bank balance listed on the reconciliation was overstated by approximately \$1.5 million as it did not agree to the trustee-confirmed amount.

Criteria

Per Accounting Principles Board (APB) Opinion 10, paragraph 7(1), "it is a general principle of accounting that the offsetting of assets and liabilities on the balance sheet is improper except when a right of setoff exists." It further states that "A right of setoff is a debtor's legal right, by contract or otherwise, to discharge all or a portion of the debt owed to another party by applying against the debt and amount that the other party owes to the debtor. A right of setoff exists when all of the following conditions are met: a) each of the two parties owes the other determinable amounts, b) the reporting party has the right to set off the amount owed with the amount owed by the other party, c) the reporting party intends set off, and d) the right of set off is enforceable at law."

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

Cause

These misstatements were caused by the State's non-GAAP policy to net investment related receivables and payable against the investment balance reported on the face of the financial statements. In addition, due to the manual 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.

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Effect

This resulted in investments, receivables for securities sold, accrued interest and payables for securities purchased being understated in the financial statements for the general, local school district, and capital projects funds.

Recommendations

We recommend that the DOA re-evaluate its policy for netting such transactions to ensure that the financial statements are properly prepared in accordance with GAAP. We also recommend that DOA's financial statement review process include an evaluation of the reasonableness of individual financial statement line items 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.

Views of Responsible Officials

It has long been the State's policy not to record Investment receivables and payables associated with the sale and purchase of financial instruments held within the State's investment portfolio. Investment receivable and payable balances typically exist in GAAP financial statements due to recognition principles associated with investment trade and settlement dates. Given that settlement and trade dates can vary by several days, recognition principles prescribe that such transactions be accrued for, until the process is completed. The State understands these principles and plans to accrue for such transactions in the future. However, we do not believe that the netting the balances materially misstates the financial statement due to the liquid nature of the transactions in question.

DOA will also continue to monitor reconciliations performed through the State to ensure that organizations are reviewing at the appropriate level of expertise within their organizations.

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2011-05. Non-Compliance with the State's Procurement Regulations

Background/Condition

During our audit of procurement and the competitive bidding process, we selected five (5) contracts awarded by the Department of Insurance (DOI) with related expenditures of approximately \$11.0 million from a total of approximately \$15.6 million during fiscal year 2011. For three (3) of these contract awards, we noted that DOI did not properly comply with the State's policies and procedures as follows:

- DOI was unable to provide supporting documentation for the proper advertisement of the Request for Proposal or bid packages from other bidders for examination administration services awarded. As such, we could not verify whether proper bidding procedures were followed. The amount of expenditures during fiscal year 2011 pursuant to the award was \$9.2 million.
- DOI was unable to provide supporting documentation of the bid process for services related to market conduct examinations of foreign companies doing business in the State, except for a copy of the service agreement. Based on discussions with DOI, this procurement did not go through bid process. However, this service is subject to bidding law of the State according to Delaware Code. The amount of expenditures during fiscal year 2011 pursuant to the award was \$225 thousand.
- DOI was unable to provide supporting documentation for services related to the evaluation of captive insurance companies to support the bid process, except for a copy of the contract, which was not in the proper contract template. The amount of expenditures during fiscal year 2011 pursuant to the award was \$876 thousand.

Criteria

Procurement of materials and services, including professional services, are required to follow a formal bid process if the yearly cumulative amount meets the thresholds set by Delaware Law (29 Del. C. Chapter 69), unless there is an exemption to Bid Laws. Documentation regarding the history of procurement is required to be maintained by agencies.

Cause

Controls are not in place and operating effectively to ensure that DOI is adhering to the required procurement procedures set forth in the Budget and Accounting Policy Manual (Chapter 5 – Procurement) as well as State law (29 Del. C. Chapter 69).

Effect

This resulted in violation of the procurement laws of the State (29 Del. C. Chapter 69), which could result in appointments based on favor rather than merit.

Recommendations

We recommend that DOI management implement internal controls and policies and procedures to ensure that the requirements of State policies and laws are followed in the bidding and selection of vendors for all contractual services.

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Views of Responsible Officials

In the Department's history, contracts were signed that were not formatted using the state's template. Recognizing this, the Department has been working to improve internal processes and have since developed internal written procedures on the RFP process. All contracts are currently being reviewed by a team within the Department (including but not limited to; Controller, DAG, and Chief of Staff) to prioritize the contracts needing to go through the RFP procedure. This will ensure proper contract format as well as supporting documentation for the bid process.

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2011-06. First State Financials (FSF) User Access

Background/Condition

Within the FSF application, there is a generic PeopleSoft® database administrator (PSDBA) user identification (ID) with access to perform administrative functions and process business transactions and multiple Department of Technology and Information (DTI) Database Administrators (DBAs) share this PSDBA user ID.

Although the DBAs require certain access to support the FSF application, the access to perform user access provisioning and to process and approve business transactions, are outside their related job responsibilities. In addition, the FSF system logging mechanism was not enabled in order to monitor the actions performed by the PSDBA user ID.

Criteria

The State of Delaware Information Security Policy (Doc Ref #: SE-ESP-001) states that all data users must have unique user access credentials and the sharing of access credentials is prohibited. In addition, no person shall be responsible for completing a task from beginning to end if that task involves critical information; for example, the creation and approval of a business transaction.

Cause

Due to system issues, such as batch job failures, system access to both the FSF application and FSF database was given to the DBAs in order for them to support the application. In addition, due to the complex nature of the FSF application, the DBAs may have unintentionally been given access to functions that are not commiserating with their job responsibilities.

Effect

With administrative access to both the FSF application and the FSF database, the DBAs could potentially grant or modify their access, perform unauthorized business transactions, and avoid detection by erasing the history log. In addition, when a generic user ID is employed, there are no means to identify who is accountable for actions performed in the system. As a result, it is not possible for management to rely on system controls to prevent unauthorized transactions.

Recommendations

We recommend that the FSF team review the DBAs' access to the FSF system and remove any access that is deemed excessive for their respective job responsibilities. The FSF team should consider creating a separate ID for each DBA to provide accountability over functions performed in the system.

The FSF team should consider enabling the FSF system logging mechanism to capture actions performed by super user IDs and/or sensitive actions such as updating of journal entries or approval of invoices over a certain amount. Management should review the event logs on a periodic basis to detect any unauthorized or unintended actions.

Views of Responsible Officials

The State has shared our list of reconciliations and other detective manual controls with the auditors. These controls effectively mitigate the risk that potential financial reporting material misstatements, caused by intentional or unintentional changes to the accounting system, would go undetected by management. The

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State will also implement the following control activities to further ensure that the PSDBA role is appropriately monitored.

- The PSDBA role will be cloned and assigned to each of the DBA's userid.
- The generic PSDBA userid will be locked.
- Field level audit will be turned on in the security tables.
- A query will be developed and run on a monthly basis. DTI staff (not the DBAs) will run the query and monitor what has been changed/updated in the system.
- The query and review results will be shared with DOA and the Office of Management and Budget (OMB).
- If it is determined that the DBA has violated their security, the "DTI Security Violation Procedures" will be followed.

Items to Note:

DTI policy requires that a Help Desk ticket be opened before the DBA makes any adjustments to the system. The report should technically tie to the DBA tickets for Enterprise Resource Planning (ERP).

SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 3: Federal Awards Findings and Questioned Costs

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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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Delaware Technical and Community College

Terry Campus

Reference Number: 11-DTCC-01

Program: Student Financial Assistance Cluster (84.007, 84.033, 84.063, 84.268)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Borrower Data Transmission and Reconciliation (Direct Loans)

Condition:

In connection with our testwork over Direct Loan program, we noted that Terry campus had not been consistently 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) during the year ended June 30, 2011.

Criteria:

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 (*OMB No. 1845-0021*). Each month, the COD provides institutions with an 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).

Cause:

This is the first year of Direct Loan program and the campus was not consistently performing a monthly reconciliation of the SAS data file to the campus' records to ensure all Direct Loan information had been properly recorded.

Effect:

While we tested a sample of 40 Direct Loans disbursement amounts between the SAS date file and the campus' records without any exceptions, the required monthly reconciliation would ensure all Direct Loan amounts had been properly recorded.

Questioned Costs:

There are no known questioned costs associated with this finding.

Recommendation:

We recommend that the College implement a process to ensure the SAS data file is being reconciled on a monthly basis and ensure that evidence of those reconciliations is maintained.

Views of Responsible Officials:

Agency Contact Name: Jennifer Grunden, Terry Campus, Student Financial Aid Officer

Agency Contact Phone Number: (302) 857-1042

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Corrective Action Plan:

After investigating why one of the two monthly SAS 2011-12/2012-13 files was not received by Delaware Technical Community College's Terry Campus, campus financial aid office staff worked with the Common Origination and Disbursement (COD) office to ensure an electronic COD "ad hoc" report was obtained. It has been determined that the yearly rollover of data from 2011-12 to 2012-13 had already take place when the 2011-12 reporting parameters were updated so therefore the rollover reporting parameters were not correct. The missing monthly file was named "DSLRF". This "ad hoc" report along with the existing records/files from COD will enable Terry Campus to complete performance and maintain evidence of monthly SAS reconciliations.

The campus is on schedule to receive both monthly files from COD effective April 2012. The Terry Campus Financial Aid Officer is currently training/working with other Delaware Tech campus locations' financial aid staff to complete and/or document year-to-date reconciliations for 2012-13 while establishing best practices. With the April 2012 files from COD, the campus Financial Aid Officer will develop an evidence-based monthly reconciliation process. The campus Financial Aid Officer will be performing the monthly SAS reconciliations the week after the files are received from COD. Both electronic and paper SAS records/reconciliations will be retained to provide evidence that reconciliations are performed monthly.

Anticipated Completion Date: Immediately upon receipt of April 2012 COD reports.

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Department of Education

Brandywine School District

Christina School District

Delmar School District

Red Clay Consolidated School District

Smyrna School District

Woodbridge School District

Reference Number: 11-ED-01*

Program: 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)

Condition:

Department of Education

Based on a sample of 20 payroll expenditures totaling \$60,001, four employees totaling \$4,983 charged to the Improving Teacher Quality program, four employees totaling \$4,375 charged to the Special Education program, and twelve employees totaling \$50,643 charged to the Race To The Top program were missing time and effort reports. Total salaries and benefits charged by the Department of Education to major federal programs amounted to \$110,000.

Brandywine School District

Based on a sample of 26 payroll expenditures totaling \$54,020, five employees totaling \$8,819 charged to the Title I program, five employees totaling \$9,794 charged to the Improving Teacher Quality program, five employees totaling \$5,782 charged to the Special Education program, and six employees totaling \$22,364 charged to the Race To The Top program were missing time and effort reports. Total salaries and benefits charged by Brandywine School District to major federal programs amounted to \$308,000.

Christina School District

Based on a sample of 23 payroll expenditures totaling \$30,805, two employees totaling \$6,381 charged to the Improving Teacher Quality program, one employee totaling \$742 charged to the Special Education program, and one employee totaling \$2,423 charged to the Race To The Top program were missing time and effort reports. Total salaries and benefits charged by Christina School District to major federal programs amounted to \$401,000.

Delmar School District

Based on a sample of 22 payroll expenditures totaling \$7,567, two employees totaling \$461 charged to the Title I program were missing time and effort reports. The time and effort report for one employee totaling \$716 charged to the Special Education program percentage did not agree to the actual amount charged. Per the time and effort report, 20% of the employee's time should have been charged to the Special Education

* Repeat finding from prior year's audit

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program, however, 80% was charged, resulting in an overcharge of \$537. The time and effort report for one employee totaling \$835 charged to the Title I program was signed prior to distribution of the actual activity. Total salaries and benefits charged by Delmar School District to major federal programs amounted to \$24,000.

Red Clay Consolidated School District

Based on a sample of 25 payroll expenditures totaling \$49,573, three employees totaling \$8,719 charged to the Special Education program were missing time and effort reports. The time and effort reports for two employees totaling \$4,265 charged to the Improving Teacher Quality program percentages did not agree to the actual amounts charged. For one employee, per the time and effort report, 50% of the employee's time should have been charged to the Improving Teacher Quality program; however, approximately 35% was charged, resulting in an undercharge of \$438. For the other employee, per the time and effort report, 80% of the employee's time should have been charged to the Improving Teacher Quality program, however, approximately 62% was charged, resulting in an undercharge of \$968. Total salaries and benefits charged by Red Clay Consolidated School District to major federal programs amounted to \$600,000.

Smyrna School District

Based on a sample of 20 payroll expenditures totaling \$17,201, one employee totaling \$58 charged to the Special Education program was missing a time and effort report. Total salaries and benefits charged by Smyrna School District to the Special Education program amounted to \$151,000.

Woodbridge School District

Based on a sample of 19 payroll expenditures totaling \$15,572, three employees totaling \$5,016 charged to the Improving Teacher Quality program, three employees totaling \$2,217 charged to the Special Education program, and four employees totaling \$2,981 charged to the Race To The Top program were missing time and effort reports. The time and effort report for one employee totaling \$95 charged to the Title I program percentage did not agree to the actual amount charged. Per the time and effort report, 10% of the employee's time should have been charged to the Title I program, however, approximately 9% was charged, resulting in an undercharge of \$16. The time and effort reports for two employees totaling \$2,830 charged to the Title I program were annual reports, not semi-annual certifications. Total salaries and benefits charged by Woodbridge School District to major federal programs amounted to \$88,000.

Criteria:

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 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)

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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)

Cause:

The State Department of Education and the school districts cited above did not maintain proper and timely effort reporting for employees that were partially funded by federal programs, did not obtain semi-annual certifications for employees charged 100% to federal programs, completed time and effort reports before distribution of actual activity, or based their charges to federal programs on estimates and not actual time and effort.

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:

Known questioned costs amounted to a \$16 undercharge to the Title I program, a \$1,406 undercharge to the Improving Teacher Quality program, and a \$537 overcharge to the Special Education program. The following charges were missing time and effort reports: \$9,350 for the Title I program, \$26,174 for the Improving Teacher Quality program, \$21,893 for the Special Education program, and \$78,411 for the Race-to-the-Top program. A charge of \$835 for the Title I program was based on a time and effort report completed before distribution of actual activity. In addition, a charge of \$2,830 for the Title I program was based on an annual time and effort reports, not semi-annual certifications.

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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.

Views of Responsible Officials:

Agency Contact Name: Theresa Vandrzyk Kough / Emily Falcon

Agency Contact Phone Number: (302) 857-3390 / (302) 735-4040

Corrective Action Plan:

Desk Audit Checklist was created which incorporates Time and Effort reporting. All LEAs (Local Educational Agencies) will be checked for compliance. The DOE Financial Reform Resources will also institute updated procedures to ensure that all DOE staff are completing Time and Effort reporting as appropriate. Additional guidance will be issued to LEAs to ensure that they understand the requirements for compliance.

Anticipated Completion Date: October 2012

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Smyrna School District

Reference Number: 11-ED-02*

**Program: 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)**

Type of Finding: Significant Deficiency

Compliance Requirement(s): Allowable Costs (Indirect Costs)

Condition:

Based on a sample of twenty four indirect cost transactions, one indirect charge by the Smyrna school district for the Special Education program of \$50,166 was based on a prior year indirect cost rate rather than the current year's indirect cost rate. The actual indirect cost charged was actually lower than the amount that may have been charged for that period.

Criteria:

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.)
- 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.

* Repeat finding from prior year's audit

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Cause:

Due to a lack of adequate management review, costs charged to the federal programs were based on a prior year indirect cost rate instead of the indirect cost rate for the current year.

Effect:

The indirect costs charged were not based on the current period's approved indirect cost rate.

Questioned Costs:

There are no questioned costs for this finding since the indirect costs being charged were understated.

Recommendation:

We recommend that the school district implement policies and procedures to ensure that indirect costs are based upon actual costs incurred for the fiscal year and the current indirect cost rate and ensure that appropriate supporting documentation is maintained for such costs.

Views of Responsible Officials:

Agency Contact Name: Jerry Gallagher

Agency Contact Phone Number: (302) 659-4312

Corrective Action Plan:

The district will modify its past practice and will draw down indirect costs at the end of each fiscal year using expenses incurred and the indirect cost rate approved for that year.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-03

Program: 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)

Type of Finding: Scope Limitation, Material Weakness

Compliance Requirement(s): Cash Management

Condition:

The Department of Education's draw down information could not be directly traced back to First State Financials (FSF), the State's general ledger. While spreadsheet files of the original draw down queries were maintained by DOE as supporting documentation for the federal draw downs selected for audit test work, the information on these files could not readily be traced back to FSF.

We were unable to determine whether the federal cash draws were in compliance with applicable funding techniques or Subpart B requirements because we could not validate the information used to perform the draws. In particular, we noted that a drawdown of \$7,239,517 was made in December 2010 for the Race-to-the-Top Incentive Grants, but the program's expenditures through the November 30, 2010 only amounted to approximately \$2,100,000.

Criteria:

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 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.

Cause:

DOE utilizes a system query to obtain the required information; however, we were unable to trace the original query results per the spreadsheet files back to FSF.

Effect:

We were unable to determine whether the DoE's drawdowns for the federal programs 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 expenditure was recorded.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend that DOE enhance its federal draw down process to ensure there is an adequate level of support for determining that drawdowns are in accordance with each programs compliance requirements. The support may include illustrating how the drawdown information can be traced to FSF.

Views of Responsible Officials:

Agency Contact Name: Emily Falcon/Eulinda DiPietro

Agency Contact Phone Number: (302) 735-4040

Corrective Action Plan:

The DOE is in the process of revising its procedures for managing federal draws. These procedures will clearly outline the process to ensure that proper documentation is maintained and will also incorporate more oversight to ensure compliance with the new procedures.

Anticipated Completion Date: June 30, 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

School Districts

Reference Number: 11-ED-04*

**Program: 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)

Condition:

Based on a review of the maintenance of effort (MOE) calculations done for the overall federal programs by the eight school districts we visited, we noted the following items:

- The MOE calculation included in the LEA Consolidated Grant Application for the Brandywine, Colonial and NCC Vo-Tech School Districts included 2008 and 2007 financial information instead of 2009 and 2008 financial information.
- The MOE calculation for the Woodbridge School District was excluded from its LEA Consolidated Grant Application.

Criteria:

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.

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 expenditures for community services, capital outlay, debt service and supplementary expenses as a result of a Presidentially declared disaster and (b) any expenditures made from funds provided by the Federal government.

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).

Cause:

The State Department of Education or school districts have not developed procedures to ensure the pre-populated data incorporated into the LEAs MOE calculation is accurate.

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Effect:

Based on recalculations, the items noted above did not have an impact on the school districts meeting their MOE requirements; however, if such calculations are not monitored closely any shortfalls may not be identified and addressed on a timely basis.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We 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.

Views of Responsible Officials:

Agency Contact Name: Emily Falcon/ Theresa Vandrzyk Kough

Agency Contact Phone Number: (302) 735-4040 / (302) 857-3390

Corrective Action Plan:

The MOE calculations have been automated to ensure accuracy. All data is now pre-populated from the DOE data warehouse. LEAs must coordinate with DOE to make changes to the data as calculated. DOE Financial Reform Resources staff will ensure that the MOE calculations that are included within the Consolidated Grant Applications are being pulled for the proper fiscal years.

Anticipated Completion Date: July 2011

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-05*

**Program: 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): Reporting

Condition:

In connection with our review of the Delaware Department of Education's (DOE) compliance requirements applicable to its reporting to the ED, we performed a review of the DOE's information technology (IT) general controls over the eSchoolPlus systems and the Delaware Student Information System (DELSIS).

Based on our review, we noted that in connection with the Department's *Change Management – Limited System Development Lifecycle Procedure Guidance*, the DOE IT department implements internally developed applications and purchased software applications without aid of an approved policy or procedures for project management.

Criteria:

The U.S. Department of Education (ED) requires that the State Educational Agency (SEA) file various reports related to its oversight and compliance over the federal funds it receives from the ED. The following reports are required by the ED:

State Per Pupil Expenditure (SPPE) Data – Each year, a SEA must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by the ED to make allocations under several Elementary and Secondary Education Act of 1965 (ESEA) programs, including Title I, Part A.

Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals with Disabilities Act, as amended – Each SEA is required to report to the Secretary an unduplicated count of children with disabilities receiving special education and related services.

A SEA must annually review the progress of each Local Educational Agency (LEA) that receives funds under subpart 2 of Part A of Title I to determine whether the LEA made adequate yearly progress as defined by the State. Each SEA must report annually to the Secretary, and make certain information widely available within the State. In addition, the SEA must prepare and disseminate an annual State report card that contains, among other things, information on the performance of LEAs regarding adequate yearly progress. The SEA must ensure that each LEA collects the data necessary to prepare its annual report card.

Cause:

The DOE IT department had not formalized policies and procedures regarding internally developed or purchased software until the last quarter of fiscal year 2011.

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Effect:

The lack of formal policies and procedures regarding Change Management could result in future problems over data integrity.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

As recommended in the prior year, the DOE IT department developed and implemented formal policies and procedures to address Change Management.

Views of Responsible Officials:

Agency Contact Name: Robert E. Czeizinger

Agency Contact Phone Number: (302) 735-4140

Corrective Action Plan:

Change Management – Limited System Development Lifecycle Procedure Guidance - The leadership of the Technology Resources and Data Development Group developed a written policy designed to strengthen our guidance regarding System Development and Lifecycle Procedures.

Anticipated Completion Date: *Change Management – Limited System Development Lifecycle Procedure Guidance* – April 30, 2011

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-06

**Program: 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 (Separate Accountability for ARRA Funding)

Condition:

In connection with our review of the ARRA expenditures for the programs being testing and reconciling such amounts to the Department of Education's general ledger as well as the Federal Recovery Act website, we noted that some of the Department of Education's ARRA funds were incorrectly classified to the wrong CFDA number. For the year ended June 30, 2011, we noted that \$8,314,932 and \$956,431 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.

Criteria:

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.

Cause:

A portion of the ARRA funds were incorrectly classified to the wrong CFDA numbers within FSF.

Effect:

The State's SEFA needs to be adjusted to properly reflect the proper amount of ARRA expenditures to the correct CFDA number.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that the State's SEFA be reconciled back to FSF on an annual basis to ensure all ARRA funds have been properly reflected on the SEFA.

Views of Responsible Officials:

Agency Contact Name: Eulinda DiPietro

Agency Contact Phone Number: (302) 735-4040

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2011

Corrective Action Plan:

We will coordinate with the Division of Accounting to obtain the CFDA ARRA amounts that will be included on the SEFA for our programs. We will ensure such amounts are reconciled to the general ledger and communicate any adjustments necessary to make the SEFA accurate.

Anticipated Completion Date: September 30, 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

Woodbridge School District

Reference Number: 11-ED-07*

**Program: Title I Grants to Local Educational Agencies (84.010, S-84.389)
Improving Teacher Quality State Grants (84.367)**

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Special Test and Provisions (Private School Children)

Condition:

As noted in the prior year, the Woodbridge School District could not provide any evidence that a calculation was performed to ensure Title I, Part A funds could be properly allocated to children from low-income families who attended either public or private schools on the same basis.

Criteria:

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)). Title I, Part A funds must be allocated to each participating public school attendance area on the basis of the total number of children from low-income families residing in that area. In calculating the total number of children from low-income families, an LEA must include children from low-income families who attend private schools. An LEA must use the portion of Title I, Part A funds attributable to private school children from low-income families included in the calculation to provide services to eligible private school children. For example, if \$100,000 of Title I, Part A funds are allocated based on 100 children from low-income families, 25 of whom are private school children, \$25,000 of the \$100,000 must be expended to provide equitable services to eligible private school children.

Cause:

School district personnel were not fully aware of the federal requirements to perform a per pupil calculation to ensure federal funds were properly allocated between children from low-income families who attended either public or private schools.

Effect:

There is no proof of an equitable allocation of funds for services between children from low-income families who attend either public or private schools.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend that the school district personnel be properly trained by the State Department of Education to ensure the districts fulfill the federal requirements pertaining to the participation of services for private school children from low-income families.

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Views of Responsible Officials:

Agency Contact Name: Theresa Vandrzyk Kough

Agency Contact Phone Number: (302) 857-3390

Corrective Action Plan:

As part of the United States Department of Education (ED) monitoring process, responses and corrective actions were taken for the requirement of the participation of private school children in federal programs. The ED's Student Achievement and School Accountability (SASA) Office issued a letter in December of 2010 stating that all findings have been resolved.

Anticipated Completion Date: December 2010

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-08*

Program: Title I Grants to Local Educational Agencies (84.010)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Special Test and Provisions (Title I Monitoring Report)

Condition:

During fiscal year 2010, the U. S. Department of Education's (ED) Student Achievement and School Accountability (SASA) office reviewed the Delaware Department of Education's (DOE) administration of the Title I programs authorized by the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act (NCLB). Based on our review of the monitoring report (Title I Monitoring Report) issued on November 5, 2010, the following findings below were applicable to the compliance requirements applicable to the Title I Grant to Local Educational Agencies as described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* for the year ended June 30, 2011. Based on our review of a letter from the ED SASA office dated December 2010, we noted that the findings had been resolved as of December 2010.

Participation of Private School Children

The Delaware SEA had not ensured that its LEAs met requirements regarding the selection of private school students for participation in the Title I program.

Comparability

The Delaware SEA had not ensured that its LEAs comply with the comparability requirement. The Delaware SEA staff indicated that, since the State has a policy to ensure comparability in staffing, it was only necessary for LEAs to indicate that the State had established policies to ensure equivalence among schools in staffing.

Highly Qualified Paraprofessionals

The Delaware SEA had not ensured that its LEAs complied with the hiring requirements for instructional paraprofessionals working in Title I schools.

Criteria:

Participation of Private School Children

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)). Title I, Part A funds must be allocated to each participating public school attendance area on the basis of the total number of children from low-income families residing in that area. In calculating the total number of children from low-income families, an LEA must include children from low-income families who attend private schools. An LEA must use the portion of Title I, Part A funds attributable to private school children from low-income families included in the calculation to provide services to eligible private school children. For example, if \$100,000 of Title I, Part A funds are allocated

* Repeat finding from prior year's audit

STATE OF DELAWARE

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Year ended June 30, 2011

based on 100 children from low-income families, 25 of whom are private school children, \$25,000 of the \$100,000 must be expended to provide equitable services to eligible private school children.

If an LEA reserves funds off the top of its Title I, Part A allocation to provide instructional and related activities for public school students at the district level, the LEA must also provide from those funds, as applicable, equitable services to eligible private school students. From applicable funds reserved for parent involvement and professional development, an LEA must ensure that teachers and families of participating private school children have an equitable opportunity to participate in professional development and parent involvement activities, respectively. The amount of funds available to provide these services must be proportionate to the number of private school children from low-income families residing in participating public school attendance areas (Sections 1113(c) and 1120 of ESEA (20 USC 6313(c) and 6320); 34 CFR sections 200.62 through 200.67 and 200.77 through 200.78).

Comparability

An LEA may receive funds under Title I, Part A only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A funds. An LEA is considered to have met the statutory comparability requirements if it filed with the State Educational Agency (SEA) a written assurance that such LEA has implemented (1) an LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. An LEA may also use other measures to determine comparability, such as comparing the average number of students per instructional staff or the average staff salary per student in each school receiving Title I, Part A or MEP funds with those in schools that do not receive Title I, Part A or MEP funds. If all schools are served by Title I, Part A or MEP, an LEA must use State and local funds to provide services that, taken as a whole, are substantially comparable in each school. Determinations may be made on either a district-wide or grade-span basis.

An LEA may exclude schools with fewer than 100 students from its comparability determinations. The comparability requirement does not apply to an LEA that has only one school for each grade span. An LEA may exclude from determinations of compliance with this requirement State and local funds expended for (1) bilingual education for children with limited English proficiency (LEP); and (2) the excess costs of providing services to children with disabilities as determined by the LEA. The LEA may also exclude supplemental State or local funds for programs that meet the intent and purposes of Title I, Part A or MEP (Sections 1120A(c)-(d) and 1304(c)(2) of ESEA (20 USC 6321(c)-(d) and 6394(c)(2)); 34 CFR sections 200.79 and 200.88).

Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records that are updated biennially documenting compliance with the comparability requirements. The SEA, however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement (Section 1120A(c) of ESEA (20 USC 6321(c)).

Highly Qualified Paraprofessionals

Qualifications for paraprofessionals support by Title I, Part A funds are as follows:

- a. An LEA must ensure that each paraprofessional who is hired by the LEA after January 8, 2002 and who works in a program supported with Title I, Part A funds meets specific qualification requirements. Paraprofessionals who work in a program supported with Title I, Part A funds and who were hired by an LEA prior to January 8, 2002, had to meet these

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requirements by the end of the 2005-2006 school year. The term “paraprofessional” means an individual who provides instructional support; it does not include individuals who have only non-instructional duties (such as providing technical support for computers, providing personal care services, or performing clerical duties). A paraprofessional works in a program supported with Title I, Part A funds if the paraprofessional is paid with Title I, Part A funds in a Title I targeted assistance school or works as a paraprofessional in a schoolwide program school.

- b. A paraprofessional must hold a high-school diploma or its recognized equivalent and meet one of the following requirements:
- (1) Have completed at least two years of study at an institution of higher education.
 - (2) Have obtained an associate’s or higher degree.
 - (3) Have met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness.
- c. A paraprofessional who is proficient in English and a language other than English and acts as a translator or who has duties that consist solely of conducting parental involvement activities need only have a high-school diploma or its recognized equivalent.

(Title I, Section 1119(c)-(f) of ESEA (20 USC 6319(c)-(f)); 34 CFR section 200.58)

Cause:

The DOE failed to ensure full compliance with the above special tests and provisions for the Title I program.

Effect:

Based on the Title I Monitoring Report, the DOE was not fully compliant with the special tests and provisions required by the OMB Circular A-133 during the entire year ended June 30, 2011.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

The DOE implemented corrective action during the fiscal year ended June 30, 2011 and we recommend that DOE continue to monitor the implementation of those corrective action plans for LEAs on a periodic basis.

Views of Responsible Officials:

Agency Contact Name: Theresa Vendrzyk Kough

Agency Contact Phone Number: (302) 857-3390

Corrective Action Plan:

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As part of the ED monitoring process, responses and corrective actions were taken in each of the cited areas. ED's SASA office issued a letter in December of 2010 stating that all findings have been resolved.

Anticipated Completion Date: December 2010

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-09*

Program: Special Education Cluster (84.027, 84.173, S-84.391, S-84.392)

Type of Finding: Scope Limitation, Material Weakness

Compliance Requirement(s): Level of Effort (Maintenance of Effort)

Condition:

We were unable to obtain a copy of the State's MOE calculation for the year ended June 30, 2011. In addition, based on a review of the LEA MOE calculations (Excess Cost for IDEA template) included in 2011 LEAs Consolidated Grant Applications for each of the eight school districts selected for testing, we noted that the State Department of Education incorporated a consistent methodology for the calculation of the Special Education's maintenance of effort. However, we were not able to trace the amounts used under the new methodology back to the school districts' annual financial statements or FSF, the State's general ledger.

Criteria:

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).

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

* Repeat finding from prior year's audit

STATE OF DELAWARE

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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:

It is our understanding that the State's MOE calculation may have been completed, but the completed MOE calculation could not be located/provided as a result of personnel turnover.

The MoE calculations included within the 2011 LEAs Consolidated Grant Applications were prepopulated for each LEA, but the LEAs were unable to illustrate how those amounts included on the MOE calculations reconciled to FSF.

Effect:

The State or the school districts may not have met their Special Education MOE requirements.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

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.

We also recommend that the DOE ensure that the amounts included within each LEA's MOE calculation can be readily reconciled to FSF for each year provided. In addition, the DOE should ensure any LEA MOE calculations that do not show increases have been properly investigated and supported.

Views of Responsible Officials:

Agency Contact Name: Emily Falcon

Agency Contact Phone Number: (302) 735-4040

Corrective Action Plan:

Procedures will be instituted to ensure that all MOE calculations are maintained in a central repository to insulate them from staff turnover issues. Additionally, DOE has taken steps to automate the MOE calculations for LEAs to ensure consistent and accurate calculations. DOE will provide additional guidance for the LEAs on these calculations to ensure their staff is knowledgeable about the MOE template and can assist in detecting any errors or inconsistencies in the calculations.

Anticipated Completion Date: July 2011

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Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-10*

Program: Child and Adult Care Food Program (10.558)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Eligibility (Subrecipients)

Condition:

Based on our review of the applications of thirty subrecipients, we noted the following items:

- The annual applications do not contain all the required components of the performance standards. The standards require that the organizations have documentation supporting 1) the organizations need and recruiting and 2) fiscal resources and financial history. In addition the renewing organization should 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. Furthermore, renewing organizations should have documentation of fiscal accountability which includes a financial system with management controls in writing and accounting records.
- For twenty seven of the thirty organizations application files, written notification, of approval or disapproval of the application within thirty calendar days of receipt of a complete application could not be observed.

Criteria:

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).
- 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)).

* Repeat finding from prior year's audit

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- 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”)).

Cause:

Standard applications have not been reviewed recently to ensure all federal regulations have been incorporated.

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.

Views of Responsible Officials:

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

Agency Contact Phone Number: (302) 735-4060

Corrective Action Plan:

The condition regarding the annual applications that do not contain explicit language ensuring that the subrecipients are not ineligible for publicly funded programs was corrected October 2010. The required elements were added to the new nutrition software program application. The Delaware Nutrition Accountability and Reporting System (DENARS) has an online application component that all sponsors are required to complete prior to each fiscal year. The new system was implemented in October 2010 for CACFP.

The condition regarding the annual applications that do not contain all the required components of the performance standards was corrected in October 2010. The required elements were added to the DENARS online application that all sponsors must complete annually. Additionally, these areas are covered in the administrative reviews conducted for all renewing sponsors. All new applicants are required to submit the balance sheet from their most recent audit or 2 months of checking account statements for review. This information is provided at the training. We believe this combination of modifications to forms and processes fully satisfies all issues outlined in this condition.

In response to the condition regarding the outside employment policies, for the past two application approval cycles (2009/10 and 2010/11), the state agency has reviewed all renewing sponsors' file documents to ensure that Outside Employment Policy Statements and all other required documents were in the files. We included these items on the annual file review checklist and have this documentation to support our position that all files contain the required documents

Anticipated Completion Date: Completed in July 1, 2011

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Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-11*

**Program: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Child and Adult Care Food Program (10.558)**

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Subrecipient Monitoring

Condition:

Based on our review of the program's subrecipient monitoring, we noted that while the Delaware Department of Education ensures that its applications for both Child Nutrition and Child and Adult Care Food Program include the need for subrecipients expending \$500,000 or more in federal awards have an audit, there is no mechanism in place to track whether any such subrecipients have confirmed that need for an OMB Circular A-133 audit and, in turn, whether the DOE should be following up on any audits performed. During the year ended June 30, 2011, the Child Nutrition program provided approximately \$2.1 million to subrecipients and the Child and Adult Care Food program provided approximately \$12.8 million to subrecipients.

Criteria:

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six 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. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M).

Cause:

The DOE has not developed a procedure to ensure it monitors any subrecipients who may be required to meet the audit requirements of OMB Circular A-133 and ensure its on-site visits on its subrecipients meet the required criteria.

Effect:

The DOE does not appear to be fulfilling all of its subrecipient monitoring responsibilities.

Questioned Costs:

Questioned costs are not determinable.

* Repeat finding from prior year's audit

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Recommendation:

We recommend that the DOE develop procedures to ensure it adequately tracks and monitors possible audits required for its subrecipients.

Views of Responsible Officials:

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

Agency Contact Phone Number: (302) 735-4060

Corrective Action Plan:

The newly implemented (October 2010) CACFP portion of the DENARS application system addresses the conditions listed above. The application allows the DOE to search any sponsor to determine their compliance with the A-133 audit requirement certification statement. The application system also allows the DOE to track the current status of each sponsor's compliance.

Additionally, DOE Nutrition Programs is currently developing a *program processes* document that will provide guidance on all activities of the program. The first three completed processes relate to A-133, including the responsibility of the agency to collect, review, and monitor audits.

Anticipated Completion Date: Completed in July 1, 2011

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Year ended June 30, 2011

Department of Education

Reference Number: 11-ED-12

Program: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Subrecipient Monitoring (Management Evaluation Report)

Condition:

Based on our review of the Management Evaluation report issued on August 10, 2010 by the Food and Nutrition Service (FNS), we noted that the finding on the Coordinated Review Effort (CRE) performed on the DoE's subrecipients was applicable to the compliance requirements applicable to the Child Nutrition Cluster as described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* for the year ended June 30, 2011. The FNS noted that based on a sample of reviews, the following were disclosed:

- The required forms for several of the reviews evaluated were not completed; specifically, forms SFA-1 and SFA-2 which are designed to determine if review thresholds are exceeded by the SFA, and forms FA 1 and FA 6 which are used to determine fiscal action for program violations.
- Corrective action plans were not submitted and/or were incomplete (DAPI, and Polytech)
- A claim for one sponsor was assessed and payment was collected prior to the completion of the third follow-up review and approval of corrective action. (Family Foundations)
- The guidelines for withholding reimbursement are not properly applied.

Criteria:

The following citations are applicable to the CRE that were performed:

210.18(k) *Corrective Action*. Corrective action is required for any violation under either the critical or general areas of the review. Corrective action shall be applied to all schools in the school food authority, as appropriate, to ensure that previously deficient practices and procedures are revised system-wide.

210.18(k)(2) *Documented corrective action*. Documented corrective action is required for any degree of violation of general or critical areas identified in an administrative review or on any follow-up review. Documented corrective action may be provided at the time of the review; however, it shall be postmarked or submitted to the State agency no later than 30 days from the deadline for completion of each required corrective action, as specified under paragraph (j) of this section or as otherwise extended by the State agency under paragraph (k)(1) of this section.

210.18(l) *Withholding payment*. At a minimum, the State agency shall withhold Program payments to a school food authority as follows: (1) *Cause*. (i) The State agency shall withhold all Program payments to a school food authority if documented corrective action for critical area violation(s) which exceed the review threshold(s) is not provided within the deadlines specified in paragraph (k)(2) of this section; and/or (l)(1)(iv) The State agency may withhold payments at its discretion, if the State agency finds that documented corrective action is not provided within the deadlines specified in paragraph (k)(2) of this section, that corrective action is not complete or that corrective action was not taken as specified in the documented corrective action for a general area violation or for a critical area violation which did not exceed the review threshold. (2) *Duration*. In all cases, Program payments

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shall be withheld until such time as corrective action is completed, and documented corrective action is received and deemed acceptable by the State agency or as otherwise specified in paragraph (i)(5) of this section.

Cause:

The DOE is missing certain criteria for its CREs of its subrecipients.

Effect:

The DOE does not appear to be fulfilling all of its subrecipient monitoring responsibilities.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

While in general, the SA has done a good job monitoring local level operations, the SA must strengthen its procedures for administrative reviews to ensure that the issues discussed above are corrected. Since there are only two field staff to accomplish current monitoring activities in addition to other administrative work, a second level review would support this effort. Another alternative is to consider hiring a review coordinator that would assist the field agents in the areas of fiscal action and follow-up reviews.

To ensure corrective action plans are completed within the timeframes specified by your office, the SA should consider adding a column to the tickler file, for both CRE and SMI reviews, to record the date when corrective action plans are due date and when they are received. When a SFA fails to take or respond to corrective action by the deadline and a written extension was not requested, the SA must follow the guidelines for withholding Program payments as outlined in 210.18(1)(1)–(2).

Views of Responsible Officials:

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

Agency Contact Phone Number: (302) 735-4060

Corrective Action Plan:

The State Agency has taken the following actions to address this finding:

- I. The SA will continue to support the field agents with their capacity to accomplish the required monitoring activities. We are aware that the review schedule will be changing from a five-year to three-year cycle and we are planning accordingly to meet this requirement.
- II. Our administrative review findings procedures have been enhanced by the development of a *tickler file* system. Through the use of tracking forms for CRE and SMI Reviews, we have enhanced our procedures that will ensure that our reviews are consistently followed. These forms are currently on our shared intranet drive to facilitate access by the entire SNP team to track reviews and required follow-up action.

Anticipated Completion Date: Immediately.

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Department of Education

Reference Number: 11-ED-13

Program: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting

Condition:

Based on our review of the four quarterly Financial Status Reports (FSRs) for the Child Nutrition Cluster, we noted that the cumulative fiscal year 2011 outlays on the FSRs amounted to \$34,141,296 compared to the general ledger amount for the same period which amounted \$35,838,595. The difference of \$1,697,229 could not be reconciled.

Criteria:

FNS-777, Financial Status Report (OMB No. 0584-0067) - This report replaces the SF-269 and captures the same information: the State agency's cumulative outlays (expenditures) and unliquidated obligations of Federal funds for the programs and program components that comprise the Child Nutrition Cluster. FNS uses the data captured by this report to monitor State agencies' program costs and cash draws (7 CFR sections 210.20(a)(2), 215.11(c)(2), 220.13(b)(2), and 225.8(b)). Two different versions of this form are made available for use by State agencies: one for reporting on Child Nutrition Program funds, and the other for reporting the status of the State agency's SAE grant. This enables the State agency to separately report on its SAE grant which, unlike the program funds, is a 2-year grant.

Cause:

Because of turnover and miscodings of the amounts expended, the Child Nutrition Cluster cumulative outlays reported on the FSRs did not readily agree to FSF.

Effect:

The amounts reported on the FSR submissions did not reconcile to the FSF and there was no support that reconciled the differences.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend that DOE develop procedures to ensure all reports submitted to the Federal Government are reconciled to FSF prior to submission.

Views of Responsible Officials:

Agency Contact Name: Cathy Wolfe

Agency Contact Phone Number: (302) 735-4040

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Corrective Action Plan:

Because of the nature of these programs, frequent revisions to expenditures are expected. These items could be from late claim submissions, MRE reviews yielding over or underpayment of sponsors or possibly recodes. In order to ensure that the data used to complete the FSRs is readily available and can be reconciled, our procedures will be updated to require that staff print screen shots of FSF balances and other pertinent data used. This will ensure that the Department can document that the FSRs reconcile with the FSF data.

Anticipated Completion Date: December 31, 2011

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Year ended June 30, 2011

Department of Health and Social Services

Division of Management Services

Reference Number: 11-DHSS-01

Program: Supplemental Nutritional Assistance Program Cluster (10.551, 10.561, S-10.561)
Temporary Assistance for Needy Families (93.558, S-93.714)
Child Care Cluster (93.596, 93.575, S-93.713)
State Children's Health Insurance Program (93.767)
Medicaid Cluster (93.775, 93.777, S-93.777, 93.778, S-93.778)
Child Support Enforcement (93.563, S-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, Material Weakness

Compliance Requirement(s): Cash Management

Condition:

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.

There is a lack of segregation of duties within DMS' federal draw down process, as the same DMS staff is responsible for executing the query, importing the query results into the spreadsheet, modifying the spreadsheet in order to calculate the draw amounts, performing the cash draw downs, and reconciling the subsequent cash receipts to the Accounts Receivable information in FSF.

In addition, the draw down information could not be directly traced back to FSF because 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.

We were unable to determine whether the federal cash draws were in compliance with applicable funding techniques or Subpart B requirements because we could not validate the information used to perform the draws.

Criteria:

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).

We note that of the major federal programs identified above, all but the Capitalization Grants for Drinking Water State Revolving Funds and Immunization Cluster are subject to the CMIA. These 2 federal programs are required to be in compliance with Subpart B cash draw down procedures.

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Cause:

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.

Effect:

Without a management review control in place, DMS 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:

Questioned costs are not determinable.

Recommendation:

We recommend that DMS enhance its federal draw down procedures to ensure 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.

We also recommend that DMS maintains 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.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

Archived copies of original FSF queries:

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).

Supervisory review of cash draws prior to submission:

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.

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.

Anticipated Completion Date: October 28, 2011 and February 8, 2012

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Department of Health and Social Services

Division of Management Services

Reference Number: 11-DHSS-02

Program: Temporary Assistance for Needy Families (93.558, S-93.714)
Child Care Cluster (93.596, 93.575, S-93.713)
State Children's Health Insurance Program (93.767)
Medicaid Cluster (93.775, 93.777, S-93.777, 93.778, S-93.778)
Child Support Enforcement (93.563), S-93.563)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Special Tests and Provisions (ADP Risk Analysis and System Security Review)

Condition:

At least biennially, DHSS must review their ADP system security of installations involved in the administration of HHS programs. DHSS has provided us with a SOC 1 report for the MMIS system but it cannot be used as evidence of 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:

- (A) Physical security of ADP resources (*Partially covered by the SOC 1 report. The report does not cover any front end systems or back end systems that are not managed by the service organization.*);
- (B) Equipment security to protect equipment from theft and unauthorized use (*Partially covered. Similar to A above*);
- (C) Software and data security (*Partially covered by SOC 1 report. The report does not appear to cover security at the database level.*);
- (D) Telecommunications security (*Not covered*);
- (E) Personnel security (*Not covered*);
- (F) Contingency plans to meet critical processing needs in the event of short or long-term interruption of service (*Not covered*);
- (G) Emergency preparedness; (*Not covered*) and,
- (H) Designation of an Agency ADP Security Manager. (*Not covered by the SOC 1 report; however per procedures performed, we note DHSS has an Information Security Officer*).

Criteria:

Per 45 CFR § 95.621 ADP reviews.

(f) ADP System Security Requirements and Review Process—

- (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.

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- (2) ADP Security Program. State ADP Security requirements shall include the following components:
 - (i) Determination and implementation of appropriate security requirements as specified in paragraph (f)(1) of this section.
 - (ii) Establishment of a security plan and, as appropriate, policies and procedures to address the following area of ADP security:
 - (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.
 - (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.
- (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.
- (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.
- (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.
- (6) The State agency shall maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site review.

Cause:

DHSS does not have a formal policy to monitor and review system security over their systems.

The provided SOC1 report does not sufficiently cover the security components required by HHS.

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.

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Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

DHSS should coordinate with DTI to implement a formal policy to complete a bi-annual review over system security as required by HHS.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

DHSS's Information Resource Management unit will work with the State Department of Technology and Information to draft and implement a formal policy by Jan. 1, 2013 to complete the biannual system security reviews as required in 45 CFR § 95.621.

Anticipated Completion Date: January 1, 2013

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Department of Health and Social Services

Division of Management Services

Reference Number: 11-DHSS-03*

Program: Child Support Enforcement (93.563, S-93.563)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Suspension and Debarment

Condition:

The Department of Health and Social Services did not include the proper suspension and debarment language within the signed contractual agreement with the contractor selected for testwork out of the population of five contractors utilized by the program.

Criteria:

Per the March 2011 Compliance Supplement, “ 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 governmentwide 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.”

Cause:

The Department of Health and Social Services was unable to furnish a signed contract which included the appropriate suspension and debarment language. The Department did not utilize the State’s “boiler plate” contract.

Effect:

The Department of Health and Social Services may have entered into a contractual agreement with a vendor which is suspended and/or debarred.

Questioned Costs:

There were no questioned costs associated with this finding due to procedures performed surrounding the suspension and debarment of the contractor in which the contractor was neither suspended nor debarred.

Recommendation:

We recommend that the Department of Health and Social Services develop policies and procedures over the utilization of the State’s “boiler-plate” contract.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

* Repeat finding from prior year’s audit

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Corrective Action Plan:

- It should be pointed out that the contractor was not on the Federal suspension and debarment listing.
- During contract negotiations with contractor A (the first contract related to this finding) the suspension and debarment language from the contract appendix was inadvertently deleted. The contract is being amended to include the required suspension and debarment language and all of the Division contracts, upon amendment or execution will have the required language included. This will be completed by March 1, 2012 and will include the following language which, it should be noted, was contained in the original solicitation which contractor A responded to. "The original solicitation for the State Disbursement Unit automation under which this vendor was selected contained requirements in both Appendix A section 17 and Appendix C section 24 that the selected vendor comply with the provisions and prohibition of the Debarment Act and to affirm that they are not currently subject to either suspension or debarment from Procurement and Non-Procurement activities by the Federal Government.

Anticipated Completion Date: March 1, 2012

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Year ended June 30, 2011

Department of Health and Social Services

Division of Management Services

Reference Number: 11-DHSS-04

**Program: State Children's Health Insurance Program (93.767)
Medicaid Cluster (93.775, 93.777, S-93.777, 93.778, S-93.778)**

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Suspension and Debarment

Condition:

The State does not check annually to determine if a vendor is suspended or debarred. The State has the vendor sign a "boiler plate" contract which certifies that the vendor is not suspended or debarred. Once the contract is signed the State does not check the current status of the vendor in proceeding years.

We note one vendor changed its name in January 2010 from Electronic Data Systems (EDS) to HP Enterprise Services (HP). We note the original vendor contract with EDS (from 2000) did not contain the "boiler plate" language certifying that the vendor was not suspended or debarred. When the vendor changed names an amendment to the contract was provided however the "boiler plate" language was not included in the amendment.

Criteria:

Per the March 2011 Compliance Supplement, 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 non-procurement 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 non-procurement debarment and suspension guidance contains those additional limited circumstances. All non-procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

Cause:

The State did not check because the State relied on the boiler plate language.

Effect:

A vendor that is suspended or debarred during the year or after certifying that they are not suspended or debarred via their contract, would be able to continue to provide services to the State.

Questioned Costs:

There are no questioned costs associated with this finding as the vendor was not suspended or debarred.

Recommendation:

For those vendors that provided a contract before the "boiler plate" process was established, the State should check annually if a vendor is suspended or debarred via the EPLS website and the print out of the results should be included in the vendor's procurement documents.

Also, if the original contract does contain the "boiler plate" language and a vendor changes names, the State should verify per the EPLS website that the vendor is not suspended or debarred.

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Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

This contract did not include the standard federal debarment language, found in clause B (24) of the DHSS boilerplate contract, because this contract was executed prior to 2008 which is when the federal debarment clause was added to the DHSS boilerplate contract document. Though Divisions have been instructed to include the debarment language in amendments, unfortunately, this did not occur in this case.

Fortunately the contractor was not on the suspension and debarment list.

The procurement section of the Division of Management Services will reinforce to DHSS divisions the need to include debarment language in amendments to their contracts.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

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Department of Health and Social Services

Division of Management Services

Reference Number: 11-DHSS-05*

Program: Supplemental Nutritional Assistance Program Cluster (10.551, 10.561, S-10.561)
Temporary Assistance for Needy Families (93.558, S-93.714)
Child Care Cluster (93.596, 93.575, S-93.713)
State Children's Health Insurance Program (93.767)
Medicaid Cluster (93.775, 93.777, S-93.777, 93.778, S-93.778)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs

Condition:

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), Child Care Development Fund (CCDF) and Medicaid.

Criteria:

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).

Cause:

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 \$1.4 million, while allowable, were allocated to DSS federal programs in a manner not consistent with the approved PACAP.

Questioned Costs:

Questioned costs are not determinable.

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

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.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

As background and as stated in last year's Single Audit response, in February 2010, DHSS secured assistance from an independent firm for the purpose of reviewing the department's Random Moment Sampling (RMS) process which is a vital component of the Public Assistance Cost Allocation Plan (PCAP). Based on this review, changes were implemented to improve that process and the resulting allocations. This included regular updates to the employee roster from which the RMS sample is drawn and the provision of RMS training to workers that respond to the time study.

Additionally, DHSS released a Request for Information (RFI) for proposals to replace DHSS's Random Moment Time Study (RMTS) and cost allocation system software (both applications were unsupported and outdated).

Since last year's Single Audit, contracts have been awarded. A new internet based RMTS was fully implemented on 1/1/11 with a 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 which included provision of a technical documentation and users manual. DHSS staffs were trained in its use.

In FY-11, subsequent to releasing a Request for Proposal (RFP), DHSS awarded a contract to secure further outside assistance to review of 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 PCAP, and (3) production of an up-to-date, integrated DHSS PCAP with sound quality control procedures.

The initial work of interviewing the various internal DHSS organizations to identify the various cost pools has been completed 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 discrete and different allocation methods to those costs. The next work phase (to commence February 2012) 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.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

We target completing this project in calendar year 2012 with the resulting PCAP submitted to the Department of Health and Human Services Division of Cost Allocation toward the end of the fourth quarter of calendar year 2012.

Lastly, it should be pointed out that the DMMA workers (via the eligibility process they carry out) that participate 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 organizations and are not restricted to just one organization.

But again, what the new narrative does and the 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.

Anticipated Completion Date: 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 11-DMMA-01*

Program: Medicaid Cluster (93.775, 93.777, S-93.777, 93.778, S-93.778)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Eligibility

Condition:

For 1 out of 65 applicants selected, the Division of Medicaid and Medical Assistance (DMMA) did not provide evidence that the applicant's Social Security Number was verified with the Social Security Administration (SSA) during the period under audit. The DMMA was able to provide a screen shot from the DCIS system showing the SSN verification for this applicant; however, the match date was 12/6/2011, which was subsequent to the fiscal year under audit (7/1/10 – 6/30/11). The Department also subsequently provided a screens shot from the DACSES System showing the SSN for the applicant in regards to the applicant's Child Support obligation inputted in 1996. We were unable to identify whether or not a SSN verification was completed utilizing this system screen shot.

Criteria:

The Compliance Supplement states "these include that the State or its designee shall: 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 other were issued (42 CFR sections 435.910(g) and 42 CFR section 435.920)."

Cause:

The lack of verification resulted from the DCIS system not having included the applicant within the population to run through the data matching interfaces with the Social Security Administration.

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.

Questioned Costs:

The individual was deemed eligible for the Adult Expansion Population Medicaid under the Diamond State Health Plan, Delaware's Medicaid Managed Care Program which provides Medicaid coverage to all uninsured adults aged 19 and older with gross income that is at or below 100% of the Federal Poverty Level. The questioned costs of \$2,031 relates to the qualifying claims during the fiscal year ending June 30, 2011.

Recommendation:

We recommend that the State modify its procedures to ensure all cases are subject to data matching.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

We believe that the conclusion the auditors have arrived at is faulty. As demonstrated in the information and documentation provided the auditors, the SS# has been confirmed at a range of points within the life of this client's touching DHSS and its programs. The auditors narrowly viewed that the SS# should have been confirmed during the audit period. The fact of the matter is that this is unnecessary as the SS# was confirmed prior to the audit period and confirmation does not need to be repeated as SS#'s for a person are assigned for their lifetime and does not change. Also – the auditors do recognize a SS# match on 12/6/11. Again – since SS#'s don't change, we believe there are no questioned costs associated with this finding.

Anticipated Completion Date: Not applicable.

Auditors' Response:

As cited in the Condition of the finding above, the screen shot from the DCIS system showing the SSN verification for this applicant was dated 12/6/2011. In addition, the screen shot from the DACSES system did not provide evidence that the applicant's SSN was properly verified with the SSA. Therefore, DMMA has not provided proper evidence to show that the SSN was verified with the SSA prior to 12/6/2011, which was subsequent to the fiscal year under audit (7/1/10 – 6/30/11).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 11-DMMA-02

Program: State Children's Health Insurance Program (93.767)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Eligibility

Condition:

Three out of our sample of forty children receiving SCHIP benefits were determined to be ineligible to receive SCHIP benefits. Children who receive either Medicaid or they were covered under another independent healthcare provider are not also eligible to receive SCHIP benefits. The amount received by each child is the following:

Child #1 received MCI#1033248-\$627.05 (\$416.27 FFP) Child #2 received MCI#812915-\$1223.29 (\$815.07 FFP), and Child #3 MCI# 1687470- \$337.11 (\$226.57 FFP) received SCHIP benefits during the State's fiscal year 11.

Criteria:

States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds within the guidelines established under the Act. Generally, a State may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

Per section 4.1 Delaware's State Plan the following standards may be used to determine eligibility of targeted low-income children for child health assistance under the plan:

4.1.7 Must be uninsured for at least 6 previous months

4.1.8 12 months of guaranteed eligibility

4.1.9 Must be (1) ineligible for enrollment in any public group health plan; and, (2) a social security number is required for an applicant child, effective August 24, 2001

Cause:

The information entered into MMIS does not interface with DCIS, and, therefore, updates in MMIS are not considered until annual redetermination.

In two cases the child was receiving private health benefits at the same time as receiving SCHIP benefits in FY2011. The State was aware the child was receiving private health benefits and the information was correctly included in the MMIS system. However, the information was not included in the DCIS II system.

In one case the child was receiving Medicaid benefits at the same time as receiving SCHIP benefits in FY2011. The State was aware the child was receiving Medicaid and the information was correctly included in the MMIS system. However, the information was not included in the DCIS II system.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Effect:

The recorded information in MMIS does not match the information in DCIS II. State employees responsible for determining SCHIP eligibility via the DCIS II system are relying on inaccurate recipient information. Therefore children receiving SCHIP benefits may not be eligible to receive these benefits.

Questioned Costs:

Questioned costs associated with the three children are \$2,187.45 total computable dollars (\$1,457.91 FFP).

Recommendation:

The DCISII and MMIS systems should interface to ensure that the information recorded in one system agrees to what is recorded in the other system.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

DSS concurs that the children were ineligible for SCHIP because all three had private health insurance. One part of the finding is incorrect. One child (MCI# 1687470) did not have Medicaid and SCHIP at the same time. The child received Medicaid from 7/1-9/30/10 and then SCHIP 10/1-1/31/11 and then Medicaid 2/1/11-9/30/11. The period when the child qualified for Medicaid is not an error. Children receiving Medicaid are eligible even if the child is covered by private insurance.

The parent/caretaker is not always the most reliable informant about private health insurance. The information obtained by MMIS matches with private insurance or through the Division of Child Support is more reliable.

When the MMIS is re-procured or if the current MMIS can be improved, this error could be eliminated with the following changes:

- When TPL information is entered in the MMIS, have the MMIS create an interface so the TPL information is passed to DCIS. The interface populates the DCIS TPL screens and an alert is sent to the assigned Social worker to “process” the change which will terminate SCHIP eligibility and the parent caregiver will receive the proper notice.
- When a new SCHIP child is passed from DCIS to the MMIS, the MMIS should check the MMIS TPL screens to determine if the child has other insurance. If the child has other insurance, SCHIP should be denied and notice sent to the parent/caretaker. The interface populates the DCIS TPL screens and an alert is sent to the assigned social worker to “process” the change which will terminate eligibility.

Anticipated Completion Date: Upon establishment of interface between DCIS and MMIS systems.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-01

Program: Child Care Cluster (93.575, 93.596, S-93.713)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Special Tests and Provisions (Fraud Detection and Repayment)

Condition:

We obtained a listing of 34 claims established during the State’s Fiscal Year. The claims identified by the Audit Recovery and Management System (ARMS) department were coded as Agency Errors (AE) or Inadvertent Household Errors (IHE). Therefore, we selected nine cases to review for compliance with the Fraud and Detection Repayment Requirement and noted the following:

- For two out of nine case files, the referral process was not completed within the appropriate time frame.
- For Case #1, the overpayment was reported to the Division of Child Support Enforcement (DCSE) in November 2007. It was reported to the Division of Social Services (DSS) on January 2008 and an overpayment was prepared by DSS on October 2009. ARMS received the overpayment paperwork from DSS on January 2010 and prepared an overpayment claim on January 2010.
- For Case #2, the original Date of Discovery by the investigator was June 2009, but the claim was established on February 2011 by ARMS.

Criteria:

Per the 2010 DHSS, Division of Management Services, Audit and Recovery Management Services (ARMS) Management Plan Section 3&4 (a), “A referral is a request to investigate potential/suspected fraudulent activity or eligibility issues within those benefit service programs administered through the Department of Health and Social Services (DHSS). These requests are received from private citizens, State, local and federal agencies. A referral is the starting point of the investigation. The referral source is just the vehicle that delivers the allegation or eligibility issue that needs to be investigated. The reporter has the option of maintain their anonymity. All referrals are treated confidentiality.

Referral Completion Time Frames:

<u>Referral Type</u>	<u>Completion Timeframe</u>
DSS/DMMA/QC Referral for Overpayment/Prosecution	30 calendar days
State/Federal Agency Referrals	30 calendar days

Cause:

The Division of Audit and Recovery Management Services did not follow their ARMS Management Plan with their referral completion time frames.

Effect:

The Division of Audit and Recovery Management Services processed claims that were referred outside of the referral completion time frames.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

There are no questioned costs associated with this finding because the claims were identified as Inadvertent Household Errors (IHE) rather than an Intentional Program Violations (IPV).

Recommendation:

We recommend that the Division of Audit and Recovery Management Services follow the procedures outlined in their ARMS Management Plan.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

Due to several factors, these two cases were completed outside the completion timelines. ARMS will take steps to expedite processes to avoid a reoccurrence.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-02

Program: Child Care Cluster (93.596, 93.575, S-93.713)

Type of Finding: Material Weakness

Compliance Requirement(s): Earmarking

Condition:

Per the Fiscal Year 08 ACF 696 Final Report submitted on 9/30/2010, quality activity expenditures were \$831,405. The total expenditures per the report were \$25,424,142; therefore the four percent of expenditure Earmark for Quality Activities did not appear to be met. Quality activities were 3.27% (\$831,405/\$25,424,142) which does not meet the minimum requirement of four percent. Subsequent research by the Agency revealed that the submitted ACF 696 Final Report contained errors on line 1, 4 and 6 Column C. On line 6 (column C) \$6,458,196 was reflected as transferred from TANF and expended. In reviewing the record of expenditures, no funds were transferred and expended from TANF. This overstates the total amount expended on CCDF by \$6,458,196. As a result:

- The correct amount on line 6 Column C should have been zero.
- The correct total reported amount should have been \$18,965,946.
- The required 4% Quality Activity would be \$758,638 (\$18,965,946 X's 4%).
- By expending \$831,405 on Quality Activity, DHSS has met and even exceeded the required 4%.

Criteria:

Quality Earmark – States and Territories must spend on quality and availability activities, as provided in the State/territorial plan, not less than 4 percent of CCDF funds expended (i.e., the total of CFDA's 93.575, 93.596, and 93.713 funds) and any State expenditures for which Matching Funds (CFDA 93.596) are claimed. (45 CFR section 98.51)

Cause:

The Division of Social Services does not have controls in place to monitor the earmark requirement.

Effect:

The Division of Social Services was unaware that it was deemed to not have met the minimum earmark for quality activities based on the submitted reports. Additionally, inaccurate reporting could lead to erroneous earmarking calculations.

Questioned Costs:

There are no questioned costs associated with this finding as DHSS is deemed to have met the earmarking requirements based on corrected reporting amounts.

Recommendation:

We recommend that the Department of Health and Social Services develop procedures and controls to monitor earmarking requirements.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

In reviewing this finding and reviewing the Fiscal Year 08 ACF 696 Final Report submitted on 9/30/2010, an error was discovered on line 1, 4 and 6 Column C. On line 6 (column C) \$6,458,196 was reflected as transferred from TANF and expended. In reviewing the record of expenditures, no funds were transferred and expended from TANF. This overstates the total amount expended on CCDF by \$6,458,196.

Therefore:

- The amount on line 6 Column C should have been zero.
- The total reported amount \$18,965,946.
- The required 4% Quality Activity would be \$758,638 (\$18,965,946 X's 4%).
- By expending \$831,405 on Quality Activity, DHSS met and even exceeded the required 4%.

DHSS will submit a revised the Fiscal Year 08 ACF CCDF 696 Final Report to correct this error.

Additionally, DHSS is currently engaged in developing written procedures for report preparation which will include steps to avoid this type of error from occurring.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-03

Program: Supplemental Nutritional Assistance Program Cluster (10.551, 10.561, S-10.561)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Matching

Condition:

For three of the sixty-five matching transactions tested, we note the incorrect matching percentages were used to calculate the matching amounts for FY2011. For two of the transactions the Division of Social Services (DHSS) charged the State a matching rate of 45% instead of the required 50%. For the first transaction, the total amount of the transaction was \$564. The amount charged to the State was \$254, whereas \$282 should have been charged to the State. For the second transaction the total amount of the transaction was \$301. The amount charged to the State was \$135, whereas \$150 should have been charged to the State. For the third transaction the DHSS did not charge the State a matching rate, whereas they should have charged a rate of 50%. The amount charged to the State was \$217, whereas 50% or \$109 should have been charged to the State.

Criteria:

The State is required to pay 50 percent of the costs of administering the program. Exceptions to this 50 percent reimbursement rate include 100 percent grants to: a. Administer the Employment and Training component of the program (7 CFR section 277.4(b)); and b. Provide nutrition education and obesity prevention services, beginning October 1, 2010 (7 USC 2036a, Section 241 of Pub. L. No. 111-296, 124 Stat. 3183, December 13, 2010). There is no matching requirement for ARRA funding of a State's SNAP administrative costs. (Sections 101(c) of ARRA, 123 Stat. 120)

Cause:

Portions of two cited payments and 100% of another cited payment were charged in error to FNS State Exchange funds.

Effect:

The Division of Social Services is expending funds which are not in accordance with the set Federal and State split matching percentages which will lead to a decrease in allocations made by the State.

Questioned Costs:

The questioned costs associated with this finding are \$152. The total expenditures for the 65 matching transactions tested in our sample were \$2,963,132, and the total expenditure population subject to our sampling was \$12,795,889 for the fiscal year ended June 30, 2011.

Recommendation:

We recommend that the Division implement policies and procedures surrounding documentation retention as well as policies and procedures surrounding the utilization of the appropriate Federal and State matching percentages.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

The three cited payments were charged in error to FNS State Exchange funds. DSS will process correcting entries in the State accounting system to remove the charges from the State Exchange funds and charge them to the 50% SNAP administrative funds. Additionally DSS will heighten its review of payments against FNS State Exchange funds to avoid this type of error from reoccurring.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-04

Program: Child Care Cluster (93.596, 93.575, S-93.713)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting

Condition:

For 1 of the 2 ACF-696 reports reviewed, the CCDF Form ACF-696 Report expenditures were inaccurately recorded. Per the Financial Aid Report from First State Financials (FSF), expenditures were \$3,275,670; per the Form ACF-696 report, expenditures were \$5,647,230 for the quarter ending June 30, 2011.

Criteria:

ACF-696, Child Care and Development Fund Financial Report (OMB No 0970-0163) is due quarterly from States and Territories. These reports are in lieu of the SF-269, Financial State Report/SF-425, Federal Financial Report (financial status). Each fiscal year's expenditure report must be separate, therefore, multiple reports may be required if awards from more than one fiscal year are expended in a given quarter. Any funds transferred from TANF are treated as Discretionary Funds for reporting on the ACF-696. (42 USC 604(d); 45 CFR section 98.54(a))

Cause:

The Division of Social Services does not have an adequate control to review and reconcile total amounts reported on the Form ACF-696 to the total amounts reported in FSF, to ensure that all federal expenditures are accurate and included in the Form ACF-696.

Effect:

The amounts reported to the U. S. Department of Health and Human Services on Form ACF-696 could not be reconciled to the amounts reported on the FSF generated report (DGM001_M) which results in the Federal Government having less/more information about expenditures than were really incurred, which will increase/decrease the analysis of allocation made to the State. The Division over reported expenditures by a total of \$2,371,560 (\$5,647,230 – \$3,275,670).

Questioned Costs:

There are no questioned costs associated with this finding as the amount of cash drawn agrees with the expenditures recorded per FSF.

Recommendation:

We recommend that the Department of Health and Social Services develop procedures to reconcile cumulative expenditures reported on Form ACF-696 to expenditures accumulated in FSF, to ensure all federal expenditures and transfers to other Federal programs are appropriately reported.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Corrective Action Plan:

While the expenditure information was in the FSF system, the original configuration of the FSF report (DGM001_M) used by DHSS did not give adequate detail to complete the ACF-696 reports accurately. The FSF report has been subsequently reconfigured to more appropriately reflect the information in the underlying FSF system. DHSS will conduct an analysis of the reconfigured DGM001_M report and accurately reflect expenditures on the ACF-696 report.

Additionally, DHSS is currently engaged in developing written procedures for report preparation which will include reconciling expenditures on Federal reports to expenditures in FSF, the State's accounting system.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-05

Program: Supplemental Nutritional Assistance Program Cluster (10.551, 10.561, S-10.561)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting

Condition:

We were unable to obtain and test a reconciliation of the SNAP amounts reported to the U.S. Department of Agriculture (USDA) on Form SF-269 to the amounts reported on the First State Financials (FSF) generated reports as well as the supporting documentation provided. We note that total expenditures per FSF were \$1,275,904 and the Form SF-269 reported total expenditures of \$2,675,583 for the quarter ending December 31, 2010. For the quarter ending June 30, 2011, total expenditures per FSF were \$13,546,604 and the Form SF-269 reported total expenditures of \$11,159,535.

Criteria:

(c) *Financial status report*

- (1) Form. State agencies shall use the standard Financial Status Report (Form SF-269) to report program costs.
- (2) Frequency. The report (Form SF-269) shall be required quarterly.
- (3) Exceptions. Those State agencies that receive payments under the U.S. Treasury check system shall submit to FNS a Quarterly Report of Federal Cash Transactions (Form SF-272).
- (4) Due dates. Quarterly reports shall be due April 30 (for the period January through March), July 30 (April through June), October 30 (July through September), January 30 (October through December). Final reports are due December 30 for all completed Federal fiscal years (October 1 through September 30) or 90 days after termination of Federal financial support. Requests from State agencies for extension of reporting due dates may be approved, if necessary. (7 CFR section 277.11(c))

Cause:

The Department of Health and Social Services does not have a procedure in place to reconcile total amounts reported on the Form SF-269 to the total amounts reported in FSF, to ensure that all federal expenditures are accurate and included in the Form SF-269 report.

Effect:

The amounts reported to the USDA on Form SF-269 could not be reconciled to the amounts reported on the FSF generated report (DGM001_M) which results in the Federal Government having less/more information about expenditures than were really incurred, which will increase/decrease the analysis of allocation made to the State.

Questioned Costs:

The comparison between the Form SF-269 and the FSF Report (DGM001_M) utilized to prepare the Form SF-269 has a questioned cost of \$2,387,069 for the Form SF-269 for the period ending June 30, 2011.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Recommendation:

We recommend that the Department of Health and Social Services develop procedures to reconcile cumulative expenditures reported on Form SF-269 to expenditures accumulated in FSF, to ensure all federal expenditures and transfers to other Federal programs are appropriately reported.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

While the expenditure information was in the FSF system, the original configuration of the FSF report (DGM001_M) used by DHSS did not give adequate detail to complete the SF-269 reports accurately. The FSF report has been subsequently reconfigured to more appropriately reflect the information in the underlying FSF system. DHSS will conduct an analysis of the reconfigured DGM001_M report and accurately reflect expenditures on the SF-269 report.

Additionally, DHSS is currently engaged in developing written procedures for report preparation which will include reconciling expenditures on Federal reports to expenditures in FSF, the State's accounting system.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-06*

Program: Temporary Assistance for Needy Families (93.558, S-93.714)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting

Condition:

We were unable to test a reconciliation of the TANF amounts reported to the U.S. Department of Health and Human Services on Form ACF-196 to the amounts reported on the First State Financials (FSF) generated reports as well as the supporting documentation provided.

Total expenditures per the FSF DGM001_M report were \$33,346,698 and the ACF-196 reported total expenditures of \$25,832,785, therefore the reconciling difference is \$7,513,913 (these balances include both State and Federal activities incurred for the quarter ending December 31, 2010).

We received the FSF DGL123 report, which per discussion with the Department, was the proper report to utilize to accurately report the Federal expenditures for the program. We note that the total TANF expenditures per the quarter was \$28,438,766, therefore the reconciling difference between the ACF-196 report and the DGL123 is \$2,605,981, for the quarter ending December 31, 2010.

Criteria:

ACF-196, *TANF Financial Report (OMB Control No. 0970-0247)* - States are required to submit this report quarterly in lieu of SF-269, *Financial Status Report*. Each State files quarterly expenditure data on the State's use of Federal TANF funds, State TANF MOE expenditures, and State expenditures of MOE funds in separate State programs. If a State is expending Federal TANF funds received in prior fiscal years, it must file a separate quarterly TANF Financial Report for each fiscal year that provides information on the expenditures of that year's TANF funds.

Cause:

The Department of Health and Social Services does not have a procedure in place to reconcile total amounts reported on the Form ACF-196 to the total amounts reported in FSF, to ensure that all federal expenditures and transfers to other programs (Child Care Development Fund and Social Services Block Grant) are accurate.

Effect:

The amounts reported to the U. S. Department of Health and Human Services on Form ACF-196 could not be reconciled to the amounts reported on the FSF generated report (DGM001_M) which results in the Federal Government having less information about expenditures than were really incurred, which may affect the analysis of allocation made to the State.

* Repeat finding from prior year's audit

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Year ended June 30, 2011

Questioned Costs:

The comparison between the Form ACF-196 and the FSF Report (DGM001_M) utilized to prepare the Form ACF-196 has a questioned cost of \$2,605,981 for the Form ACF-196 for the period ending December 31, 2010.

Recommendation:

We recommend that the Department of Health and Social Services develop procedures to reconcile cumulative expenditures reported on Form ACF-196 to expenditures accumulated in FSF, to ensure all federal expenditures and transfers to other Federal programs are appropriately reported.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

While the expenditure information was in the FSF system, the original configuration of the FSF report (DGM001_M) used by DHSS did not give adequate detail to complete the ACF-196 reports accurately. The FSF report has been subsequently reconfigured to more appropriately reflect the information in the underlying FSF system. DHSS will conduct an analysis of the reconfigured DGM001_M report and accurately reflect expenditures on the ACF-196 report.

Additionally, DHSS is currently engaged in developing written procedures for report preparation which will include reconciling expenditures on Federal reports to expenditures in FSF, the State's accounting system.

Anticipated Completion Date: Immediately.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Social Services

Reference Number: 11-DSS-07

Program: Child Care Cluster (93.596, 93.575, S-93.713)

Type of Finding: Significant Deficiency

Compliance Requirement(s): Special Tests and Provisions (Health and Safety Requirements)

Condition:

During our testing of license issuance at the Office of Child Care and Licensing (OCCL), we noted for one out of forty case files selected, the license application was not completed or present in the case file, and the provider was provided with a Child Care Provider License.

Criteria:

Lead Agencies must verify that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers (45 CFR section 98.41).

Cause:

The Office of Child Care and Licensing did not follow their procedure and policy for issuing licenses to providers and maintaining compliance with licensure.

Effect:

The Office of Child Care and Licensing issued license to providers or allowed providers to maintain their licensure without obtaining or completing the required attributes to obtain or maintain their licensure.

Questioned Costs:

There were no questioned costs associated with this finding as the provider was subsequently determined to be appropriately licensed.

Recommendation:

We recommend that the Office of Childcare and Licensing follow their procedures and policies for issuing licenses and maintaining licensure for providers.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

Unfortunately, OCCL was not able to locate the cited application that was submitted. In viewing this finding, it is important to consider the process used to issue a license. Prior to a license being issued the renewal packet is reviewed by the Licensing Supervisor for completeness; the application would be one of the documents the Licensing Supervisor would specifically have been looking for – without which the Licensing Supervisor would have not signed off (which is required prior to the issuance of a license). In

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Year ended June 30, 2011

other words, without the application, the license would not have been issued. In fact, OCCL would have closed the case because the license is valid for only one year and would have expired. The lack of an application is viewed by OCCL as an incident of human error of a misfiled document which has not been located. DSS will communicate to OCCL the need to ensure that all documentation is properly maintained/filed in order to provide a proper audit trail of the approval process.

Additionally, OCCL conducted licensing site visits to the provider on 7/9/09, 10/28/10, 10/28/11, 11/29/11, and 1/9/12. The point is that there is a system in place that regularly monitors the compliance of the provider's facility to Delaware Rules which, if not complied with, the license would be revoked. This was not the case with this provider.

Anticipated Completion Date: Immediately.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 11-CSE-01*

Program: 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)

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.

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.

Cause:

Non-compliance 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 non-compliance 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.

Questioned Costs:

Questioned costs associated with this finding are not applicable as this is an attribute of program activity.

Recommendation:

We recommend that Child Support Enforcement management work with the Attorney General’s Office to reduce the noted backlog.

* Repeat finding from prior year’s audit

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Year ended June 30, 2011

Views of Responsible Officials:

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 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.

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.

Anticipated Completion Date: Ongoing

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 e-mail 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.

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.

- 1) DCSE management will work with the DOJ to ensure that new support petitions are acted upon first.

Anticipated Completion Date: Ongoing

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- 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.

Anticipated Completion Date: Ongoing

- 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.

Anticipated Completion Date: Ongoing

- 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.

Anticipated Completion Date: Ongoing

- 5) 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

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Year ended June 30, 2011

Department of Health and Social Services

Division of Public Health

Reference Number: 11-DPH-01*

Program: Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Subrecipient Monitoring

Condition:

We reviewed 2 of the 6 entities subject to Subrecipient Monitoring procedures for the Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) Program, to conform that subrecipient monitoring finding for fiscal year 2009-2010 continued into fiscal year 2010-2011, we noted the following:

- 1) Subrecipient A-133 Audit Compliance Certifications were not mailed out to the subrecipients in accordance with State policy (telephone conversations were used instead of official confirmation).
- 2) Documentation over the subrecipients' financial information and A-133 single audit reports was unavailable for testing as the review procedures of the 2010 sub-recipient information was not completed at the time of our audit procedures, 13 months after calendar year 2010 ended.

Criteria:

Per the State's Subrecipient Monitoring Procedures for the Water Pollution Control Revolving Fund and the Drinking Water State Revolving Fund "Subrecipients will receive a Compliance Certification form from FAB (Financial Assistance Branch) at the close of their respective fiscal year, which they are required to complete and return."

Pass-through entities are required to review financial and performance reports submitted by its subrecipients. They must also ensure that subrecipients receiving more than \$500,000 of federal money comply with single audit requirements of A-133. They must also perform certain during the award monitoring of the sub-recipient's use of Federal awards through reporting, site visits, regular contact, or other means. The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§.225, §.310(d)(5), §.400(d)), A-102 Common Rule (§.37 and §.40(a)), and OMB Circular A-110 (2 CFR section 215.51(a)), program legislation, Section 1512(h) of ARRA, 2 CFR section 176.50(c), Federal awarding agency regulations, and the terms and conditions of the award.

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

* Repeat finding from prior year's audit

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Year ended June 30, 2011

Cause:

Due to staffing constraints, the State was unable to mail the forms in a timely manner. Additionally, supporting documentation with evidence of review (signature/sign-off) is not being maintained to evidence that sufficient during the award period monitoring is being performed.

Effect:

Subrecipient monitoring is not being performed and federal funds passed to subrecipients may not be spent in accordance with the grant program.

Questioned Costs:

Questioned costs of the \$78.2 million sub-granted are not determinable.

Recommendation:

We recommend that all policies and procedures are followed and that timely monitoring of subrecipient A-133 audit requirements is performed to ensure they are in compliance with all federal guidelines.

We also recommend that the State prepare and maintain any checklists or summaries of review findings when performing site visits to show proper evidence that the site visit is being performed and document all procedures performed during the visit to ensure that the subrecipient is complying with federal regulations. These checklists and summaries should include proper sign off by the individuals performing the site visit and be reviewed by a manager to ensure that the conclusions reached by the preparer are appropriate and that any necessary follow up is being performed if deficiencies were identified. Managers should sign the checklist or summaries as evidence their review.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

The DWSRF assumed direct responsibility for subrecipient monitoring as of October 1, 2011. In preparation for assuming the direct responsibility, the DWSRF took several actions:

- In the 4th Quarter of FY2011 the DWSRF hired an Accounting and Auditing Specialist to monitor compliance with program requirements.
- In the 4th Quarter of FY2011 Task lists and timetables were developed for the sub-recipient monitoring process.
- In the 1st quarter of FY2012, letters were mailed to sub-recipients detailing the A-133 requirements and requesting the return of the Compliance Certification.

All Compliance Certifications have been returned. The first sub-recipient financial information and A-133 single audit reports are arriving. The reports are being reviewed using documented DWSRF procedures.

Anticipated Completion Date: October 1, 2011

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Public Health

Reference Number: 11-DPH-02*

Program: Special Supplemental Nutrition Program for Women, Infants and Children (10.557)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting

Condition:

During our review of the FNS-798A September 2010 Closeout Report, we note that insufficient documentation was maintained in order to ensure accuracy of the amounts reported to the USDA. The administrative costs of \$4,652,182 agreed to amounts in First State Financials (FSF) in total and we identified how \$4,528,041 of those administrative costs were allocated between the eight functions/activities on the FNS-798A report; however, \$124,141 of those administrative costs, could not be determined to which of the eight functions/activities the cost should have been allocated to because there was not a program code assigned for these costs. The WIC Program personnel included this cost of \$124,141 in the State Level Expenditures General Administration category.

Criteria:

FNS-798A, Addendum to WIC Financial Management and Participation Report – NSA Expenditures (OMB No. 0584-0045) – State agencies prepare the FNS-798A annually to report: (1) NSA expenditures by function for the fiscal year being closed out; (2) the method by which NSA expenditures were charged as indirect costs; and (3) the method by which the indirect cost amount was determined. FNS uses the amounts reported in nutrition education and breast-feeding promotion and support, two of the four functional categories on the FNS-798A, to determine whether the State agencies met the statutory minimum spending level for those functions.

Cause:

Proper supporting documentation was not maintained in order to clearly reconcile \$124,141 of expenditure amounts for the WIC Administrative Cost reported in FSF.

Effect:

NSA Expenditures for the period being reported may be misstated and not be included in the appropriate function/activities.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend that the program maintain all appropriate supporting documentation and schedules to show how amounts reported on the FNS-798 reconcile to FSF and verify that all WIC all expenditures are assigned a Program Code.

* Repeat finding from prior year's audit

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

As part of corrective action (subsequent to last year's audit), DPH put in place written procedures that now include supporting documentation standards. This also includes enhanced supervisory oversight as well as the review and approval of staff's work and the program's financial reports.

Unfortunately when this cited report (September 2010 WIC FNS 798A) was prepared, the procedures had not yet been formulated and the critical employee was still out due to illness.

It should be stressed that the total amount reflected on the FNS 798A for September 2010 WIC Program Close Out Report agrees with the total expenditures recorded in FSF (the new State accounting system). Total administrative expenditures reported reconcile to FSF. There were administrative expenses reported under general administration because those costs could not be further broken down (i.e. the procedures had not been developed at the time of this report's submission).

It should also be pointed out that subsequent FNS 798 and 798A WIC Close Out Reports have been maintained with all supporting documentation from FSF. This information is stored on the WIC shared drive and in hard copy as part of the monthly and closeout documentation.

Anticipated Completion Date: Immediately.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2011

Department of Health and Social Services

Division of Public Health

Reference Number: 11-DPH-03*

Program: Immunization Cluster (93.268, S-93.712)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Control, Accountability, and Safeguarding of Vaccine)

Condition:

During our review of the control, accountability, and safeguarding of vaccine compliance requirements, we noted that none of the 21 site visits we reviewed included an examination of inventory records at the provider's office to ensure proper recording of receipt, transfer, and usage of vaccine. As such, we were unable to determine whether there is proper control, accountability, and safeguarding of vaccine at provider sites.

Criteria:

Effective control and accountability must be maintained for all vaccine under the VFC program. Vaccine must be adequately safeguarded and used solely for authorized purposes (42 USC 1396s). This includes administration only to VFC program-eligible children, as defined in 42 USC 1396s (b) (2) (A) (i) through (A) (iv), regardless of the child's parent's ability to pay (42 USC 1396s(c) (2) (C) (iii)).

Cause:

The program followed CDC guidance in the program operations guide when determining the procedures provided to the Texas Medical Foundation (TMF) and, as a result, did not require the examination of inventory records as required by federal regulations.

Effect:

The program is not monitoring the providers control over the vaccine inventory.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend the program's policies and procedures, and if necessary, the contract between the State and TMF be amended to ensure that inventory records are examined during site visits to ensure the proper recording of receipt, transfer, and usage of vaccine.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

* Repeat finding from prior year's audit

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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Corrective Action Plan:

During the last Single Audit covering the period July1, 2009 – June 30, 2010, there were no specific requirements within the CDC Program Operation Guide to examine provider inventory records. The CDC implemented the requirement in January 2011. On March 2, 2011, subsequent to the January 2011 requirement, DPH Immunization Program developed and implemented a policy to address the monitoring, review and documentation of provider inventory records. Since that time, this activity has been part of the required elements of provider monitoring site assessments.

Anticipated Completion Date: March 2, 2011

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Public Health

Reference Number: 11-DPH-04*

Program: Immunization Cluster (93.268, S-93.712)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Record of Immunization)

Condition:

During our review of the Record of Immunization compliance requirements, we noted that for 12 out of 21 Texas Medical Foundation (TMF) site visit reports, the provider was not in compliance with the requirements of Record of Immunization. Per discussion with the contract administrator, only verbal discussions were held with the providers to inform them that sufficient record of immunization requirements were not met. As no formal documentation of follow-up procedures was maintained, we were unable to determine if sufficient follow-up action was taken, as required by federal requirements.

Criteria:

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25) which includes:

- a. Date of administration of the vaccine;
- b. Vaccine manufacturer and lot number of the vaccine; and
- c. Name and address and, if appropriate, the title of health care provider administering the vaccine

Cause:

Based on guidance from the CDC indicating that immunization records are not high priority, the procedures provided to the Texas Medical Foundation (TMF) by the Department of Public Health did not stipulate that more detailed follow up was required for this type of non-compliance.

Effect:

The program is not in compliance with federal regulations.

Questioned Costs:

Questioned costs are not determinable.

Recommendation:

We recommend the program's policies and procedures, and if necessary, the contract between the State and TMF be amended to ensure that written documentation exists of any follow up actions regarding noncompliance with federal regulations.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

In March 2011, the DPH Immunization Program developed a handout outlining the requirements for documenting the administration of immunizations. Since that time, the contractor who conducts monitoring of this program (TMF Health Quality Institute) has been required to distribute a copy of the handout (that outlines the documentation of vaccine administration) to each provider and review it with them.

In addition, the DPH Immunization Program has developed a feedback form to summarize provider site assessment visits. The contractor completes the feedback form, which will document the provisions of and review of the requirements for documenting the administration of vaccines. The contractor submits a copy of the feedback form to the Immunization Program for each site assessment conducted.

The Immunization Program reviews the feedback forms and communicates any required corrective action to the providers. The information is also sent to the CDC and maintained in their database.

The developed handout and feedback form are available for review for the auditors.

Anticipated Completion Date: March 2011

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of Public Health

Reference Number: 11-DPH-05*

Program: Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Condition:

During our testwork over time and effort reporting, we noted that for 1 out of 65 employees tested, time was split between the Drinking Water State Revolving Fund and another federal program; however, an appropriate time and effort report was not obtained.

Criteria:

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).

Cause:

The Program does not have a process to properly document in time and effort report the employee's split time on the federal grants.

Effect:

Salaries and benefits of employees who work on federal programs are being charged to federal grants without proper documentation.

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

Questioned costs are \$1,280, which represents the salary paid to the employee for the payroll period tested. The total expenditures for the 65 employees tested in our sample were \$70,732, and the total expenditure population for the employees subject to our sampling was \$822,579 for the fiscal year ended June 30, 2011.

Recommendation:

We recommend that the Program properly maintain effort report for each employee's time allocated between grants.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

An appropriate time and effort report was not maintained to support an employee who was split coded between two federal programs for the quarter in question. This was an oversight in that the employee was transitioning between the two federal programs. As part of the transition the employee did work on both programs during that quarter and is now being properly charged 100% to one federal program.

Anticipated Completion Date: Immediately.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of State Service Centers

Reference Number: 11-SSC-01*

Program: Low-Income Home Energy Assistance Program (93.568)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs, Subrecipient Monitoring

Condition:

The Division's policy is to perform a review of expenditure reimbursement requests submitted from the subrecipients to meet the requirements noted in the compliance supplement. The prior year audit found the Division did not review or maintain sufficient evidence with the invoice to ensure the expenditures were in accordance with the applicable federal regulations. We found for 7 out of the 65 expenditures selected for testwork for fiscal year 2011 there was evidence of the Division's review; however, the Division did not review or maintain sufficient evidence with the invoice to ensure the expenditures were in accordance with the applicable federal regulations. We note that the Division implemented a corrective action plan effective January 2011 to require their subrecipients to submit sufficient supporting documentation with their invoices. The 7 expenditures without sufficient supporting documentation with the invoice were all dated prior to the January 2011 corrective action. The 7 expenditures totaled \$1,021,549 out of the \$7,675,828 sampled. The total expenditure population was \$12,724,456.

We also note that LIHEAP performed monitoring procedures during the year over the claimants receiving LIHEAP funding to ensure they were eligible for services and the benefit amount was calculated correctly. We note out of the 674 eligibility files selected and tested by the LIHEAP Program, 5 cases had the eligibility determination calculated to be incorrect with the total net amount paid to the claimants to be immaterial to the Program.

Criteria:

U.S Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300 states in part:

The auditee shall:

- b) Maintain internal control over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provision of contracts or grant agreements that could have a material effect on each of its programs.
- c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.

U.S. Office of Management and Budget Circular A-87, Cost Principle for State, Local and Indian Tribal Government (2 CFR Part 225) Appendix A, Section C, Basic Guidelines, state in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, cost must meet the following general criteria:
 - a. be allocable to Federal awards under the provision of this circular...

* Repeat finding from prior year's audit

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

j. be adequately documented

In addition, allowable costs under the grant are limited to:

1. Costs used to assist eligible households to meet the costs of home energy, i.e., heating or cooling their residences (42 USC 8621(a) and 8624(b)(1)). 8621(a).
2. Costs used to intervene in energy-related crisis situations, as defined by the grantee (42 USC 8623(c) and 8624(b)(1)).
3. Costs used to conduct outreach activities (42 USC 8624(b)(1)).
4. Costs used to provide low-cost residential weatherization and other costs-effective energy-related home repair (42 USC 8624(B)(1)).
5. Costs used to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors (42 USC 8624(b)(16)).
6. Costs used to identify, develop, and demonstrate leveraging programs (45 CFR section 96.87(c)).
7. No costs may be for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility (42 USC 8628).
8. Leveraging incentive awards must be used to increase or maintain heating, cooling, energy crisis, and weatherization benefits for low-income persons (45 CFR section 96.87(j)).
9. Leveraging incentive award funds may not be used for planning, developing, or administering the LIHEAP Program (45 CFR section 96.78(j)).
10. LIHEAP grantees may use some of all of the rules applicable to the Department of Energy's Weatherization Assistance for Low-Income Persons program (CFDA 81.042) for their LIHEAP funds spent on Weatherization (42 USC 8624 (c)(1)(D)).

Cause:

The Division was in process of implementing new policies and procedures pertaining to the review of program expenditures incurred by the subrecipients prior to reimbursement given that the corrective action date had not been implemented yet for the new fiscal year.

Effect:

The Division did not fulfill its responsibilities related to allowable costs; therefore program expenditures may be spent on unallowable activities.

Questioned Costs:

Seven samples did not have proper support which totaled \$1,021,549.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Recommendation:

We recommend that the Division continue to enhance its current policies and procedures over subrecipient reimbursements of allowable costs and subrecipient monitoring to ensure that its subrecipients remit adequate documentation to allow the Division to ensure federal allowability requirements have been met.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

As stated in the audit finding, the Division implemented a corrective action plan effective January 2011 to require sub-recipients to submit sufficient supporting documentation with their invoices. The 7 expenditures without sufficient supporting documentation with the invoice were all dated prior to the January 2011 corrective action plan. In addition, we will obtain and review the supporting documentation for the 7 expenditures totaling \$1,021,549 to verify they were for allowable activities.

Anticipated Completion Date: March 30, 2012

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of State Service Centers

Reference Number: 11-SSC-02

Program: Low-Income Home Energy Assistance Program (93.568)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting (Special Reporting)

Condition:

Some attributes/components of the LIHEAP Household Annual Report for the period October 1, 2009 – September 30, 2010 could not be agreed to underlying supporting documentation and/or supporting documentation could not be provided or was not sufficient for our purposes for some of the attributes/components including:

- Heating: ‘Under 75% Poverty’, ‘Age 2 years or under’, and ‘Age 3 years thru 5 years’ data does not agree to support while ‘Disabled’ and ‘Age 5 years or under’ data could not be provided
- Winter/Year Round Crises: ‘5 Years or Under’ does not agree to support
- Weatherization data for ‘LIHEAP Assisted Households’ support could not be provided.
- For the ‘All applicant households regardless if assisted’ section of the Report, data could not be provided or data to be provided was not sufficient underlying support.

Criteria:

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):

Key Line Items –

(1) Section 1 – LIHEAP Assisted Households

(2) Section 2 – LIHEAP Applicant Households

Cause:

The report uses various underlying supporting documentation and there were some errors when consolidating the different data elements together for the report. In addition, some of the support could not be located or the underlying data elements of the support had not been provided to LIHEAP by Catholic Charities at the time the report was created and submitted.

Effect:

The LIHEAP Program is reporting incorrect data to the Federal Government in terms of applicant information.

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Year ended June 30, 2011

Questioned Costs:

There are no questioned costs associated with this finding as the data represents applicant data and not expenditures.

Recommendation:

We recommend that the LIHEAP Program enforce policies and procedures that the review process of reports includes ensuring reports agree to underlying support. We also recommend that LIHEAP ensure all underlying elements that are utilized to create the report are provided by Catholic Charities at the time the report is created.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

We will evaluate how household data is gathered, maintained and reported. We will make necessary improvements in operating procedures to ensure household data is properly accumulated, summarized, and reported. We will maintain documentation to support household data presented on the LIHEAP Household Report.

Anticipated Completion Date: April 30, 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Health and Social Services

Division of State Service Centers

Reference Number: 11-SSC-03

Program: Low-Income Home Energy Assistance Program (93.568)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting, Period of Availability

Condition:

The Division's internal auditor found LIHEAP expenditures obligated in FFY 2011 were incorrectly charged to the FFY 2010 grant. An analysis of the expenditures, after adjustments for charging expenditures to the correct FFY grant, revealed the Division had an unobligated balance of \$4.5 million in the FFY 2010 grant as of 9/30/10. According to the LIHEAP regulations, only 10% of funds allotted for the FFY 2010 grant allowing \$1.7 million to be carried over for use in FFY 2011 as well as \$280k that was awarded to the Program late in the year. As a result, \$2.61 million in FFY 2010 grant funds were not available for use in FFY2011. The FFY 2010 Carryover and Reallotment Report submitted by the Division to HHS on 8/1/10 showed the Reallotment amount as \$0 when the amount reported should have been \$2.61 million.

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).

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:

The LIHEAP regulations regarding "Time period for obligation and expenditure of grant funds" were interpreted by the Division's grant program management as being obligated with the submission of the State Plan detailing planned expenditures. State fiscal policy, however, determines obligations to occur when a purchase order has been established to encumber funds. As a result of the misinterpretation,

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LIHEAP obligations and expenditures were not assigned to the proper FFY grant period in accordance with LIHEAP period of availability criteria.

Effect:

The LIHEAP Program did not obligate 90% of the FY10 grant as required during the first fiscal year and thus must return the unobligated amount to the ACF.

Questioned Costs:

There are no questioned costs associated with this finding, only a reduction in available funding resources.

Recommendation:

We recommend that the LIHEAP Program ensure expenditures are being coded in the system to the correct grant and that reports submitted agree to first state financial system data before being submitted. We also recommend that the LIHEAP Program ensure they are obligating grant award funds by the required time frames permitted.

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

Corrective action already taken includes (1) preparing spreadsheets that schedule LIHEAP obligations for the period 10/1/2008 through 12/31/2011 that reconcile with the State's accounting records; (2) allocating the obligations on the spreadsheets to the proper federal fiscal year; (3) calculating the federal fiscal year end unobligated balance, carryover amount, and reallocation amounts for federal fiscal years 2008, 2009, 2010, and 2011; and (4) recoding obligations in the current State Accounting System to the proper federal fiscal year accounts. We informed the top federal LIHEAP officials at the Office of Community Services Division of Energy Assistance, Administration for Children and Families, DHHS on December 7, 2011 of the issue of carrying over unobligated LIHEAP awards to subsequent FFY's in excess of the 10% carry over limit. We met with the federal LIHEAP officials several times to (1) review with them how obligations should have been charged to the proper FFY grant awards; (2) review with them and adjust our spreadsheets described above; (3) obtain their concurrence on the amount of unobligated funds that should be deobligated; and (4) discuss with them how past Federal Financial Reports and Carryover and Reallocation Reports should be corrected and resubmitted to resolve this issue. Corrective action in progress includes preparing and submitting corrected Federal Financial Reports and Carryover and Reallocation Reports.

In addition, LIHEAP Program staff will be trained on how to prepare spending plans and Carryover and Reallocation Reports that comply with the LIHEAP regulations. Fiscal staff have been trained on how to set up grant projects in the State's new accounting system, First State Financial, so LIHEAP obligations will be charged to the proper FFY, carryover funds will not exceed the 10% limit, and Federal Financial Reports will reflect the proper federal expenditures and unobligated balance.

Anticipated Completion Date: March 30, 2012

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Year ended June 30, 2011

Department of Health and Social Services

Division of State Service Centers

Reference Number: 11-SSC-04

Program: Low-Income Home Energy Assistance Program (93.568)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting (Financial Reporting)

Condition:

The original signed SF-425 Reports for federal fiscal year 2009 and 2010 for LIHEAP awards could not be provided and as such there was no evidence of management's review. Further, while federal fiscal year 2009 LIHEAP awards had both Block Grants and Emergency Contingency Grants during the year, only one report was submitted combining both grant types on one report. Further, cash receipts per the report were \$18,736,443.90 while FSF reports showed \$18,214,260.54 for cash receipts as of 9/30/10 resulting in an over reported amount of \$522,183.36. The Federal fiscal year 2010 for LIHEAP awards had block grants, leveraging incentive grants, and emergency contingency grants, however, only one report was submitted for the block grant fund.

Criteria:

The LIHEAP Program is required to submit the SF-269A, Financial Status Report, annually for the period October 1, 2009 – September 30, 2010 for each type of grant award received.

In addition, per Transmittal No. LIHEAP-AT-2011-02, separate SF-269A reports must be filed for block grant funds, emergency contingency funds, leveraging incentive funds, and Residential Energy Assistance Challenge Program (REACH) funds that are awarded each year to LIHEAP grantees.

Cause:

LIHEAP Personnel were learning to use the new First State Financial general ledger system to support and create the reports. In addition, there was a lack of communication between Program personnel who receive updates from the Fed of LIHEAP reporting requirements and the fiscal personnel who are required to submit the reports.

Effect:

The LIHEAP Program is reporting incorrect amounts to the Federal Government. In addition, the LIHEAP Program is not reporting the correct amount of expenditures for block grant funds, emergency contingency funds, and leveraging incentive funds which could affect the amount of funds given in subsequent years.

Questioned Costs:

There are no questioned costs associated with this finding, only inaccurate financial reports.

Recommendation:

We recommend that the LIHEAP Program enforce policies and procedures that all reports need to be reviewed, signed and kept for record keeping and the review process includes ensuring reports agree to FSF support. We also recommend that there is more communication between program and fiscal personnel during the year of changes in requirements.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Views of Responsible Officials:

Agency Contact Name: Harry Roberts, DHSS Controller

Agency Contact Phone Number: (302) 255-9235

Corrective Action Plan:

The Division of State Service Centers is working with the federal Office of Grants Management, Division of Mandatory Grants in submitting corrected LIHEAP federal financial reports for the federal fiscal years 2008 through 2011. See corrective action for finding, 11-SSC-03 Reporting POA Current Year Findings, for further information.

Anticipated Completion Date: February 29, 2012

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Labor

Division of Vocational Rehabilitation

Reference Number: 11-DOL-01*

Program: Vocational Rehabilitation Cluster (84.126, S-84.390)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Eligibility

Condition:

We note that 3 out of 65 client eligibility determinations were not approved within the required 60 day timeframe. While 1 selection had documentation of an approved extension for 30 days, eligibility was still not determined in the extended time allowed with eligibility being determined 33 days after the 30 day extension allowed. The other two selections were not approved in the 60 day timeframe and had no approved extensions. One selection was approved 20 days after the 60 day time frame allowed while the other selection was made 191 days after the 60 day timeframe allowed.

In addition, we note that for 3 out of 65 clients selected for testing, there was no evidence of proper review of the Certificate of Determination. Review should be evidenced by the dated signature of the assigned counselor and the Certificate of Determination must be included in the service record.

Criteria:

1. Eligibility for Individuals

According to 29 USC 722(a)(6), the State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

- (a) Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agrees to a specific extension of time; or
- (b) The designated unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2) (b).

2. Certifying Eligibility

According to paragraph 5.2.1 of the DVR Eligibility Manual, The Certification of Determination (Form IWRP-2/IPE-2) must be dated and signed by the Counselor. This form is part of the IPE and must be appropriately included in the client file.

Cause:

There was a large increase of over 1,200 more employment development plans being developed in fiscal year 2011 compared to 2010 and more than 600 applicants implementing their plans this year compared to 2010. While the sheer volume of cases increased the staffing has stayed relatively the same with the number of cases case managers are in charge increasing by more than +50 cases per manager from 2011 to 2010.

* Repeat finding from prior year's audit

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Effect:

The Department of Labor (DOL) could potentially not be providing services to eligible clients within the timeframe required by federal regulations. Also, without a formal management review and sign-off DOL could inappropriately document the Certificate of Determination.

Questioned Costs:

There were no questioned costs as each of these individuals was eventually deemed eligible.

Recommendation:

We recommend that the DOL continue to utilize its resources to monitor the status of eligibility determinations with aging reports and a tickler system to ensure they are made within the required 60-day timeframe and client files are properly reviewed and dated, unless exceptions granted by federal regulations occur and are properly documented in the client file. In addition, we recommend that the DOL reinforce both State and Federal requirements to case managers working on case files.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

1. DVR Director and Deputy Director will address this meeting with District Administrators. District Administrators will be directed to review the aging report on a monthly basis and follow up with individual cases that are nearing 60 day eligibility deadline.
2. DVR will provide training to counselors on eligibility determination and best practices in case management.
3. DVR Deputy Director will also spot check aging report, identify cases near 60 deadline, and follow up with individual counselors and supervisors

Anticipated Completion Date:

1. completed on 1/18/12 (will follow up at subsequent meetings through 2012);
2. training will be completed by 9/30/12;
3. initiated on 1/18/12, ongoing through 2012

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Labor

Division of Employment & Training

Reference Number: 11-DOL-02*

Program: Workforce Improvement Act Cluster (17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Eligibility

Condition:

The Program's Policy is that all Employment Development Plans (EDP) must be reviewed by management although the audit policy at the time did not require a signature on the face of document. We also note that eligibility checklist accompany each client file and detail eligibility criteria that must be met but are only used as a management tool and are not required per WIA's policy. We note that in the prior year, there was a finding for EDP's and eligibility checklists not having evidence of management review. Per review of the case files for the 2011 audit, we noted the following:

- For 6 of the 65 EDPs reviewed, although the clients were eligible there was no evidence of proper review by management, which should be evidenced by a signature on the face of the documents.
- For 1 of the 65 files selected, the participant was determined eligible despite failing to provide evidence of citizenship and eligibility to work in the form of a copy of the applicant's social security card which is required per Eligibility Requirements.

We note that for the 6 EDP's that were not signed, the service dates occurred prior to the issuance of the prior year finding and thus the WIA Program had not put into place a corrective plan as of those service dates with the last one occurring January 2011.

Criteria:

Participants receiving eligibility of WIA services must meet the following requirements:

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.
 - b. Selected a training service linked to the employment opportunities.

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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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).

Age eligibility for youth services funded by ARRA is increased from 21 to 24 years of age. (ARRA Title VIII(2), 123 Stat 173).

WIA is required to determine eligibility for all participants based on the criteria above, in addition to correctly calculating the benefit to be paid to the participant and ensuring the benefit is discontinued with eligibility expires. Furthermore, in accordance with State Policy an Employment Development Plan should be completed and reviewed for eligible participants.

Cause:

The Division was in process of implementing new and reinforcing old policies and procedures pertaining to the review of EPD's given that the corrective action date had not been implemented yet for the new fiscal year.

Effect:

Claimants who were not eligible under WIA criteria may have inappropriately received benefits from the Program.

Questioned Costs:

There are no questioned costs based upon the fact that no expenditures were incurred during the period 7/1/10 – 6/30/11 for the recipient who was not determined to be eligible.

Recommendation:

The WIA Program should continue to reinforce policies and procedures relating to management review of EDP's including the requirement of management's signature on the face of the EDP.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET agrees to revise our policy and procedures to include a supervisor signature on the document. This will be completed March 1, 2012.

Anticipated Completion Date: March 1, 2012

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Labor

Division of Employment & Training

Reference Number: 11-DOL-03*

Program: Workforce Improvement Act Cluster (17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278)

Type of Finding: Noncompliance, Material Weakness

Compliance Requirement(s): Subrecipient Monitoring

Condition:

For 1 out of 5 subrecipients selected for testing, no monitoring was performed by the WIA Program during FY11. For the remaining four subrecipients, three of the monitoring reports that are utilized to monitor financial status of the subrecipients had not been reviewed by management. As had been done in prior years, the Internal Auditor who performs the monitoring visit discussed with the supervisor results of the monitoring visits, but there is no formal documentation showing they reviewed the monitoring reports. We note that all three monitoring reports occurred before or near when the corrective action plan from the finding last year was being put into place, so old policies and procedures were still being followed. The subrecipient not monitored during the year had expenditures of \$84,185.

Criteria:

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 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.

During-the-Award Monitoring – 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.

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 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.

Central Contractor Registration - For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and

* Repeat finding from prior year’s audit

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

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.

Cause:

The Program was in still in process of implementing new procedures and policies over subrecipient monitoring that did not go into place until after the new fiscal year began. As such, the Program was still following prior established policies and procedures resulting in not having adequate controls in place to ensure it monitors subrecipients in accordance with the criteria noted above or maintain proper documentation to support they effectively monitored subrecipients.

Effect:

The Program is not fulfilling its subrecipient monitoring responsibilities and 17 subrecipients expending \$2,008,475 in the fiscal year could potentially not be meeting federal requirements.

Questioned Costs:

Questioned costs for the 1 subrecipient not monitored are unknown.

Recommendation:

The Department of Labor should adhere to recently updated policies and procedures to ensure that monitoring reports are appropriately being reviewed and the minimum percentage of subrecipients are being monitored as approved through prior year action plans.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET agrees to adhere to the revised policies and procedures put into effect November 15, 2011.

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, 2011

Department of Labor

Division of Employment & Training

Reference Number: 11-DOL-04*

Program: Workforce Improvement Act Cluster (17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting

Condition:

Based on the review of the financial reports required to be submitted we noted the following issues:

- While three out of 48 9130 Reports tested were properly authorized and reviewed, the reports did not agree to supporting documentation including the general ledger. The first 9130 Report incorrectly under reported administrative expenses by \$44,293. The second 9130 Report incorrectly under reported the Federal Share of Expenditures by \$20 while the third 9130 Report incorrect overstated the Federal Share of Expenditures by \$20.
- The annual 9091 Report was properly authorized and reviewed; however, the report did not agree to supporting documentation including First State Financials (FSF) support. The total variance was \$2,988.

Criteria:

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.

ETA-9130, Financial Report (OMB No. 1205-0461) – 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.

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).

Cause:

WIA Personnel were trying to get used to and learn FSF and what general ledger system support to use to create the reports.

Effect:

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

* Repeat finding from prior year's audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

Three of the 49 reports tested were underreported so there are no questioned costs. The fourth report has questioned costs of \$20 as the report was overstated by \$20.

Recommendation:

The Program should consider adding an additional level of review to ensure reports are properly presented and agree to supporting documentation.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET added a second level of review to the current policy on July 1, 2011 and agrees to adhere to this policy.

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, 2011

Department of Labor

Division of Employment & Training

Reference Number: 11-DOL-05

Program: Workforce Improvement Act Cluster (17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278)

Type of Finding: Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Condition:

We noted that payroll funding reconciliations used to reconcile PHRST and Autotime were performed for all four quarters during the fiscal year. While adjustments were made on 'as needed basis' during the year for certain appropriations, the adjustments calculated per the reconciliations have not been recorded to First State Financials although they are required annually per regulations. As such, 49 out of 65 samples tested that required payroll funding adjustments to be booked were not recorded with the net effect being \$291. The total adjustment needed to reconcile all four quarter reconciliations is \$11,490.

Criteria:

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

- (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:

Payroll funding reconciliations were not made in a timely basis to year end.

Effect:

The Program is not properly reporting payroll expenditures for the year ended June 30, 2011 since the PHRST data has not been updated to account for the adjustments needed during the year.

Questioned Costs:

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

Recommendation:

The Program should implement 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.

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, 2011

Corrective Action Plan:

DET agrees to implement policies and procedures regarding payroll funding reconciliations ensuring that corresponding adjustments will be reviewed and adjusted in the First State Financial system in a timely manner after year end.

Anticipated Completion Date: June 30, 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Labor

Division of Employment & Training

Reference Number: 11-DOL-06*

Program: Workforce Improvement Act Cluster (17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting (Section 1512)

Condition:

Per review of the DOL WIA 1512 Reports for subrecipients for the reporting period ended March 31, 2011, we noted the following errors in the subrecipient tabs for the ‘Total Sub Award Funds Disbursed’ amounts reported:

- - City of Wilmington was erroneously over-reported by \$19,727.63.
- - Sussex Technical School District was under reported by \$10,237
- - Delaware Technical Community College-Terry Campus was under reported by \$630.51
- - Delaware Technical Community College-Terry Campus-Youth was under reported by \$7,761.08
- - Delaware Technical Community College-Wilmington/Stanton Campus was under reported by \$42,548.81
- - Career Team LLC was under reported by \$825.19
- - Career Team LLC was under reported by \$4,765.53

The net effect of these errors amounts to \$47,040.49 of under reported expenditures. We also note that ‘Total Federal Amount ARRA Funds Received/Invoices’ was over reported per this report by \$232,985 (\$4,902,787 of ARRA Funds Received/Invoiced was reported and \$4,669,802 was reported instead).

The March 31, 2011 Section 1512 Report for NEG Autoworker Reemployment – Dual Enrollment over reported the ‘Total Federal Amount ARRA Funds Received/Invoiced’ amount by \$78,782 (\$785,758 of ARRA Funds Received/Invoiced was reported and \$706,976 should have been reported).

Criteria:

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.

* Repeat finding from prior year’s audit

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2011

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 department was still in process of implemented new policies and procedures over 1512 Reporting based on prior year findings.

Effect:

The March 31, 2011 1512 Reports submitted by DOL, Division of Employment and Training contained significant reporting errors. Continued non-compliance with ARRA reporting requirements could result in termination of the award, reclaiming of funds, and potential punitive actions.

Questioned Costs:

The total reporting errors as of March 31, 2011 were:

- \$19,727.63 of subrecipient expenditures which were over-reported on the WIA Youth/Adult/Dislocated Workers Formula 1512 Report.
- Total Federal Amount ARRA Funds Received/Invoiced was over reported by \$232,985 for the WIA Youth/Adult/Dislocated Workers Formula Grants.
- Total Federal Amount ARRA Funds Received/Invoiced was over reported by \$78,782 for the NEG Autoworker Re-employment Grant.

Recommendation:

We recommend that the DOL, Division of Employment and Training reinforce their policies and procedures over management’s review process to ensure that the 1512 Report is free of errors before submission.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET revised policies and procedures as a result of the FY11 Single Audit findings. We attempted to revise and correct the 6/30/11 report. Our request was denied. USDOL advised us to make all corrections during closeout.

Anticipated Completion Date: February 29, 2012

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Labor

Division of Employment & Training

Reference Number: 11-DOL-07

Program: Workforce Improvement Act Cluster (17.258, S-17.258, 17.259, S-17.259, 17.260, S-17.260, 17.278)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Earmarking

Condition:

The WIA Program maintains spreadsheets for WIA Adult, Dislocated Worker and Youth that detail the various earmarking requirements the programs must meet. The spreadsheets are updated and revised on a quarterly basis during the year when the WIA Program creates the 9130 Reports that must be submitted every quarter to ensure the spreadsheets detail the most recent spending during the quarter. We note that when recalculating the earmarking percentages based on the amounts in the spreadsheets for Adult, Dislocated Worker and Youth Programs, we found that the earmarking percentages had been met for all current year Notice of Obligation awards. However, First State Financials data could not be provided that agreed to the amounts in the spreadsheets. Therefore, we were unable to determine if the amounts on the spreadsheets represent actual expenditures during the year and thus if earmarking percentages were actually met with actual expenditures incurred during the year.

Criteria:

a. Statewide Activities

- (1) State Reserve – A State may reserve up to 15 percent of the amounts allotted for Adult, Dislocated Worker, and Youth Activities. The amounts reserved may be combined and expended on activities described in 20 CFR sections 665.200 and .210 without regard to funding source (20 CFR section 667.130).
- (2) Administrative Cost Limits – A State may spend up to five percent of the amount allotted for the State’s administrative costs (i.e., one-third of the 15 percent State Reserve described in the preceding paragraph) (20 CFR section 667.210). The term —administrative costs is defined at 20 CFR section 667.220. The funds provided for administrative costs by one of the three funding sources (Adult, Dislocated Worker, and Youth Activities) can be used for administrative costs of the other two sources.

b. Dislocated Worker Activities – Rapid Response

Statewide Rapid Response – The State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers. The funds are used to plan and deliver services to enable dislocated workers to transition to new employment as quickly as possible, following either a permanent closure or mass layoff, or a natural or other disaster resulting in a mass job relocation (20 CFR section 667.130(b)).

c. Local Areas

- (1) Administrative Cost Limits - A local area may expend no more than ten percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under sections 128(b) and 133(b) of the Act for administrative costs. The funds provided for administrative costs by one

STATE OF DELAWARE

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of the three fund sources (Adult, Dislocated Worker, Youth Activities) can be used for administrative costs of the other two sources (20 CFR section 667.210(a)(2)).

- (2) Low-Income Youth – A minimum of 95 percent of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth as defined in 29 USC 2801(25) (20 CFR section 664.220).

Cause:

The client did not have the proper reports are set up within First State Financials to properly track earmarking requirements that must be met per the compliance supplement.

Effect:

The WIA Program could potentially not be meeting earmarking requirements as required by the Federal Government for their Adult, Dislocated Worker and Youth Programs.

Questioned Costs:

The total questioned costs are undeterminable as we cannot verify the amounts on the spreadsheets to the underlying First State Financials data.

Recommendation:

We recommend that the Program ensure First State Financials is set up in enough detail to allow reports to be printed from the system that can be agreed to earmarking spreadsheets maintained by the agency.

Views of Responsible Officials:

Agency Contact Name: Kris Brooks, DOL Controller

Agency Contact Phone Number: (302) 761-8024

Corrective Action Plan:

DET will implement a solution in the First State Financial system to ensure that earmarking is tracked to meet the requirements per the compliance supplement.

Anticipated Completion Date: June 30, 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Delaware National Guard

Reference Number: 11-DNG-01*

Program: National Guard Military Operations and Maintenance (O&M) Projects (12.401)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting, Cash Management

Condition:

Based on our review of the 32 reports submitted by the Delaware National Guard for the months of December 2010 and June 2011 for the National Guard O&M Projects program, we noted the federal share requested for reimbursement for schedule K-15-1001 was overstated by \$2,117.

Criteria:

Per National Guard Regulation 5-1 (April 2008), Chapter 10, Section 10-5, the Delaware National Guard is required to report actual expenditures, requested for reimbursement, on the Standard Form 270 (SF-270), Financial Status Report, and the Public Voucher for Purchases and Services Other than Personal Form (SF-1034), and to submit these reports with supporting documentation of the amounts expended.

Cause:

The same transaction was included in the reimbursement request for both Schedule L-03-1001 and K-15-1001 and was, therefore, double counted in the calculation of the federal share requested for reimbursement.

Effect:

DNG did not provide proper oversight during the review process for SF-270 reports to ensure that all amounts reported appropriately reconciled to supporting FSF reports.

Questioned Costs:

Questioned costs are \$2,117, the amount of overstatement in the federal share requested for reimbursement reported on the SF-1034 and SF-270 December 2010 reports for K-15-1001. The total federal share requested for reimbursement for the 32 reports tested for the months of December 2010 and June 2011 was \$3,346,915.

Recommendation:

We recommend that DNG reinforce policies and procedures regarding the review of financial reports to ensure that all amounts included in the financial reports properly reconcile to supporting FSF reports (and that each expenditure is only included in one SF-1034/270 reporting package) prior to submission to the federal government.

Views of Responsible Officials:

Agency Contact Name: Art Caldwell, DNG – State Comptroller

Agency Contact Phone Number: (302) 326-7160

* Repeat finding from prior year's audit

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Corrective Action Plan:

A credit for \$2,117 was issued on DNG federal reimbursable invoice K-27-1001 dated 10 FEB 2012. The DNG has enhanced its procedures to provide additional oversight regarding the preparation review of its monthly financial reimbursable invoices/reports to ensure that all amounts included in them properly reconcile to supporting First State Financial (FSF) reports, and that each reimbursable expenditure is included in only one SF-1034/270 reporting package, prior to submission to the federal government.

Anticipated Completion Date: February 10, 2012

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Delaware National Guard

Reference Number: 11-DNG-02

Program: National Guard Military Operations and Maintenance (O&M) Projects (12.401)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting

Condition:

Based on our review of the 2010 annual report submitted by the Delaware National Guard for the National Guard O&M Projects program, we noted remaining available funds for funding authorized during fiscal years 2009 and 2010 did not agree to supporting documentation, as noted in the table below:

Appropriation (Fund Year)	Amount Reported on submitted Annual Report	Amount that should have been reported	Variance - (Under)/Over reported
40166 (2010)	2,685,396.06	2,658,744.76	26,651.30
40166 (2009)	166,732.82	166,672.90	59.92
40475 (AASF Construction)	11,660,039.65	11,669,795.65	(9,756.00)

Criteria:

Within 90 days of final completion of the project (execution date of the NGB Form 593-R PROJECT INSPECTION REPORT by the State and the USPFO), or upon termination of MCCA, whichever comes earlier, the State shall promptly deliver to NGB a full and final accounting liquidating all payments or reimbursements under the MCCA.

Cause:

DNG did not provide proper oversight during the review process for its annual report to ensure that all amounts reported appropriately reconciled to supporting FSF reports.

Effect:

Amounts reported in annual reports may not reconcile to supporting FSF reports.

Questioned Costs:

There are no questioned costs associated with this finding since the Delaware National Guard was not reimbursed based on the amounts submitted in the annual report.

Recommendation:

We recommend that DNG reinforce policies and procedures regarding the review of annual reports to ensure that all amounts included in the annual reports properly reconcile to supporting FSF reports prior to submission to the federal government.

Views of Responsible Officials:

Agency Contact Name: Art Caldwell, DNG – State Comptroller

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Agency Contact Phone Number: (302) 326-7160

Corrective Action Plan:

The DNG State Comptroller's Office has enhanced its policies and procedures regarding the review of annual reports to ensure that all amounts included in the annual reports properly reconcile to supporting FSF reports prior to submittal to the federal government. The \$9,756 variance on this \$11.6M (MCCA) contract, which was the subject of this audit finding, has been identified and corrected.

Anticipated Completion Date: February 2012

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Agriculture

Reference Number: 11-AGR-01

Program: Farm and Ranch Land Protection Program (10.913)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs, Cash Management, Matching, Reporting

Condition:

We noted that DDA completed the federal/state calculation incorrectly for four out of 10 properties selected for test work. In addition, another four properties were determined to be calculated incorrectly from the federal cognizant agency’s review of the calculations of federal share and subsequently had the DDA revise the related SF-425 and SF-270 reports accordingly. See detail of all 8 properties below:

Project ID	Federal Share as Originally Calculated	Corrected Federal Share per NRCS	Variance (Correcting Entry Needed)
N-07-12-073D	16,195.91	451,407.50	264,788.41
S-07-11-042M	999,999.99	975,000.00	24,999.99
N-06-11-129E	473,335.05	189,300.00	284,035.05
K-08-10-205H	63,962.13	63,292.13	670.00
N-08-10-130Q	51,895.35	13,065.00	38,830.35
S-08-09-080G	159,331.83	155,206.50	4,125.33
N-06-06-132B	63,625.63	22,000.00	41,625.63
K-99-11-044G	315,477.61	195,547.00	119,930.61

\$2,843,823.50 \$ 2,064,818.13 \$ 779,005.37

Criteria:

Per Cooperative Agreement 73.21J2.7.13, III. Obligation of Funds, and Cooperative Agreement 73.21J2.9.13, IV. Obligation of Funds:

The United States’ contribution for the acquisition of each conservation easement acquired by the Foundation (DDA) shall be up to but not more than 50% of the appraised fair market value of the conservation easement.

Cause:

The calculation formulas for determining the federal/state allocation for these eight properties was incorrect in the DDA spreadsheet used to support SF-270 requested amounts for reimbursement. The error was not identified through the DDA review process; it was detected via the NRCS review of CPA-230 forms for properties submitted for reimbursement.

Effect:

DDA requests for reimbursement were overstated by \$779,005.37 for fiscal year 2011.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

Questioned costs are \$779,005.37, the total overstatement in the amounts requested for reimbursement. The total federal share requested for the 10 properties tested in our sample was \$3,899,447, and the total federal share requested for the population of properties subject to our sampling was \$8,636,837 for the fiscal year ended June 30, 2011.

Recommendation:

Management should develop a process for reviewing the calculation of the federal/state allocation of each conservation easement acquired to ensure that the request for Federal funding does not exceed the maximum Federal share defined in the Cooperative Agreements.

Views of Responsible Officials:

Agency Contact Name: Austin Short, Deputy Secretary

Agency Contact Phone Number: (302) 698-4505

Corrective Action Plan:

Preservation Management has created a form which includes all the calculations of federal/state funding to assure Federal funding does not exceed the maximum Federal share defined in the Cooperative Agreements. The form is prepared for each federally funded easement using the Self-contained (Federal) appraisal (which provides the Before/After Market Values) to calculate the Fair Market Value; the form also includes the Purchase Price to assure the cooperating entity's 25% share is properly calculated. The Lead Management of the Preservation Program verifies the information after staff have completed it to provide additional review. The approved form is then presented to accounting staff and the Foundation attorney to complete the settlement and reimbursement processes.

Anticipated Completion Date: Immediately.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Agriculture

Reference Number: 11-AGR-02*

Program: Farm and Ranch Land Protection Program (10.913)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Cash Management

Condition:

In performing our testing of the SF-270 reports filed in fiscal year 2011, we noted that the following information was not included in, or attached to, any of the SF-270 reporting packages that were submitted in fiscal year 2011 to the federal government:

1. Landowner's tax identification number (TIN) or social security number
2. Federal Information Processing Standards (FIPS) number for the State of Delaware Foundation.
3. Bank routing number and account number for desired deposit location.

Criteria:

Per terms of Cooperative Agreement 73.21J2.7.13, dated June 25, 2007, V. Payments:

At a minimum, the following information shall be included in, or attached to, the SF-270:

- (1) the name of the State of Delaware or the Foundation;
- (2) this cooperative agreement number;
- (3) conservation easement number;
- (4) landowner name;
- (5) landowner's tax identification number (TIN) or social security number;
- (6) total amount of dollars paid to the landowner for the conservation easement, specifying the CCC share and the non-CCC share of the conservation easement cost;
- (7) term the conservation easement;
- (8) acres acquired;
- (9) Tax Identification number for the State of Delaware or the Foundation;
- (10) Federal Information Processing Standards (FIPS) number for the State of Delaware or the Foundation;
- (11) Bank routing number and account number for desired deposit location; and
- (12) Copy of OGC approved conservation easement deed;
- (13) Current appraisal conducted in accordance with NRCS policies and procedures, UASFLA and USPAP standards;
- (14) NRCS CPA-230, Confirmation of Matching Funds; and
- (15) The amount paid for the ALTA US title insurance policy (09/28/91) for each easement and
- (16) Copy of the ALTA US title insurance policy (09/28/91) for each easement.

Per terms of Cooperative Agreement 73.21J2.9.13, dated July 24, 2009, VII. Payments:

At a minimum, the following information shall be included in, or attached to, the SF-270, prior to Natural Resources Conservation Service (NRCS) accepting the conservation easement and disbursing payment:

- (1) the name of the Foundation;
- (2) this cooperative agreement number;
- (3) conservation easement numbers (if applicable);

* Repeat finding from prior year's audit

STATE OF DELAWARE

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Year ended June 30, 2011

- (4) landowner name;
- (5) landowner's tax identification number (TIN) or social security number;
- (6) total amount of dollars paid to the landowner for the conservation easement, specifying the CCC share and the non-CCC share of the conservation easement cost;
- (7) term the conservation easement;
- (8) acres acquired for each conservation easement;
- (9) Tax Identification number (TIN) for the Foundation;
- (10) Federal Information Processing Standards (FIPS) number for the State of Delaware or the Foundation;
- (11) Bank routing number and account number for desired deposit location; and
- (12) Copy of recorded Conservation Easement Deed(s) for each easement;
- (13) NRCS CPA-230, Confirmation of Matching Funds; and
- (14) Copy of the ALTA US title insurance policy (09/28/91) for each easement.

Cause:

Management oversight regarding the review of information reported in, or attached to, SF-270 forms.

Effect:

The Delaware Department of Agriculture (DDA) did not comply with the terms of their cooperative agreements regarding information required to be submitted in, or attached to, SF-270 forms.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that DDA strengthen internal controls to ensure that all appropriate information is reported in, or attached to, SF-270 forms in accordance with Cooperative Agreement terms.

Views of Responsible Officials:

Agency Contact Name: Austin Short, Deputy Secretary

Agency Contact Phone Number: (302) 698-4505

Corrective Action Plan:

The Foundation's current policy is to complete a checklist of the items required per Cooperative Agreement with each request for Federal reimbursements and to create an information package including all of the relevant data to be submitted with each request. It was incorrectly assumed that the information package routinely prepared by the Foundation included the items identified above as missing from the documents and back-up materials submitted to NRCS. Future information packages - beginning with the one submitted with the reimbursement request for the January to March 2012 quarter - will be subjected to an additional round of inspection, to ensure that all information required by the Cooperative Agreement is included.

Anticipated Completion Date: This practice will be implemented with the submission to NRCS of the Federal reimbursement request for the January to March 2012 quarter.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Agriculture

Reference Number: 11-AGR-03*

Program: Farm and Ranch Land Protection Program (10.913)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Reporting

Condition:

In performing our testwork of eight quarterly financial reports (two for each quarter in fiscal year 2011, one for each Cooperative Agreement), we noted that DDA incorrectly reported several key elements in the SF-425 forms submitted during fiscal year 2011, including federal share of unliquidated obligations, total federal share, unobligated balance of federal funds, recipient share of expenditures, remaining recipient share to be provided, cash disbursements, cash on hand, and federal share of expenditures. As a result, the SF-425 reports did not properly reconcile to supporting FSF reports and grant agreements.

The table below details the exceptions noted in our testing of SF-425 reports:

Quarter End Date of Report (Appropriation #)	Line Item	Amount Reported on submitted SF-425	Amount that should have been reported	Variance - (Under)/Over reported
December 31, 2010 (1507)	b. Cash Disbursements	5,967,007.91	5,971,133.23	4,125.32
	c. Cash on Hand	(2,574,020.92)	2,578,146.24	(4,125.32)
	e. Federal share of expenditures	5,967,007.91	5,971,133.23	4,125.32
	g. Total Federal share	5,967,007.91	5,971,133.23	4,125.32
	h. Unobligated balance of Federal Funds	3,407,028.42	3,402,903.10	(4,125.32)
December 31, 2010 (1509)	b. Cash Disbursements	7,831,317.47	8,017,873.70	(186,556.23)
	c. Cash on Hand	(2,280,204.47)	(2,466,760.70)	186,556.23
	e. Federal share of expenditures	7,831,317.47	8,017,873.70	(186,556.23)
	g. Total Federal share	7,831,317.47	8,017,873.70	(186,556.23)
	h. Unobligated balance of Federal Funds	2,626,393.53	2,439,837.30	186,556.23
	j. Recipient share of expenditures	2,905,665.91	2,719,109.68	186,556.23
	k. Remaining Recipient share to be provided	3,851,303.00	4,037,859.23	(186,556.23)

* Repeat finding from prior year's audit

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

March 31, 2011 (1507)	b. Cash Disbursements	7,627,287.22	7,631,412.54	4,125.32
	c. Cash on Hand	(4,234,300.23)	(4,238,425.55)	(4,125.32)
	e. Federal share of expenditures	7,627,287.22	7,631,412.54	4,125.32
	g. Total Federal share	7,627,287.22	7,631,412.54	4,125.32
	h. Unobligated balance of Federal Funds	1,746,749.11	1,742,623.79	(4,125.32)
March 31, 2011 (1509)	b. Cash Disbursements	9,297,981.01	9,847,837.19	(549,856.18)
	c. Cash on Hand	(3,746,868.01)	(4,296,724.19)	549,856.18
	e. Federal share of expenditures	9,297,981.01	9,847,837.19	549,856.18
	g. Total Federal share	9,297,981.01	9,847,837.19	549,856.18
	h. Unobligated balance of Federal Funds	1,159,729.99	609,873.81	549,856.18
	j. Recipient share of expenditures	4,194,433.70	3,407,967.52	786,466.18
	k. Remaining Recipient share to be provided	2,562,535.21	3,349,001.39	(786,466.18)
June 30, 2011 (1507)	b. Cash Disbursements	7,627,287.22	7,631,412.54	4,125.32
	c. Cash on Hand	(4,234,300.23)	(4,238,425.55)	(4,125.32)
	e. Federal share of expenditures	7,627,287.22	7,631,412.54	4,125.32
	g. Total Federal share	7,627,287.22	7,631,412.54	4,125.32
	h. Unobligated balance of Federal Funds	1,746,749.11	1,742,623.79	(4,125.32)
June 30, 2011 (1509)	b. Cash Disbursements	9,163,058.21	9,712,914.39	(549,856.18)

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	c. Cash on Hand	(3,611,945.21)	(4,161,801.39)	549,856.18
	e. Federal share of expenditures	9,163,058.21	9,712,914.39	549,856.18
	g. Total Federal share	9,163,058.21	9,712,914.39	549,856.18
	h. Unobligated balance of Federal Funds	1,294,652.79	744,796.61	549,856.18
	j. Recipient share of expenditures	4,148,216.21	3,361,750.03	786,466.18
	k. Remaining Recipient share to be provided	2,608,752.70	3,395,218.88	(786,466.18)

Criteria:

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). 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. As indicated above, the Supplement will continue to show the SF-269 as an expenditure report in the list of standard financial reports, in addition to the SF-425, until the transition is complete for all Federal agencies.

Cause:

Management oversight regarding the review of expenditures reported in SF-425 forms.

Effect:

DDA did not accurately report several amounts (as detailed above) in the SF-425 forms for each quarter to the US Department of Agriculture for the periods ended December 31, 2010, March 31, 2011, and June 30, 2011.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that DDA strengthen internal controls to ensure that the identification of errors in reporting information occurs prior to submission of the SF-425 Form to the US Department of Agriculture. In addition, we recommend that DDA submit revised SF-425 forms for the quarters ended December 31, 2010, March 31, 2011, and June 30, 2011 to correct the errors noted in each respective report.

Views of Responsible Officials:

Agency Contact Name: Austin Short, Deputy Secretary

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Year ended June 30, 2011

Agency Contact Phone Number: (302) 698-4505

Corrective Action Plan:

The Foundation submitted corrected SF-425 reports to address the exceptions noted for the quarters ending on December 31, 2010, March 31, 2011, and June 30, 2011; however, these reports were not submitted until FY12. The corrected reports include adjustments for the variances noted above. The Department will enhance its review process of financial reports going forward to ensure that information reported in SF-425 reports properly reconciles to supporting documentation (FSF reports, etc).

Anticipated Completion Date: Immediately.

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Year ended June 30, 2011

Department of Agriculture

Reference Number: 11-AGR-04*

Program: Farm and Ranch Land Protection Program (10.913)

Type of Finding: Scope Limitation, Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Property Monitoring Site Visits)

Condition:

In testing a sample of 10 properties, we noted that required annual monitoring site visits were performed, documented, and submitted to NRCS in accordance with the terms of the Cooperative Agreement.

However, we noted that the Department of Agriculture does not have an effective control in place to ensure that the listing of properties used as a population for property monitoring site visits is a complete, cumulative listing of all properties subject to the monitoring requirement.

Criteria:

Per terms of the Cooperative Agreements for the program, the Department of Agriculture is required to submit annual monitoring reports on the status of each easement to NRCS.

Cause:

Management oversight and a lack of controls in place to identify a completed, cumulative listing of properties that are due for annual property monitoring site visits.

Effect:

The listing of properties used as a population for property monitoring site visits may not be complete. If any properties subject to these monitoring requirements are omitted from this listing, the required annual monitoring visits will not be completed in accordance with the requirements of the Cooperative Agreements.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that the Department develop an internal control process to review the listing of properties subject to monitoring visits to ensure the completeness and accuracy of the listing, and to ensure that all properties have the required annual monitoring visits.

Views of Responsible Officials:

Agency Contact Name: Austin Short, Deputy Secretary

Agency Contact Phone Number: (302) 698-4505

* Repeat finding from prior year's audit

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Corrective Action Plan:

Preservation Management has a comprehensive listing of all easements that utilized federal funding. Preservation Management has included an additional step to assure that Foundation staff immediately visit those properties where easements are acquired after a year's monitoring visits (in addition to adding the property to the comprehensive list of federally funded easements). This action may result in some federally acquired easements having two monitoring visits within the initial year after easement acquisition but we believe it is warranted to assure that no property exceeds the 12-month monitoring cycle.

Anticipated Completion Date: Immediately.

Auditors' Response:

We do acknowledge that the Department of Agriculture was able to provide a listing of easements that utilized federal funding, however, as cited in the Condition of the finding above, the Department could not provide evidence that the listing of properties was a complete, cumulative listing of all properties subject to the monitoring requirement.

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Year ended June 30, 2011

Department of Transportation

Reference Number: 11-DOT-01*

Program: Federal Transit Cluster (20.500, 20.507, S-20.507)

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Separate Accountability for ARRA Funding), Reporting (Section 1512)

Condition:

We noted that there is no control in place that ensures the system is configured in such a way to denote what is an ARRA expenditure under the Federal Transit Cluster. The Assistant Director of Finance, notes that while the system (FACTS) will show some expenditures as being ARRA, there is no consistency as to when an ARRA project is denoted as ARRA or not.

Furthermore, DelDOT personnel were unable to provide supporting documentation for amounts listed on the FTC Section 1512 Report. As such, the Federal Transit Cluster Section 1512 Report we were required to test for the Quarter ending March 31, 2011 did not correctly agree to the system data expenditure listing as of 3/31/11. The line item "Total Federal Amount of ARRA Funds Received/Invoiced" disclosed \$8,005K. However, the supporting documentation received supported \$8,825K, an understatement of \$820K on the report.

Criteria:

Special Tests – Separate Accountability for ARRA Funding

When a recipient receives ARRA funding, the Federal Agency must require recipients to agree to maintain records that identify adequately the source and application of ARRA awards. As such, recipients such as DelDOT/DTC who received ARRA funding for the Federal Transit Cluster Program for the FY11, should have a control in place to ensure they are identifying adequately the source and application of ARRA awards.

Depending on the type of organization undergoing audit, the administrative requirements that apply to most programs arise from two sources:

- - A-102 Common Rule
- - OMB Circular A-110

There are also some other administrative compliance requirements contained in regulations that are not of the type covered in the A-102 Common Rule or OMB Circular A-110, that are unique to specific programs. Federal programs excluded from the A-102 Common Rule are listed in Appendix I of the Supplement.

The financial management system must permit the preparation of required reports and tracing of funds adequate to establish that funds were used for authorized purposes and allowable costs. Reporting requirements are contained in the criteria discussed above, and may also be contained in applicable legislation, Federal awarding agency and program regulations, and award terms and conditions.

* Repeat finding from prior year's audit

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As provided in 2 CFR section 176.210, Federal agencies must 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, 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. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII.

Reporting (Section 1512)

Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter. The Section 1512 Reports must contain specific data elements which must agree to records and data reports and be presented in accordance with ARRA Section 1512 reporting requirements.

Per the Implementation Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, attachment to M-09-21 memorandum, the following was noted:

Section 2.1 Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter. Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that, the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
 - Description
 - Completion status
 - Estimates on jobs created or retained;
 - Details on sub-awards 4 and other payments.

Section 4.2 defines a Prime Recipient's responsibilities as:

- Owns recipient data and sub-recipient data
- Initiates appropriate data collection and reporting procedures to ensure that Section 1512 -- reporting requirements are met in a timely and effective manner
- Implements internal control measures as appropriate to ensure accurate and complete information
- Performs data quality reviews for material omissions and/or significant reporting errors, making appropriate and timely corrections to prime recipient data and working with the designated sub-recipient to address any data quality issues"

Section 4.4 additionally notes Recipients and sub-recipients reporting Section 1512 data into the www.FederalReporting.gov solution must initiate a review of the data both prior to, and following, the formal submission of data. The post-submission review period runs from the 11th day of the reporting month to the 21st day of the reporting month for prime recipients. During this post-submission review period, significant reporting errors or material omissions that are discovered can be corrected using the

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www.FederalReporting.gov solution. Specific instructions for submitting new or corrected data will be provided on the www.FederalReporting.gov website. The prime recipients are responsible for reviewing data submitted by sub-recipients. Where a recipient identifies a data quality issue with respect to information submitted by the sub-recipient, the recipient is required to alert the relevant sub-recipient of the nature of the problem identified by the recipient. All corrections by recipients and sub-recipients during this phase of the review must be transmitted by the 21st day of the reporting month.

Cause:

DelDOT/DTC did not have any controls in place to ensure the system (FACTS) denotes what an ARRA expenditure is VS. Non-ARRA Expenditure. As such, there is no consistency when looking up ARRA related projects and expenditures as to if the system will indicate if it is ARRA related or not.

DelDOT personnel were unable to provide supporting documentation for amounts displayed on the Section 1512 Reports. This is a result of the lack of a clear reconciliation of the ARRA Reports to the FACTS ledger.

Effect:

The Federal Transit Cluster could be incorrectly recording total ARRA expenditures on their SEFA and other related required reports such as the Section 1512 Reports.

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that DelDOT be more consist and put controls in place for separate accountability of ARRA funding such as populating a grant number in FACTS at the project level that would be used only for ARRA expenditures.

We recognize that DelDOT has made system changes that would allow ARRA funds to be indicated as such in the system. However, during fiscal year 2011, these coding changes were not being used for all ARRA funds. We recommend that beginning fiscal year 2012, all ARRA funds are designated as such in the FACTS system.

Furthermore, we recommend that that DelDOT create controls to ensure that Section 1512 Reports are including all expenditures to date and agree to system detail.

Views of Responsible Officials:

Agency Contact Name: Earle Timpson

Agency Contact Phone Number: (302) 760-2678

Corrective Action Plan:

DelDOT's FACTS system was designed to track various apportionments by the appropriation code. Unlike FHWA, when FTA allocated ARRA funding they retained the existing appropriation code for the program in question. As a result, the FTA funding was coded with the same code whether the funds were Delaware's Formula apportionment or ARRA. When this condition was identified, DelDOT took steps to

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address this in the FACTS system. We have since added a field that tracks the FTA grant number. When the data in this field is combined with the apportionment code, the reviewer can now differentiate between ARRA and the standard Formula funding. We feel this enhancement put a control in place that will enable DelDOT to ensure that the data generated for future 1512 reports will be accurate and should eliminate the condition that was identified.

Anticipated Completion Date: October 2011 – As per FTA’s letter received by DelDOT October 27, 2011, FTA determined that DelDOT has implemented a financial reporting system that generates the required reports which addresses the finding.

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Office of Management and Budget

Reference Number: 11-OMB-01

Program: **Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)**
Child and Adult Care Food Program (10.558)
Supplemental Nutrition Program for Women, Infants and Children (10.557)
Federal Transit Cluster (20.500, 20.507, S-20.507)
Highway Planning & Construction Cluster (20.205, S-20.205, 20.219)
Capitalization Grants for Clean Water State Revolving Funds (66.458, S-66.458)
Capitalization Grants for Drinking Water State Revolving Funds (66.468, S-66.468)
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 Children's Health Insurance Program (93.767)
Medicaid Cluster (93.775, 93.777, S-93.777, 93.778, S-93.778)

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Reporting (Federal Funding Accountability and Transparency Act)

Condition:

Per review of Part 4 of the March 2011 A-133 Compliance Supplement and applicable grant award documents, we identified 12 major federal programs that are subject to the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements as defined in 2 CFR part 170. Per discussions with management of the State, it was noted that the Delaware Office of Management and Budget (OMB) had taken the responsibility for providing the appropriate guidance to the various State agencies as to the applicability of FFATA and related reporting requirements. We obtained and reviewed training materials prepared by OMB and given to the various State agencies.

In reviewing these materials and having discussions with OMB, it was noted that the State's initial interpretation of the FFATA guidance was that the requirements only applied to new federal, non-Recovery Act funded programs that received grant awards with an award date on or after October 1, 2010, and would not apply to any previously existing federal program unless the terms and conditions of the program's grant award specifically included these requirements. This interpretation did not incorporate the part of the FFATA guidance that specifies that the applicability of the requirements is directly related to the establishment of a new Federal Award Identification Number (FAIN) as of October 1, 2010.

In order to determine that applicable subawards were not properly reported by a recipient pursuant to FFATA, we performed an evaluation of compliance with these requirements based on whether the recipients demonstrated a "good faith" effort to comply. As part of performing this evaluation, we inquired of OMB as to the State's use and monitoring of the FFATA Subaward Reporting System website (FSRS.gov) or usaspending.gov for any new FAIN numbers that were uploaded by the federal awarding agency for any of the major programs listed above. We noted FSRS.gov only allows access for one DUNS number per registered user and, therefore, OMB would not have been able to login and monitor any FAIN information for the other DUNS numbers related to the various State agencies. Therefore, the State was unable to provide a complete list of new FAIN numbers effective October 1, 2010, that would have required FFATA reports for the related subawards. Subsequently, it was found that such functionality may exist in usaspending.gov.

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Criteria:

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 (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 et seq., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 et seq., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. 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. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

As provided in the 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.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. The FAIN is the unique award number assigned to a particular grant or cooperative agreement by the Federal awarding agency (as opposed to the CFDA number, which pertains to a program generally). In some programs, a new award number is used each year and that new award number is considered a new FAIN. In some programs, where awards are made for a multi-year project, but may be funded in increments, even though a suffix may be added, e.g., -02 or -03 designating the subsequent years of an approved project, this is not considered a new FAIN. Therefore, if the FAIN for an award made in November 2009 was AB-12345 and for an award under the same program made in November 2010 was AB-56789, the latter would be considered a new FAIN. However, if the FAIN for an award made in November 2009 was AB-12345-02 and for an award under the same program made in November 2010 was AB-12345-03, the latter would not be considered a new FAIN.

Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds. Recipients are not required to report on subawards made on or after October 1, 2010 that use funds awarded prior to that date.

Cause:

There was an initial misinterpretation of the federal definition of new grant award that would be subject to FFATA reporting requirements.

Effect:

There could be FAIN numbers issued by the federal awarding agency to the State of Delaware that did not have the appropriate FFATA reports completed.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Questioned Costs:

There are no questioned costs associated with this finding.

Recommendation:

We recommend that the Delaware OMB provides additional guidance to the various State agencies regarding FFATA implementation, including the specific definition of which awards are subject to the reporting requirements. We also recommend that OMB develop policies and procedures to ensure that all DUNS and/or FAIN numbers applicable to the State are adequately monitored on the FSRs.gov or usaspending.gov websites and that all FAINs are appropriately identified and tracked for FFATA reporting requirements.

Views of Responsible Officials:

Agency Contact Name: Bert Scoglietti, Director of Policy/External Affairs

Agency Contact Phone Number: (302) 739-4204

Corrective Action Plan:

Delaware Office of Management and Budget (OMB) provided FFATA training to state agency personnel between March 17, 2011 and April 7, 2011 based on the interpretation of guidance issued by Federal Office of Management and Budget (OMB) in September 2010. It should be noted that the clarifying March 2011 A-133 Compliance Supplement was not issued by the Federal OMB until June 1, 2011.

Delaware's FFATA implementation requires state agencies, as prime recipients of federal awards, to prepare and submit required FFATA subaward reports to fsrs.gov. Delaware OMB will lead this effort by developing and issuing additional FFATA guidance that fully details requirements for state agencies to file FFATA reports in accordance with the March 2011 A-133 Compliance Supplement and all subsequent guidance issued by Federal OMB. Delaware OMB will also provide additional training to state agency personnel beginning in FY 2012 to fully explain FFATA reporting requirements. This guidance and training will include information regarding the proper procedures for state agencies to determine when a report is to be filed. It is the responsibility of state agency personnel to ensure that FFATA reporting is completed.

Delaware OMB will also identify techniques to extract data from usaspending.gov and fsrs.gov to ensure that state agencies are adhering to the State's policies and procedures regarding FFATA. As part of their monitoring responsibility, Delaware OMB will perform an audit of grants quarterly to ensure FFATA compliance. The sample size of the quarterly audit will be 25 grants.

Anticipated Completion Date: Training, auditing and the issuance of updated guidance will begin in the spring of FY 2012.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2011

Department of Finance

Reference Number: 11-FIN-01

**Program: Supplemental Nutrition Program for Women, Infants and Children (10.557)
Unemployment Insurance (17.225, S-17.225)**

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement(s): Cash Management

Condition:

Unemployment Insurance

For five out of eight federal cash draws tested, the requests for reimbursement were made prior to the 10 day composite clearance pattern allowed for Unemployment Insurance as required by the Cash Management Improvement Act Agreement (CMIA). The five draws totaled \$1,509,761.90 out of the total cash draws sampled of \$1,671,427.39. The total non-benefit drawdown population for FY11 was \$12,252,958.

Supplemental Nutrition Program For Women, Infants & Children (WIC)

For five out of sixteen federal cash draws tested, the requests for reimbursement were made prior to the 8 day composite clearance pattern allowed for WIC Vendor Payments as required by the Cash Management Improvement Act Agreement (CMIA). The five draws totaled \$1,657,600 out of the total cash draws sampled of \$3,165,499. The total drawdown population for FY11 was \$16,210,185.

Criteria:

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).

We note that the Unemployment Insurance Program and WIC Program are subject to the CMIA and follow the composite clearance method (10 day clearance pattern for Unemployment Insurance and 8 day clearance pattern for WIC) of when the Program shall request funds after the funds have been paid out for a series of disbursements.

Cause:

The CMIA float customization, which was implemented in conjunction with the State's new accounting system, First State Financials (FSF), was not appropriately configured to correctly tag expenditures subject to the 10 day lag required for the Unemployment Insurance Program and the 8 day lag required for WIC Program. The Unemployment Insurance and the WIC Programs had relied on the system functionality to ensure the draws were performed based on what is allowed per the CMIA Agreement.

Effect:

The Unemployment Insurance Program and WIC Program are requesting funds in a manner which is not in compliance with terms of the CMIA.

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Questioned Costs:

Questioned costs for interest earnings on early drawdowns are not determinable.

Recommendation:

We recommend that the programs wait the respective days from when the expenditures are approved and paid in FSF and when they are requested for reimbursement, or that the accounting system configuration is modified to appropriately identify expenditures subject to the CMIA required float.

Views of Responsible Officials:

Agency Contact Name: Kris Knight, Director of Division of Accounting

Agency Contact Phone Number: (302) 672-5501

Corrective Action Plan:

CMIA systematic configuration was corrected in September 2011 prior to the start of the FY11 Single Audit.

Anticipated Completion Date: Completed.

MATRIX OF FINDINGS BY FEDERAL AGENCY

STATE OF DELAWARE

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Matrix of Findings by Federal Agency

Year ended June 30, 2011

Matrix of Findings by Federal Agency

Finding	USDA	DOD	DOL	DOT	EPA	ED	HHS	ALL
Prefix	10	12	17	20	66	84	93	
11-DTCC-01						X		
11-ED-01						X		
11-ED-02						X		
11-ED-03	X					X		
11-ED-04						X		
11-ED-05						X		
11-ED-06						X		
11-ED-07						X		
11-ED-08						X		
11-ED-09						X		
11-ED-10	X							
11-ED-11	X							
11-ED-12	X							
11-ED-13	X							
11-DHSS-01	X				X		X	
11-DHSS-02							X	
11-DHSS-03							X	
11-DHSS-04							X	
11-DHSS-05	X						X	
11-DMMA-01							X	
11-DMMA-02							X	
11-DSS-01							X	
11-DSS-02							X	
11-DSS-03	X							
11-DSS-04							X	
11-DSS-05	X							
11-DSS-06							X	
11-DSS-07							X	
11-CSE-01							X	
11-DPH-01					X			
11-DPH-02	X							
11-DPH-03							X	
11-DPH-04							X	

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Matrix of Findings by Federal Agency

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Finding	USDA	DOD	DOL	DOT	EPA	ED	HHS	ALL
Prefix	10	12	17	20	66	84	93	
11-DPH-05					X			
11-SSC-01							X	
11-SSC-02							X	
11-SSC-03							X	
11-SSC-04							X	
11-DOL-01						X		
11-DOL-02			X					
11-DOL-03			X					
11-DOL-04			X					
11-DOL-05			X					
11-DOL-06			X					
11-DOL-07			X					
11-DNG-01		X						
11-DNG-02		X						
11-AGR-01	X							
11-AGR-02	X							
11-AGR-03	X							
11-AGR-04	X							
11-DOT-01				X				
11-OMB-01	X			X	X	X	X	
11-FIN-01	X		X					