STATE OF DELAWARE

INFORMATION ON FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2009

(with Independent Auditors' Report Thereon)

STATE OF DELAWARE

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All photos in this report provided courtesy of Chris Cooper.

Front Cover: Cape Henlopen State Park, Lewes, Delaware

KPMG LLP
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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, 2009, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 30, 2009. Our report was modified to include a reference to other auditors. As described in Note 1(b) to the financial statements, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* as of July 1, 2008.

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 all of the State's component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, 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 significant deficiency is a deficiency, or combination of deficiencies, in internal control over 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 2009-01 through 2009-05 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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 2009-01 through 2009-03 in the State's internal control over financial reporting described in the accompanying schedule of findings and responses to be material weaknesses.

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 management of the State in a separate letter dated December 30, 2009.

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 response 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

December 30, 2009

STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, 2009. 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 more than $500,000 in federal awards were not 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.

Disclaimer

We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below, nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures. These program compliance requirements are:

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Services for Children, Youth, and Their Families	09-CYF-01	93.658	Foster Care – Title IV-E	All

Due to uncertainty surrounding potential disallowances of allocated administrative and training costs related to the Foster Care – Title IV-E program, we were unable to express, and we do not express an opinion on the compliance of the State with the requirements applicable to its Foster Care – Title IV-E program.

Adverse

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with certain requirements that are applicable to its Weatherization Assistance for Low-Income Persons Program. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to this program. The program compliance requirements were:

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement

Qualified

Also, 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, Red Clay School District, Sussex Tech School District	09-ED-02	84.010 84.027, 84.173 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Allowable Costs (Effort Reporting)

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Health and Social Services	09-DHSS-02	93.959 93.667 93.568	Block Grants for Prevention and Treatment of Substance Abuse Social Services Block Grant Low Income Home Energy Assistance Program	Suspension and Debarment
Department of Health and Social Services	09-SSC-01	81.042	Weatherization Assistance for Low-Income Persons	Procurement
Department of Health and Social Services – Division of State Service Centers	09-SSC-02	81.042	Weatherization Assistance for Low-Income Persons	Allowable Costs (Effort Reporting)
Department of Health and Social Services – Division of State Service Centers	09-SSC-03	81.042	Weatherization Assistance for Low-Income Persons	Allowable Costs / Subrecipient Monitoring
Department of Services for Children, Youth, and Their Families	09-CYF-03	93.659	Adoption Assistance	Allowable Costs
Delaware National Guard	09-DNG-02	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Procurement, Suspension and Debarment

In our opinion, except for the noncompliance identified in the preceding paragraph and the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirement identified in the second preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2009. 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 – Owens Campus	09-DTC-01	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Eligibility
Department of Education	09-ED-01	84.010 84.027, 84.123 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Allowable Costs (Indirect Costs)
Department of Education	09-ED-03	84.010	Title I Grants to Local Educational Agencies	Allowable Costs (Consolidation of Administrative Funds)
Department of Education	09-ED-04	84.010 84.027, 84.173 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Level of Effort (Maintenance of Effort)
Department of Education	09-ED-06	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (School-wide Programs)
Department of Education	09-ED-07	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Title I Monitoring Report)
Department of Education	09-ED-08	84.027, 84.173	Special Education Cluster	Level of Effort (Maintenance of Effort)
Department of Education	09-ED-09	10.558	Child and Adult Care Food Program	Eligibility (Subrecipients)
Department of Education	09-ED-10	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
		10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	
Department of Education	09-ED-11	10.558	Child and Adult Care Food Program	Subrecipient Monitoring
Department of Education	09-ED-12	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Allowable Costs
Department of Health and Social Services	09-DHSS-01	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs
		93.558	Temporary Assistance For Needy Families	
		93.596	Child Care Cluster	
		93.667	Social Services Block Grant	
		93.767	Children's Health Insurance Program	
		93.775, 93.777, 93.778	Medicaid Cluster	
		10.551, 10.561	Supplemental Nutrition Assistance Program Cluster	
		10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	
		66.468	Capitalization Grants for Drinking Water State Revolving Funds	
		93.268	Immunization Grants	
		93.563	Child Support Enforcement	
		93.558	Temporary Assistance For Needy Families	
		93.568	Low Income Home Energy Assistance Program	
		93.767	Children's Health Insurance Program	
		93.775,		

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Health and Social Services	09-DHSS-03	93.777, 93.778 93.917	Medicaid Cluster HIV Care Formula Grants	Suspension and Debarment
Department of Health and Social Services	09-DHSS-04	93.596 93.775, 93.777, 93.778 93.558	Child Care Cluster Medicaid Cluster Temporary Assistance for Needy Families	Reporting, Level of Effort, Earmarking
Department of Health and Social Services	09-DHSS-05	93.558	Temporary Assistance for Needy Families	Reporting, Special Tests and Provisions (Penalty for Failure to Comply with Work Verification Plan)
Department of Health and Social Services	09-AGI-01	93.667	Social Services Block Grant	Allowable Costs (Effort Reporting)
Department of Health and Social Services – Division of Child Support Enforcement	09-CSE-01	93.563	Child Support Enforcement	Special Tests and Provisions (Medical Support Obligations, Paternity and Support Obligations and Provision of Child Support Services for Interstate Cases)
Department of Health and Social Services	09-DPH-01	93.268 93.917	Immunization Grants HIV Care Formula Grants	Allowable Costs (Effort Reporting)
Department of Labor	09-DOL-01	84.126, 84.390	Vocational Rehabilitation Cluster	Eligibility
Department of Labor	09-DOL-03	17.225	Unemployment Insurance	Allowable Costs (Effort Reporting)

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Safety and Homeland Security – Delaware Emergency Management Agency	09-DSHS-01	97.004, 97.067	Homeland Security Grant Program	Suspension and Debarment
Delaware National Guard	09-DNG-01	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Equipment and Real Property Management

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, 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 purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and as identified in the table below to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and as identified in the table below, we consider the items identified below by one asterisk (*) to be material weaknesses and by two asterisks (**) to be a disclaimer of opinion.

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Delaware Technical and Community College – Owens Campus	09-DTC-01	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Eligibility	
Department of Education	09-ED-01	84.010 84.027, 84.173 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Allowable Costs (Indirect Costs)	
Department of Education – Brandywine School District, Red Clay School District, Sussex Tech School District	09-ED-02	84.010 84.027, 84.173 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Allowable Costs (Effort Reporting)	*
Department of Education – Christina School District	09-ED-03	84.010	Title I Grants to Local Educational Agencies	Allowable Costs (Consolidation of Administrative Funds)	
Department of Education – School Districts	09-ED-04	84.010 84.027, 84.173 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Level of Effort (Maintenance of Effort)	
Department of Education	09-ED-05	84.010 84.027, 84.173 84.367	Title I Grants to Local Educational Agencies Special Education Cluster Improving Teacher Quality State Grants	Reporting	
Department of Education – Brandywine School District, Indian River School District	09-ED-06	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Schoolwide Programs)	

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement
Department of Education	09-ED-07	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Title I Monitoring Report)
Department of Education	09-ED-08	84.027, 84.173	Special Education Cluster	Level of Effort (Maintenance of Effort)
Department of Education	09-ED-09	10.558	Child and Adult Care Food Program	Eligibility (Subrecipients)
Department of Education	09-ED-10	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Reporting
Department of Education	09-ED-11	10.553, 10.555, 10.556, 10.559 10.558	Child Nutrition Cluster Child and Adult Care Food Program	Subrecipient Monitoring
Department of Education – Christina School District	09-ED-12	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Allowable Costs
Department of Health and Social Services	09-DHSS-01	10.551, 10.561 93.558 93.596 93.667 93.767 93.775, 93.777, 93.778	Supplemental Nutrition Assistance Program Cluster Temporary Assistance For Needy Families Child Care Cluster Social Services Block Grant Children's Health Insurance Program Medicaid Cluster	Allowable Costs

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse		
Department of Health and Social Services	09-DHSS-02	93.667	Social Services Block Grant	Suspension and Debarment	*
		10.551, 10.561	Supplemental Nutrition Assistance Program Cluster		
		10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		
		66.468	Capitalization Grants for Drinking Water State Revolving Funds		
		93.268	Immunization Grants		
		93.563	Child Support Enforcement		
		93.558	Temporary Assistance For Needy Families		
		93.568	Low Income Home Energy Assistance Program		
		93.767	Children's Health Insurance Program		
		93.775, 93.777, 93.778	Medicaid Cluster		
Department of Health and Social Services	09-DHSS-03	93.917	HIV Care Formula Grants	Suspension and Debarment	
		93.596	Child Care Cluster		
		93.775, 93.777, 93.778	Medicaid Cluster		
Department of Health and Social Services	09-DHSS-04	93.558	Temporary Assistance for Needy Families	Reporting, Level of Effort, Earmarking	
Department of Health and Social Services	09-DHSS-05	93.558	Temporary Assistance for Needy Families	Reporting, Special Tests and Provisions (Penalty for Failure to Comply with Work Verification Plan)	

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Department of Health and Social Services – Division of Services for Aging and Adults with Physical Disabilities	09-AGI-01	93.667	Social Services Block Grant	Allowable Costs (Effort Reporting)	
Department of Health and Social Services – Division of Child Support Enforcement	09-CSE-01	93.563	Child Support Enforcement	Special Tests and Provisions (Medical Support Obligations, Paternity and Support Obligations and Provision of Child Support Services for Interstate Cases)	*
Department of Health and Social Services – Division of Public Health	09-DPH-01	93.268 93.917	Immunization Grants HIV Care Formula Grants	Allowable Costs (Effort Reporting)	
Department of Health and Social Services – Division of State Service Centers	09-SSC-01	93.568 81.042	Low Income Home Energy Assistance Program Weatherization Assistance for Low-Income Persons	Procurement	*
Department of Health and Social Services – Division of State Service Centers	09-SSC-02	81.042	Weatherization Assistance for Low-Income Persons	Allowable Costs (Effort Reporting)	*
Department of Health and Social Services – Division of State Service Centers	09-SSC-03	81.042	Weatherization Assistance for Low-Income Persons	Allowable Costs / Subrecipient Monitoring	*
Department of Labor	09-DOL-01	84.126, 84.390	Vocational Rehabilitation Cluster	Eligibility	
Department of Labor	09-DOL-02	17.258, 17.259, 17.260	WIA Cluster	Eligibility	
Department of Labor	09-DOL-03	17.225	Unemployment Insurance	Allowable Costs (Effort Reporting)	

State Agency	Finding Number	CFDA No.	Program	Compliance Requirement	
Department of Safety and Homeland Security – Delaware Emergency Management Agency	09-DSHS-01	97.004, 97.067	Homeland Security Grant Program	Suspension and Debarment	
Department of Services for Children, Youth, and Their Families	09-CYF-01	93.658	Foster Care – Title IV-E	All	**
Department of Services for Children, Youth, and Their Families	09-CYF-02	93.658	Foster Care – Title IV-E	Eligibility (Provider Approval)	
Department of Services for Children, Youth, and Their Families	09-CYF-03	93.659	Adoption Assistance	Allowable Costs	*
Department of Services for Children, Youth, and Their Families	09-CYF-04	93.659	Adoption Assistance	Eligibility	
Delaware National Guard	09-DNG-01	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Equipment and Real Property Management	
Delaware National Guard	09-DNG-02	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Procurement, Suspension and Debarment	*
Office of Management and Budget	09-OMB-01		All	Reporting	

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

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.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

March 22, 2010

STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

Report on Schedule of Expenditures of Federal Awards

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

We have audited the accompanying Schedule of Expenditures of Federal Awards of the State of Delaware (the Schedule) as of and for the year ended June 30, 2009. This Schedule is the responsibility of the State of Delaware's management. Our responsibility is to express on opinion on this Schedule based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the Schedule, the Schedule does not include expenditures of federal awards for programs administered by 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 more than $500,000 in federal awards were not expended.

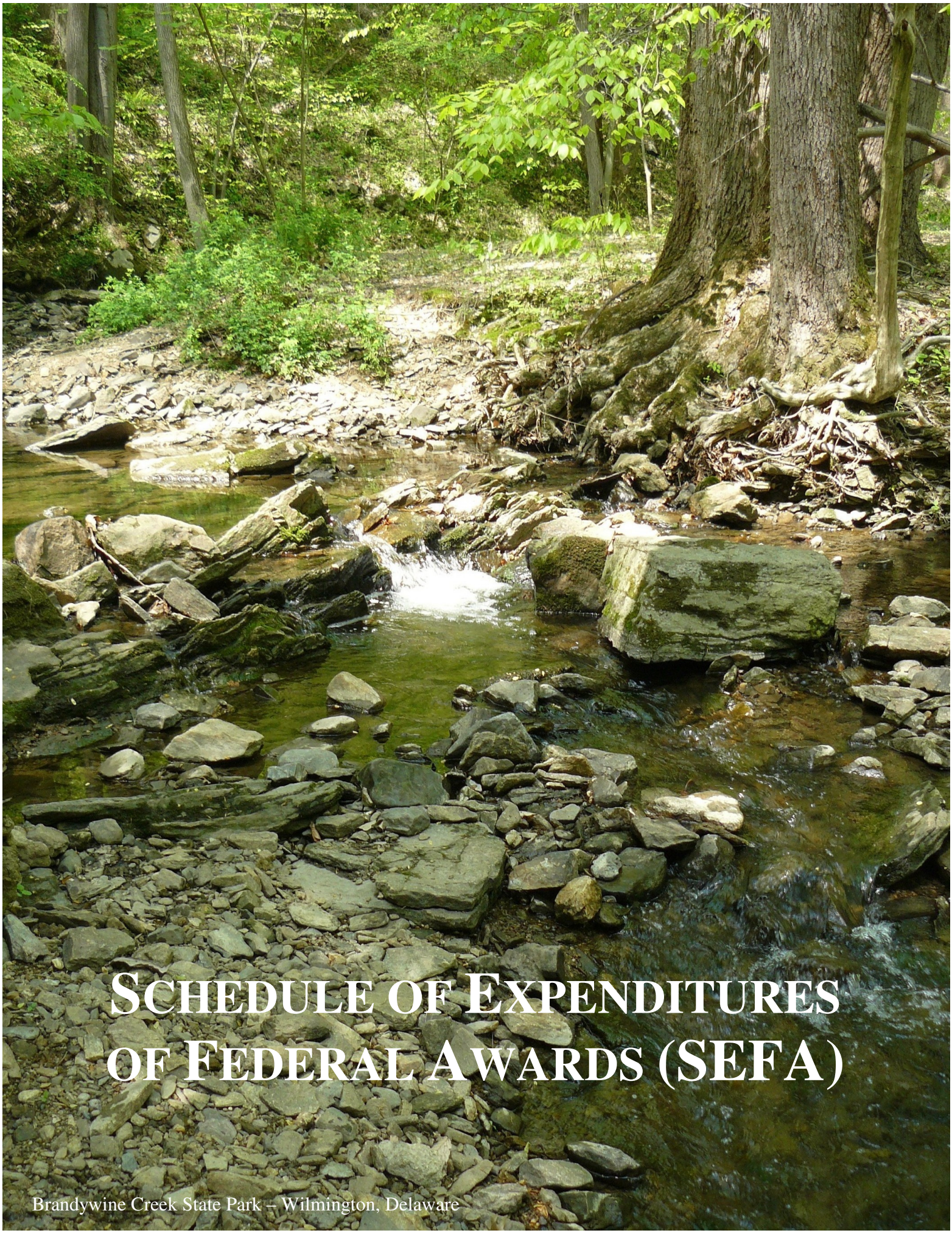
As described in note 2, the Schedule is prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Delaware, as described above, for the year ended June 30, 2009, on the basis of accounting described in note 2.

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.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

March 22, 2010



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Brandywine Creek State Park – Wilmington, Delaware

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
	U.S. Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$	424,583
10.028	Wildlife Services			63,832
10.069	Conservation Reserve Program			96,582
10.163	Market Protection and Promotion			16,350
10.169	Specialty Crop Block Grant Program			8,434
10.170	Specialty Crop Block Grant Program-Farm Bill			49,302
10.215	Sustainable Agriculture Research and Education			
	Pass-through from University of Vermont	N7013101		15,155
10.458	Crop Insurance Education in Targeted States			197,771
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection			487,131
10.479	Food Safety Cooperative Agreements			130,841
10.550	Food Donation			2,310,254
	SNAP Cluster			
10.551	Supplemental Nutrition Assistance Program		113,848,224	
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program		16,541,636	
	Total SNAP Cluster			**130,389,860**
	Child Nutrition Cluster			
10.553	School Breakfast Program		1,295,931	
10.555	National School Lunch Program		26,010,331	
10.556	Special Milk Program for Children		44,602	
10.559	Summer Food Service Program for Children		1,897,384	
	Total Child Nutrition Cluster			**29,248,248**
10.557	Special Supplemental Nutrition Program for Women, Infants and Children			14,544,329
10.558	Child and Adult Care Food Program			12,105,712
10.560	State Administrative Expenses for Child Nutrition			581,790
	Emergency Food Assistance Cluster			
10.568	Emergency Food Assistance Program (Administrative Costs)		119,469	
10.569	Emergency Food Assistance Program (Food Commodities)		780,649	
	Total Emergency Food Assistance Cluster			**900,118**
10.582	Fresh Fruit and Vegetable Program			379,782
10.664	Cooperative Forestry Assistance			319,599

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
10.675	Urban and Community Forestry Program			209,068
10.676	Forest Legacy Program			4,914
10.677	Forest Land Enhancement Program			1,968
10.678	Forest Stewardship Program			87,564
10.680	Forest Health Program			40,871
10.769	Rural Business Enterprise Grants			73,547
10.902	Soil and Water Conservation			202,423
10.912	Environmental Quality Incentives Program			34,885
10.913	Farm and Ranch Lands Protection Program			9,659
10.914	Wildlife Habitat Incentive Program			195,039
	Total U.S. Department of Agriculture			**193,129,611**
	U.S. Department of Commerce			
11.419	Coastal Zone Management Administration Awards			2,869,349
11.420	Coastal Zone Management Estuarine Research Reserves			634,041
11.439	Marine Mammal Data Program			24,520
11.472	Unallied Science Program			128,958
11.474	Atlantic Coastal Fisheries Cooperative Management Act			186,827
11.555	Public Safety Interoperable Communications Grant Program			760,783
	Total U.S. Department of Commerce			**4,604,478**
	U.S. Department of Defense			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services			20,023
12.401	National Guard Military Operations and Maintenance (O&M) Projects		11,898,639	
12.401	S National Guard Military Operations and Maintenance (O&M) Projects		59,995	
	Total for National Guard Military Operations and Maintenance (O&M) Projects			11,958,634
12.Unassigned	State Grant Number 08-07-24-04			254,434
	Total U.S. Department of Defense			**12,233,091**
	U.S. Department of Housing and Urban Development			
14.235	Supportive Housing Program			1,278,513

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
14.401	Fair Housing Assistance Program - State and Local			109,161
14.900	Lead-Based Paint Hazard Control In Privately-Owned Housing			663,804
	Total U.S. Department of Housing and Urban Development			**2,051,478**
	U.S. Department of the Interior			
	Fish and Wildlife Cluster			
15.605	Sport Fish Restoration		4,193,617	
15.611	Wildlife Restoration		2,428,683	
	Total Fish and Wildlife Cluster			**6,622,300**
15.615	Cooperative Endangered Species Conservation Fund			758
15.616	Clean Vessel Act			18,676
15.622	Sportfishing and Boating Safety Act			123,930
15.623	North American Wetlands Conservation Fund			3,882
15.625	Wildlife Conservation and Restoration			28,083
15.633	Landowner Incentive			271,221
15.634	State Wildlife Grants			363,747
15.644	Federal Junior Duck Stamp Conservation and Design			1,048
15.809	National Spatial Data Infrastructure Cooperative Agreements Program			971
15.904	Historic Preservation Fund Grants-In-Aid			464,012
15.916	Outdoor Recreation, Acquisition, Development and Planning			126,921
15.930	Chesapeake Bay Gateways Network			768
15.Unassigned	State Grant Number 09-03-03-01			10,000
	Total U.S. Department of the Interior			**8,036,317**
	U.S. Department of Justice			
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)			31,059
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)			182,865
16.523	Juvenile Accountability Incentive Block Grants			340,577
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States			543,594
16.543	Missing Children's Assistance			55,952
16.544	Gang-Free Schools and Communities - Community-Based Gang Intervention			24,602
16.547	Victims of Child Abuse			53,625
16.548	Title V - Delinquency Prevention Program			206,936

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
16.550	State Justice Statistics Program for Statistical Analysis Centers		51,108
16.554	National Criminal History Improvement Program (NCHIP)		123,224
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		7,831
16.564	Crime Laboratory Improvement Combined Offender DNA Index System Backlog Reduction		20,201
16.575	Crime Victim Assistance		1,096,709
16.576	Crime Victim Compensation		1,024,974
16.579	Edward Byrne Memorial Formula Grant Program		61,361
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		484,381
16.585	Drug Court Discretionary Grant Program		6,156
16.588	Violence Against Women Formula Grants		799,654
16.593	Residential Substance Abuse Treatment for State Prisoners		28,628
16.595	Community Capacity Development Office		196,837
16.606	State Criminal Alien Assistance Program		132,554
16.607	Bulletproof Vest Partnership Program		37,192
16.609	Community Prosecution and Project Safe Neighborhoods		73,480
16.710	Public Safety Partnership and Community Policing Grants		621,805
16.727	Enforcing Underage Drinking Laws Program		351,262
16.734	Special Data Collections and Statistical Studies		237
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program		156,577
16.736	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		93,125
16.738	Edward Byrne Memorial Justice Assistance Grant Program		1,309,084
16.740	Statewide Automated Victim Information Notification (SAVIN) Program		160,118
16.741	Forensic DNA Capacity Enhancement Program		79,472
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		2,854
16.744	Anti Gang Initiative		53,914
16.802	S Recovery Act-State Victim Compensation Formula Grant Program		500
	Total U.S. Department of Justice		**8,412,448**
	U.S. Department of Labor		
17.002	Labor Force Statistics		654,551
17.005	Compensation and Working Conditions		54,579
17.203	Labor Certification for Alien Workers		178,030
	Employment Services Cluster		
17.207	Employment Service / Wagner-Peyser Funded Activities	2,229,794	

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
17.801	Disabled Veterans' Outreach Program (DVOP)		153,925	
17.804	Local Veterans' Employment Representative Program		388,931	
	Total Employment Services Cluster			**2,772,650**
17.225	Unemployment Insurance		179,003,362	
17.225	S Unemployment Insurance		9,880,857	
	Total Unemployment Insurance			188,884,219
17.235	Senior Community Service Employment Program			2,174,593
17.245	Trade Adjustment Assistance			105,343
	WIA Cluster			
17.258	WIA Adult Program		2,211,039	
17.259	WIA Youth Activities		2,492,243	
17.260	WIA Dislocated Workers		1,428,714	
	Total WIA Cluster			**6,131,996**
17.261	WIA Pilots, Demonstrations and Research Projects			14,036
17.266	Work Incentives Grant			373,185
17.267	Incentive Grants - WIA Section 503			816,728
17.269	Community Based Job Training Grants			414,433
17.504	Consultation Agreements			409,049
17.505	OSHA Data Initiative			28,219
	Total U.S. Department of Labor			**203,011,611**
	U.S. Department of Transportation			
20.106	Airport Improvement Program			193,780
20.108	Aviation Research Grants			268,213
20.218	National Motor Carrier Safety			712,145
	Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction		178,328,696	
20.205	S Highway Planning and Construction		379,283	
20.205	*Pass-through from Delaware Dept. of Transportation*		28,484	
20.219	Recreational Trails Program		1,032,231	
	Total Highway Planning and Construction Cluster			**179,768,694**

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
	Federal Transit Cluster			
20.500	Federal Transit-Capital Investment Grants		966,443	
20.507	Federal Transit-Formula Grants		10,804,938	
20.507	S Federal Transit-Formula Grants		150,809	
	Total Federal Transit Cluster			**11,922,190**
	Transit Services Programs Cluster			
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities		414,512	
20.516	Job Access Reverse Commute		330,834	
20.521	New Freedom Program		69,968	
	Total Transit Services Programs Cluster			**815,314**
20.505	Federal Transit-Metropolitan Planning Grants			346,776
20.509	Formula Grants for Other Than Urbanized Areas			2,302,508
20.519	Clean Fuels			4,784,181
	Highway Safety Cluster			
20.600	State and Community Highway Safety		1,757,098	
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		408,098	
20.602	Occupant Protection Incentive Grants		158,915	
20.609	Safety Belt Performance Grants		526,192	
20.610	State Traffic Safety Information System Improvement Grants		203,348	
20.612	Incentive Grant Program to Increase Motorcyclist Safety		122,674	
20.613	Child Safety and Child Booster Seats Incentive Grants		123,408	
	Total Highway Safety Cluster			**3,299,733**
20.607	Alcohol Open Container Requirements			2,081,956
20.700	Pipeline Safety			66,392
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants			76,768
20.Unassigned	State Grant Number 07-05-15-33 and 08-03-18-01			33,162
	Total U.S. Department of Transportation			**206,671,812**
	U.S. Department of Treasury			
21.Unassigned	State Grant Number 08-08-11-01 and 08-08-11-02			56,754
	Total U.S. Department of Treasury			**56,754**

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
	Equal Employment Opportunity Commission		
30.001	Employment Discrimination - Title VII of the Civil Rights Act of 1964		198,712
	Total Equal Employment Opportunity Commission		**198,712**
	National Foundation on Arts and the Humanities		
45.024	Promotion of the Arts-Grants to Organizations and Individuals		15,000
45.025	Promotion of the Arts - Partnership Agreements		661,508
45.164	Promotion of the Humanities-Public Programs		40,000
45.310	Grants to States		706,662
45.312	Institute of Museum and Library Services-National Leadership Grant		9,532
	Total National Foundation on Arts and the Humanities		**1,432,702**
	National Science Foundation		
47.076	Education and Human Resources		83,142
47.080	Office of Cyberinfrastructure		24,926
	Total National Science Foundation		**108,068**
	U.S. Department of Veterans Administration		
64.005	Grants to States for Construction of State Home Facilities		1,800
64.101	Burial Expenses Allowance for Veterans		229,018
64.203	State Cemetery Grants		6,555
	Total U.S. Department of Veterans Administration		**237,373**
	U.S. Environmental Protection Agency		
66.001	Air Pollution Control Program Support		1,166,094
66.032	State Indoor Radon Grants		64,744
66.034	Surveys Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		231,497
66.036	Clean School Bus USA		360,118
66.202	Congressionally Mandated Projects		4,258

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
66.419	Water Pollution Control State, Interstate, and Tribal Program Support		1,154,601
66.432	State Public Water System Supervision		527,068
66.433	State Underground Water Source Protection		63,832
66.454	Water Quality Management Planning		123,549
66.458	Capitalization Grants for Clean Water State Revolving Funds		8,474,974
66.460	Nonpoint Source Implementation Grants		1,055,782
66.461	Wetland Program Grants		87,706
66.466	Chesapeake Bay Program		260,416
66.467	Wastewater Operator Training Grant Program		3,287
66.468	Capitalization Grants for Drinking Water State Revolving Funds		8,779,162
66.472	Beach Monitoring and Notification Program Implementation Grants		268,070
66.479	Wetland Program Grants-State/Tribal Environmental Outcome Wetland Demonstration Program		114,532
66.605	Performance Partnership Grants		312,515
66.606	Surveys, Studies, Investigations and Special Purpose Grants		232
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		260,796
66.707	TSCA Title IV State Lead Grants Certification of Lead Based Paint Professionals		124,164
66.708	Pollution Prevention Grants Program		72,932
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		44,901
66.801	Hazardous Waste Management State Program Support		788,761
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		180,744
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		354,101
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		529,961
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		539,237
66.817	State and Tribal Response Program Grants		852,759
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		250,651
	Total U.S. Environmental Protection Agency		**27,051,444**
	U.S. Department of Energy		
81.041	State Energy Program		220,536
81.042	Weatherization Assistance for Low-Income Persons	864,082	
81.042	S Weatherization Assistance for Low-Income Persons	1,198	
	Total Weatherization Assistance for Low-Income Persons		865,280
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		1,795

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
	Total U.S. Department of Energy			**1,087,611**
	U.S. Department of Education			
84.002	Adult Education - Basic Grants to States			1,535,236
84.010	Title I Grants to Local Educational Agencies			33,136,172
84.011	Migrant Education - State Grant Program			209,595
84.013	Title I Program for Neglected and Delinquent Children			475,688
	Special Education Cluster (IDEA)			
84.027	Special Education - Grants to States (IDEA, Part B)		29,226,392	
84.173	Special Education - Preschool Grants (IDEA Preschool)		700	
	Total Special Education Cluster			**29,227,092**
84.041	Impact Aid			83,419
	Student Financial Assistance Cluster			
84.007	Federal Supplemental Educational Opportunity Grants		312,695	
84.033	Federal Work Study Program		255,557	
84.063	Federal Pell Grant Program		10,327,637	
	Total Student Financial Assistance Cluster			**10,895,889**
	TRIO Cluster			
84.042	TRIO - Student Support Services		557,016	
84.044	TRIO - Talent Search		630,771	
84.047	TRIO - Upward Bound		1,612,737	
	Total TRIO Cluster			**2,800,524**
84.048	Vocational Education - Basic Grants to States			4,708,744
84.069	Leveraging Educational Assistance Partnership			183,397
	Vocational Rehabilitation Cluster			
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States		9,735,140	
84.390	S Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act		115,671	
	Total Vocational Rehabilitation Cluster			**9,850,811**
84.169	Independent Living - State Grants			345,050
84.173	Special Education - Preschool Grants			1,310,669
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind			209,584

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
84.181	Special Education - Grants for Infants and Families with Disabilities		2,272,037
84.184	Safe and Drug-Free Schools and Communities - National Program		171,621
84.185	Byrd Honors Scholarships		103,500
84.186	Safe and Drug-Free Schools and Communities - State Grants		1,315,408
84.187	Supported Employment Services for Individuals with Significant Disabilities		255,779
84.196	Education for Homeless Children and Youth		209,865
84.213	Even Start - State Educational Agencies		372,956
84.215	Fund for the Improvement of Education		684,034
84.243	Tech-Prep Education		356,672
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training		31,384
84.282	Charter Schools		24,309
84.287	Twenty-First Century Community Learning Centers		4,485,333
84.298	State Grants for Innovative Programs		212,945
84.293	Foreign Language Assistance		283,935
84.318	Education Technology State Grants		1,063,225
84.323	Special Education-State Program Improvement Grants for Children with Disabilities		490,040
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		64,596
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		1,155,794
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals		94,158
84.335	Child Care Access Means Parents in School		4,018
84.357	Reading First State Grants		2,448,817
84.358	Department of Education Office of Elementary And Secondary Education		43,132
84.365	English Language Acquisition Grants		1,207,749
84.366	Mathematics and Science Partnerships		1,437,370
84.367	Improving Teacher Quality State Grants		11,710,937
84.368	Grants for Enhanced Assessment Instruments		393,168
84.369	Grants for State Assessments and Related Activities		3,234,239
84.378	College Access Challenge Grant Program		103,230
84.393	S Special Education-Grants for Infants and Families, Recovery Act		747
	Total U.S. Department of Education		**129,202,868**
	Election Assistance Commission		
90.401	Help America Vote Act Requirements Payments		1,723,313

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
	Total Election Assistance Commission			**1,723,313**
	U.S. Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			184,356
93.008	Medical Reserve Corps Small Grant Program			6,329
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation			18,790
93.042	Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals			34,522
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services			17,480
	Aging Cluster			
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers		1,894,272	
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services		2,491,949	
93.053	Nutrition Services Incentive Program		439,787	
	Total Aging Cluster			**4,826,008**
93.048	Special Programs for the Aging-Title IV and Title II Discretionary Projects			207,268
93.052	National Family Caregiver Support			686,086
93.069	Public Health Emergency Preparedness			3,859,144
93.103	Food and Drug Administration Research			6,297
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			241,284
93.110	Maternal and Child Health Federal Consolidated Programs			313,963
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			347,659
93.127	Emergency Medical Services for Children			114,530
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices			227,439
93.136	Injury Prevention and Control Research and State and Community Based Programs			47,777
93.150	Projects for Assistance in Transition from Homelessness (PATH)			428,794
93.165	Grants for State Loan Repayment			49,871
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children			127,867

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
93.217	Family Planning Services			1,258,948
93.234	Traumatic Brain Injury State Demonstration Grant Program			115,383
93.236	Grants for Dental Public Health Residency Training			149,504
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance			1,115,375
93.251	Universal Newborn Hearing Screening			170,438
93.256	State Planning Grants Health Care Access for the Uninsured			7,600
93.259	Rural Access to Emergency Devices Grant			112,675
93.268	Immunization Grants			8,962,084
93.279	Drug Abuse Research Programs			64,665
	Pass-through from Treatment Research Institute	N9123001		2,419
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance			4,862,694
93.389	Research Infrastructure			185,039
93.556	Promoting Safe and Stable Families			735,746
93.558	Temporary Assistance for Needy Families			32,316,809
93.563	Child Support Enforcement			19,846,837
93.566	Refugee and Entrant Assistance-State Administered Programs			73,369
93.568	Low-Income Home Energy Assistance			13,277,782
93.569	Community Services Block Grant			3,321,128
93.586	State Court Improvement Program			212,095
	CCDF Cluster			
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		12,076,848	
93.575	Child Care and Development Block Grant		2,304,739	
	Total CCDF Cluster			**14,381,587**
93.597	Grants to States for Access and Visitation Programs			83,616
93.599	Chafee Education and Training Vouchers Program (ETV)			85,861
93.600	Head Start			74,326
93.630	Developmental Disabilities Basic Support and Advocacy Grants			452,331
93.643	Children's Justice Grants to States			77,885
93.645	Child Welfare Services - State Grants			787,045
93.658	Foster Care - Title IV-E		3,714,617	
93.658	S Foster Care - Title IV-E		63,019	
	Total Foster Care - Title IV-E			3,777,636
93.659	Adoption Assistance		1,777,488	
93.659	S Adoption Assistance		136,803	
	Total Adoption Assistance			1,914,291
93.667	Social Services Block Grant			5,158,694
93.669	Child Abuse and Neglect State Grants			103,244
93.671	Family Violence Prevention and Services/Grants for Battered			

CFDA NO.		GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES	
		Women's Shelters Grants to States and Indian Tribes			701,288
93.674		Chafee Foster Care Independent Living			422,794
93.767		Children's Health Insurance Program			10,732,056
		Medicaid Cluster			
93.775		State Medicaid Fraud Control Units		1,294,257	
93.777		State Survey and Certification of Health Care Providers and Suppliers		1,350,586	
93.778		Medical Assistance Program		605,012,921	
93.778	S	Medical Assistance Program		90,816,446	
		Total Medicaid Cluster			**698,474,210**
93.779		Centers for Medicare and Medicaid Services (CMS)			
		Research, Demonstrations and Evaluations			250,921
93.791		Money Follows the Person Rebalancing Demonstration		157,993	
93.791	S	Money Follows the Person Rebalancing Demonstration		3,412	
		Total Money Follows the Person Rebalancing Demonstration			161,405
93.793		Medicaid Transformation Grants			625,198
93.859		Pharmacology, Physiology, and Biological Chemistry Research			114,667
93.887		Health Care and Other Facilities			
		Pass-through from University of Delaware	N4093003		146,621
93.889		National Bioterrorism Hospital Preparedness Program			2,457,680
93.913		Grants to States for Operation of Offices of Rural Health			133,671
93.917		HIV Care Formula Grants			5,061,351
93.938		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			235,520
93.940		HIV Prevention Activities-Health Department Based			1,874,196
93.941		HIV Demonstration, Research, Public and Professional Education Projects			24,359
93.944		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			568,788
93.945		Assistance Programs for Chronic Disease Prevention and Control			3,649
93.946		Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			131,074
93.958		Block Grants for Community Mental Health Services			764,339
93.959		Block Grants for Prevention and Treatment of Substance Abuse			6,643,267
93.977		Preventive Health Services Sexually Transmitted Diseases Control Grants			552,254
93.988		Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems			358,355
93.991		Preventive Health and Health Services Block Grant			182,847
93.994		Maternal and Child Health Services Block Grant to the States			1,995,076
93.Unassigned		State Grant Number N8-04-30-07			200,000

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
	Total U.S. Department of Health and Human Services		**858,248,156**
	Corporation for National and Community Service		
94.002	Retired and Senior Volunteer Program		152,953
94.003	State Commissions		87,158
94.004	Learn and Serve America - School and Community Based Programs		6,834
94.006	AmeriCorps		643,985
94.007	Program Development and Innovation Grants		1,886
94.009	Training and Technical Assistance		54,938
	Foster Grandparent/Senior Companion Cluster		
94.011	Foster Grandparent Program	540,980	
	Total Foster Grandparent/Senior Companion Cluster		**540,980**
	Total Corporation for National and Community Service		**1,488,734**
	Social Security Administration		
	Disability Insurance/SSI Cluster		
96.001	Social Security - Disability Insurance	5,982,420	
	Total Disability Insurance/SSI Cluster		**5,982,420**
96.008	Social Security - Benefits Planning, Assistance, and Outreach Program		88,843
	Total Social Security Administration		**6,071,263**
	U.S. Department Homeland Security		
	Homeland Security Cluster		
97.004	State Domestic Preparedness Equipment Support Program	595,703	
97.067	Homeland Security Grant Program	7,663,205	
	Total Homeland Security Cluster		**8,258,908**
97.012	Boating Safety Financial Assistance		936,213
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		1,036,462
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		83,034
97.029	Flood Mitigation Assistance		59,689

CFDA NO.	GRANT NAME	FEDERAL/PASS-THROUGH ENTITY OTHER IDENTIFYING NO.	EXPENDITURES
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		494,523
97.041	National Dam Safety Program		7,510
97.042	Emergency Management Performance Grants		2,240,207
97.043	State Fire Training Systems Grants		14,826
97.045	Cooperating Technical Partners		143,373
97.070	Map Modernization Management Support		77,701
97.078	Buffer Zone Protection Plan (BZPP)		77,380
	Total U.S. Department Homeland Security		**13,429,826**
	Total Expenditures of Federal Awards	**$**	**1,678,487,670**

Legend:

S - Award made under the American Recovery and Reinvestment Act

(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 (DTCC) 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 Family Education Loan Program

During the Fiscal Year ended June 30, 2009, Delaware Technical and Community College processed $6,827,400 of new loans under the Federal Family Education Loan Program (CFDA 84.032). This amount is not included on the SEFA.

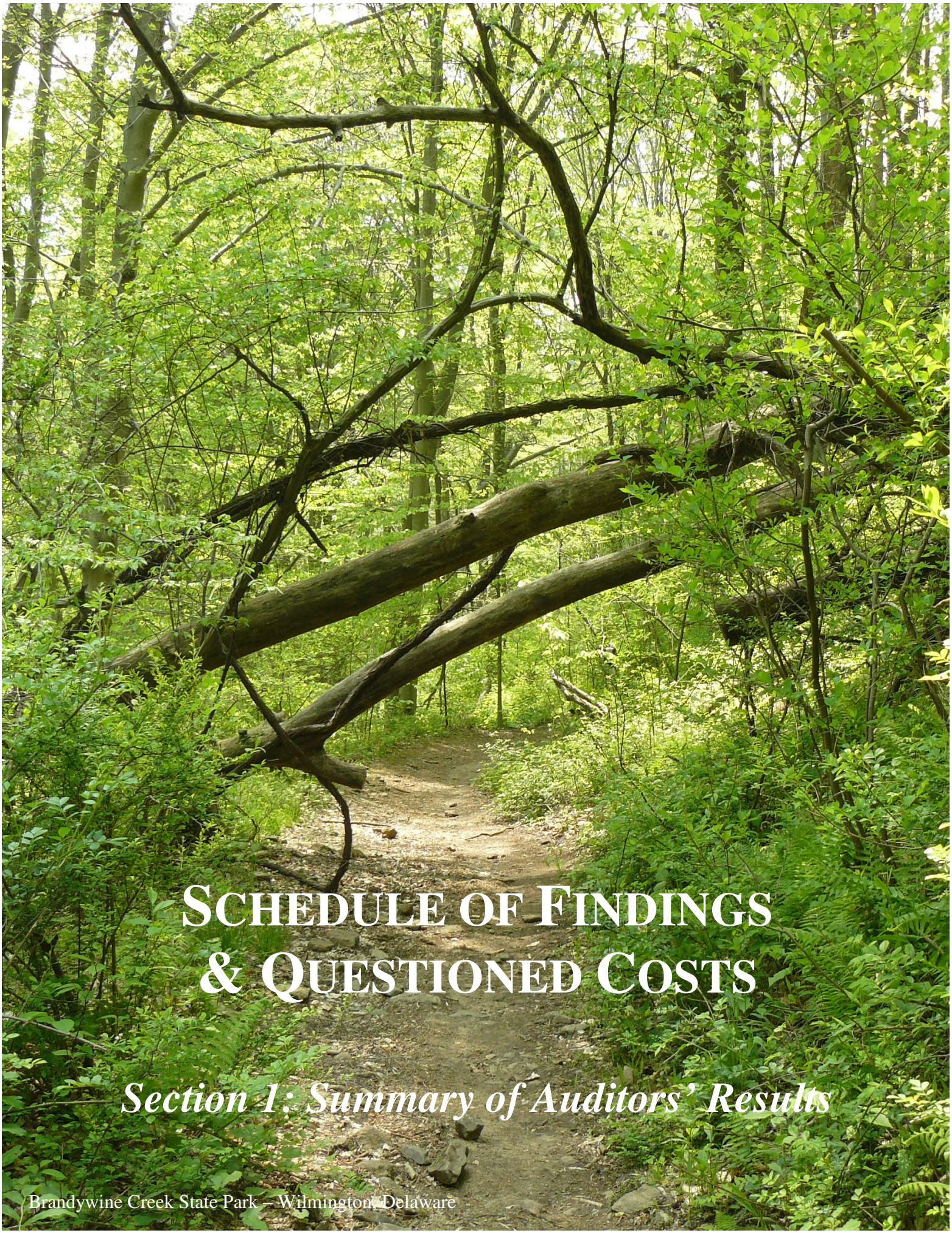
(4) Unemployment Insurance Funds

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 State funds included in the SEFA at June 30, 2009 are $167,202,000.

(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 Donation (Commodities)	$ 2,242,549
10.569	Emergency Food Assistance Program (Commodities)	780,649
93.268	Immunization Grants (Vaccines)	7,378,446
10.551	Food Stamps (EBT Payments)	113,848,224



SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 1: Summary of Auditors' Results

Brandywine Creek State Park – Wilmington, Delaware

(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: **Yes**

CFDA No.	Program Name
93.658	Foster Care – Title IV-E

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

Major programs with material weaknesses:

CFDA No.	Program Name
12.401	National Guard Military Operations and Maintenance (O&M) Projects
81.042	Weatherization Assistance for Low-Income Persons
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance Program
93.659	Adoption Assistance
93.667	Social Service Block Grant
93.959	Block Grants for Prevention and Treatment of Substance Abuse

(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	Supplemental Nutrition Assistance Program Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
17.258, 17.259, 17.260	WIA Cluster
66.468	Capitalization Grants for Drinking Water
81.042	Weatherization Assistance for Low-Income Persons
84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.126, 84.390	Vocational Rehabilitation Cluster
93.268	Immunization Grants
93.558	Temporary Assistance For Needy Families
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance Program
93.596	Child Care Cluster
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program

CFDA No.	Program Name
93.775, 93.777, 93.778	Medicaid Cluster
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.004, 97.067	Homeland Security Grant Program

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

Type of Opinion	Program Name
Disclaimer	
93.658	Foster Care – Title IV-E
Adverse	
81.042	Weatherization Assistance for Low-Income Persons
Qualified	
12.401	National Guard Military Operations and Maintenance (O&M) Projects
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance Program
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.959	Block Grants for Prevention and Treatment of Substance Abuse

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year Ended June 30, 2009

Type of Opinion	Program Name
Unqualified	
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
17.225	Unemployment Insurance
17.258, 17.259, 17.260	WIA Cluster
20.205, 20.219	Highway Planning and Construction Cluster
66.468	Capitalization Grants for Drinking Water
84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
84.126, 84.390	Vocational Rehabilitation Cluster
93.268	Immunization Grants
93.558	Temporary Assistance For Needy Families
93.575, 93.596	Child Care Cluster

Type of Opinion	Program Name
93.767	Children's Health Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster
93.917	HIV Care Formula Grants
96.001	Disability Insurance/SSI Cluster
97.004, 97.067	Homeland Security Grant Program

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

(j) Identification of Major Programs:

CFDA Number	Federal Award Number	Program Name
10.551, 10.561	1DE400401 2007IS251441 2008IS251441 2009IE252041 2009IS251441 2009IS803641 2009IE252241 2009IS251941 2009IE251841 2009IS802641	Supplemental Nutrition Assistance Program Cluster
10.553, 10.555, 10.556, 10.559	SCHOOL LUNCH SCHOOL BREAKFAST 1DE300301 2DE300301 NSLP-00	Child Nutrition Cluster
10.557	2007IW100341/641 2008IW100341/641 2009IW100341 2009IW100641	Special Supplemental Nutrition Program for Women, Infants & Children
10.558	1DE300301	Child and Adult Care

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year Ended June 30, 2009

CFDA Number	Federal Award Number	Program Name
	CACFP CACFP 00	Food Program
12.401	07-001W-05536 1001/1003/1004/1005/1010 1001/1003/1005/1040 1001\1003-1005\1007\1010 1002 1021/1022/1024/1029 1021\1022\1024\1029 1023 APPEND 1002 APPEND 1023 APPEND 1623 1624 APPEND 1625 1626 APPENDIX 1023	National Guard Military Operations and Maintenance (O&M) Projects
17.225	UI-15113-06-55 UI-15790-07-55 UI-16738-08-55-A-10 UI180120955A10	Unemployment Insurance
17.258, 17.259, 17.260	AA171130855A10 AA120030250 AA137900450 AA-15471-06-55 AA160200755A10 3-146-STSY 2-147-STSY 4705Y 2-709-Y 3713Y 4707Y 2-711-Y 3715Y 2-709Y 2711Y 2-807Y 3-811Y 2-809Y 3-813Y 4-805Y 2-905-Y 2-907-Y 3-909-Y	WIA Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year Ended June 30, 2009

CFDA Number	Federal Award Number	Program Name
	3-911-Y 3-703-Y AA-16020-07-55-A-10	
20.205, 20.219	TRANSPORTATION ENHANCEMENT HAD-DE HDA-DE HEP-10-0396-384-0016 HEV-DE RECREATIONAL TRAILS RTP-1404-FORESTRY RTP-1405-FORESTRY	Highway Planning and Construction Cluster
66.468	2F-093914-09-0 FS-99391403-1 FS-99391404 FS-993914050 FS-99391406 FS-99391407-0 WP-97360401-0 FS-993914-08-0 FS993914080 FS-993914-04 FS99391405-0 FS-99391406-0 FS-99391408-0	Capitalization Grants for Drinking Water State Revolving Funds
81.042	DE-EE0000154 DE-EE0000174 DE-FG26-04R340647 DE-FG43-04R340647	Weatherization Assistance for Low-Income Persons

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year Ended June 30, 2009

CFDA Number	Federal Award Number	Program Name
84.007, 84.032, 84.033, 84.063	P007A070814 P007A070812 P007A070815 P007A070811 P007A080811 P007A080812 P007A080814 P007A080815 P033A010811 P033A070811 P033A070814 P033A070812 P033A070815 P033A080811 P033A080812 P033A080815 P033P080814 P063P052885 P063P072885 P063P073817 P063P073468 P063P071233 P063P082885 P375A082885 P063P083817 P063P083468 P375A083817 P063P081233	Student Financial Assistance Cluster
84.010	S010A020008 S010A040008 S010A060008 S010A60008 S010A070008 S010A07000A S0101A070008 S010A080008 S010A08008	Title I Grants to Local Educational Agencies

84.027, 84.173	H027A010022 H027A040022 H027A050022 IDEA-B HR 11-06 IDEA-B SSA 9-08 H027A060022 H027A1010022 H027A020022 HO27A050022 H173A060025 H027060022 HO27A060022 H027A060027 H027A070022 H027AO70022 HO27A070022 H27A070022 H027A080022 HO27A080022 IDEA B SSA 05-07 H027A80022 H027H070022 H027S070022 H173A020005 H173A020025 H173A040025 H173A050025 IDEA-BHR2-08 IDEA-B 619 SSA 2-08 IDEA B SSA H173A070025 H173A060025 H1173A050025 H1713A050025 H1713A060025 H73A060025 H173A080025 IDEA-B 619 SSA 11-07 IDEA B SSA 02-08 IDEA B SSA 03-08 HA731040025 IDEA-B 619 SSA1-08	Special Education Cluster (IDEA)

84.126, 84.390	H126A070010 H126A080010 H126A090010 H126A07009 H126A080009 H126A090009 H390A090009	Vocational Rehabilitation Cluster
84.367	S367A020007 S367B070008A S367A060007 S367B060008 S367A070007 S367A080007 S367B080008	Improving Teacher Quality State Grants
93.268	2H23IP322567-06 5H23IP322567-07	Immunization Grants
93.558	G-0301DETANF G-0702DETANF G-0802DETANF G-0902DETANF	Temporary Assistance for Needy Families
93.563	0804DE4004 0904DE4004	Child Support Enforcement
93.568	G-06B1DELIEA G-07B1DELIEA G-08B1DELIEA G-09B1DELIEA	Low-Income Home Energy Assistance
93.575, 93.596	G-0601DECCDF G-0701DECCDF G-0801DECCDF 07072507A 07072507B 07072507C G-0901DECCDF	Child Care Cluster
93.658	0101DE1401 0701DE1401 0801DE1401 0901DE1401 0901DE1402 9801DE1401/1404	Foster Care

93.659	0101DE1407 0701DE1407 0801DE1407 0901DE1403 0901DE1407	Adoption Assistance
93.667	G-0701DESOSR G-0701DESOR G0701DESOSR G-0801DESOSR G-0901DESOSR G0901DESOSR	Social Services Block Grant
93.767	05-0605DE5021 05-0705DE5021 05-0805DE5021	State Children's Health Insurance Program
93.775, 93.777, 93.778	010801DE5050 010901DE5050 05-0805-DE-5002 05-0805-DE-5000 050905DE5002 050905DE5000 05-0905-DE-5001 05-0705DE5028/5048 05-0805DE5028/5048 MT5048 MP5028 09INC-FMAP 05-0805DE5028	Medicaid Cluster
93.917	X07HA00081 1 G24HA08411-01-00 6 X07HA00081-18-01 5G24HA08411-02-00 X07HA00081-19	HIV Care Formula Grants
93.959	07B1DESAPT 2B08TI010009-08 2B08TI01-0009-08 09B1DESAPT	Block Grants for Prevention and Treatment of Substance Abuse
96.001	040604DEDI00 04-07 04DEDI00 040704DEDI00 040904DEDI00	Disability Insurance/SSI Cluster

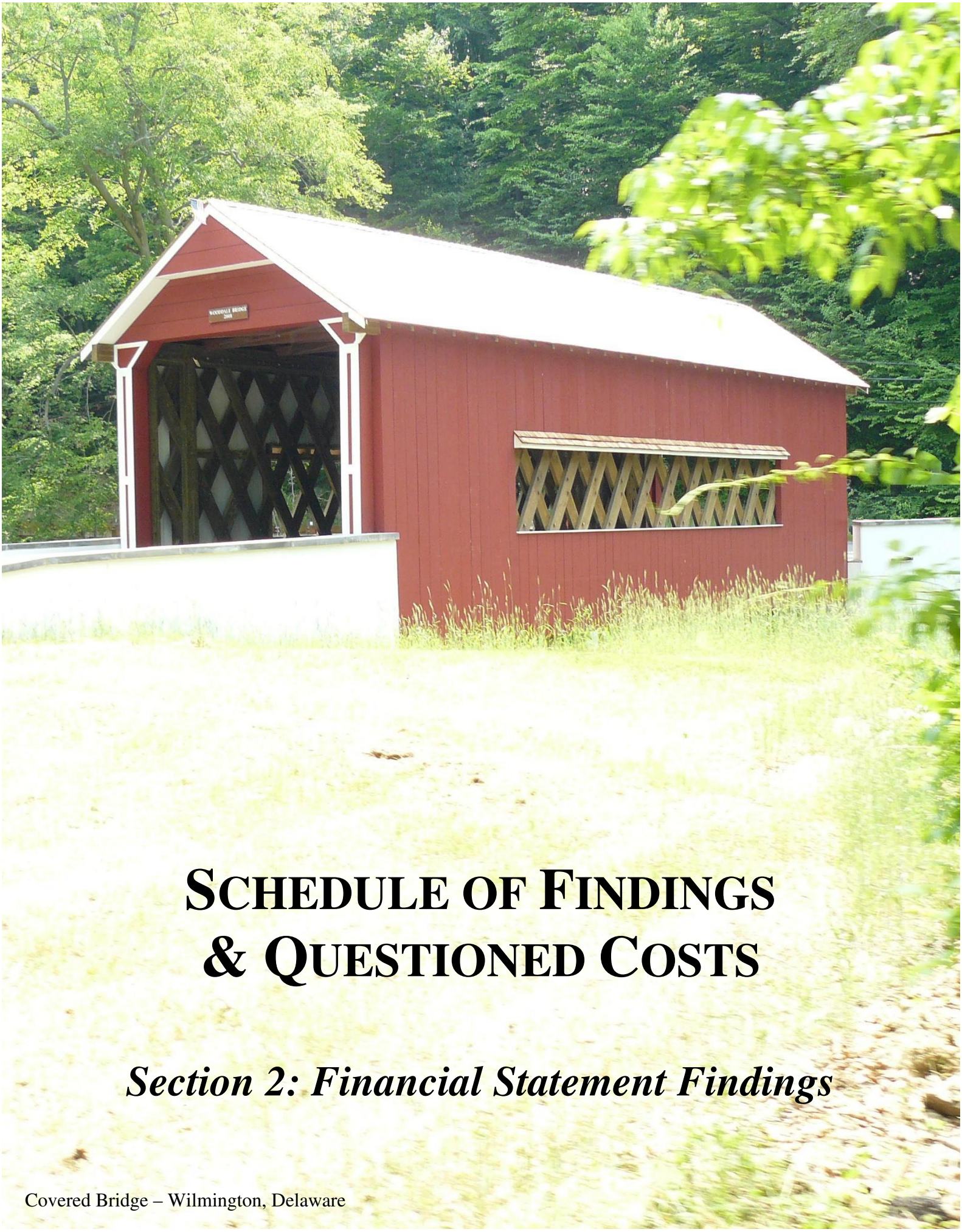
97.004, 97.067	2004GET40021 2004-GE-T4-0021 2005-GE-T5-0011 2006-GE-T6-0060 2007-GE-T7-0020 2006GET60060 2007RLT7K104 2008-GE-T8-0024 2005GET50011 2007-DE-T7-0020	Homeland Security Cluster

(k) Dollar threshold used to distinguish between Type A and Type B programs: **$5,035,463.**

(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:*

Five findings related to the basic financial statements for the year ended June 30, 2009, were reported in accordance with *Government Auditing Standards* by KPMG LLP. See ***Section 2*** of the Schedule of Findings and Questioned Costs for items **2009-01** to **2009-05**.



SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 2: Financial Statement Findings

Covered Bridge – Wilmington, Delaware

Department of Finance
Reference Number: 2009-01
Type of Finding: Internal Control over Financial Reporting

Lack of Controls over the Comprehensive Annual Financial Report (CAFR) Preparation

Background/Condition

During fiscal year 2008, the Division of Accounting (DOA) implemented a new process to prepare the State's CAFR using an ad-hoc report writer software program, CAFR 2000. The State uses CAFR 2000 to assist in producing the financial statements and, by utilizing this program, the State was able to eliminate a portion of the manual process. During fiscal year 2009, DOA continued to refine the State's financial reporting process to produce more accurate and timely financial statements. In addition, DOA filled several new financial reporting positions during fiscal year 2009 which positively impacted the timeliness of the State's financial reporting. However, due to the decentralized organizational structure of the State, the CAFR preparation process still entails compiling worksheets, completing reconciliations, customizing reports and recording various adjustments. The many sources of information and the extent of modification necessary to such information results in a financial reporting process that is highly complex and susceptible to errors. There was an internal review of the draft CAFR prior to submitting the document for audit, and the process produced a document that continues to be improved from the past. While a timeline was developed for the completion of major milestones for the CAFR process and the financial statements were ultimately completed by the deadline, some of the significant deadlines were not met 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.

The State's financial reporting process is dependent on cooperation from the State's component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, in order to provide financial information in accordance with generally accepted accounting principles (GAAP), accrual accounting packages (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 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. During our audit, we noted the following control deficiencies over financial reporting:

Lack of Controls over the Accounting for Investments

As noted in prior years, the State's policy is to net investment receivables and payables. The State then adjusts the total investment balance by the net amount instead of properly presenting the separate gross receivables and payables. Specifically, we noted that the State netted approximately $14.7 million of receivables for securities sold, $18.5 million of payables for securities purchased, and $7.8 million of accrued income receivable against investments.

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 $3 million at June 30, 2009.

Lack of Controls over Accounts Payable

During our review of accounts payable, we noted numerous errors in the recorded accounts payable balances which required significant adjustments in the general, federal, local school districts, and capital projects funds. Specifically, during our review of 12 invoices relating to expenditures in the general fund, we noted that one expenditure, totaling approximately $9.6 million, was accrued in the general fund, but related to an expenditure incurred in fiscal year 2010. During our review of 18 invoices relating to expenditures in the federal fund, we noted that 4 expenditures, totaling approximately $31.3 million, were accrued in the federal fund, but related to expenditures incurred in fiscal year 2010. During our review of 6 invoices relating to expenditures in the local school districts fund, we noted 2 expenditures, totaling approximately $240 thousand, that related to expenditures incurred during fiscal year 2009, but were not properly accrued in the local school districts fund. Lastly, during our review of 12 invoices relating to expenditures in the capital projects fund, we noted one expenditure, totaling approximately $1.4 million, which related to an expenditure incurred during fiscal year 2009, but was not properly accrued in the capital projects fund.

Lack of Controls over Accounting for the Reserve for Encumbrances in the General Fund

The State routinely enters into contracts and purchase orders that will be fulfilled in a subsequent fiscal year. Although the contract or purchase order creates a legal commitment, the State incurs no liability until performance has occurred on the part of the party with whom the State has entered into the agreement. These commitments are encumbered and the related amounts are reported as a reserve of fund balance in the fund-level financial statements.

During our audit, we noted one instance in our review of 9 general fund encumbrance balances where an error in an encumbrance balance was not properly adjusted, resulting in an

understatement of the general fund encumbrance reserve of approximately $36 thousand which extrapolated into a most likely understatement of $31.4 million.

Lack of Controls over the Allowance for Doubtful Accounts for Unemployment Taxes Receivable

The Department of Labor, Division of Unemployment Insurance (UI), calculates its allowance for doubtful accounts based on an analysis of historical data. The analysis includes data from the previous 4 years of all payments outstanding and overpayments that UI has successfully recovered. Based on this analysis, UI believes that approximately 56% of overpayments are eventually collected. Consequently, approximately 44% of overpayments are deemed uncollectible and should be reserved for in the allowance for doubtful accounts. However during the calculation of the allowance for doubtful accounts, UI erroneously recorded its allowance as 56% of the account balance as opposed to 44% of the account balance resulting in an overstatement of approximately $1.5 million in the allowance for doubtful accounts.

In addition, as the analysis was based on historical data, UI did not consider the impact of the downturn in the economy on the collectability of receivable balances.

Lack of Controls over Accounting for Capital Assets

We noted numerous errors in accounting for construction-in-progress, capital asset additions, and deletions which required significant adjustments to the financial statements. Specifically, we noted the following:

- Approximately $67.7 million of capital asset building additions that were improperly eliminated from capital assets through an erroneous adjustment.
- DOA adjusted for approximately $7.3 million for buildings that were incorrectly recorded as construction-in-progress in the prior year, as well as approximately $6.4 million of construction-in-progress that was incorrectly reported as buildings in the prior year.
- A donated capital asset, consisting of land and building and valued at $4.2 million, was improperly recorded. Instead of allocating the fair value of the donated property between land and building, based on their proportionate values, the entire balance of $4.2 million was recorded as land.
- Certain equipment additions totally approximately $200 thousand were erroneously recorded as vehicles due to a mapping error in the fixed asset accounting system.
- The State of Delaware Office of Management and Budget has a policy to record construction-in-progress activity for the 12 month period of June through May as opposed to the actual 12 months in its fiscal year (i.e., July through June). Although the State is capturing 12 months of capital asset activity in each fiscal year, depending on the timing of capital projects, the State's policy could result in a material misstatement of capital assets. During fiscal year 2009, we noted a net $1 million in capital assets that were not properly recorded in fiscal year 2009 as a result of this policy.

Lack of Controls over the Recognition of Grant Revenue

During our review of 119 federal cash receipts, we noted 2 instances where revenue was not recorded in the proper period. Specifically, we noted one receipt totaling approximately $400 thousand that was erroneously excluded from the year-end draw and not accrued in grant revenue. In addition, we noted another receipt, which was immaterial, which was included in current year revenue, but related to fiscal year 2008 activity.

Lack of Controls over Implementation of New Accounting Pronouncements

The State adopted Governmental Accounting Standards Board Statement (GASB) No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* as of July 1, 2008. GASB No. 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation.

During our review of over the State's pollution remediation obligation (PRO), we noted several errors which required significant adjustment to the State's initial estimate. Specifically, the State did not properly analyze the likelihood that a liability existed for 2 projects due to a variety of errors in the calculation of the estimate. One such error had an impact of approximately $1.8 million on the estimate. In addition, potential recoveries from potentially responsible parties (PRPs) may be used to reduce the State's liability, and, although the State was aware of potential recoveries, these amounts were not considered in the initial estimate. Lastly, we noted that the State did not have a thorough understanding of the requirements of GASB 49 to properly address issues surrounding the completeness and accuracy of the PRO estimates and the determination as to which State agency should accrue the PRO.

Lack of Proper Review of Financial Statement Information

We noted that the State relies heavily on the audit process to detect reporting errors (e.g., summation errors, consistency of information reported in notes and schedules to the financial statements and to ensure that new and existing accounting standards and literature are properly implemented).

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 in place and operating effectively to ensure that the State's accounting and financial information is fairly stated in accordance with GAAP.

Cause

Personnel Assigned

Many of the personnel assigned to complete the GAAP packages sent to DOA by the agencies are not formally trained accountants and; therefore, do not have the necessary skill set 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.

Technology

The Delaware Financial Management System (DFMS) is a cash basis financial management system that does not have the flexibility to accommodate modified and full accrual accounting, and 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 DFMS require significant manual manipulation through spreadsheets to develop the trial balances and the CAFR.

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 management continue with the progress made to-date in refining the process used to complete the draft financial statements, notes to the financial statements, and all significant adjustments, conversion to accrual adjustments, and reconciliations. 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 inconsistencies and errors. Specific focus should be placed on achieving proper accounting cutoff and valuation of accounts associated with the GAAP package process and report preparation.

Because of the complexity of the report development process, management should re-evaluate the adjustments to convert cash-basis DFMS numbers to GAAP basis and limit reconciling adjustments to required material amounts.

We encourage the State to continue to monitor the agency accountants and expand the knowledge base of personnel who understand 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 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 the State agencies and local school districts.

We continue to recommend that the GAAP package preparation 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 the internal control resources in the DOA continue the progress to communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the packages. For example, the capital asset review process should be completed throughout the year to ensure the agencies are appropriately capturing activity for all projects, maintaining current records, and transferring construction in process to the final asset ledger timely so the GAAP packages are complete and accurate and in accordance with State's policy and generally accepted accounting standards. The current year training on GAAP package preparation should be updated to include more theoretical basis for what should be included in the packages. Areas of focus continue to include accounting estimates, receivable balances and capital asset accounting.

We also recommend that DOA management assign the responsibility for researching, implementing and/or monitoring the implementation of new accounting standards to a properly trained accountant as part of that employee's overall job responsibilities. Furthermore, we suggest that DOA management develop a process to ensure that all responsible parties are properly prepared to provide accurate and timely information to derive amounts recorded in the State's financial statements.

Lastly, we understand that DOA is currently working closely with the implementation team of the State's new accounting system. We continue to recommend that every effort be made to consolidate as much GAAP Package accrual information as practical into the new central accounting system. These items include debt, capital assets, accounts payable, accruals of payroll and other liabilities, and accounts receivable for all the agencies. The benefits of a more robust central accounting system will include a more efficient reporting process, as well as better internal controls and more complete information for management decision making throughout the year.

Views of Responsible Officials

Agency Contact Name	Valerie M. Watson, Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	As a direct result of continued improvements the Division of Accounting made to the CAFR preparation process, a draft of the 2009 CAFR was provided to KPMG auditors a month earlier than in the past. There was an increased emphasis on the need for timely submission of the GAAP reporting packages and the need for accountability by the State's senior level of management. We will continue to refine the process used to prepare the financial statements, notes to the statements, significant adjustments, conversion to accrual adjustments and reconciliations. We will also continue to train organizations' accounting personnel on how to review their financial information to assist them with detecting inconsistencies and errors. We agree that the GAAP reporting package preparation process should be a priority for all departments and school districts included in the State's financial reporting entity. As a result, we have continued to make enhancements to the process. Each year the GAAP reporting package manual is revised and feedback from participants is incorporated into the annual GAAP training to provide better guidance to state organizations and to ensure conformity and consistency in the reporting of year-end financial data in accordance with GAAP. For fiscal year 2009, management required preparer and reviewer checklists to be completed by the organizations to ensure that there is organizational accountability in the process. The CAFR staff saw an improvement in the quality of the data submitted due to the implementation and use of these checklists. Additionally, the GAAP training, which is conducted by CAFR staff, also stressed the importance of timeliness in financial reporting and state organizations' responsibility for submitting accurate, complete, and timely GAAP reporting packages. All organizations submitted their GAAP packages by the established deadline during fiscal year 2009 and management found 15% fewer errors in the data received than in previous years. Management continues to conduct debriefing meetings with

	organizations that required adjustments to their GAAP reporting package as a result of the CAFR staff reviews and/or the audit. Accurate reporting methodologies and improvements to their reporting processes are suggested to minimize errors in the GAAP reporting packages. Some of the improvements that were made by management to State organizations included the proper process of reporting grant receivables, compiling construction work in process schedules, preparing cash reconciliations, and tracking lease payments. The organizations implemented the suggested improvements by the GAAP reporting package deadline for fiscal year 2009. The CAFR staff has continued to conduct interim reviews of high-risk GAAP reporting package areas and capital assets balances. The review of the high-risk GAAP areas includes accounts receivable and grants receivable. These reviews assist the CAFR staff in determining the proper cut off and valuation and whether there were proper internal controls over the preparation of the GAAP reporting package information submitted. The GAAP area reviews also provide the CAFR staff with information that is used to continuously train the accounting personnel in State organizations on GAAP reporting. The review of capital asset balances includes the review of asset transactions during the year and the compilation of organizations' construction work in process balances. These reviews allow the CAFR staff to correct any misstatements by requiring the organization to make the correction based on their finding. The capital asset reviews also allow the CAFR staff to continuously train organizations' accounting personnel on proper GAAP reporting and the proper application of the State's capital asset policy. We will continue to provide recommendations as a result of both the GAAP areas and capital asset balance reviews to the senior management in these organizations so that they may facilitate the implementation of the recommendations. Furthermore, during fiscal year 2010, the State will be implementing the capital asset module in the new accounting system. This will provide for better reporting of capital assets. Management agrees that the State is best served by having trained accountants perform accounting functions within state

	organizations. However, due to the economic downturn, the State implemented several initiatives due to budgetary constraints, including position reductions statewide. Another initiative is the Government Performance Review, a structured approach to review government services and to identify possible savings, efficiencies, improved customer service. One potential outcome of this review is a shared services environment for certain support functions across State government. At this time, no determination has been made as to whether the model will include the accounting and financial reporting function. We believe that our process to implement new accounting standards is appropriate. Furthermore, the CAFR Manager, who is a CPA, is already responsible for researching, implementing and monitoring the implementation of new accounting standards. As new accounting pronouncements are implemented, we will continue to improve our communications with organizations and ensure there is proper management representation during audit testing. CAFR personnel have been continually involved with the new financials system and participated in the design of the financial reporting requirements and the GAAP package accrual process. During fiscal year 2010, they will be involved in continued testing of the reports and different modules. This is to ensure adequate and accurate financial data information is produced throughout the transition so that we will be able to prepare the CAFR. We look forward to reaping the benefits of a more robust central system that produces more effectiveness in all statewide financial processes.
Anticipated Completion Date	Ongoing.

Department of Finance
Reference Number: 2009-02
Type of Finding: Internal Control over Financial Reporting

Lack of Controls over Accounting and Reporting at the Local School Districts

Background/Conditions

The local school districts (LSDs) report financial information to DOA through the use of GAAP packages, as previously noted. Due to the nature of these entities, the LSDs are extremely decentralized 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 complete the GAAP packages. During the course of our audit, we selected and reviewed the financial information for 8 LSDs as follows: Brandywine, Capital, Colonial, Christina, Indian River, Polytech, Red Clay, and Sussex Vo-Tech. Although the information submitted by the local school districts is subject to review by DOA, we noted the following deficiencies during our audit:

Lack of Controls over the Brandywine School District Board of Education Meeting Minutes

During our testwork we noted that the July, August, and September 2008 Board of Education meeting minutes for Brandywine School District were not prepared timely and made available for review.

Lack of Segregation of Duties in the Cash Management Operations

We noted a lack of segregation of duties in the cash management operations. Specifically, we noted that LSD personnel perform multiple incompatible cash management functions such as receipt, deposit, disbursement, recording and reconciling the accounts at the majority of the LSDs reviewed. We also noted several instances of no management review of important cash reconciliation functions. In addition, there were several LSD bank accounts that had significantly aged outstanding checks. Lastly, we noted, that although subsequently deemed to be immaterial in amount, inappropriate activity occurred in one LSD's checking account as the result of the lack of proper segregation of duties and reconciliation controls.

Lack of Controls over the Payroll Human Resource Statewide Technology System (PHRST) to DFMS Reconciliation

Although the State has a policy in place requiring monthly reconciliations of PHRST to DFMS, during our review of payroll expenditures, we noted that none of the LSDs reviewed were performing appropriate reconciliations of PHRST to DFMS. Based on reconciliations that we

performed of PHRST to DFMS related to these LSDs, we identified an aggregate variance between the two systems of $4.3 million.

Lack of Review of CAFR information

Two LSDs could not provide explanations for significant year-over-year fluctuations in account balances.

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 skill set to accurately prepare the financial information included in the State's financial statements at the LSDs. In addition, controls are not in place and operating effectively over the review of financial statement information provided by the LSDs for inclusion in the State's 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.

Recommendations

We recommend that the DOA provide the LSDs with the appropriate level of training over GAAP reporting requirements to ensure that financial information submitted for inclusion in the State's financial statements is accurate and transactions are recorded in accordance with GAAP. We also recommend that, with the assistance of 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

Agency Contact Name	Valerie M. Watson, Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	Management will continue to train local school districts chief financial officers on the information obtained in the CAFR and receive confirmation that the officers agree with the information presented. During fiscal year 2009, the chief

	financial officers were trained on the data that was included on the schedules that are in the CAFR and confirmations of agreements were received. CAFR personnel will continue to work with the districts to provide fluctuation analysis requests.
Anticipated completion date	Ongoing.

Department of Finance
Reference Number: 2009-03
Type of Finding: Internal Control over Financial Reporting

Lack of Controls over Journal Entries

Background/Condition

The DOA is responsible for the oversight of the processing of financial transactions in DFMS. We selected 139 journal entry transactions for testing and identified several ongoing internal control deficiencies including the following:

- We noted that for 19 journal entries, certain agencies/divisions/departments selected for review did not specify the business function or rationale to support the journal entries.
- We noted that for 14 journal entries, certain agencies/divisions/departments selected for review did not provide adequate supporting documentation.
- We noted that for 5 journal entries, certain agencies/divisions/departments provided journal entries that were not properly authorized. Personnel are not required to have journal entries approved by another individual prior to submission to DFMS.

The total dollar value of unsupported/unapproved journal entries was approximately $442.2 million.

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

Controls are not in place and operating effectively over the journal entry process.

Effect

Controls are not adequate to ensure amounts recorded in the general ledger and the financial statements were materially correct and properly supported. In addition, as proper controls do not exist over journal entries, it is possible for management to override other manual controls through the use of journal entries.

Recommendations

We recommend that DOA take appropriate action to ensure that journal entries are appropriately reviewed prior to submission into DFMS.

- Agencies/divisions/departments should take the appropriate steps to ensure journal entries are properly supported. The supporting documentation should include the business function and rationale for the journal entry.
- Agencies/division/department should designate an individual to prepare the journal entry within the agencies/division/department and have an individual, with sufficient knowledge of accounting and the business processes, but without journal entry preparation and posting responsibilities, to approve the journal entries for adequate segregation of duties.

Views of Responsible Officials

Agency Contact Name	Valerie M. Watson, Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	We will continue to communicate to State organizations the importance of applying stringent controls when reviewing and approving journal entry documents. Our internal control staff will continue conducting reviews to ensure compliance. We are currently in the process of reviewing organizations' internal control policies to ensure an adequate segregation of duties exist and will provide recommendations for improvement, as needed.
Anticipated completion date	Ongoing.

Department of Finance
Reference Number: 2009-04
Type of Finding: Internal Control over Financial Reporting

Lack of Controls over the Monitoring of Investments at the Office of State Treasurer

Background/Conditions

The State Treasurer maintains the majority of the State's deposits and investments according to the guidelines set forth in the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* by the State's Cash Management Policy Board. Third party service organizations are used to provide custodial and securities lending services to the State.

Controls over Cash Deposits

During our review of the State's compliance with its Cash Management Policy Board guidelines, we noted the following related to the two primary banks used by the State:

- One bank was not in compliance with the required return on total average assets ratio requirement of .50 % or greater for the quarters ended; December 31, 2008, March 31, 2009, and June 30, 2009. Specifically, the ratios were .42%, .43%, and .41%, respectively. Although the State performed a calculation to determine compliance with this requirement, the non-compliance was not discovered due to a formula error in the State's calculation.
- For the quarter ending June 30, 2009, another bank was not in compliance with the required return on total average assets ratio requirement of .50 % or greater. Specifically, the ratio was .46% at June 30, 2009. Although the State performed a calculation and discovered the non-compliance, the additional collateralization was not requested until the end of November 2009.

The State's investments were covered under the U.S. Department of the Treasury's Transaction Account Guarantee Program, which guaranteed newly issued senior unsecured debt of banks, thrifts, and certain holding companies, and provided full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount. As such, there was no actual exposure to the State's investments during this period.

Investment Due Diligence

The State uses a third party service organization to provide custodial and securities lending services related to the State's investments. Although the State has developed certain monitoring procedures over the functions performed by the third party service organization, we noted that the following procedures were not included:

- Obtaining an understanding of the quality and effectiveness of the controls in place at the service organization over the custodial and securities lending services provided to the State. Most commonly, this is accomplished by the State's management requesting and reviewing a

Report on Controls Placed in Operation and Tests of Operating Effectiveness on the service organization under Statement of Auditing Standards No. 70, Service Organizations, (SAS 70-Type 2 report) which is a report on whether the service organization has suitable controls placed in operation and whether such controls are properly designed and operating effectively over the relevant services provided by the service organization.

- Monitoring procedures over compliance with State's Cash Management Board policy dated July 1, 2008, section V *Collateralization of State Deposits*
- Monitoring procedures over compliance with State's Cash Management Board policy dated July 1, 2008, section VI *Percentage of Account Limitations*

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

Controls are not in place and operating effectively to ensure that investment balances are fairly stated in accordance with GAAP.

Effect

Investment balances may be misstated.

Recommendation

We recommend that the State revise its policies to ensure that monitoring procedures and controls are in place and operating effectively to ensure compliance with existing State policies.

Views of Responsible Officials

Agency Contact Name	Velda Jones-Potter, State Treasurer
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	The State Treasurer's Office has reviewed the findings and recommendations regarding Controls over Cash Deposits and Investment Due Diligence, and submits the following: With respect to Controls over Cash Deposits, the State Treasurer's Office has developed and implemented new procedures to monitor collateralization requirements that will prevent future lapse in necessary controls. We feel that it is important to note that there was no exposure of the State's

	investments during this period. With respect to Investment Due Diligence, the State Treasurer's Office has revised its existing Custodian Procedures to include a review of SAS-70 – Type 2 reports, and to specifically include *Percentage of Account Limitations.* Regarding monitoring procedures relating to *Collateralization of State Deposits* on our Investments, the State of Delaware is only required to collateralize cash deposits, not investment holdings, and these collateralization procedures have been revised, as noted above.
Anticipated completion date	Complete.

Department of Finance
Reference Number: 2009-05
Type of Finding: Internal Control over Financial Reporting

Financial Reporting at the Delaware Department of Transportation (Department)

Background, Condition, Criteria, Cause and Effect

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.

Additionally, 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.

Although the timing of completion of tasks improved through more active monitoring, there is still significant reliance on one key individual. 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. During the completion of the current fiscal year audit, it was noted that the Office of Management and Budget (OMB) removed building improvement costs recorded on its books related to a building belonging to the Department. These costs have been capitalized on the books of the OMB – Facilities Management many years ago. The transfer of such costs was not timely communicated to the Department and as such a corresponding entry to record the transfer was not recorded on the 2009 financial statements. Additionally, we noted delays in gathering the information to make a determination as to the appropriate pollution remediation obligation to record on the Department's financial statements in conjunction with the adoption of GASB Statement 49, which also appeared to result from a lack of timely communications between State agencies.

Recommendation

We recommend that the Department develop, for the 2010 audit cycle, the following:

- 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

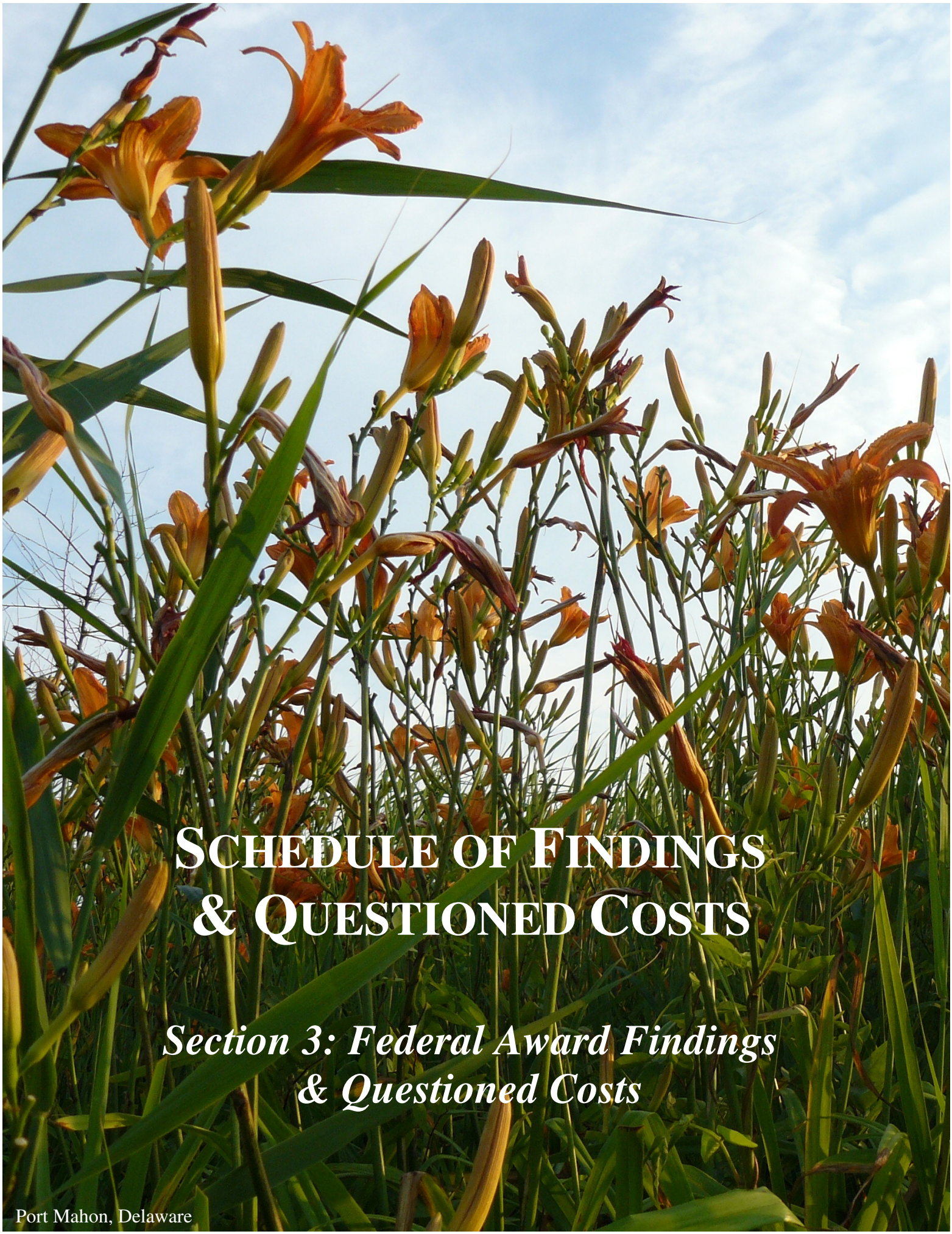
- A specific timetable of when each of the detailed reports, supporting schedules, and other documentation will be completed
- Interim review process to evaluate data before year end to identify any issues and correct them before year end close, including communicating with other State agencies with 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

Agency Contact Name	Kathy S. English, Director of Finance – Department of Transportation
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	Management acknowledges the fact that the task associated with organizing and managing the details and reports for this audit are complex and detailed, and that communications between State organizations could be improved. The current level of staff continues to be a major problem for this effort. Unfortunately, a continued hiring freeze and lack of knowledge/expertise by other staff members has impeded the efforts to provide support to the current effort. Management will continue to work with the Human Resources Unit to identify opportunities for enhancing both expertise and staff levels. Additionally, the Finance Unit will work with the Audit Unit for assistance and guidance on automating many of the needed reports and data elements. It is anticipated that effort for the FY10 Audit will improve.
Anticipated completion date	Ongoing.



SCHEDULE OF FINDINGS & QUESTIONED COSTS

Section 3: Federal Award Findings & Questioned Costs

Port Mahon, Delaware

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year Ended June 30, 2009

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
Owens Campus
Reference Number: 09-DTC-01
Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.063
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Eligibility

Criteria
Financial aid awards must be coordinated among the various programs and with other Federal and non-Federal aid to ensure that total aid is not awarded in excess of the student's financial need (FPL, FWS, and FSEOG, 34 CFR sections 673.5 and 673.6; FFEL, 34 CFR section 682.603).

The determination of SFA award amounts is based on financial need. Financial need is generally defined as the student's cost of attendance (COA) minus financial resources reasonably available.

Condition
During our testwork on the student eligibility for Pell on the Owens campus, we noted that one student out of 40 students sampled totaling $124,913 was overawarded Pell by $814.

Cause
The student incorrectly changed their Expected Family Contribution (EFC) to 0 on a new Institutional Student Information Record (ISIR) and the financial aid office updated the new EFC into the BANNER system without the normal checks or approvals. Accordingly, based on the student's attendance in the Spring and Summer semesters and the new EFC of 0, the student was awarded $891 and $591, respectively, instead of the $445 and $223 that the student should have been awarded based on their original approved EFC.

Effect
The financial aid office updated the BANNER system with the student's erroneous new ISIR. The new ISIR and corresponding EFC should have been checked and approved before being entered into the BANNER system.

Recommendation
We recommend that the campus review its policies and procedures to ensure that any new ISIRs get properly updated to students accounts as well as generate safeguards/reports that would help identify any possible overawards (negative need) and return any excess funding, as necessary.

Questioned Costs
The questioned costs represent an overaward of $814.

Views of Responsible Officials

Agency Contact Name	Financial Aid Officer: Veronica Oney
Agency Contact Phone Number	(302) 855-1667
Corrective Action Plan	Immediately after the error was discovered, an audit report was created to identify erroneous ISIR records that may not have been examined properly. The financial aid officer runs the report after each batch of ISIR records is loaded into the BANNER system to ensure the PELL EFC and the award match.
Anticipated Completion Date	The process was implemented immediately. The new process includes all awarded student records for the current academic year.

Department of Education
Reference Number: 09-ED-01
Program: 84.010 Title I Grants to Local Educational Agencies
84.027, Special Education Cluster
84.173
84.367 Improving Teacher Quality State Grants
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs (Indirect Costs)

Criteria
To be allowable under federal awards, indirect costs must meet the following general criteria (34 CFR section 76.568).

A "restricted" indirect cost rate (RICR) must be used for programs administered by State and local governments and their governmental subrecipients that have a statutory requirement prohibiting the use of Federal funds to supplant non-federal funds. Non-governmental grantees or subgrantees administering such programs have the option of using the RICR, or an indirect cost rate of 8 percent, unless U.S. Department of Education determines that the RICR would be lower. The formula for a restricted indirect cost rate is: RICR = (General management costs + Fixed costs) / (Other expenditures).

General management costs are costs of activities that are for the direction and control of the grantee's (or subgrantee's) affairs that are organization wide, such as central accounting services, payroll preparation and personnel management. For State and local governments, the general management indirect costs consist of (1) allocated Statewide Central Service Costs approved by the Department of Health and Human Services in a formal Statewide Cost Allocation Plan (SWCAP) as "Section I" costs and (2) departmental indirect costs. The term "general management" as it applies to departmental indirect costs does not include expenditures limited to one component or operation of the grantee. Specifically excluded from general management costs are the following costs that are reclassified and included in the "other expenditures" denominator:

(a) Divisional administration that is limited to one component of the grantee;
(b) The governing body of the grantee;
(c) Compensation of the chief executive officer of the grantee;
(d) Compensation of the chief executive officer of any component of the grantee; and
(e) Operation of the immediate offices of these officers.

Condition
As noted in the prior year, the Delaware Department of Education (DOE) has provided the school districts with a template for determining their indirect cost rates. While the template properly excludes the compensation of the chief executive officer (the superintendent), there is no

evidence that the operation of the immediate offices of that officer (direct reports) are being properly excluded from general management costs.

Cause
The indirect cost rate template being utilized by the school districts does not address the need to review and possibly exclude any immediate offices of the superintendent from its indirect cost calculation.

Effect
If there are additional costs that should be excluded from the indirect cost amount then the indirect cost rates may be overstated.

Recommendation
We continue to recommend that the DOE review its indirect cost rate template and ensure that all unallowable costs have been properly captured by the school districts and make adjustments to the template or its indirect cost rate instructions, as necessary.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	USDOE will be performing a site monitoring visit on March 15, 2010. At that time we will be reviewing the issues surrounding the template and bringing resolution to this matter.
Anticipated Completion Date	June 30, 2010

Department of Education
Brandywine School District
Indian River School District
Red Clay School District
Sussex Tech School District
Reference Number: 09-ED-02
Program: 84.010 Title I Grants to Local Educational Agencies
84.027, Special Education Cluster
84.173
84.367 Improving Teacher Quality State Grants

Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Allowable Costs (Effort Reporting)

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)

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)

Condition

Brandywine School District

Based on a sample of 20 payroll expenditures totaling $28,240, one employee totaling $1,291 charged to Title I was missing a time and effort report and three employees totaling $5,115 charged to Improving Teacher Quality State Grants program were missing time and effort reports. In addition, nine employees totaling $14,726 charged 100% of their time to the Special Education program based only on a 100% unapproved annual roster, rather than a semi-annual certification. Another six employees totaling $5,911 were charged to federal programs, but either did not indicate the specific timeframe for the charges or failed to account for 100% of their activities on their time and effort reports. Total salaries and benefits charged by the Brandywine School District to major federal programs amounted to $5,055,466.

Indian River School District

Based on a sample of 10 payroll expenditures totaling $12,310, three employees totaling $3,255 charged to Title I were missing time and effort reports and four employees totaling $6,327 charged to Improving Teacher Quality State Grants program were missing time and effort reports. In addition, two employees being charged to Title I for $2,096 and one employee being charged to Special Education for $733 were charged 100% based on an annual roster, rather than a semi-annual or monthly certification. Total salaries and benefits charged by the Indian River School District to federal programs amounted to $3,813,430.

Red Clay School District

Based on a sample of 28 payroll expenditures totaling $52,352, two employees totaling $4,909 charged to Title I were missing time and effort reports and one employee totaling $800 charged to Special Education was a missing time and effort report. In addition, one employee's time and effort report percentage did not agree to the amount actually charged to Title I by $52 (overcharge). Similarly, seven employees' time and effort reports percentages did not agree to the amount actually charged to Improving Teacher Quality State Grants by $3,893 (undercharge).

Furthermore, one employee's time and effort report charged to Title I in the amount of $468 was signed prior to the completion of the time and effort's time period. Total salaries and benefits charged by the Red Clay School District to federal programs amounted to $5,986,905.

Sussex Tech School District
Based on the one payroll sample tested totaling $1,801, the employee charged 100% of their time to the Improving Teacher Quality program based on an annual report rather than semi-annual certifications. Total salaries and benefits charged by the Sussex Tech School District to the Improving Teacher Quality program amounted to $444,767.

Cause
The school districts cited above either did not maintain proper and timely effort reporting for employees that were partially funded by federal programs, obtain semi-annual certifications for employees charged 100% to federal programs, 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 time and effort reports.

Recommendation
We recommend that the above school districts maintain 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. These effort reports should be signed to reflect actual effort expended.

Questioned Costs
Known questioned costs amounted to a $52 overcharge to the Title I program. In addition, the following charges were missing time and effort reports: $800 for the Special Education program, $9,455 for the Title I program and $11,442 for the Improving Teacher Quality program.

Views of Responsible Officials

Brandywine School District	
Agency Contact Name	David Blowman
Agency Contact Phone Number	(302) 793-5045
Corrective Action Plan	The Chief Financial Officer will communicate to the district's federal program managers the requirements for federally-funded employee time and effort reporting. At the same time, they will be made aware of the requirement to have on file and readily available for inspection the prescribed documents on which the required data is to be captured.
Anticipated Completion Date	April 15, 2010

Indian River School District	
Agency Contact Name	Patrick Miller
Agency Contact Phone Number	(302) 436-1079
Corrective Action Plan	Written procedures and documentation are being established by the Indian River School District that will develop, implement and monitor a methodology for the formal documentation and evaluation of the time and effort documentation at the various school sites in accordance to the grant objects and proposal. This will applicable to all federally funded positions without exceptions. Written policies and procedures are being developed and maintained in accordance with the stipulations for receiving and monitoring A-133 financial audits.
Anticipated Completion Date	Immediately
Red Clay School District	
Agency Contact Name	Jill Floore
Agency Contact Phone Number	(302) 552-3725
Corrective Action Plan	The program managers were completing time and effort reports based on a standard split of 70% state funds and 30% federal funds, rather than the exact amount of payroll charged (for example, based on years of experience and degree, the actual payroll split was 69% / 31% as determined by the state salary plan). This amount varies by employee so the convention had previously been to use the standard or average split of 70/30. However, this had previously been addressed. The 2009 audit pulled documents from the summer months which included time paid on the previous year's contract. This finding was already reported in 2008 and was acknowledged and corrected by the district in 2008 and not related to 2009 salaries. The district agrees three time and effort reports were missing.
Anticipated Completion Date	Immediately
Sussex Tech School District	
Agency Contact Name	Ed Seibert
Agency Contact Phone Number	302-856-2571
Corrective Action Plan	Have implemented procedures to ensure Time/Effort Reporting.
Anticipated Completion Date	Immediately

Department of Education
Christina School District
Reference Number: 09-ED-03
Program: 84.010 Title I Grants to Local Educational Agencies
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs (Consolidation of Administrative Funds)

Criteria
If a Local Educational Agency (LEA or School District) consolidates administrative funds, the LEA may not use any other funds from the consolidating programs for administration. An LEA that consolidates administrative funds is not required to keep separate records of administrative costs for each individual program. Expenditures of consolidated administrative funds are allowable if they are for administrative costs that are allowable under any of the contributing programs (Sections 9201 and 9203 of ESEA (20 USC 7821 and 7823)).

The LEA may treat the consolidated administrative cost objective as a "dedicated function." As a result, an employee who works solely on consolidated administrative activities may meet the semi-annual certification requirement under OMB Circular A-87, Attachment B, paragraph 8.h.(3), either by submitting semi-annual certifications to cover the consolidated activities or through time and attendance certifications accomplished under the State's or the LEA's normal standards for payroll documentation.

Under section 14203 of Title XIV, an LEA may consolidate administrative funds with the approval of its SEA (State Educational Agency or State Department of Education). The SEA must develop procedures for responding to requests from LEAs to consolidate administrative funds and those procedures must be developed in collaboration with LEAs. Therefore, the SEA has some discretion in determining whether its LEAs may consolidate administrative funds, but the LEAs also have input into that determination. An SEA, however, may not require its LEAs to consolidate administrative funds.

Condition
The School District did not obtain a formal positive confirmation from the Delaware Department of Education to consolidate its administrative funds until April 23, 2009.

Cause
The consolidation of administrative funds was a relatively new initiative and some of the requirements did not get formally reviewed and documented before being implemented.

Effect
Since the consolidation of federal administrative funds was not formally approved until April 23, 2009, federal administrative staff should have been required to complete monthly time and effort reports in place of the semi-annual certifications that are presently being maintained.

Recommendation

We recommend that the School District continue to monitor the consolidation of administrative funds and ensure the proper time and effort reports are completed.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Robert Silber
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	We agree, in part, with the condition statement indicated above. We feel it appropriate to note the District requested approval of the Consolidation of Administrative funds at the time of submission of the Consolidated Grant application (August 2008). Our request was similar to the previous two years (approval granted), and we had no reason to believe this request would be denied. Consolidation of Administrative Funds was done for Federal appropriations (Title I, II, and IV), which is permitted by regulation. The District received initial approval of the Consolidated Grant during October 2008, and final approval by the Secretary of Education during December 2008. We continued to seek the requisite formal letter of approval from DDOE for the consolidation of Administrative Funds. The District received this letter (email dated April 23, 2009) from DDOE indicating that the request for consolidation of administrative funds for Titles I, II, and IV was approved retroactive to the date of grant award notice. Semi Annual certifications are done by the District, in accordance with this approval. This method of certification has been the practice of the District practice during the previous two fiscal years – based upon prior approvals. No corrective action is necessary.
Anticipated Completion Date	Done

Department of Education
School Districts
Reference Number: 09-ED-04
Program: 84.010 Title I Grants to Local Educational Agencies
84.027, 84.173 Special Education Cluster
84.367 Improving Teacher Quality State Grants
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Level of Effort (Maintenance of Effort)

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).

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 Brandywine School District excluded debt service expenditures from its MOE calculations.
- The Polytech School District truncated two figures and their federal expenditure amount did not agree to the annual financial statement line item.
- The Red Clay School District excluded capital outlay and debt service expenditures from its MOE calculations.

- The Sussex Tech School District's federal expenditure amount did not agree to the annual financial statement line item.

Cause
The School Districts are not fully aware of how the MOE calculation should be completed or have not developed procedures to ensure the accuracy of the MOE calculation being input.

Effect
The items noted above did not have an impact on those 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.

Recommendation
We recommend that the Delaware Department of Education reinforce to the School Districts how the MOE template should be completed and develop procedures to ensure that the School Districts' MOE calculations have been completed accurately.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	We are currently in the process of automating the MOE process using the data warehouse information we have in-house, thereby making this process a verification of data process only, rather than a manual task, which leads to errors.
Anticipated Completion Date	June 30, 2010

Department of Education
Reference Number: 09-ED-05
Program: 84.010 Title I Grants to Local Educational Agencies
84.027, Special Education Cluster
84.173
84.367 Improving Teacher Quality State Grants
Type of Finding: Significant Deficiency
Compliance Requirement(s): Reporting

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 (*OMB No. 1850-0067*) – 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 (OMB Nos. 1820-0030, 1820-0043, 1820-0517, 1820-0521, and 1820-0621) – 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 (*OMB No. 1810-0581*), 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.

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 the following items:

Account Access

- Active accounts for employees no longer employed are still present. In addition, one of the School District's active accounts runs batch processes used by a School District. It

could not be determined that the accounts were completely deactivated/disabled. Neither precise permission/access of the account nor unavailability of former employees to access the account was verified. Accordingly, there have not been periodic reviews of such user accounts.

Change Management – Limited Program Enhancement/Bug Fixed Monitoring

- The DOE IT department does not follow a policy or procedure for application change management. Change management is only tracked for select applications. Current change management ticketing software does not administer any segregation of duties or require administrative or quality review prior to ticket closure.

Change Management – Limited System Development Lifecycle Procedure Guidance

- The DOE IT department continually implements internally developed applications and purchase software applications without aid of approved policy or procedures for project management. Observations at the DOE and School Districts indicate limited adherence to best practices of project management despite committee oversight.

Helpdesk

- While the Helpdesk is available for end users issue resolution, users requiring immediate attention successfully circumvent the Helpdesk by directly communicating with DOE IT staff. No documentation is retained specifying the precise initiator, issue or resolution.

Cause

The DOE IT department has not formalized policies and procedures regarding deactivation for terminated employees, application change management, internally developed or purchased software and Helpdesk inquiries and resolutions.

Effect

The lack of formal policies and procedures regarding the above items could result in future problems over data integrity.

Recommendation

We recommend that the DOE IT department develop and implement formal policies and procedures to address the items noted above.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Robert E. Czeizinger
Agency Contact Phone Number	(302) 735-4140
Corrective Action Plan	*Account Access* DOE recognizes the need for regular account maintenance and has

	developed policies and procedures to perform an audit of accounts every 90 days. Accounts that have not been logged into for 90 days are eligible for disabling and accounts not used for 180 days are eligible for deleting. A list is sent to eSchool coordinators showing which accounts will be disabled and deleted. They are asked to inform DOE within 1 week of any accounts that should not be disabled/deleted and why. DOE is currently looking into ways to synchronize the disabling and deleting of Active Directory and eSchool accounts. Policy and procedures will be updated to state that during the 90 day account audits (see above), eSchool coordinators will be asked to identify any accounts that are being used in a service account capacity instead of as an individual account. Accounts that are identified as being used as service accounts will be renamed and identified as such. Policy already states that individual accounts will not be used for service or batch processing. *Change Management – Limited Program Enhancement/Bug Fixed Monitoring* The leadership of the Technology Resources and Data Development Group will develop a written policy designed to strengthen our guidance regarding Program Enhancements and Bug Fixes Monitoring. This new policy will define our use of FogBugz to include User Roles and Duties. *Change Management – Limited System Development Lifecycle Procedure Guidance* The leadership of the Technology Resources and Data Development Group will develop a written policy designed to strengthen our guidance regarding System Development and Lifecycle Procedures. *Helpdesk* DOE recognizes the value of compiling metrics regarding trouble resolution. Help desk software has been implemented in the past but has not been successful. The Technology Resources and Data Development Workgroup (TechRaDD) section is currently researching solutions that simplify the process and provide for ease of use for technicians. Simply put,

	we are looking for a tracking system which can be used to collect information about helpdesk calls and helpdesk resolutions. It is anticipated that we will implement the system before July 1, 2010 and go into full production on that date.
Anticipated Completion Date	Account Access – September 1, 2010 Change Management – Limited Program Enhancement/Bug Fixed Monitoring - May 1, 2010 Change Management – Limited System Development Lifecycle Procedure Guidance – May 1, 2010 Helpdesk – July 1, 2010

Department of Education
Brandywine School District
Indian River School District
Reference Number: 09-ED-06
Program: 84.010 Title I Grants to Local Educational Agencies
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Special Tests and Provisions (Schoolwide Programs)

Criteria

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

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

b. A schoolwide plan also must include the following components:
   (1) Schoolwide reform strategies (34 CFR section 200.28(a)).
   (2) Instruction by highly qualified professional staff (34 CFR section 200.28(b)).
   (3) Strategies to increase parental involvement (34 CFR section 200.28(c)).
   (4) Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
   (5) Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR section 200.28(e)).

Condition

<u>*Brandywine School District*</u>

We noted that the fifth element in b. above was not included in one of the two schoolwide plans we reviewed. The District had seven schoolwide programs during the year ended June 30, 2009.

Indian River School District

We noted that the third and fifth elements in b. above were not included in the two schoolwide plans we reviewed. The District had eight schoolwide programs during the year ended June 30, 2009.

Cause

The School Districts did not ensure that each required component was present in their schoolwide plans.

Effect

Three of the four schoolwide plans we reviewed were not in compliance with Federal regulations.

Recommendation

We recommend that the School Districts develop procedures to ensure each schoolwide plan incorporates all necessary components required by the Federal regulations.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Brandywine School District	
Agency Contact Name	David Blowman
Agency Contact Phone Number	(302) 793 -5045
Corrective Action Plan	The Brandywine District has changed its School Improvement Plan Template to include the Transition plans for incoming kindergartners done at both the District and Building Levels as required in schoolwide planning legislation.
Anticipated Completion Date	Immediately
Indian River School District	
Agency Contact Name	Patrick Miller
Agency Contact Phone Number	(302) 436-1079
Corrective Action Plan	Written procedures and documentation are being established by the Indian River School District that will develop, implement and monitor a methodology for the amelioration of parental involvement at the various schoolwide plans and school sites in accordance with the grant objectives and proposal. Written policies and procedures are being developed and maintained in accordance with the stipulations for receiving and monitoring A-133 financial audits.
Anticipated Completion Date	Immediately

Department of Education

Reference Number: 09-ED-07
Program: 84.010 Title I Grants to Local Educational Agencies
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Special Tests and Provisions (Title I Monitoring Report)

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 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 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)

Condition

During Fiscal Year 2009, the U. S. Department of Education's (ED) Student Achievement and School Accountability Programs (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, 2009, the following findings cited below related 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, 2009.

Participation of Private School Children

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

Cause
The DOE either misinterpreted the required compliance requirements or failed to ensure full compliance with the above special tests and provisions for Title I.

Effect
The DOE is not fulfilling the special tests and provisions required by the OMB Circular A-133.

Recommendation
We recommend that DOE implement the further actions required for each finding identified in the Title I Monitoring Report.

Questioned Costs
There are no known questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	*Participation of Private School Children* The DEDOE is currently making modifications to its consolidated application which will include detailed guidance documents that will include directions and reminders for calculating equitable services to private school children. DEDOE staff will review calculations submitted in the consolidated application to ensure equitable services are calculated accurately. DEDOE will request revisions to LEA applications prior to the release of any funding if equitable services are not calculated appropriately. In addition, the DEDOE intends to provide additional guidance to LEAs in the form monthly newsletters. Equitable participation will be the topic of the April edition. Finally, the DEDOE intends to initiate bi-monthly in-person training sessions beginning in the fall of 2010. Private school participation will be covered annually during these sessions. *Comparability* The DEDOE has initiated a process to ensure comparability is calculated annually by LEAs. LEAs were sent an email on November 24, 2009 requesting comparability calculations be

	submitted to DEDOE by January 8, 2010. LEAs were also provided with templates for calculating comparability and a template for documenting the LEAs procedures. In addition, the DEDOE offered webinars and a quick guidance document for use by LEAs. LEAs that did not demonstrate comparability in the January 8 submission were required to make staffing adjustments and re-submit their calculations by February 28, 2010. *Highly Qualified Paraprofessionals* The DEDOE has created a reporting mechanism in the Delaware Educator Data System (DEEDS) to enable staff in the Teacher and Administrator Quality Development work group to regularly review the status of teachers and paraprofessionals. The hiring and status of paraprofessionals in the State is an ongoing process and must be reviewed more frequently throughout the year than the status of teachers. As such, the Teacher and Administrator Quality Development work group staff intends to review records of paraprofessionals on a monthly basis and communicate directly with LEAs regarding the adjustments that are deemed necessary. The work group will provide written reports of an LEA's HQP status, findings and required corrective action on a quarterly basis. The work group also has a staff person who dedicates a significant portion of her time working directly with LEAs to ensure their paraprofessionals have the necessary permits in place. In addition, the DEDOE is making modifications to its consolidated application which also included a clarifying question regarding the HQP status of paraprofessionals. Finally, the work group intends to continue sending weekly mailing to LEAs which will frequently include information on the requirements of HQT and HQP. The findings from this audit will be shared with the LEAs in a future edition to reiterate the expectations/requirements of LEAs. The findings will also be addressed at the next Professional Accountability Quarterly Meetings.
Anticipated Completion Date	*Participation of Private School Children* - July/August 2010 *Comparability* - January 2010 *Highly Qualified Paraprofessionals* - July/August 2010

Department of Education
Reference Number: 09-ED-08
Program: 84.027, Special Education Cluster
84.173
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Level of Effort (Maintenance of Effort)

Criteria
In accordance with the Individual with Disabilities Education Act (IDEA), a Local Educational Agency (LEA) must comply with the following Maintenance of Effort (MOE) requirements:

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

(2) For any fiscal year for which the federal allocation received by a LEA exceeds the amount received for the previous fiscal year, the LEA may reduce the level of local or State and local expenditures by not more than 50 percent of the excess (20 USC 1413(a)(2)(C)(i)). If an LEA exercises this authority, it must use an amount of local funds equal to the reduction in expenditures under Section 1413(a)(2)(C)(i) to carry out activities authorized under the Elementary and Secondary Education Act (ESEA) of 1965. The amount of funds expended by the LEA for early intervening services counts toward the maximum amount of State and local expenditures that the LEA may reduce. However, if an SEA determines that an LEA is unable to establish and maintain programs of FAPE that meet the requirements of Section 1413(a) or the SEA has taken action

against the LEA under Section 1416, the SEA shall prohibit the LEA from reducing its local or State and local expenditures for that fiscal year (20 USC 1413(a)(2)(C)).

Condition

Based on a review of the MOE calculations (Excess Cost for IDEA template) done for the Special Education Cluster by the eight School Districts we visited, we noted the following items:

- The 2009 consolidated subgrant applications completed by the School Districts were supposed to calculate the Special Education maintenance of effort for Fiscal Year 2008, which requires using financial information from the second preceding year, or fiscal year 2006. We noted that five of the eight School Districts were using Fiscal Year 2007 financial information.

- The template for each school district had the same exact amount for State Funds Expended In: Speech Pathology Units and Local Funds Expended In: Special Education Transportation, which appears to be formula error within the template.

- The amounts used for the line items by the School Districts were not consistently determined or applied. Some School Districts used appropriation codes, some used object codes and some used a pro rata share of those expenditures based upon their special education units by total units. There was not a consistent methodology for the School Districts.

Cause

Lacking specific guidance or oversight, the School Districts are not completely knowledgeable of how the Special Education MOE calculation should be completed to ensure consistency among the School Districts and from year to year.

Effect

There may be School Districts that have not truly met their Special Education MOE requirements.

Recommendation

We recommend that DOE provide detailed guidance and training for the School Districts on the completion of the Special Education MOE template. We believe these procedures should be consistent for each School so the Special Education MOE calculations can be monitored more easily, if necessary.

Questioned Costs

There are no known questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	At the request of USDOE, the MOE calculation process has been revised, simplified and is in the process of being automated. Therefore, it will be a verification process only.
Anticipated Completion Date	June 30, 2010

Department of Education
Reference Number: 09-ED-09
Program: 10.558 Child and Adult Care Food Program
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Eligibility (Subrecipients)

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)).

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")).

Condition

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

- The annual applications do not contain explicit language ensuring that the subrecipients are not ineligible for publicly funded programs due to their violation of program requirements or criminal convictions during the past seven years.

- The annual applications do not contain all the required components of the performance standards. The standards require the organizations have documentation supporting 1) the organizations need and recruiting and 2) fiscal resources and financial history. In

addition, renewing organizations should have documentation of fiscal accountability which includes a financial system with management controls in writing and accounting records.

- Only 3 out of the thirty organizations application files had outside employment policies.

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.

Recommendation
We recommend that DOE revise its CACFP applications to ensure all necessary components listed in the Federal regulations are explicitly incorporated.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	David Bowman
Agency Contact Phone Number	(302) 735-4060
Corrective Action Plan	The DOE Child and Adult Care Food Program went under new leadership in September 08 during the application approval process for program year 2009 (October 1 – September 30). During the ensuing 12 months several areas of under documentation were identified. In response, we modified the application approval process for program year 2010. We have attempted to secure all missing documents for all sub-recipients during the latest application approval process. However, we will undergo another review of files to ensure that all required documents are available. In addition, we have incorporated all documentation requirements into our current application approval checklist. This will help to ensured that all documents required for participation in the CACFP have been collected.
Anticipated Completion Date	June 30, 2010

Department of Education
Reference Number: 09-ED-10
Program: 10.553, Child Nutrition Cluster
10.555,
10.556,
10.559
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Reporting

Criteria
The Delaware Department of Education is required to report actual expenditures on a quarterly basis on the Standard Form 269 (SF-269), Financial Status Report.

Condition
Based on our review of the cumulative fiscal year 2009 outlays for the Child Nutrition Cluster, the Fiscal Year 2009 outlays were $1,241,127 higher than the amount recorded on Delaware Financial Management System (DFMS) for the same period. Total outlays for the Child Nutrition Cluster for fiscal year 2009 amounted to $26,129,692.

Cause
Because of turnover and some miscodings of the amounts expended, the amounts drawndown did not readily agree to the DFMS.

Effect
The amounts drawndown could not easily be reconciled to the DFMS.

Recommendation
We recommend that the DOE develop procedures to ensure all drawdowns are reconciled to DFMS prior to being drawndown.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	269s will be completed in a prompt manner in order to insure that the figures agree with the specific date in DFMS.
Anticipated Completion Date	Completed

Department of Education
Reference Number: 09-ED-11
Program: 10.553, Child Nutrition Cluster
10.555,
10.556,
10.559
10.558 Child and Adult Care Food Program
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Subrecipient Monitoring

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)

Condition
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 used 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.

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.

Effect
The DOE may not be fulfilling its subrecipient montoring responsibilites for those subrecipients required to have an OMB A-133 audit.

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

Questioned Costs

There are no known questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	David Bowman and Huida Russell
Agency Contact Phone Number	(302) 735-4060
Corrective Action Plan	The DOE Child and Adult Care Food Program will modify its current procedures for tracking sub-recipients who receive $500,000 or more in federal awards. The modification will include: (1) providing pertinent A-133 Supplements to all sub-recipients; (2) strengthening procedures for regular review of audits; (3) issuing management decisions on audits received; and (4) tracking compliance with audit findings. The Child and Adult Care Food Program is currently finalizing a new online application, reporting and payment system. We will attempt to add functionality to the new system that will allow us to more consistently comply with all requirements of A-133.
Anticipated Completion Date	June 30, 2010

Department of Education
Christina School District
Reference Number: 09-ED-12
Program: 10.553, Child Nutrition Cluster
10.555,
10.556,
10.559
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs

Criteria
The Committee of Sponsoring Organizations of the Treadway Commission's report Internal Control - Integrated Framework identifies segregation of duties as a control activity where "Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions . . . An appropriate segregation of duties often appears to present difficulties in smaller organizations, at least on the surface. Even (entities) that have only a few employees, however, can usually parcel out their responsibilities to achieve the necessary checks and balances." Segregation of duties is also identified as a monitoring activity. "Appropriate organizational structure and supervisory activities provide oversight of control functions and identification of deficiencies . . . Also, duties of individuals are divided so that different people serve as a check on each other. This is also a deterrent to employee fraud since it inhibits the ability of an individual to conceal his or her suspect activities."

Federal funds are received by the State for the Child Nutrition Cluster, federal CFDA numbers 10.553, 10.555, 10.556, and 10.559. To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C):

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards. A cost generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- Be allocable to Federal awards under the provisions of the Circular. A cost is allocable to a particular cost objective if goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Condition
The District's Child Nutrition program did not have adequate internal controls including management review and segregation of duties. A lack of sufficient internal controls within the District's Child Nutrition program resulted in a net loss of $5,498.39.

We determined that the Supervisor had access to the Child Nutrition bank account including a debit card for the account. We reviewed activity in the account for the period of July 1, 2007 through October 15, 2008 and found the following:

- The Director made $4,048.85 in personal purchases.
- Transactions totaling $5,062.33 lacked sufficient supporting documentation. After reviewing the vendor names, type of purchases, and discussing with CSD representatives, we determined that purchases totaling $3,614.64 were not for the benefit of the Child Nutrition Program.
- Computer equipment was purchased with Child Nutrition funds. The District was unable to locate the Director's laptop and other computer related equipment totaling $2,151.25.
- The Secretary for the Child Nutrition program indicated that the Director wrote 7 personal checks to CSD as reimbursement for his personal expenses. However, the Secretary was only able to produce documentation supporting 4 of the checks. CSD did not have support for 3 checks totaling $497.17. The 4 reimbursements reviewed, totaling $4,316.35, were all made in October 2008.
- Funds in the bank account reviewed included both local school district and federal funds received by the State of Delaware under the Child Nutrition Cluster program. We were unable to determine the portion of the unauthorized expenditures or the net loss to the District that is related to federal or local funds, since the monies within this account are commingled, and expenditures from the account are not marked as to source of funding.

The portion of the net loss pertaining to Fiscal Year 2009 totaled $4,293.29.

Cause

The Director's intentional disregard for established policies and procedures as well an insufficient review at the District Office level.

The District did not ensure that all transactions were properly reviewed for allowability and properly documented and/or did not maintain documentation to support the transaction.

Effect

The lack of adequate internal controls resulted in a theft of funds, unsupported purchases, and noncompliance with policies and procedures.

Review of transactions prior to processing (as evidenced by signature on the transaction document) is the primary control regarding the allowability of costs charged to federal awards.

Recommendation

We recommend that the District strengthen internal controls. The following should be considered in order to strengthen controls:

- Monthly bank reconciliations should be performed outside of the Child Nutrition Office.

- Provide additional management oversight for all Child Nutrition operations.

The District should adhere to established policies and procedures to ensure that transactions are appropriately approved in accordance with State and District policy and that appropriate supporting documentation is maintained with all processed transactions.

In addition, the District should require repayment from the Director for the remaining net loss ($5,498.39).

Questioned Costs

The questioned costs associated with this finding are undeterminable as there is no record maintained by the District as to the source of funding (i.e., local or federal) used to pay for the questionable expenditures noted in the Child Nutrition program bank account, but the total questioned costs could be no more than the total questionable expenditures noted of $9,814.74. The questioned costs pertaining to Fiscal Year 2009 could be no more than $4,293.29.

Views of Responsible Officials

Agency Contact Name	Robert A. Silber
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	The District has required the repayment of $5,498.39 from the Supervisor (referred to above as Director) of Child Nutrition Services. The Christina School District has taken steps to tighten the internal controls over Child Nutrition Services. On a monthly basis the Business Office: ▪ Reviews bank statements prior to reconciliation and identify items requiring support documentation. ▪ Reviews the bank reconciliations. ▪ Reviews Fuelman Account. ▪ Reviews use of Debit Card, to assure usage is limited to emergency purchases or purchases with pre-approval documentation. Additionally, the District Business Office reviews the monthly profit and loss statement of Child Nutrition Services and reviews performance against budget.
Anticipated Completion Date	Done

Department of Health and Social Services
Reference Number: 09-DHSS-01

Program:	**10.551, 10.561**	**Supplemental Nutrition Assistance Program Cluster**
	93.558	**Temporary Assistance For Needy Families**
	93.596	**Child Care Cluster**
	93.667	**Social Services Block Grant**
	93.767	**Children's Health Insurance Program**
	93.775, 93.777, 93.778	**Medicaid Cluster**

Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs

Criteria
The State follows a Public Assistance Cost Allocation Plan (PACAP) that administers federal programs within the Division of Social Services (DSS), Division of Medicaid and Medical Assistance (DMMA), and Divisions of Management Services, all of which are divisions within the Delaware Department of Health and Social Services (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).

Condition
The Department did not follow its cost allocation plan when charging costs related to DMMA. The PACAP plan designates DMMA costs to be charged directly to the Medicaid program or through the indirect charge method across all DMMA programs. However, the Department was incorrectly allocating the DMMA related costs among the DSS programs.

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 were charged incorrectly to DSS federal programs and were not charged in accordance with the approved PACAP.

Recommendation
We recommend the State ensures its general ledger, Delaware Financial Management System (DFMS), is properly configured to allocate costs out of the cost pool in accordance with its approved PACAP plan. We also recommend that the PACAP plan be revised to reflect an allocation of costs to federal programs based on the true effort being provided to those federal

programs. The State should also implement procedures to perform a review of the costs being allocated out of the cost pool to ensure it is being allocated in accordance with the approved PACAP.

Questioned Costs
Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	DHSS has taken and/or plans to take the following actions to address the concerns of this finding. 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 are being implemented to improve that process and the resulting allocations. In follow up to that review and the fact that Delaware is implementing a new accounting system in July 2010, a Request For Proposal (RFP) is being issued to secure further outside assistance. The expanded work will encompass a 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 will be 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 results of this effort will address the concerns of this finding. During this process, where appropriate, we will confer with our Federal partners. The resulting PCAP will be submitted to the Department of Health and Human Services Division of Cost Allocation (DCA) for approval.
Anticipated Completion Date	First Quarter Calendar Year 2011 (submission of PCAP to DCA)

Department of Health and Social Services
Reference Number: 09-DHSS-02
Program: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
93.667 Social Services Block Grant
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Suspension and Debarment

Criteria
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.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition
The State uses a standard boiler plate contract to ensure adherence to the suspension and debarment requirements discussed above. However, the suspension and debarment clause in the boiler plate contract covers procurement expenditures for goods or services equal to or in excess of $100,000 instead of the $25,000 that is required for all contracts entered into after November 26, 2003 per the regulations above. The State revised its boiler plate contract during Fiscal Year 2009 to change the clause to cover all procurement expenditures equal to or in excess of $25,000. However, the revised boiler plate was not used for contracts effective for Fiscal Year 2009. The EPLS was reviewed during the audit process, and none of the vendors included in the testing was on the EPLS.

The following table details the total expenditures incurred during fiscal year 2009 related to vendor contracts entered into below the $100,000 threshold, but above the $25,000 threshold, and the amount of those expenditures included in the testing during 2009.

Federal Program	**Vendor contracts below $100,000 but above $25,000**	**Amount included in 2009 testing**
Block Grants for Prevention and Treatment of Substance Abuse	$ 433,669	$ -
Social Services Block Grant	801,136	239,173
Totals	**$ 1,234,805**	**$ 239,173**

Cause
The State did not update its boiler plate contract when the Federal suspension and debarment criteria decreased to $25,000 in 2003.

Effect
The Programs may award federally funded contracts to disallowed vendors.

Recommendation
We recommend the State use its revised boiler plate contract to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Questioned Costs
Questioned costs associated with this finding could be no more than $995,632, which represents total vendor contract expenditures of $1,234,805 below $100,000 but above $25,000 minus total vendor expenditures of $239,173 selected for testing.

Views of Responsible Officials

Agency Contact Name	Robert Bubacz
Agency Contact Phone Number	(302) 255-9247
Corrective Action Plan	DHSS has taken the following corrective action to address the concerns of this finding. A new boilerplate containing the recommended revisions was implemented in October 2008. Many of the contracts examined during this audit were executed and in place prior to the audit period in question. As new contracts are bid/put in place, the revised boilerplate for suspension and disbarment will be used.
Anticipated Completion Date	As contracts expire.

Department of Health and Social Services
Reference Number: 09-DHSS-03

Program:	**10.551, 10.561**	**Supplemental Nutrition Assistance Program Cluster**
	10.557	**Special Supplemental Nutrition Program for Women, Infants, and Children**
	66.468	**Capitalization Grants for Drinking Water State Revolving Funds**
	93.268	**Immunization Grants**
	93.563	**Child Support Enforcement**
	93.558	**Temporary Assistance For Needy Families**
	93.568	**Low Income Home Energy Assistance Program**
	93.767	**Children's Health Insurance Program**
	93.775, 93.777, 93.778	**Medicaid Cluster**
	93.917	**HIV Care Formula Grants**

Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Suspension and Debarment

Criteria
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.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition
The State uses a standard boiler plate contract to ensure adherence to the suspension and debarment requirements discussed above. However, the suspension and debarment clause in the boiler plate contract covers procurement expenditures for goods or services equal to or in excess of $100,000 instead of the $25,000 that is required for all contracts entered into after November 26, 2003 per the regulations above. The State revised its boiler plate contract during Fiscal Year 2009 to change the clause to cover all procurements expenditures equal to or in excess of $25,000. However, the revised boiler plate was not used for contracts effective for Fiscal Year 2009. The EPLS was reviewed during the audit process, and none of the vendors included in the testing was on the EPLS.

The following table details the total expenditures incurred during fiscal year 2009 related to vendor contracts entered into below the $100,000 threshold, but above the $25,000 threshold, and the amount of those expenditures included in the testing during 2009.

Federal Program	**Vendor contracts below $100,000 but above $25,000**	**Amount included in 2009 testing**
Supplemental Nutrition Assistance Program Cluster	$ 59,781	$ -
Special Supplemental Nutrition Program for Women, Infants, and Children	264,871	62,145
Capitalization Grants for Drinking Water State Revolving Funds	240,264	82,699
Immunization Grants	264,383	49,000
Child Support Enforcement	421,294	-
Temporary Assistance For Needy Families	539,911	84,292
Low Income Home Energy Assistance Program	35,140	-
Children's Health Insurance Program	26,729	-
Medical Assistance Cluster	543,348	-
HIV Care Formula Grants	110,183	-
Totals	**$2,505,904**	**$278,136**

Cause

The State did not update its boiler plate contract when the Federal suspension and debarment criteria decreased to $25,000 in 2003.

Effect

The Program may award federally funded contracts to disallowed vendors.

Recommendation

We recommend the State use its revised boiler plate contract to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Questioned Costs

Questioned costs associated with this finding could be no more than $2,227,768, which represents total vendor contract expenditures of $2,505,904 below $100,000 but above $25,000 minus total vendor expenditures of $278,136 selected for testing.

Views of Responsible Official

Agency Contact Name	Robert Bubacz
Agency Contact Phone Number	(302) 255-9247
Corrective Action Plan	DHSS has taken the following corrective action to address the concerns of this finding. A new boilerplate containing the recommended revisions was implemented in October 2008. Many of the contracts examined during this audit were executed and in place prior to the audit period in question. As new contracts are bid/put in place, the revised boilerplate for suspension and disbarment will be used.
Anticipated Completion Date	As contracts expire.

Department of Health and Social Services
Reference Number: 09-DHSS-04
Program: 93.596 Child Care Cluster
93.775, Medicaid Cluster
93.777,
93.778
93.558 Temporary Assistance for Needy Families
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Reporting, Level of Effort, Earmarking

Criteria
Child Care Cluster

Reporting

ACF-696, *Child Care and Development Fund Financial Report (OMB No. 0970-0163)* is due quarterly from States and territories. The ACF-696T, *Child Care and Development Fund Financial Report for Tribes* (*OMB No. 0970-0195)* is required from tribes. These reports are in lieu of the SF-269, *Financial Status Report.* 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)).

Medical Assistance Cluster

Reporting

CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program (OMB No. 0938-0067*) is required to be prepared quarterly and submitted electronically to CMS within 30 days after the end of the quarter. These reports are in lieu of the SF-269, *Financial Status Report.*

Temporary Assistance for Needy Families

Reporting

ACF-196, *TANF Financial Report (OMB Control No. 0970-0247)* – States are required to submit this report quarterly in lieu of the 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. States that received Federal Contingency Funds under section 3 of Pub. L. No. 109-68 will report expenditures on line g. of the current TANF ACF-196 Financial Report form.

Level of Effort

Every fiscal year, a State must maintain an amount of "qualified State expenditures" for eligible families (as defined in 42 USC 609(a)(7)(B)(i)(IV) and 45 CFR section 263.2(b)) at least at the applicable percentage of the State's historic State expenditures. Qualified expenditures with respect to eligible families may come from all programs, i.e., the State's TANF program as well as programs separate from the State's TANF program.

Earmarking

A State may not spend more than 15 percent for administrative purposes, excluding expenditures for information technology and computerization needed for required tracking and monitoring, of the total combined amounts available under the State family assistance grant, supplemental grant for population increases, and contingency funds (42 USC 604(b)(1) and (2); 45 CFR sections 263.0 and 263.13).

Condition

Child Care Cluster

The Division omitted certain costs totaling $43,049 from the ACF 696 for the quarter ended December 31, 2008 for grant expenditures made during Fiscal Year 2009 that were reported in the Delaware Financial Management System (DFMS).

Medical Assistance Cluster

The Division was not able to provide supporting documentation from DFMS to support the amounts reported in the CMS 64 related to costs allocated per the cost allocation plan for the quarter ended March 31, 2009 for grant expenditures made during Fiscal Year 2009. The unsupported amount for the CMS64 totaled $252,248.

Temporary Assistance for Needy Families

The Division was not able to provide supporting documentation from DFMS to support the amounts reported in the ACF 196 for grant year 2009, 2008, 2007 and 2006 for expenditures made during Fiscal Year 2009. The unsupported amount for the ACF 196 reports totaled $551,000. In addition, due to the lack of supporting documentation for the amounts presented on these reports, we were not able to test compliance with the level of effort and earmarking requirements.

Cause

Management did not maintain copies of the supporting documentation and was not able to provide data from the DFMS system for the time periods in question.

Effect

Certain amounts reported on the ACF 696, CMS-64, and ACF 196 for Child Care, Medicaid and TANF, respectively, cannot be validated for accuracy. Also for the ACF 196, due to the lack of

support, we were unable to verify compliance with the level of effort and earmarking requirements for both programs.

Recommendation
We recommend that management maintain copies of supporting documentation for all reports required by the grant.

Questioned Costs
Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	(302) 255-9235
Corrective Action Plan	***Child Care Cluster:*** DHSS identified the cited error in advance of this audit and reported the costs on the next quarterly ACF 696 report (for period ending 3/31/09). ***Medical Assistance Cluster and Temporary Assistance for Needy Families:*** DHSS plans to take the following actions to address the concerns of this finding. DHSS is embarking on a significant work effort involving a review of DHSS's system of Federal program administration and cost allocation. This will include an in-depth review of the public assistance programs DHSS participates in, allocation methodologies and the supporting systems/ processes. Associated with this effort is the fact that Delaware is implementing a new accounting system in July 2010. The objective of this concentrated effort will be to (1) update/document the cost pools and allocation methodologies, (2) upgrade/improve the systems related to and supporting the Public Assistance Cost Allocation Plan (PCAP) and (3) production of an up-to-date, integrated DHSS PCAP with sound quality control procedures. The results of this effort will be to produce systems and processes that effectively support and document required grant reports that should address the concerns of this finding. A Request For Proposal (RFP) is being issued to secure

	independent outside assistance to assist DHSS in this effort. During this process, where appropriate, we will confer with our Federal partners.
Anticipated Completion Date	First Quarter Calendar Year 2011 (submission of PCAP to DCA)

Department of Health and Social Services
Division of Social Services
Reference Number: 09-DHSS-05
Program: 93.558 Temporary Assistance for Needy Families
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Reporting, Special Tests and Provisions (Penalty for Failure to Comply with Work Verification Plan)

Criteria
Each state that claims maintenance of effort expenditures for a state program must collect and submit on a quarterly basis the ACF-199 Temporary Assistance for Needy Families Data Report. The ACF-199 TANF data report consists of four sections containing demographic information and case status. The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates submitted in the report. (45 CFR sections 261.60, .61, .62, .63, .64, and .65)

Condition
For three of the 60 cases selected for testwork in 2009, we noted that the Division was not able to provide supporting documentation for the work participation status submitted to the Administration for Children and Families, Department of Health and Human Services in the ACF-199 Data Report.

Cause
Management did not maintain copies of the supporting documentation and was not able to provide data from the system for the cases in question.

Effect
The Division may not be accurately reporting data to determine its minimum annual work participation rate.

Recommendation
We recommend that the Division maintain copies of supporting documentation for all cases submitted on the ACF-199 report in accordance with federal regulation as stated in their TANF Work Verification Plan.

Questioned Costs
Question costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Barbara H. Hanson
Agency Contact Phone Number	302-255-9580
Corrective Action Plan	The Division of Social Services (DSS) will take the following corrective actions to address the concerns of this finding. DSS will plan and implement two corrective actions in order to assure that staff obtain the proper medical documentation of a client's inability to work, before the social worker exempts a client from participation with Employment and Training Vendors. The medical exemption will be validated by an outside vendor. First, using the new learning management system or remote/online learning process, DSS will develop mandatory refresher training for field workers on the work requirements for TANF clients. All staff will have to register for the class, participate in the training and pass the required test to demonstrate their understanding. All staff will be expected to accurately implement the Employment and Training policy for medical and other exemptions. Secondly, DSS currently has a contract with Jewish Employment Volunteer Services (JEVS) who is charged with conducting an independent medical evaluation on every TANF client who is coded in DCIS as medically unable to work or participate in work activities. JEVS began on 9/1/09 to review the active TANF clients who have been medically exempt for the longest period of time. In SFY11, all active medically exempt clients will be reviewed. Those clients who are not medically exempt will be required to look for work and cooperate with an Employment and Training vendor. Clients who do not cooperate, will have TANF benefits terminated.
Anticipated Completion Date	December 31, 2010

Department of Health and Social Services
Division of Services for Aging and Adults with Physical Disabilities
Reference Number: 09-AGI-01
Program: 93.667 Social Services Block Grant
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs (Effort Reporting)

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)

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 result.

- 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)

Condition

For employees who work on multiple cost objectives, the Division of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Cause

DSAAPD is in the process of implementing a system to appropriately allocate salary costs based on effort.

Effect

Salaries may be inappropriately allocated to the SSBG and Aging Cluster (Non-major program CFDA# 93.044, 93.045, 93.053) programs.

Recommendation

We recommend that the DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Questioned Costs

Questioned costs for SSBG are $58,164, which represents total salaries of $43,454 and fringe costs of $14,710 allocated to the program.

Views of Responsible Officials

Agency Contact Name	Albert Griffith
Agency Contact Phone Number	(302) 255-9355
Corrective Action Plan	The Division of Services for Aging and Adults with Physical Disabilities (DSAAPD) has taken and/or will take the following corrective actions to address the concerns of this finding. DSAAPD utilizes a federally approved cost allocation system for tracking employee time and was recently updated and revised. Employees who work on one cost objective complete semi-annual certifications. Employees who work on multiple cost objectives complete time studies based on 20 days per quarter. This and other information is provided to our contractor to determine the allocation of costs each quarter. Employee funding changes are submitted to the Division of Management Services (DMS) which adjusts future payroll expenditures. By June 30, 2010, DSAAPD will retroactively 'true up' employee payroll expenditures for any variances in excess of 10%. Effective July 1, 2009, the Division has implemented a new cost allocation plan, updated its time study format, educated/trained all employees on how to properly complete the time studies, developed a process to accurately update payroll records and effectively recode/correct payroll expenditures to actually reflect the effort captured by the time studies.
Anticipated Completion Date	June 30, 2010

Department of Health and Social Services
Division of Child Support Enforcement
Reference Number: 09-CSE-01
Program: 93.563 Child Support Enforcement
Type of Finding: Noncompliance, Material Weakness
Compliance Requirement(s): Special Tests and Provisions (Medical Support Obligations, Paternity and Support Obligations and Provision of Child Support Services for Interstate Cases)

Criteria

Paternity and Support Obligations

Federal regulations require that the agency responsible for child support enforcement (IV-D agency) attempt to establish paternity and a support obligation for children born out of wedlock. The IV-D agency must establish a support obligation where paternity is not an issue by providing services within specified time frames to ensure that these services are carried out. (CFR § 303.3(b) (3)).

Medical Support Obligations

Federal regulations require that the IV-D agency attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for DCSE services. The IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court to include medical support in the form of health insurance coverage in all new or modified orders for support. In cases where medical support is ordered, the agency is required to verify that it was obtained or has enforced the court order if it was not obtained. Finally, the agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order (45 CFR § 303.31).

Provisions of Child Support Services for Interstate Cases

Federal regulations require that the agency responsible for child support enforcement (IV-D agency) establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases. Within 10 working days of receipt of an interstate IV-D case from an initiating State, the central registry must:

- Ensure that the documentation submitted with the case has been reviewed to determine completeness;
- Forward the case for necessary action either to the State Parent Locator Service for location services or to the appropriate agency for processing;
- Acknowledge receipt of the case and ensure that any missing documentation has been requested from the initiating State; and
- Inform the IV-D agency in the initiating State where the case was sent for action.

If the documentation received with a case is inadequate and cannot be remedied by the central registry without the assistance of the initiating State, the central registry must forward the case for any action which can be taken pending necessary action by the initiating State.

Condition

In prior years, it was recommended that DCSE establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. It was also recommended that DCSE enhance DACSES to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent,
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent, and
- Additional enforcement action taken to obtain available reasonable-cost health insurance.

It was further recommended that DCSE replace DACSES with a computer system that could better facilitate establishment of paternity, support and medical support obligations. It is also noted DCSE should ensure evidence of appropriate documentation of programmer access or change control for programmers be maintained in the new computer system.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2009.

In the current year, three out of 60 cases selected for testwork of Medical Support Obligations had no record of an attempt to establish support for enforcement of support obligations and four out of 60 cases were established outside of the required timeframes.

Also, in the current year, three out of 60 cases selected for testwork of provisions for Child Support Services for Interstate cases were established outside of the required timeframes.

Cause

Management is continuing to work on the implementation of the findings from prior years and has not been able to fully implement all corrective actions in the current year.

Effect

If action is not taken within the required time frames, paternity is not established, when applicable, and support obligations therefore cannot be established.

Recommendation

We recommend that management continue with its corrective action plan including the following initiatives:

- Work list management initiative
- Training initiative
- Redistribution of caseloads
- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- National medical support notice
- New DACSES system

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Theodore Mermigos and Midge Holland
Agency Contact Phone Number	(302) 395-6520
Corrective Action Plan	The Division of Child Support Enforcement has taken and/or will take the following corrective actions in response to this finding. The following points address the recommendations contained in the finding in the order that they are listed. ▪ **Work list management initiative-** ***(Partially corrected see phases below)*** Phase I: Eliminate the creation of duplicate work list items. **Completed -September 5, 2004** Phase II: Consolidation of the creation of the work list items, including a new hierarchy of the work list items. **Completed April 17, 2005** Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers. **Completed -June 20, 2007**

	Phase IV: All processes and work lists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to Work List items. A**nticipated completion date: June 2010** Phase V: Evaluation Completion of the total Work List Management initiative is projected for December 2010 (significant amount of time is required for data cleanup as this is the final phase). ▪ **Training initiative** DACSES Work List Management training was conducted statewide with division employees. In accordance with this recommendation, the training was part of the ongoing work-list management initiative to assist DCSE staff with better manage of their overall caseload and in accordance with Federal case processing guidelines. The training was developed to enable staff to be able to navigate and manage a work-list utilizing the new functionalities in the Work List Management screen. Work List Management training will continue on a regular basis to DCSE employee. **Completed- June 9, 2006, June 21, 2006, January 27, 2010. This is an ongoing process as the DCSE Training Unit offers an open computer lab for staff to fine tune work list management skills.** ▪ **Redistribution of caseloads-** DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary

	duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case. There will two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county. Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases. **Completed - January 22, 2008** ▪ **Division of Child Support Enforcement/Division of Social Services interface** ***(Partially corrected)*** Our automatic interface of medical insurance information with the Division of Social Services /Medicaid began May 16, 2008. DCSE staff no longer needs to send paper copies of our DCSE medical questionnaire to the Medicaid office, as information entered into DACSES is sent via the interface once a month. Effective October 2008, DACSES now enters a notation on the case events screens when information is sent via the interface. The entry will appear for all cases sent to Medicaid, starting with May 2008 data. **Completed –October 2008** **The DSS interface will be reengineered with the implementation of the new DACSES system scheduled for completion in FY 2013.** ▪ **New post-court DACSES screen- (*action taken different than original corrective action;*** The data necessary for the medical interface is currently captured in other areas of DACSES. Management has decided

	not to implement the post-court screen and will upgrade the existing functionality when DACSES is replaced. ▪ **National medical support notice-** DCSE fully implemented the National Medical Support Notice **Completed July of 2004** ▪ New DACSES system (**partially corrected)** DCSE received approval of the Implementation Planning Document and the RFP for solicitation of an implementation vendor in May 2009. The RFP was issued in July of 2009 and the bids were returned in September 2009. Currently DCSE is in active negotiations with vendors for both the implementation activities and the quality assurance services. The contracts will be submitted to OCSE in March 2010 for approval and project kickoff is anticipated for May 1, 2010.
Anticipated Completion Date	SFY 2013

Department of Health and Social Services
Division of Public Health
Reference Number: 09-DPH-01
Program: 93.268 Immunization Grants
93.917 HIV Care Formula Grants
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs (Effort Reporting)

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)

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)

Condition

Immunization Grants

Employees who are charged 100% to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet fully implemented a system to accurately allocate costs based on actual effort. Two out of 23 employees selected for testing did not accurately certify their time.

HIV Care Formula Grants

Employees who are charged 100% to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet fully implemented a system to accurately allocate costs based on actual effort. Two out of nine employees selected for testing did not accurately certify their time.

Cause

Immunization Grants and HIV Care Formula Grants

Employees' salaries and benefits are charged to Federal grants based on its full-time equivalent ratio, which is how the budget is set up in the PHRST payroll system. The budgeted amounts are used exclusively, and there is no control to true up the allocation based on semi-annual certifications that are signed by the employees.

Effect

Salaries and benefits of employees who did not work 100% on the federal grant are charged to programs without proper documentation.

Recommendation

We continue to recommend an internal control be implemented at the program level to reconcile semi-annual cost certifications to the budget and allocate the differences to each federal grant. We also recommend all certifications are maintained on file as support for each employee's time charged to the grant.

Questioned Costs

Immunization Grants

Questioned costs are $22,964, which represents the salaries and benefits paid to the two employees.

HIV Care Formula Grants

Questioned costs are $37,013, which represents the salaries and benefits paid to the two employees.

Views of Responsible Officials

Agency Contact Name	Martin Luta
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	The Division of Public Health will take the following corrective actions to address the concerns of this finding. Each staff member will complete and sign a quarterly time certification sheet. The employee's signature will attest that they have spent all or a portion of their time on the particular grant or grants activities. The program manager will assure that all federally funded staff has signed the time certification sheets. If the employee is funded 100% from the particular grant that employee's signed certification will state that they have spent 100% of their time on activities pertaining to the grant. If an employee's time is spread across two or more federal grants, the time certification statement will detail the proportion of time spent on each grant (e.g., if Employee X spends 50% of their time on the Immunizations grant and 50% of their time on the HIV grant, their statement will be that they spent that proportion of time on each grant). The program manager will countersign these time certifications to attest to their review and that they are correct. This also ensures that each employee completes this time certification. Employees will go back to the beginning of the current state fiscal year and assure that these time certifications are completed and signed as described above. The manager will counter sign and date each one and forward a copy to the division's Office of Financial Services to be maintained for audit purposes. On a semi-annual basis, DPH will ensure the employee's salary is properly allocated in the general ledger system to the appropriate federal grants in accordance with the monthly certifications.
Anticipated Completion Date	March 31, 2010

Department of Health and Social Services
Division of State Service Centers
Reference Number: 09-SSC-01
Program: 93.568 Low Income Home Energy Assistance Program
81.042 Weatherization Assistance for Low-Income Persons
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Procurement

Criteria

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Condition

LIHEAP

For the one vendor out of four vendors selected for testwork, the Division did not follow the proper procurement process. The Division could not provide supporting documentation that the vendor was selected through a competitive bidding process or that an approved exception to the process (sole source statement) had been made. The Division did not provide an executed contract in place covering fiscal year 2009.

Weatherization

For the one vendor out of two vendors selected for testwork, the Division did not follow the proper procurement process. The Division could not provide supporting documentation that the vendor was selected through a competitive bidding process or that an approved exception to the process (sole source statement) had been made.

Cause

The Division did not follow the State procurement policies and procedures and did not maintain adequate documentation to support its selection decision.

Effect

The Division may award federally funded contracts to disallowed vendors or obtained less favorable contract terms due to not following the competitive bid process.

Recommendation

We recommend that the Division ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. In cases where competition is limited, justification and approval should be documented in the contract file via a sole source statement. We also recommend that a current executed contract is in place for all active contracts.

Questioned Costs

Total vendor costs charged to the LIHEAP program were $196,044 and costs charged to the Weatherization program were $231,996.

Views of Responsible Officials

Agency Contact Name	Mary Dupont
Agency Contact Phone Number	(302) 255-9695
Corrective Action Plan	The Division of State Service Centers plans to take the following corrective actions to address the concerns of this finding. **Regarding the LIHEAP grant:** While the cooling assistance services are an allowable cost under LIHEAP, unfortunately the competitive bidding/contracting process was not followed. In the future DSSC will employ the competitive bidding/RFP process for these services when work exceeds the bid threshold as well as issue contracts for such work. **Regarding the Weatherization grant:** Although the vendor selected in the test work was selected through a competitive RFP process, unfortunately, the process was not fully documented. The work from 7/1/08 through 3/31/09 was covered by a 5 year RFP that ended on 3/31/09. Although a new 5 year RFP process was completed, the new award, effective 7/1/09, resulted in a 3 month gap in FY-09 (4/1-6/30/09) not covered by an RFP. DSSC will institute a written internal review/quality control process/procedure to ensure that RFP processes are carried out when required and fully documented.
Anticipated Completion Date	July 1, 2010

Department of Health and Social Services
Division of State Service Centers
Reference Number: 09-SSC-02
Program: 81.042 Weatherization Assistance for Low-Income Persons
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Allowable Costs (Effort Reporting)

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)

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 result.

- 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)

Condition

A time certification for the sole employee who is charged 100% to the program could not be provided.

Cause

The employee selected for testing did not complete a semi-annual certification that identified what percentage of their time was allocable to Weatherization activities.

Effect

Salaries may be inappropriately allocated to the Weatherization program.

Recommendation

We recommend that a certification is completed and maintained on file as support for that employee's time charged to the grant.

Questioned Costs

Questioned costs associated with this finding are undeterminable as there is no record maintained by the program as to the actual time spent working on the grant, but the questioned costs could be no more than the total payroll costs of $81,661charged to the grant.

Views of Responsible Officials

Agency Contact Name	Mary Dupont
Agency Contact Phone Number	(302) 255-9695
Corrective Action Plan	The Division of State Service Centers concurs with recommendations of this finding and has implemented a procedure to ensure that the semi-annual time certification is completed for employees charged 100% to federal grants. As noted in the finding, the certification concerned a single individual whose sole responsibility is managing the Weatherization program. We will have the certification completed by the staff person for the period in question.
Anticipated Completion Date	Semi-Annual certification procedure was implemented February 17, 2010.

Department of Health and Social Services
Division of State Service Centers
Reference Number: 09-SSC-03
Program: 81.042 Weatherization Assistance for Low-Income Persons
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Allowable Costs/Subrecipient Monitoring

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, regulation, and provision of contracts or grant agreements that could have a material effect on each of its programs.

(c) Comply with laws, regulation, 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 Principles for State, Local and Indian Tribal Government (2 CFR Part 225) Appendix A, Section C, Basic Guideline, states 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 provisions of this circular…

j. be adequately documented

Each grantee or subgrantee receiving federal financial assistance under 10.CFR440 shall keep such records as the Department of Energy (DOE) shall require, including records which fully disclose the amount and disposition by each grantee and subgrantee of the funds received, the total cost of a weatherization project or the total expenditure to implement the State plan for which assistance was given or used, the source and amount of funds for such project or program not supplied by DOE, the average costs incurred in weatherization of individual dwelling units, the average size of the dwelling being weatherized, the average income of households receiving assistance under this part, and such other records as DOE deems necessary for an effective audit and performance evaluation. Such recordkeeping shall be in accordance with the DOE Financial Assistance rule, 10 CFR part 600, and any further requirements. In addition, allowable costs under the grant are limited to:

a. The cost of purchase and delivery of weatherization materials (10 CFR section 440.18(d)(1)). Funds may only be expended on weatherization materials listed in Appendix A of 10 CFR part 440 or as approved by DOE.

b. Labor costs in accordance with 10 CFR section 440.19.

c. Transportation of weatherization materials, tools, and equipment, and work crews to a storage site and/or to the site of weatherization work (10 CFR section 440.18(d)(3)).

d. Maintenance, operation, and insurance of vehicles used to transport weatherization materials (10 CFR section 440.18(d)(4)).

e. Maintenance of tools and equipment (10 CFR section 440.18(d)(5)).

f. Purchase or annual lease of tools, equipment and/or vehicles, except that any purchase of vehicles shall be referred to DOE in every instance (10 CFR section 440.18(d)(6)).

g. Employment of on-site supervisory personnel (10 CFR section 440.18(d)(7)).

h. Storage of weatherization materials, tools, and equipment (10 CFR section 440.18(d)(8)).

i. The costs of incidental repairs to make the installation of weatherization materials effective (10 CFR section 440.18(d)(9)).

j. The cost of liability insurance for weatherization projects for personal injury and property damage (10 CFR section 440.18(d)(10)).

k. The cost of carrying out low cost/no cost weatherization assistance (10 CFR section 440.20).

l. The cost of WAP financial audits in accordance with 10 CFR section 440.23.

m. Administrative costs (10 CFR section 440.18(d)(13)).

n. The costs of eliminating health hazards, necessary to ensure the safe installation of weatherization materials (10 CFR section 440.18(d)(15)).

o. Leveraging activities, as specified in leveraging section of the State Plan and grant agreement (10 CFR section 440.18(d)(14)). Leveraging entails a State obtaining additional program-targeted non-federal or in-kind contributions as a result of WAP-funded activities. Leveraging should be limited to contributions that can be clearly attributed to a State's weatherization activities, and that are used to augment those activities.

p. Expenditures for labor, weatherization materials, and related matters for a renewable energy system, as defined in 10 CFR section 440.3, shall not exceed an average of $3,000 per dwelling unit or adjusted amount (42 USC 6865(c)(4); 10 CFR section 440.18(b)).

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 criteria section above. For 7 out of the 23 expenditures selected for testwork, there was evidence of the Division's review; however, the Division did not maintain sufficient evidence with the invoice to ensure the expenditures were in accordance with the applicable federal regulations above or in accordance with the rates agreed upon in the contract with the subrecipients. Also, per our review of the site visit documentation, it was not adequate to document the Division's review of the expenditure detail and case file review it performs during its site visits to ensure the subrecipients' adherence to the federal regulations. Total expenditures submitted for reimbursement for the fiscal year ended June 30, 2009 was $417,151 for both subrecipients.

Cause

The Division has not fully implemented policies and procedures pertaining to the review of program expenditures incurred by the subrecipients prior to reimbursement and the Division does not have adequate policies for documentation of its site visit monitoring.

Effect

The Division did not fulfill its responsibilities related to allowable costs and subrecipient monitoring, therefore program expenditures could be spent on unallowable activities.

Recommendation

We recommend that the Division 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 meet.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Mary Dupont
Agency Contact Phone Number	(302) 255-9695
Corrective Action Plan	The Division of State Service Centers concurs with the recommendations of this finding and has taken the following corrective actions. Effective January 1, 2010, we implemented procedures requiring sub-recipients to submit supporting documentation with their reimbursement requests to ensure that the federal allowability requirement is met. In Accordance with U.S. Department of Energy (DOE) Weatherization Assistance Program regulations, the division will monitor 10% of the client files for completed homes and perform on site dwelling unit inspections at 5% of the homes. With respect to monitoring 10% of the client files, this task was completed at Neighborhood House on January 20, 2010 and at First State Community Action Agency on January 27, 2010. Performing on-site dwelling unit inspections on 5% (60) of the homes is an on-going activity that began January 5, 2010, and it will be done by March 31, 2010.
Anticipated Completion Date	Implementation of the sub-grantee documentation requirement began on January 1, 2010 and will be ongoing for the duration of the program year. Program monitoring, which begun in January, will be fully implemented by March 31, 2010.

Department of Labor
Reference Number: 09-DOL-01
Program: 84.126, Vocational Rehabilitation Cluster
84,390
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Eligibility

Criteria
According to 29 USC 722(a)(6), the designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter 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 designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or

(B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

Condition
For two out of 40 clients selected for testing, the client's eligibility for services was not determined within the required 60-day timeframe. One client's eligibility was determined in 98 days while the other client's eligibility was determined in 196 days after receipt of the application. Only the former was ultimately determined to be eligible to receive services while the latter correctly did not have any associated expenditures.

Cause
A lack of oversight on the part of management in monitoring client file status.

Effect
Department of Labor (DOL) did not make determinations of client eligibility within the timeframe required by federal regulations.

Recommendation
DOL should utilize its resources to monitor status of eligibility determinations with aging report or tickler system to insure they are made within the required 60-day timeframe, unless exceptions granted by the federal regulations occur and are properly documented in the client file.

Questioned Costs

There are no questioned costs associated with this finding, as no service was provided to the client deemed to be ineligible.

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	DVR will exercise due diligence in adhering to policies and procedures for ensuring that eligibility determinations are made within the 60-day timeframe, including supervision, training, quality assurance and monitoring.
Anticipated Completion Date	Ongoing.

Department of Labor
Reference Number: 09-DOL-02
Program: 17.258, 17.259, 17.260 WIA Cluster
Type of Finding: Significant Deficiency
Compliance Requirement(s): Eligibility

Criteria
Clients are eligible for benefits under the Workforce Investment Act (WIA) Program if the following criteria are met:

All Programs

- 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)).

All Subtitle B Statewide and Local Programs

- An adult must be 18 years of age or older.
- A dislocated worker means an individual who meets the definition in 29 USC 2801(9).
- A dislocated homemaker means an individual who meets the definition in 29 USC 2801(10).
- 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):
    - 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.
    - Selected a training service linked to the employment opportunities.
    - Was unable to obtain grant assistance from other sources, including other Federal programs, to pay the costs of the training.

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 literary 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). In addition, at least 95 percent of eligible youth participants must be disadvantaged low-income youth as defined in 29 USC 2801(25).

Condition
In determining if a client is eligible for WIA benefits, a case manager prepares an Employment Development Plan (EDP) justifying the training the client should receive with WIA funds. A manager reviews the EDP and approves or denies the client for services.

For two out of 60 clients selected for testing, although they were eligible, the EDPs were not signed by a manager to document review. The total amount of benefits paid on behalf of these clients was $1,293.96.

Cause
The supervisor neglected to sign the reviewed EDP.

Effect
An ineligible individual may be permitted WIA benefits without appropriate reviews.

Recommendation
We recommend that DOL reinforce policies and procedures to ensure that all EDPs are appropriately signed by a supervisor to document proper review.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	E&T has reinforced its policies and procedures to include that no case can be approved without a Supervisor signature on the written EDP.
Anticipated Completion Date	March 30, 2010

Department of Labor
Reference Number: 09-DOL-03
Program: 17.225 Unemployment Insurance (UI)
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria
General

Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of Circular No. A-87, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities;

(2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and

(3) Is determined and supported as provided.

Severance pay

(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.

(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

Condition
In recording retirement pay, the payroll department notifies the fiscal department of retirees which triggers the preparation of an entry, and the retirement payout (in excess of actual time and effort for the pay period) is transferred to the Office of the Secretary's personnel costs to be allocated indirectly.

For one out of 40 employees selected for testing, the retirement payout of vacation and sick time was not identified and transferred out of the UI program to overhead. The total amount of salary costs charged to the program for this employee is $13,970.37 of which $11,286.65 represents retirement leave payout. Per an analysis of all retirement payouts during the fiscal year, an additional 4 exceptions totaling $2,365.18 were identified.

Cause
The Payroll department neglected to notify the fiscal department of the employee's retirement.

Effect
The UI program was incorrectly charged for the employee's retirement leave payout.

Recommendation
We recommend that DOL establish policies and procedures to ensure controls exist to ensure the timely notification of the retirement of program personnel, and the recording of necessary adjustments.

Questioned Costs
Questioned costs associated with this finding amount to $13,651.83.

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	DOL Human Resources now has policies and procedures in place to notify the Controller's Office at the close of each pay cycle of any federally funded employees who separate from the Department.
Anticipated Completion Date	February 15, 2010

Department of Safety and Homeland Security
Delaware Emergency Management Agency
Reference Number: 09-DSHS-01
Program: 97.004, Homeland Security Grant Program
97.067
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Suspension and Debarment

Criteria
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.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition
DEMA may procure goods and services from various vendors with the use of Homeland Security Grant funds. We selected five vendors that DEMA has expended more than $25,000 during fiscal year 2009 from Homeland Security Grant funds for test work. For two of the five vendors selected for test work, DEMA did not verify that the entity was not suspended or debarred.

Cause
DEMA's internal control structure to ensure that the requirements of the suspension and debarment rules are followed is ineffective.

Effect
DEMA may do business with disallowed vendors.

Recommendation
We recommend that DEMA ensure existing policies and procedures are in place and followed to ensure that the required suspension and debarment requirement is reviewed prior to execution of the vendor contract.

Questioned Costs
There are no questioned costs associated with this finding. The contracted entity was not on the EPLS based on our audit procedures.

View of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	DEMA's contract checklist includes an item requiring the vendor be vetted through the online excluded parties listing maintained by the federal government. Additionally, a screen shot will be placed in the file as further proof the vendor was checked. All DEMA personnel with contracting responsibilities have been briefed again on this requirement.
Anticipated Completion Date	August 14, 2009

Department of Services for Children, Youth, and Their Families
Reference Number: 09-CYF-01
Program: 93.658 Foster Care – Title IV-E
Type of Finding: Disclaimer of Opinion
Compliance Requirement(s): All

Criteria
Federal regulations require that "The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHHS, DCA), if any of the following events occur:

> The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.
>
> A material defect is discovered in the cost allocation plan by the Director, DCA, or the State.
>
> The State plan for public assistance programs is amended so as to affect the allocation of costs.
>
> Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid." (45 CFR §95.509)

The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that "Cost disallowances will be made for inappropriate claims resulting from a State's failure to comply with its approved cost allocation plan…or it's failure to submit an amended plan as required." (Grants Administration Manual 6-200-50).

Condition
The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 6, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

"Delaware's cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting federal and State programs. DCA approved Delaware's cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware's claims for Title IV-E administrative and training costs developed under plan 95-2."

The report further states that:

"The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised 95-2 methodology to allocate candidates' case management costs…during the quarters ended December 1999 through June 2003."

And that:

"Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan."

The report identifies costs of $5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State "…amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates."

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2008 through June 30, 2009), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and DHHS Grants Administration Manual Chapter 6-200-50.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2009 were $1,135,673, representing 30% of the total program costs of $3,777,636.

In Fiscal Year 2006, the Federal Health and Human Services Inspector General's office audited the Department's allocation of administrative and training costs to the Title IV-E program for which a final report has been issued. As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.

Cause
Differing interpretations of federal regulations concerning allocable costs.

Effect
Failure to obtain timely approval of the cost allocation plan could result in questioned costs.

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred within a letter dated May 25, 2005 included as an appendix to that report.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	John F. Greenly
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	DSCYF continues to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 with which it concurred in a letter dated May 25, 2005. As a result, programming of the DSCYF client information system (FACTS) to document foster care candidacy was completed in April 2008. DSCYF has also been actively working with the RO to address concerns regarding the DSCYF random moment time study (RMTS), activity descriptions and related issues. The final set of RMTS items were resolved in November 2009. DSCYF is now in the process of rewriting the Cost Allocation Plan (CAP) and plans to submit it by the end of the second quarter of 2010 with successful negotiations targeted for conclusion by the end of the third quarter 2010.
Anticipated Completion Date	September 2010

Department of Services for Children, Youth, and Their Families
Reference Number: 09-CYF-02
Program: 93.658 Foster Care – Title IV-E
Type of Finding: Significant Deficiency
Compliance Requirement(s): Eligibility (Provider Approval)

Criteria
The Title IV-E Foster Care child and provider eligibility requirements as outlined in 45 CFR 1356.71 and Section 472 of the Act; the purpose of which are to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

Condition
During the week of August 14, 2006, ACF staff from the Central and Regional Offices and State of Delaware staff conducted an eligibility review of Delaware's Title IV-E Foster Care program. A review of a sample of 80 cases was drawn for the review period October 1, 2005 to March 31, 2006. The review team determined 6 cases were ineligible for federal funding and concluded that Delaware's Title IV-E program was not in substantial compliance with federal child and provider eligibility requirements for the review period.

During the week of April 2009, ACF staff conducted a follow up eligibility review for the Foster Care program. A review of a sample of one hundred and fifty cases from the period April 1, 2008 through September 30, 2008 was drawn and the program was found to be in substantial compliance with federal eligibility requirements.

During fiscal year 2009, we tested 60 case files for provider eligibility requirements. Those files included supporting documentation showing compliance with federal child and provider requirements for the year ended June 30, 2009. However, we noted the internal controls surrounding periodic review of the case files were not being performed timely in accordance with State and agency policies.

Cause
The emphasis of DSCYF is on placing children in need of foster care as quickly as possible.

Effect
Foster care payments may be made to placements that have not met requirements to be an approved foster care provider.

Recommendation
We recommend that DSCYF continue to implement its corrective action plan, which includes enhancement of the controls surrounding foster care provider approval to ensure that approval requirements are met and are periodically reviewed in accordance with State and agency policies.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	John F. Greenly
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	In April 2009, ACF staff conducted a follow up eligibility review for the Foster Care program. The result of that review was the program was in substantial compliance with federal eligibility requirements. In December 2009, SB & Co. conducted an eligibility review for the Foster Care program, stating that "periodic review of the case files were not being performed timely in accordance with State and agency policies". Following the April 2009 review conducted by ACF, DSCYF contracted with a consultant to review the business processes for Title IV-E foster care eligibility. The recommendations from that review were received by DSCYF in October 2009. DSCYF is currently in the process of implementing those recommendations. These recommendations are to improve the efficiency of the eligibility process. With respect to the provider eligibility finding listed in 09-CYF-02, DSCYF has contracted with MAXIMUS to provide modifications to the FACTS system as recommended during the business review. These modifications will incorporate a historical listing of provider license approval dates. The licensing information will then be made a part of the logic that governs the child's outcome for Title IV-E eligibility. In addition, the federal requirement for a child's eligibility must be reviewed at least annually. In December 2009, DSCYF updated the policy and procedures manual for Title IV-E eligibility to reflect the federal standard of an annual review. The modifications being made to the FACTS system should make the determination of eligibility for the Title IV-E Foster Care program more efficient.
Anticipated Completion Date	December 2010

Department of Services for Children, Youth, and Their Families
Reference Number: 09-CYF-03
Program: 93.659 Adoption Assistance
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Allowable Costs

Criteria
Federal regulations require that "The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHHS, DCA), if any of the following events occur:

> The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.
>
> A material defect is discovered in the cost allocation plan by the Director, DCA, or the State.
>
> The State plan for public assistance programs is amended so as to affect the allocation of costs.
>
> Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid." (45 CFR §95.509)

The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that "Cost disallowances will be made for inappropriate claims resulting from a State's failure to comply with its approved cost allocation plan…or it's failure to submit an amended plan as required." (Grants Administration Manual 6-200-50).

Condition
The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 6, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

"Delaware's cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting federal and State programs. DCA approved Delaware's cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware's claims for Title IV-E administrative and training costs developed under plan 95-2."

The report further states that:

"The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised 95-2 methodology to allocate candidates' case management costs…during the quarters ended December 1999 through June 2003."

And that:

"Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan."

The report identifies costs of $5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State "…amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates."

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2008 through June 30, 2009), the Adoption Assistance program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and DHHS Grants Administration Manual Chapter 6-200-50.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Adoption Assistance program for the year ended June 30, 2009 were $235,365, representing 12% of the total program costs of $1,914,290.

In Fiscal Year 2006, the Federal Health and Human Services Inspector General's office audited the Department's allocation of administrative and training costs to the Title IV-E program for which a final report has been issued.

Cause
Differing interpretations of federal regulations concerning allocable costs.

Effect
Failure to obtain timely approval of the cost allocation plan could result in questioned costs.

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred within a letter dated May 25, 2005 included as an appendix to that report.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	John F. Greenly
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	DSCYF continues to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 with which it concurred in a letter dated May 25, 2005. As a result, programming of the DSCYF client information system (FACTS) to document foster care candidacy was completed in April 2008. DSCYF has also been actively working with the RO to address concerns regarding the DSCYF random moment time study (RMTS), activity descriptions and related issues. The final set of RMTS items were resolved in November 2009. DSCYF is now in the process of rewriting the Cost Allocation Plan (CAP) and plans to submit it by the end of the second quarter of 2010 with successful negotiations targeted for conclusion by the end of the third quarter 2010.
Anticipated Completion Date	September 2010

Department of Services for Children, Youth, and Their Families
Reference Number: 09-CYF-04
Program: 93.659 Adoption Assistance
Type of Finding: Significant Deficiency
Compliance Requirement(s): Eligibility

Criteria
Per Federal Regulation (42 USC 675(3)) at the time of or prior to finalization of the adoption, an adoptive parent and the cabinet shall negotiate and sign an adoption assistance agreement which shall:

- *Be in effect in accordance with eligibility requirements per 42 U.S.C. 675(3) and 45 C.F.R. 1356.40(b);*
- Determine the nature and amount of the adoption subsidy; and
- Remain in effect until terminated, even if the adoptive parent moves out of the state

Condition
For nine of the 60 cases selected for testwork, although the children were eligible for the program, the adoption agreements were not signed before the order of adoption.

Cause
The emphasis of DSCYF is on placing children in need of adoption as quickly as possible.

Effect
Adoption assistance payments may be made to parent or children placements that have not met federal requirements.

Recommendation
We recommend that DSCYF implement an action plan, which includes enhancement of the controls surrounding adoption agreement approval to ensure that approval requirements are met and are periodically reviewed in accordance with State and agency policies.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	John F. Greenly
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	The errors noted were for placements prior to FY09. Procedures have been instituted which enhance the adoption unit's controls in the area of eligibility as follow: During FY09, all DFS workers, supervisors and staff in

	administrative positions received Adoption Assessor training which includes procedures relative to adoption approval requirements. During the periods covered by the cases noted in the finding, DFS would open the adoption assistance case the month following the finalized court order. This has been changed to the date of the final order of adoption. Also, DSCYF has worked with the courts to warrant all court orders are now received by DSCYF in a timely fashion. This has been effective in assuring adoption agreements are signed earlier in the adoption process and qualifications for federal assistance are properly documented. FACTS progress notes are generated for all adoptions months before their anniversary dates. Agreements are reviewed to assure they are in compliance with State and agency policies. This process is reviewed by the Family Services Program Manager to assure procedural compliance. FACTS itself has been continually upgraded in and effort to assure DSCYF personnel, including those involved in the adoption process, are aware of time frames, required events, and federal and agency requirements.
Anticipated Completion Date	Completed

Delaware National Guard
Reference Number: 09-DNG-01
Program: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement(s): Equipment and Real Property Management

Criteria
Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of $5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established. A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures.

Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Condition
Capital Outlays are reviewed and approved by authorized signors and correspondingly recorded to the Financial System (DFMS) report.

For one out of 22 capital outlays selected for testing, the asset was erroneously recorded as Computer Software as opposed to Computer Hardware. The State's threshold for Computer Software is $1M while the threshold for Computer Hardware is $25K. Incorrectly categorized hardware purchases may go unrecorded in DFMS. The total amount of the miscoded purchase was $40,067.

Cause
The coding of the computer hardware purchase was not effectively reviewed and the coding error went unnoticed.

Effect
A Computer Hardware purchase was not recorded on the State's asset listing in DFMS.

Recommendation
We recommend that DNG reinforce policies and procedures to ensure that all capital outlays are appropriately reviewed and recorded.

Questioned Costs
There are no questioned costs associated with this finding as costs are allowable.

Views of Responsible Officials

Agency Contact Name	Art Caldwell
Agency Contact Phone Number	(302) 326-7160
Corrective Action Plan	The State Comptroller's Office of the Delaware National Guard is now more diligently reviewing and checking all Capital Outlay purchases to ensure that each cost description Object Code is accurate and valid. This should increase the Department's compliance ratio from 96% during SFY 2009 to 100% in the future.
Anticipated Completion Date	November 2009

Delaware National Guard
Reference Number: 09-DNG-02
Program: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Procurement, Suspension and Debarment

Criteria
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.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition
For 6 out of 9 vendors selected for testing, KPMG noted that the contracts did not contain language requiring the vendor to certify that they were not suspended or debarred, and even though Management reviews the EPLS website to determine the vendors' status, there is no documentation or record of this process prior to March 2009. Total expenditures paid to these 6 vendors selected for testing totaled $3,297,799. Total expenditures paid to vendors above $25,000 during Fiscal Year 2009 totaled $5,290,496.

Cause
Personnel performing the EPLS review were unaware of the requirement to document this review prior to March 2009.

Effect
Federally funded contracts may be awarded to disallowed providers.

Recommendation
We recommend that DNG continue to reinforce the application of policies and procedures to ensure that required suspension and debarment verification procedures are performed and documented.

Questioned Costs
There are no questioned costs associated with this finding; none of the vendors selected for testing were found on the EPLS based on our audit procedures.

Views of Responsible Officials

Agency Contact Name	Art Caldwell
Agency Contact Phone Number	(302) 326-7160
Corrective Action Plan	The Delaware National Guard will continue to document its EPLS website review on all pending contracts, which it began in March 2009. All future contracts issued by this Department for $25,000 or more will contain specific terms requiring vendors to certify that they have not been suspended or debarred by the Federal government under the Excluded Parties List System (EPLS).
Anticipated Completion Date	November 2009

Office of Management and Budget
Reference Number: 09-OMB-01
Program: All
Type of Finding: Noncompliance, Significant Deficiency

Criteria
The State shall prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the audited financial statements. Determination of an entity's Federal award expenditures is based on when the activity related to the award occurs. (OMB Circular A-133, §___.300(b) and §___.205(a))

Condition
The State has a limited number of Federal grant awards where the award is expended by one State agency and the request for Federal reimbursement is made by another State agency. The two State agencies enter into an agreement in which one agency reimburses the other agency, via intergovernmental voucher, for the Federal program expenditures they incur. The reimbursing agency requests the drawdown of Federal funds.

This process results in timing differences since the Federal program expenditures are not recorded in the State's accounting system until the intergovernmental vouchers are processed. Based on the State's analysis of these types of transactions, all reimbursements of such Federal expenditures were reimbursed within 60 days of the fiscal year end. The total dollar amount of these transactions processed in July and August 2009 (Fiscal Year 2010) were $1,066,068, which is immaterial to the SEFA as a whole.

Cause
The State's management is using a methodology that fails to record Federal awards when amounts are initially expended by the State.

Effect
The State's SEFA does not encompass all Federal expenditures made during the fiscal year. If this practice is continued on a broader scale the amounts may become material to the SEFA in the future. Further, modifying the methodology to ensure the Federal expenditure is captured when the activity related to the award occurs is less likely to result in a misstatement of the SEFA and is a more efficient process for ongoing operations.

Recommendation
The State should either modify its methodology to record these transactions when expended or calculate the exact amount at fiscal year end for inclusion in the SEFA.

Questioned Costs
There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Valerie M. Watson, Division of Accounting, Acting Director
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	Management is assessing its current methodology to ensure that exact costs are captured in the correct period based on timing of the grant expenditure for the SEFA report. Management will address any changes in the new accounting system if necessary.
Anticipated Completion Date	June 30, 2011

MATRIX OF FINDINGS BY FEDERAL AGENCY

Dover, Delaware

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year Ended June 30, 2009

Matrix of Findings by Federal Agency

Finding	USDA	DOD	DOL	DOT	EPA	DOE	ED	HHS	DHS	ALL
Prefix	**10**	**12**	**17**	**20**	**66**	**81**	**84**	**93**	**97**	
09-DTC-01							X			
09-ED-01							X			
09-ED-02							X			
09-ED-03							X			
09-ED-04							X			
09-ED-05							X			
09-ED-06							X			
09-ED-07							X			
09-ED-08							X			
09-ED-09	X									
09-ED-10	X									
09-ED-11	X									
09-ED-12	X									
09-DHSS-01	X							X		
09-DHSS-02								X		
09-DHSS-03	X				X			X		
09-DHSS-04								X		
09-DHSS-05								X		
09-AGI-01								X		
09-CSE-01								X		
09-DPH-01								X		
09-SSC-01						X		X		
09-SSC-02						X				
09-SSC-03						X				
09-DOL-01							X			
09-DOL-02			X							
09-DOL-03			X							
09-DSHS-01									X	
09-CYF-01								X		
09-CYF-02								X		

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year Ended June 30, 2009

Finding	USDA	DOD	DOL	DOT	EPA	DOE	ED	HHS	DHS	ALL
Prefix	**10**	**12**	**17**	**20**	**66**	**81**	**84**	**93**	**97**	
09-CYF-03								X		
09-CYF-04								X		
09-DNG-01		X								
09-DNG-02		X								
09-OMB-01										X