

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES**  
**DIVISION OF STATE SERVICE CENTERS**

**CONTROL WEAKNESSES**

**FOLLOW-UP REPORT TO**  
**SPECIAL INVESTIGATION**

**FIELDWORK END DATE: MAY 18, 2009**

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# AUDIT AUTHORITY

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

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# BACKGROUND

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The Office of Auditor of Accounts (AOA) issued a Special Investigation report entitled *Control Weaknesses* for the Department of Health and Social Services (DHSS), Division of State Service Centers (DSSC). The report was dated September 18, 2007.

Findings in that report included:

- DSSC was late in paying numerous invoices, which incurred late fees/penalties/interest, and had duplicated payment of invoices.
- There were several weaknesses related to DSSC bank accounts held outside of DFMS: (a) lack of segregation of duties; (b) untimely reconciliations; (c) lack of management review; (d) untimely deposits; (e) pre-signed checks; and (f) numerous old, reconciling items.
- DSSC does not have written policies and procedures.
- A grant was not loaded timely in the Delaware Financial Management System (DFMS).

AOA conducted this follow-up engagement to determine if the above findings were satisfactorily corrected.

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# OBJECTIVE, SCOPE, AND METHODOLOGY

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## **OBJECTIVE AND SCOPE**

The objective of the following engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the Special Investigation report dated September 18, 2007.

The scope of this engagement, a non-audit service, was limited to the findings and recommendations in the aforementioned report. Testing of the status of the previous recommendations was performed for the period from July 1, 2008 through March 31, 2009.

## **METHODOLOGY**

Procedures consisted of interview and inquiry of key personnel, inspection and confirmation of documentation, and observation. The current status of findings and recommendations was reported as follows:

- |                        |   |
|------------------------|---|
| Implemented:           | The concern has been addressed by implementing the original or an alternate corrective action.  |
| Not Implemented:       | The corrective action has not been initiated.   |
| Partially Implemented: | The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern. |
| Withdrawn:             | The concern no longer exists because of changes in the Department's processes and/or auditor has reason to believe the issue is no longer relevant. |

# STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding	Recommendation	Current Year Status*
DSSC was late in paying numerous invoices, incurred late fees/penalties/interest, and duplicated payment of invoices.	DSSC should (a) comply with the State of Delaware <i>Budget and Accounting Manual</i> and (b) develop written policies and procedures for the procurement/expenditure cycle.	Partially Implemented
The following weaknesses were identified for bank accounts held outside of DFMS: (a) lack of segregation of duties; (b) untimely reconciliations; (c) lack of management review; (d) untimely deposits; (e) pre-signed checks; and (f) numerous old, reconciling items.	DSSC should (a) segregate duties or implement mitigating controls; (b) prepare reconciliations timely; (c) review reconciliations for accuracy; (d) make deposits timely; (e) not allow pre-signing of checks; and (f) research/resolve reconciling items.	Partially Implemented
DSSC does not have written policies and procedures.	DSSC should develop written policies and procedures for pertinent accounting cycles (e.g. procurement/expenditure, payroll, receipts/revenues, etc.). These policies and procedures should, at a minimum, address the duties of authorization, recordkeeping, and custody to include reconciliation requirements, management/supervisor approval requirements, replenishment guidelines, and physical security requirements.	Implemented
The federal grant award for the Foster Grandparents Grant was available on January 1, 2007; however, the grant was not loaded into DFMS until March 22, 2007.	DSSC prepare the appropriate documents to ensure timely loading and availability of grant funds.	Implemented.  The recommendation was implemented at the DSSC level. However, delays were noted at the next level within DHSS. The reasons for these delays were not always well documented. Recommend that reasons for delays in loading of grant funds be properly documented.

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# DISTRIBUTION OF REPORT

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Copies of this report have been distributed to the following public officials:

The Honorable Jack Markell, Governor, State of Delaware

The Honorable Russell T. Larson, Controller General, Office of the Controller General

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General

Officials of Audited Entities

The Honorable Rita Landgraf, Secretary, Department of Health and Social Services

Mr. Charles Britton, Deputy Director, Division of Management Services, Department of Health and Social Services

Ms. Mary Dupont, Director, Division of State Services Centers, Department of Health and Social Services