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HUMAN RESOURCES
DIVISION

B-165430

CTR

The Honorable William L. Clay
House of Representatives

SEP 14 1976

Dear Mr. Clay:

This report responds to your March 27, 1975, letter, which requested information concerning the funds management of the nutrition project administered by the Mayor's Office for Senior Citizens in St. Louis, Missouri. About this project, authorized by title VII of the Older Americans Act of 1965, as amended, you asked us to determine *D1045*

- the amount of money funded for it;
- the amount of money spent by it;
- if all money was spent in accordance with Federal law;
- if the Office of Aging, Missouri Department of Social Services, had attempted to monitor it;
- if the comptroller of St. Louis, the chief fiscal officer, has any responsibility or control over it; and
- if establishing it under control of the mayor instead of various city agencies violates Federal law or intent.

Our review involved discussions with officials of the Mayor's Office for Senior Citizens; the St. Louis Department of Welfare; the Office of Aging, Missouri Department of Social Services; HEW Region VII Office of Aging in Kansas City, Missouri; and the Administration on Aging in Washington, D.C. We examined records of the Mayor's Office for Senior Citizens and the Office of Planning, Research and Development, St. Louis Department of Welfare, relating to the title VII funds used to administer the nutrition project. Also, because grant funds provided under title III of the act were used for this project, we included such grants in our review.

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BACKGROUND

The Mayor's Office for Senior Citizens was established as part of the St. Louis Department of Welfare on November 8, 1971. The responsibilities of this office include determining (1) the services needed by the aged, (2) methods of supplying those services, and (3) ways of obtaining revenue to supply the services through Federal, State, and local assistance programs.

In June 1974, the Missouri Office of Aging designated the Mayor's Office for Senior Citizens as an area agency on aging to be funded under title III of the Older Americans Act of 1965. The primary function of an area agency is to plan and coordinate the delivery of services to the elderly.

The Mayor's Office for Senior Citizens received its first title VII grant from the Missouri Office of Aging on September 18, 1973, and administered the program through February 21, 1975. The Office of Aging then transferred the title VII project to the Office of Planning, Research and Development. In July 1975, the Office of Aging notified the St. Louis Department of Welfare that the project would be returned to the Office for Senior Citizens. This matter will be discussed in detail in the following sections.

ESTABLISHMENT OF THE TITLE VII
PROGRAM IN THE MAYOR'S OFFICE
FOR SENIOR CITIZENS

Title VII of the Older Americans Act of 1965 provides for allotting funds to recipients of grants or contracts who agree, among other things, to establish a nutrition project for persons 60 years or older without excluding any governmental agency or subdivision from participating as a grant recipient. Furthermore, HEW regulations provide that

"* * * the State agency may make awards in cash or in kind in the form of grants to, or contracts with, any public or private nonprofit institution or organization, agency, political subdivision of a State, * * * which submits an application in keeping with guidelines established by the Administration on Aging in the Office of Human Development and the State agency * * *."

The regulations also state that:

"In implementing this program [title VII] in project areas selected by the State agency, the State agency should, to the maximum extent feasible, strengthen existing successful nutrition service programs."

In this regard, the Mayor's Office for Senior Citizens was awarded an Areawide Model Project grant before being designated as an area agency on aging. A portion of this grant was used for a nutrition project.

Of the nine area agencies in Missouri, seven are independent of any city or county governmental unit. Officials from the Missouri Office of Aging said Missouri has one area agency, other than the Mayor's Office for Senior Citizens, that is a unit of an established city government--the Mid-America Regional Council of the Kansas City area.

The commissioner, Mayor's Office for Senior Citizens, told us that although his office is under the St. Louis Department of Welfare, an executive department of the mayor's office, neither the mayor nor the Board of Aldermen has direct control over the title VII project.

MATTERS RELATING TO RECEIPT AND
DISBURSEMENT OF TITLE VII FUNDS

The table on the following page shows, by project period, the amounts of Federal funds provided to and spent by the title VII nutrition project in St. Louis. The amounts listed in the "Funds expended" column were obtained from various grantee records. We did not verify their accuracy.

<u>Project period</u>	<u>Funds provided</u>	<u>Funds expended as of Mar. 31, 1975</u>	<u>Balance</u>
9/24/73- 9/30/74	a/\$576,197	\$590,213	\$ -14,016
10/1/74- 2/9/75	277,698	245,726	31,972
2/10/75- 2/21/75	b/24,900	16,955	7,945
2/22/75- 6/30/75	b/132,936	c/8,891	124,045

a/Consists of a \$426,197 grant for Sept. 24, 1973, to June 30, 1974, and a \$150,000 grant to cover the extension of the grant period through Sept. 30, 1974.

b/These funds were provided under title III of the Older Americans Act.

c/Does not include salary of project director, which was charged to the account for the project period Feb. 10 to 21, 1975.

Title VII grant awards to the Mayor's Office for Senior Citizens are made by the Missouri Office of Aging through the St. Louis Comptroller's Office, which maintains a separate account for each grant award. The Office for Senior Citizens requested \$426,197 for the first project year--October 1, 1973, through September 30, 1974. The Office of Aging provided the requested amount but reduced the project period to September 24, 1973, through June 30, 1974, and established a project goal of 1,280 meals per day.

On April 10, 1974, the Missouri Office of Aging notified the Mayor's Office for Senior Citizens that the project would be extended for 3 months to September 30, 1974. The extension was made because the Office of Aging required that plans for the title III and title VII programs for fiscal year 1975 (second project period) be based on a project year from October 1, 1974, through September 30, 1975.

The Office of Aging also notified the Office for Senior Citizens that if current funds were not sufficient for the 3-month extension, additional funds would come from funds designated for the second project year.

On June 27, 1974, the Office of Aging awarded the Office for Senior Citizens an additional \$150,000 for the 3-month extension period. The grant award document noted that this amount would be deducted from the grantee's second year allotment. Records show that as of March 31, 1975, the Office for Senior Citizens had spent \$590,213, or \$14,016 more than the grant, for the first project year from October 1, 1973, through September 30, 1974.

Based on conversations with representatives of the Office of Aging, the Office for Senior Citizens believed their second year funding level would be \$600,000 (\$50,000 per month for 12 months) and submitted an application for this amount. Second year funding was to cover from October 1, 1974, to September 30, 1975.

A September 25, 1974, letter from the Missouri Office of Aging notified the Mayor's Office for Senior Citizens that before the application for title VII funds could be approved and a grant awarded, the Office for Senior Citizens had to explain how it planned to operate at the \$600,000 level when its proposed plan did not correspond with the available funds. The Office of Aging added that if the Office for Senior Citizens planned to operate until the second year allotment of \$277,698 was exhausted and then request funds from the following year's allotment, it should indicate when these funds would be fully expended.

In a September 26, 1974, letter to the Missouri Office of Aging, the commissioner, Mayor's Office for Senior Citizens, stated that second year funds would be exhausted by March 12, 1975. Additional funds would then be requested from the next year's allotment.

Later, the Office for Senior Citizens reported to the Office of Aging that title VII funds would be exhausted by February 7, 1975. The financial reports submitted to justify that date were inadequate, according to the Office of Aging. 1/ An additional \$24,900 was granted to the Office

1/A subsequent audit by an independent certified public accounting firm showed that the grantee had \$31,430 remaining from the second grant period.

for Senior Citizens to extend the title VII nutrition program for 10 operational days (Feb. 10-21, 1975), which gave the Office of Aging and the Office for Senior Citizens time to assess and evaluate the project. Funds for this extension were provided under title III of the Older Americans Act, which permits using title III funds to maintain a title VII nutrition project when title VII funds are not available.

When the Mayor's Office for Senior Citizens could not provide financial data requested by the Missouri Office of Aging, the Office of Aging concluded that the Office for Senior Citizens lacked fiscal and programmatic accounting capabilities to continue as administrator of the St. Louis title VII project. As a result, on February 13, 1975, the Office of Aging requested the director, St. Louis Department of Welfare, to transfer administration of the title VII project to the Office of Planning, Research and Development. On February 25, 1975, the Office of Aging granted \$132,936 in title III funds to the Office of Planning, Research and Development to administer the project through June 30, 1975.

The director, Missouri Office of Aging, informed the director, St. Louis Department of Welfare, that the transfer was an interim measure designed to give the Mayor's Office for Senior Citizens an opportunity to close out the prior year's title VII books, incorporate fiscal and programmatic accountability mechanisms, and demonstrate managerial competency. If the above conditions could not be met, the Office of Aging planned to solicit proposals from other St. Louis public and private agencies as potential grantees for future title VII funds.

The director, Missouri Office of Aging, informed the director, St. Louis Department of Welfare, in a July 24, 1975, letter that administration of the title VII program would be returned to the Mayor's Office for Senior Citizens. The Missouri Office of Aging and a representative from the HEW Region VII Office of Aging had examined the fiscal records and bookkeeping system of the Mayor's Office for Senior Citizens and determined that they were sufficient to prevent past problems from reoccurring. The commissioner, Mayor's Office for Senior Citizens, told us, however, that the program was not actually transferred until September 1, 1975, because he did not want the title VII program returned until he was certain that program finances were corrected and the books were in order.

PROBLEMS NOTED IN THE ADMINISTRATION
OF THE TITLE VII NUTRITION PROGRAM

We noted several problems in the administration of the title VII nutrition project in St. Louis. In particular,

--funds for the first project period were overexpended and

--funds for the second project period were thought to be exhausted before the completion of the project period. (See p. 5.)

The principal cause of the errors in computing project fund balances was the grantee's lack of an adequate fiscal accounting system.

The commissioner, Mayor's Office for Senior Citizens, agreed that the fiscal accountability in his office was inadequate. He attributed the inadequacy to the

--difficulty in obtaining an accountant through the St. Louis Department of Personnel and

--inadequate recordkeeping and late submission of outstanding bills from the nutrition sites.

According to the finance officer, some nutrition sites waited 2 to 3 months before submitting invoices for payment.

Officials from the Missouri Office of Aging and the HEW regional office told us that in the early stage of the title VII program the Commissioner, Administration on Aging, encouraged the HEW regional office to increase the number of meals under the title VII program. This encouragement was passed down through the State agencies to the project sites.

In addition, the director, Missouri Office of Aging, said that the Mayor's Office for Senior Citizens should not be blamed entirely for the problems experienced by the nutrition project. He said the primary concern of the Office for Senior Citizens was to feed the elderly. He added that the rapid program development in response to directives from the Administration on Aging had caused fiscal accounting and administrative controls to lag behind program implementation.

EFFECT OF USING TITLE III
FUNDS ON TITLE VII PROJECT

According to an Administration on Aging official, the use of title III funds to sustain the project in St. Louis required, and received, the concurrence of all area agency directors in Missouri and the approval of the Administration on Aging headquarters.

The St. Louis title VII nutrition project was granted \$157,836 in title III funds during fiscal year 1975. Missouri Office of Aging officials said this action will affect the title VII program during fiscal years 1976 and 1977 because funds allocated for these 2 years will be used to repay borrowed title III funds. ^{1/} Under this repayment agreement with the Missouri Office of Aging, the Mayor's Office for Senior Citizens--using title VII funds--will provide up to 20 percent of the support services provided to title VII participants. These costs are normally funded under the title III program.

PROPRIETY OF EXPENDITURES

Two examinations of the operations of the Mayor's Office for Senior Citizens were scheduled for 1975. The Missouri Office of Aging was to assess of the title VII project, and according to the St. Louis comptroller, the city contracted with a certified public accounting firm to audit all city programs, with priority consideration to be given to the title VII program.

Because of these scheduled examinations, we agreed with your office not to review the expenditures made by the Mayor's Office for Senior Citizens.

The Missouri Office of Aging examined the Office for Senior Citizens in June 1975 but did not publish its findings. In a July 24, 1975, letter, the director, Office of Aging, informed the director, St. Louis Department of Welfare, that the examination of the fiscal records and bookkeeping system of the Office for Senior Citizens revealed that if the present

^{1/}The title VII nutrition program is "forward funded," which means funds from one fiscal year's appropriation are spent by the State in the following fiscal year. For example, fiscal year 1975 funds are spent in fiscal year 1976.

system were maintained, past problems could be avoided. On the basis of this examination and recommendations of the director, St. Louis Department of Welfare, and others familiar with the St. Louis area agency, the Office of Aging returned the administration of the title VII program to the Office for Senior Citizens.

Results of the examination by the certified public accounting firm were published on December 4, 1975. This examination did not include an audit of the books and records of organizations under contract with the Mayor's Office for Senior Citizens to provide nutrition services. The firm concluded that the expenditures and changes in fund balances conformed with generally accepted accounting principles, except that expenditures for equipment were not capitalized. The examination confirmed that there was an overexpenditure during the first project period.

EXTENT OF STATE MONITORING OF TITLE VII PROGRAM

In accordance with the Older Americans Act of 1965, Missouri is divided into nine planning and service areas (geographical districts). An agency on aging has been established in each area. The nine area agencies in Missouri are also title VII grantees. Also, the State has about 120 nutrition sites.

According to State officials, the State plan requires the Missouri Office of Aging to make quarterly assessments of the nine area agencies and to visit each nutrition site twice a year. As of August 5, 1975, nine persons were on its monitoring staff. The purposes of the visits are to (1) assess and evaluate the quality of food being served, (2) check environmental aspects of the project, and (3) evaluate the overall administration of the site.

State officials said quarterly assessments of the area agencies were made, each nutrition site was visited at least once, and more than half were visited twice during fiscal year 1975. The visits to the area agencies did not include examinations of accounting records, and representatives of the Missouri Office of Aging monitoring staff said they do not anticipate making such examinations because they are not accountants. Instead, Office of Aging officials rely on monthly expense reports, required from each of the area agencies, which they review on a sample basis. Office of Aging officials stated that reports received from the St. Louis area agency were late and usually inaccurate.

ST. LOUIS COMPTROLLER'S RESPONSIBILITY
WITH REGARD TO THE TITLE VII PROGRAM

The St. Louis comptroller has primary responsibility for receiving and disbursing title VII funds. The comptroller's office receives title VII funds directly from the Missouri Office of Aging and maintains a separate project account for each grant. Payments from these accounts are authorized by disbursement vouchers prepared by the Mayor's Office for Senior Citizens and endorsed by the director, St. Louis Department of Welfare. The comptroller's office also monitors the title VII accounts and audits certain vouchers on a sample basis.


According to the comptroller, basic responsibility for the title VII program rests with the director, St. Louis Department of Welfare, who is responsible for adhering to the city's fiscal policies. The comptroller said that he does not get involved in managing the title VII program or interpreting the scope or purpose of a grant but that he would offer his views if the program's operation appeared to have glaring deficiencies.

The comptroller said that each department and office is responsible for setting up its own bookkeeping system and that program accountants should know fiscal standards and be capable of adhering to them. In emergencies, he added, his office can provide support to other city departments and offices.

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We discussed the contents of this report with representatives of the Administration on Aging, the Missouri Office of Aging, and the Mayor's Office for Senior Citizens and considered their comments in preparing our final report.

Sincerely yours,


Gregory J. Ahart
Director