

Department of Health and Human Services
**ADMINISTRATION ON AGING
AND
OFFICE OF
INSPECTOR GENERAL**

**STATE IMPLEMENTATION OF THE
FINANCIAL MANAGEMENT
REQUIREMENTS OF THE OLDER
AMERICANS ACT**



APRIL 1993

ADMINISTRATION ON AGING

The Administration on Aging (AoA) is the principal Federal agency designed to carry out the provisions of the Older Americans Act (OAA). It advises the Secretary of Health and Human Services and other Federal agencies on the characteristics, circumstances and needs of older individuals. Further, it develops policies, plans, and programs designed to promote their welfare.

AoA administers three grant programs under the Older Americans Act. The largest program - Title III of the Act -- consist of formula grants to States to establish State and community-based programs for older individuals with the purpose of preventing the premature institutionalization of older individuals. The second program -- Title VI -- consists of discretionary grants with the same purpose as Title III, but to meet the unique needs of older Native Americans. The third program -- Title IV -- is also discretionary. Its purpose is to fund research, demonstration, and training activities to elicit knowledge and techniques to improve the circumstances of older Americans. (The 1992 Amendments to the OAA created a fourth program -- Title VII -- which provides funds for State activities to protect the rights of vulnerable older people. Prior to the 1992 Amendments, Title III of the OAA provided the funds for these activities.)

OFFICE OF INSPECTOR GENERAL

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services' (HHS) programs as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by three OIG operating components: the Office of Audit Services, the Office of Investigations, and the Office of Evaluation and Inspections. The OIG also informs the Secretary of HHS of program and management problems and recommends courses to correct them.

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The findings and recommendations contained in these inspection reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

THIS REPORT

This report is the result of a joint effort between AoA and OIG/OEI to assess the implementation of Title III of the Older Americans Act. OIG staff in the New York and Dallas regional offices provided technical support to the joint project. AoA staff in New York and Dallas directed the project with all regional offices participating in the development of instruments and data collection.

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APRIL 1993 OEI-02-91-01514

EXECUTIVE SUMMARY

PURPOSE

To review State Units' on Aging (SUA) implementation of the financial management requirements of Title III of the Older Americans Act (OAA).

BACKGROUND

In an effort to strengthen its stewardship of the OAA, the Commissioner of the Administration on Aging (AoA) requested technical assistance from the Office of Inspector General (OIG) in designing a review of their primary Title III grantees -- SUAs. After reviewing traditional and current financial management activities, and discussing potential approaches for future efforts, we agreed that a review of individual States would be instituted in such a way as to provide the Commissioner with an overview of how States are implementing key components of Title III. The OIG agreed to assist AoA in developing national, standardized review instruments for key components of Title III. In order to conserve limited travel funds the reviews would be conducted on a sample of States and would focus on only five programmatic areas -- stewardship, targeting, ombudsman, nutrition, and financial management.

This report on financial management addresses the SUA's financial management of OAA funds and its funding and oversight of area agencies on aging (AAAs). It focuses on issuing guidance on and monitoring implementation of the key financial management requirements of Title III of the OAA, including the area planning process.

METHODOLOGY

The reviews were conducted in a stratified, random sample of 20 States based upon the population of individuals over 60 years of age in each State. In the first step of the sampling process, States were divided into four strata based upon the number of older individuals in each State. In the second step, five States were selected from each stratum. This stratified, random sample permits a generalization of findings from the 20 sample States to the Nation.

FINDINGS

While States Address A Majority Of Financial Management Requirements, Some Vulnerabilities Still Exist

- One-third of States that engage in program development and coordination activities exceed the allowable Federal share of the costs.
- Many States do not monitor voluntary contribution or the use of profit-making organizations

Most States Have Implemented Required Audit Processes

- Virtually all States require audits of area agencies and have follow-up procedures
- The most common deficiencies noted among area agencies are internal control weaknesses

States Provide area agencies With Technical Assistance And Training To Address Deficiencies

- 60 percent of States provide financial management technical assistance to area agencies
- Most common deficiencies are in accounting and budgeting

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INTRODUCTION

PURPOSE

To review State Units' on Aging (SUA) implementation of the financial management requirements of Title III of the Older Americans Act (OAA). In this report, the term "financial management" refers to the SUA's fiscal management of OAA funds and its funding and oversight of AAAs. It focuses on issuing guidance on and monitoring implementation of the key financial management requirements of Title III of the OAA, including the area planning process.

BACKGROUND

Under the OAA, the Administration on Aging (AoA) serves as the principal Federal advocate for older individuals, providing national leadership in the development of programs to address their needs. Through Title III of OAA (Grants for State and Community Programs on Aging), AoA encourages and assists SUAs and area agencies on aging (AAAs) to implement a system of coordinated community-based services to prevent the premature institutionalization of older individuals by allowing them to remain in their own community.

Under Title III, AoA distributes approximately \$765 million in formula grants to States based on the age 60+ population within each State. The SUAs use about 5 percent of the grant on administration, and then fund AAAs who then contract for the supportive services, nutrition services and multipurpose senior centers. The single largest component of Title III, the nutrition program, provides approximately \$450 million for congregate and home-delivered meals. Other key program components include supportive services (i.e., access services, in-home services and legal assistance) and the Ombudsman program which serves as an advocate for residents in long term care facilities.

One of AoA's major administrative responsibilities is to provide stewardship over the States' implementation of the Title III program. However, AoA's capacity to carry out its stewardship responsibilities declined substantially during the 1980's due to a significant reduction in resources. More specifically, AoA sustained a 47 percent reduction in staff and 75 percent reduction in travel funds. Each regional office had only \$2,000 annually for travel. Because they could not monitor SUAs', AoA became further and further removed from the activities of the SUAs and their area agencies on aging.

In an effort to strengthen its stewardship of the OAA, the Commissioner of AoA requested technical assistance from the Office of Inspector General (OIG) in designing a review of their primary Title III grantees -- SUAs. In response to the Commissioner's request, OIG staff met with key AoA headquarters and regional staff to identify traditional and current stewardship activities, and to discuss potential

approaches for future efforts. As a result, we agreed that the review of individual States would be instituted in such a way as to provide the Commissioner with an overview of how States are implementing key components of Title III. The OIG agreed to assist AoA in developing national, standardized review instruments for key components of Title III and in writing a report summarizing States' implementation of the Act. We also agreed that in order to conserve limited travel funds the reviews would be conducted on a sample of States and would focus on only five programmatic areas -- stewardship, targeting, ombudsman, nutrition, and financial management.

Designing the review began with the meeting of a review team of OIG and selected AoA regional staff. They brainstormed approaches, identified Federal reporting and operating requirements for SUAs and AAAs, and drafted instruments containing the review questions and criteria. The draft instruments were shared with AoA headquarters staff and each regional office for comments, and then revised to reflect comments.

The OIG/AoA review teams pre-tested the instruments and data collection methodology by conducting reviews for each of the five instruments in six States located in four different Federal regions. The pre-test identified that a great deal of time was lost explaining criteria (interpreting law and regulation) and searching for documentation. Accordingly, the review team modified each of the instruments and changed the data collection methodology. The most significant change to the methodology required the sharing of the review instruments with the States prior to the site visit in the belief that if States are aware of and understand the review criteria being used during the review, they will be better prepared to provide required documentation and to discuss specific issues.

METHODOLOGY

The reviews were conducted in a stratified, random sample of 20 States based upon the population of individuals over 60 years of age in each State. These are the same data used to allocate Title III funds among States. In the first step of the sampling process, States were divided into four strata based upon the number of older individuals in each State. In the second step, we selected five States from each stratum. This stratified, random sample permits us to generalize findings from the 20 sample States to the Nation. Table I indicates those States selected for the review process (See Table I).

We also used sampling techniques during site visits to each State for the reviews of specific area plans and assessments. In these instances, we selected a simple, random sample of 10 AAAs prior to the visit to review on-site. For those States with less than 10 AAAs, all AAAs were included in the review.

TABLE I

SAMPLE STATES			
Stratum 1	Stratum 2	Stratum 3	Stratum 4
California Pennsylvania New York Texas Florida	Michigan Indiana Massachusetts Georgia North Carolina	Wisconsin Colorado Oklahoma Maine Oregon	New Hampshire North Dakota Nevada District of Columbia Montana

The data collection was conducted in two phases -- an AoA regional office desk review and an on-site review at the SUA. During the desk review phase, we looked at area plan guidance and program instructions, as well as the State's assessment instruments for AAAs to determine if they are consistent with Federal law and regulations. We also reviewed priority services waivers and targeted populations participation data from the State Program Report for Title III.

Following the desk review, each State was sent a proposed agenda for the site visit, a listing of the AAAs whose area plans and assessment reports will be reviewed, a copy of the financial management review instrument (Appendix A), and the findings from the desk review to be discussed during the site visit.

The review instrument focused on the guidance SUAs issued to AAAs, on key requirements of Title III, and on the instruments and procedures they use to assess AAAs with those requirements. A review of area plans and assessment reports determine whether, and to what extent, they reflect OAA requirements. The instruments also focus on the issues of SUA operating procedures, and on training and technical assistance activities.

We entered data from the financial management review instruments into three databases. One database contained the responses to the open- and closed-ended questions on the instrument and the other two contained the reviews of 191 area plans, audits and assessments. The number of responses to questions vary because some questions did not apply to the four States in Stratum 4 -- NH, ND, NV, & DC -- which are single planning and service area (SPSA) States.

The percentages cited in this report are based on the responses to specific questions contained in the review instrument. The responses are weighted to reflect the sampling plan and are projected to the Nation. The precision at the 90-percent confidence intervals vary for each question from plus or minus 6 to 21 percent based upon the nature of the question (categorical or continuous) and the number of respondents to each question.

FINDINGS

WHILE STATES ADDRESS A MAJORITY OF FINANCIAL MANAGEMENT REQUIREMENTS, SOME VULNERABILITIES STILL EXIST

State Administration

The Older American Act (OAA) limits the amount that may be spent for State agency administration. A State agency may spend up to \$300,000 or 5 percent of its Title III allotment (whichever is greater) for administrative purposes. It may spend an additional 3/4 of one-percent more of its Title III allotment with the approval of the Administration on Aging (AoA). We found that most States (91 percent) have documentation indicating that they spend less than either \$300,000 or 5 percent of their Title III allotments. Only, 4 percent indicate spending more than \$300,000 or 5 percent.

AAA Administration

After subtracting the costs for State administration from the Title III allotment, statewide expenditures for AAA administration cannot exceed 10 percent of the Title III allotment balance. Our review found that 4 percent of States spent more than the authorized amount.

Our review also found that 71 percent of the State agencies have issued policy or guidance regarding this percentage limitation on area agency on aging expenditures; 9 percent do not. (The remaining 20 percent are single planning and service area States.) Further, only 41 percent of State agencies monitor AAAs to ensure that this expenditure limit is met. Additionally, we found that only 24 percent of the States have developed controls at the State level to ensure that this requirement is met.

The OAA funds used for the AAA administration must come from Title III-B or Title III-C allotments. We found that 62 percent of the States have policy or guidance that either fully or partially addressed this limitation. However, an equal percent of States do not monitor AAAs to ensure that only Title III-B and Title III-C funds are being spent for administration. In addition, we determined that 21 percent of States have State-level internal controls to ensure that funds for AAA administration are derived from the appropriate allotments.

Program Development and Coordination

The Title III regulations place a limit on the Federal share of the cost of AAA expenditures for program development and coordination activities. The Federal share of costs is limited to 75 percent of the total cost of such activities, until expenditures in a State exceed the maximum amount that can be spent for AAA administration.

When this maximum amount is expended in a State, then the limit on the allowable Federal share of costs for program development and coordination activities increases to 85 percent. AAAs in 42 percent of States engage in program development and coordination activities. Thirty-one percent of these States exceed the allowable Federal share of such costs.

Rural Expenditures

Each Federal fiscal year, Title III expenditures in rural areas must equal or exceed 105 percent of specified OAA funds spent in rural areas in fiscal year 1978. In 30 percent of the States, annual Title III expenditures in rural areas equaled or exceeded the required amount. However, only a few States have developed internal procedures to document that this requirement is being met.

Seventy percent of States did not know the amount of Older Americans Act expenditures in rural areas in Fiscal Year 1978. Forty-six percent of the States did not know the amount of Older Americans Act expenditures in rural areas, during a recent fiscal year. Additionally, we found that 42 percent of States do not have policy or guidance which addresses this requirement.

Title III-B Allotments

Each State agency's plan must specify the minimum percentage of each AAA's Title III-B allotment which must be spent for access, in-home, and legal services. In turn, each area plan must assure that AAAs will spend the State agency's prescribed percentage for each the three categories of services. Upon request, and under specified circumstances, the State agency is authorized to grant a waiver to an area agency which suspends those requirements for one or more of these three categories of service. (See the report, "State Implementation of Stewardship Requirements of the Older Americans Act" 02-91-01512, for a discussion of waiver procedures.)

Sixty-three percent of the States have fully addressed the policy or guidance which requires expenditures of the State-stipulated percentages in each service category. However, 18 percent do not have policy or guidance which addresses the required expenditures. Also, only 36 percent of the State agencies assess the extent to which AAAs expend the required amounts for the three categories of services, while 44 percent of the State agencies do not monitor to determine if AAAs are expending the required amount.

Voluntary Contributions

In general, nearly all State agencies have either fully or partially addressed 45 CFR 1321 requirements pertaining to voluntary contributions. However, 9 percent of the States do not provide guidance to AAAs to ensure that such contributions are used to enhance services.

In reviewing the States' assessment instruments or related materials used to determine AAAs response to the criteria, 20 percent of States do not determine whether participants are given an opportunity to make voluntary contributions or there is privacy for individuals making contributions. Further, 18 percent do not address safeguards and accounting for contributions, and 46 percent do not assess to determine if support services contributions are being used to expand support services.

In addition, the OAA stipulates that contributions for nutrition services must be used to increase meals, facilitate access to meals, or to provide other supportive services directly related to nutrition services. All States have issued policy or guidance to AAAs which either fully or partially addresses the allowable use of nutrition services contributions. However, 46 percent of the States do not address this requirement on their assessment instruments.

Transfers Between Congregate and Home-Delivered Meals

Each Federal fiscal year, State agencies may transfer up to 30 percent of the congregate meals allotment to the home-delivered meals allotment, or from the home-delivered meals allotment to the congregate meals allotment without approval. Any transfers exceeding 30 percent can only be made with the approval of the Commissioner on Aging. We found that the 4 percent of States that transferred more than 30 percent between the congregate meals allotment and the home-delivered meals allotment had obtained the required approval of the Commissioner on Aging.

Most States (82 percent) have either fully or partially addressed policy or guidance regarding the limitation on transfers between allotments; 18 percent have not. Further, while 35 percent of the States monitor AAAs for the limitation on transfers between allotments, 60 percent do not. Of those States that do conduct assessments, a review of assessment reports indicates that 78 percent address this requirement through State-level controls.

Transfers Between Support Services and Nutrition

State agencies have authority to annually transfer up to 30 percent of Title III-B supportive services funds to the Title III-C nutrition program. The converse is also authorized. We found that 59 percent of States either fully or partially addressed this transfer authority in policy. Although 22 percent of the States do not have policy or guidance, this probably reflects those State agencies having internal controls at the State level to regulate the amounts that are transferred among these allotments. We determined that since many States have State-level controls monitoring the transfer of allotments, it was not necessary in this study to determine if State agencies were assessing AAAs to determine the nature and the extent of transfers between allotments.

Profit-making Organizations

The OAA authorizes recipients of grants or contracts (AAAs) to enter into a contract with a profit-making organization, subject to the approval of the State Agency. Seventy-three percent of State agencies have issued policy or guidance regarding this requirement; 8 percent do not.

Half of the States do not monitor AAAs to ensure that they are meeting requirements. Of the States which do monitor the AAAs, 16 percent manage this requirement with State-level controls.

Record Retention

Federal financial management regulations specify the length of time that records must be retained by recipients of Federal funds. While 98 percent of the States provide such guidance to AAAs, 35 percent do not monitor whether each AAA retains records for three years after the date that the AAA submits its final expenditure report, or the date on which resolution of audits exceptions, litigations, etc., occurs (whichever date is later).

Deduction Alternative

The Title III regulations do not allow the deduction alternative in applying program income. Sixty percent of the States have policy or guidance which fully addressed this requirement. Although 25 percent of the States do not have policy or guidance, many of the State agencies indicate they are able to control use of the deduction alternative at the State level.

Federal Financial Interest in Senior Centers

The Federal government retains financial interest in senior centers acquired or constructed with OAA funds. A share of funds is returned to the Federal government under certain circumstances: 1) the owner of the facility ceases to be a public or private agency or organization, or 2) the facility ceases to be used for the purposes for which it was acquired. This financial interest remains in effect for ten years after the acquisition of a senior center and for 20 years after the construction of a senior center.

Seventy-three percent of States have fully addressed this issue in policy or guidance, and 60 percent monitor AAAs to ensure that the appropriate Federal share of the cost of senior centers will revert to the United States Treasury. However, 23 percent of the States do not have policy or guidance addressing this requirement, and 40 percent do not monitor AAAs to determine what they are doing to ensure the retention of Federal financial interest in senior centers.

Ombudsman Program

For State long-term care ombudsman programs, each year, State agencies must expend an amount of supportive services funds that equals or exceeds the amount of supportive services funds expended for this program in FY 1987. A majority of the States (96 percent) have documented expenditures for the State long-term care ombudsman program which equal or exceed the required amount. However, 4 percent of the State agencies did not expend sufficient supportive services funds to meet this requirement.¹

Maintenance of Effort

The Title III regulations require each State agency to annually spend from State sources at least the average amount that was spent annually from State sources during the previous three years. To ensure this requirement is met, AoA requires State agencies to submit a certification of maintenance of effort annually. In this certification, the State agency specifies the amount of State funds expended in the previous year. Further, the State agency certifies whether the amount of State funds being spent annually is 1) less than the required funding level, 2) equal to the required funding level, or 3) more than the required funding level.

We reviewed the amount expended from State sources in the most recent fiscal year as compared with the documented prior three-year average expenditures from State sources. All States provided documentation to determine prior three-year average amounts expended for maintenance of effort. The findings of this review are that 100 percent of the States equal or exceed the amount from State sources that is required to meet the maintenance of effort requirements.

MOST STATES HAVE IMPLEMENTED REQUIRED AUDIT PROCESSES

Ninety-six percent of the States have policies and procedures on audits and 84 percent of the States direct grantees to follow Office of Management and Budget Circulars in an attempt to ensure audits will be conducted in accordance with applicable law and regulations. To assure that audits are conducted 46 percent of States require AAAs to budget funds for audits and 89 percent require grantees to transmit all audit reports to the State agency for review. State agencies usually use letters (90 percent) to indicate how and when grantees are to submit information on actions taken to address findings. Only 30 percent indicate that grantees are provided this information through guidance in procedures manuals.

Most States (82 percent) routinely monitor and/or assess grantees until all grantee audit deficiencies have been resolved, and 48 percent also require grantees to submit a written report describing progress in correcting deficiencies cited in audit findings.

We reviewed the most currently completed annual cycle of AAA grantee audits to determine 1) the type of audit conducted, 2) when the last audits were completed, 3)

if the audits were on file with the State agency, and 4) the type of audit deficiencies that were being identified. All audits we reviewed (A-128 and A-133 audits of 176 sample grantees) were for a one-year period. In the last fiscal year during which grantee audits were made, 72 percent were completed in 1991, 21 percent in 1990, and 7 percent in 1989. The most common deficiencies identified in these audits were:

- 1) internal control weaknesses (79 percent);
- 2) non-compliance with law or regulations (57 percent);
- 3) questioned costs (71 percent); and
- 4) other types of deficiencies (27 percent), such as fiscal policies and procedures not in place, mathematical errors on expenditure statements, and failure to file timely reports.

States add that based upon their assessments of AAAs the most common AAA financial management deficiencies involve accounting (58 percent), staffing issues (33 percent), auditing (31 percent), and reporting (13 percent).

STATES PROVIDE AAAs WITH TECHNICAL ASSISTANCE AND TRAINING TO ADDRESS DEFICIENCIES

Many of the State agencies (60 percent) provide technical assistance (T/A) or training to AAAs for addressing deficiencies identified either through the audit or assessment processes. Forty percent of States indicate that such T/A or training was for accounting problems and 15 percent indicate providing T/A or training in budgeting.

States further report that their capacity to provide such T/A or training to AAAs is sometimes limited and indicated they also have unmet training and T/A needs. Some States (16 percent) indicate their most common unmet training and T/A needs are for clearer guidance on AoA regulations, program instructions, and legislation. Another 15 percent need help with audits and 9 percent indicate a need for computer training. Others noted T/A needs include monitoring requirements, contracting, cost allocation, and earned income.

APPENDIX A

Review Instrument For Financial Management

FINANCIAL MANAGEMENT COMPLIANCE REVIEW

Department of Health and Human Services Administration on Aging

State _____ Date _____

Primary Respondent _____ Telephone _____

Review Team Leader _____ Telephone _____

1. *Prior to the on-site visit, obtain copies of policies, procedures, and other guidance to Area Agencies on Aging (AAAs) on financial management from the State Agency on Aging (State Agency). Review and determine whether or not these issuances address the criteria identified in the following table. Indicate your responses with an X in the appropriate column reflecting these codes:*

Y (Yes) = Total Compliance with Criteria
P (Partial) = Partial Compliance with Criteria
N (No) = Not in Compliance with Criteria

During the desk review, if the policy materials do not include those items necessary to make a determination of compliance (Y, P, or N), mark NA (Not Available) in the Comments section of the table.

	CRITERIA	Y	P	N	COMMENTS
a.	State Agency approves all AAA contracts with profitmaking grantees OAA Sec. 212				
b.	Title III expenditures in rural areas equal or exceed 105% of specified expenditures in FY 1978 OAA Sec. 307(a)(3)(B)				
c.	AAA administrative expenditures statewide do not exceed the 10% limitation OAA Sec. 304(d)(1)(A)				
d.	There is no funding at the 85-15 match for program development and coordinated activities until the specified percentage is expended statewide for AAA administration 45 CFR 1321.17(f)(14)				

	CRITERIA	Y	P	N	COMMENTS
e.	Each AAA retains records for 3 yrs after the date that the AAA submits its final expenditure report or the date on which resolution of audit exceptions, litigation, etc. occurs (whichever date is later) 45 CFR 92.42 & 74 Subpart D				
f.	Participants are given an opportunity to make voluntary contributions 45 CFR 1321.67(a)(1)				
g.	Limitations on transfers between congregate and home-delivered meal allotments 45 CFR 1321.45				
h.	Privacy of contributions 45 CFR 1321.67(a)(2)				
i.	Safeguards and accounting for contributions 45 CFR 1321.67(a)(3)				
j.	Support services contributions are used to expand support services 45 CFR 1321.67				
k.	In applying program income, the deduction alternative is not used 45 CFR 1321.73				
l.	AAA administration is funded from Title III B and/or Title III C, only OAA Sec. 303(c)				
m.	Statewide transfers between Title III B & C do not exceed 30% OAA Sec. 308(b)(5)(B)				
n.	Retention of Federal government financial interest in senior centers OAA Sec. 312				
o.	AAAs spend State Agency prescribed percentages on specified categories of services OAA Sec. 307(a)(22) and 306(a)(2)				
p.	Audits for governmental and non-governmental AAAs OMB Circulars A-128, A-133				
q.	Nutrition services contributions are used to increase meals, for access, or for authorized services. OAA 307(a)(13)(C)(ii) & 45 CFR 1321.67				

At this point, you should have completed the in-house compliance review of the policies, procedures, and other guidance provided to AAAs on financial management. For each criteria 1a-1q indicating an entry of NO, PARTIAL, or NOT AVAILABLE, list it in the first column of question 2 prior to the on-site interview. NOTE: For those items marked NA as a result of the desk review, State Agency responses may indicate converting the NA to Y, P, N, CMSL (Criteria met at State level), or NSC (State Agency does not address this applicable Federal criteria). Ask question 2 during the on-site visit following the brief explanation initiating the interview.

2. A few weeks ago, we requested copies of the policies, procedures, and other guidance provided to the Area Agencies on Aging concerning financial management. These were reviewed against specific financial management criteria contained in the Older Americans Act and the Title III regulations. During this review, we identified issuances which only partially addressed specific criteria, or we were unable to identify issuances addressing specific criteria. For these, I need to understand how the State Agency directs and guides the AAAs to ensure that financial management requirements are met for those criteria not addressed or partially addressed.

Criteria # with
No, Partial, or
Not Available entry

Agency Response

(If additional space is required, use the back of the previous page)

Note: Under the Single Audit concept, the term "grantee" refers to the AAA, when the AAA is an independent agency or organization. Otherwise, the term "grantee" refers to the multipurpose agency or organization, when the AAA is a separate organizational unit within such multipurpose agency or organization.

3. How does the State Agency ensure that audits of its grantees will be conducted in accordance with the law and the regulations? *(i.e., through which methods)*
- a. _____ AAAs must budget funds for audits
 - b. _____ grantees are directed to have audits conducted in accordance with specified OMB Circulars
 - c. _____ Other *(Identify the specific procedure and explain)*

4. What was the last fiscal year during which audits were made of the State Agency's grantees?
- a. Beginning date - _____
 - b. Ending date - _____

Questions 4c - 4f pertain to the last fiscal year in which audits were made:

- c. **Prior to the on-site visit, list the sample grantees below. In preparation for the on-site visit, ask the State Agency to have available for each sample AAA:**
 - 1) **the type of audit conducted (A-128 or A-133) for the last fiscal year (identified at question 4 a and b) and**
 - 2) **the name of the audit agency conducting that audit.**

For each of the sample AAAs, fill-in the appropriate information on the following table.

	GRANTEE	AUDIT AGENCY	A-128 AUDIT (Check if applicable)	A-133 AUDIT (Check if applicable)
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

d. *Based on your review of the provided audit information, indicate how many A-128 and A-133 audits were conducted of the sample grantees:* _____

e. My review of the audit information indicates that _____ *(fill-in with the total number from d above)* A-128 and A-133 audits were conducted of the sample grantees in the last fiscal year. Of these audits, how many of the audit reports are on file with the State Agency? _____

- f. *Prior to the on-site visit, list the sample grantees below. In preparation for the on-site visit, ask the State Agency to have available audit findings for the most recently completed A-128 or A-133 audit of each sample AAA. For each of the sample AAAs, place a check mark in each appropriate column to designate any deficiency/ies that were specified in that AAA's audit findings.*

AUDIT FINDINGS (Check all applicable)					
	GRANTEE	Internal Control Weakness	Non-compliance with Law or Regulations	Questioned Costs	Other (Identify)
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

5. Of the following, which does the State Agency routinely use to ensure that its grantees address audit findings? Does the: *(Complete the question by asking a, b, and c below)*

(Check a-c only if the response is YES)

- a. _____ State Agency require grantees to transmit all audit reports to the State Agency for review?
- b. _____ State Agency require its grantees to submit a written progress report describing progress in correcting deficiencies cited in audit finding?
- c. _____ State Agency monitor and/or assess grantees until all audit deficiencies have been resolved to the satisfaction of the State Agency?

6. What other methods are used by the State Agency to ensure its grantees address audit findings?

a. _____

b. _____ Not Applicable

May I review examples of letters or transmittals showing these? *Check as appropriate:*
Documentation is provided _____, is unavailable _____, or will be made available _____ by
_____ *on (date)* _____.

7. How does the State Agency inform its grantees as to how and when to submit information on the actions taken to address audit findings?

- a. _____ Letter
- b. _____ Memoranda
- c. _____ Procedures manual
- d. _____ Other, *(Identify)*

Questions 8-15 refer to expenditures as reported in the most recent Final SF-269 Report:

8. The Final SF-269 Report shows that \$_____ (fill-in amount prior to on-site visit) in Title III funds was expended for State Agency administration.

I need to review documentation confirming this information. *Check as appropriate:*
Documentation is provided _____, is unavailable _____, or will be made available _____ by _____ on (date) _____.

If received, review the documentation and determine whether the documented expenditures indicate that more than \$300,000, or more than 5 percent of the Title III allotments (whichever is greater) was spent on State Agency administration. This may require your calculating the 5 percent figure.

- Indicate your finding:*
- a. _____ More than \$300,000 or more than 5 percent was spent*
 - b. _____ \$300,000 or less than 5% was spent*
 - c. _____ Don't Know (Check if applicable)*

Only if the documented expenditures are more than \$300,000 or more than 5 percent, ask question 9. Otherwise, skip to question 10.

9. What is the reason(s) for the additional expenditures? *(More funds could have been spent if an additional .75 percent was approved by AoA (OAA 308(b).)*

a. _____

b. _____ Not Applicable

10. The Final SF-269 Report shows that \$_____ (fill-in amount prior to on-site visit) was expended for the State ombudsman program from Title III-B resources.

I need to review documentation confirming this information. *Check as appropriate:*
Documentation is provided _____, is unavailable _____, or will be made available _____ by _____ on (date) _____.

11. How much was spent for the State Ombudsman Program in Fiscal Year 1987 from Title III-B resources?

\$ _____

Review documentation and determine if the documented expenditures for the Ombudsman program, from Title III-B, are equal to, in excess of, or less than the amount spent from this source in Fiscal Year 1987. (OAA 307(a)(12), (21))

- Indicate your finding:*
- a. _____ *Equals*
 - b. _____ *Exceeds*
 - c. _____ *Less Than*

12. The Final SF-269 Report shows that \$ _____ (fill-in amount prior to on-site visit) in Title III funds was expended for Area Agency administration.

I need to review documentation confirming this information. *Check as appropriate:*
Documentation is provided _____, is unavailable _____, or will be made available _____ by _____ on (date) _____.

If received, review the documentation and determine whether Title III statewide expenditures for AAA administration are equal to or less than 10 percent of the Title III allotment that remains after subtracting Title III State administrative costs.

Indicate your finding:

- a. _____ *Equal to*
- b. _____ *Less than* *If less, how much less? \$ _____*
- c. _____ *More than* *If more, how much more? \$ _____*
- d. _____ *Don't Know (Check if applicable)*

13. Were funds expended for program development and coordination using a matching ratio?

- a. _____ Yes *If yes, what was the matching ratio? (e.g., 85-15, 75-25)*

If yes, how much was spent statewide for program development and coordination?

\$ _____

- b. _____ No
- c. _____ *Don't Know (Check if applicable)*

Prior to the on-site visit, determine if the State Agency reported any transfers among allotments during the last Federal fiscal year. If none were reported, go to question 16. If transfers were reported, ask the following appropriate questions (pre-marked prior to the on-site visit), depending upon the type of transfer(s) which occurred.

14. Prior to our visit, we reviewed fiscal data to determine if any transfers occurred among allotment during the last Federal fiscal year. The State Agency reported (*Fill-in with a, b, or both a and b as review indicated*):

a. Transfers between Title III-B and Title III-C in the amount of : \$ _____
(*fill-in amount prior to on-site visit*).

_____ Not Applicable

(*If applicable*) I need to review documentation confirming this information. *Check as appropriate: Documentation is provided _____, is unavailable _____, or will be made available _____ by _____ on (date)*

_____.

Review the documentation and indicate below whether or not documented transfers between Title III-B and Title III-C exceed 30 percent of either of these allotments.

- a. _____ Yes
- b. _____ No
- c. _____ Don't Know

b. Transfers between Title III-C-1 and Title III-C-2 in the amount of: \$ _____
(*fill-in amount prior to on-site visit*).

_____ Not Applicable

(*If applicable*) I need to review documentation confirming this information. *Check as appropriate: Documentation is provided _____, is unavailable _____, or will be made available _____ by _____ on (date)*

_____.

Review the documentation and indicate below whether or not documented transfers between Title III-C-1 and Title III-C-2 exceed 30 percent of either of these allotments.

- a. _____ Yes (*If YES, ask question 15*)
- b. _____ No (*If NO, go to question 16*)
- c. _____ Don't Know (*If Don't Know, go to question 16*)

15. A review of your documentation indicates **transfers between Title III-C-1 and Title III-C-2** exceeded 30 percent for either of these allotments; were such transfers approved by the Administration on Aging?

- a. Yes
- b. No
- c. Don't Know (*Check if applicable*)
- d. Not Applicable

16. The last Certification of Maintenance of Effort, dated _____ shows that \$_____ (*fill-in date and amount prior to on-site visit*) was expended from State sources to meet administrative and program matching requirements.

I need to review documentation confirming this information. *Check as appropriate:*
Documentation is provided _____, *is unavailable* _____, *or will be made* _____ *available by*
_____ *on (date)* _____.

Prior to the last Certification of Maintenance of Effort, the average amount spent in the previous three Federal fiscal years from State sources to meet Maintenance of Effort requirements was reported to be \$ _____ (*fill-in amount prior to on-site visit*)

Note: Agency may not use averaging; you will have to calculate the 3-year average.

I need to review documentation confirming the amount expended from State sources to meet administrative and program matching requirements for these three years. *Check as appropriate:*
Documentation is provided _____, *is unavailable* _____, *or will be made available* _____ *by*
_____ *on (date)* _____.

Review the documentation and determine if the documented 3 year average amount expended for Maintenance of Effort is equal to, greater than, or less than the amount reported in the most recent Certification of Maintenance of Effort.

Indicate your finding:

- a. Equal to
- b. Greater than
- c. Less than

17. *Prior to the on-site visit, obtain a copy of the instrument used by the State Agency to assess compliance and performance of AAAs with financial management law and regulations. If the questions on financial management are part of a larger review instrument, ask the State Agency to identify or highlight those items pertaining to the review of financial management practices. Have the State Agency mark the instrument(s) with the applicable criteria (e.g., a, b, c, etc.) using a provided copy of the criteria. This informational request should be included in the letter that is sent to the State Agency outlining the Compliance Review.*

Review and determine whether or not the assessment instruments address the financial management criteria identified in the following table. Indicate your responses with an X in the appropriate column reflecting these codes:

*Y (Yes) = Total Compliance with Criteria
P (Partial) = Partial Compliance with Criteria
N (No) = Not in Compliance with Criteria*

During the desk review, if the assessment instrument and related materials do not include those items necessary to make a determination of compliance (Y, P, or N), mark NA (Not Available) in the Comments section of the table.

	CRITERIA	Y	P	N	COMMENTS
a.	State Agency approves all AAA contracts with profitmaking grantees OAA Sec. 212				
b.	NOT APPLICABLE TO AAA				
c.	AAA administrative expenditures statewide do not exceed the 10% limitation OAA Sec. 304(d)(1)(A)				
d.	There is no funding at the 85-15 match for program development and coordinated activities until the specified percentage is expended statewide for AAA administration 45 CFR 1321.17(f)(14)				
e.	Each AAA retains records for 3 yrs after the date that the AAA submits its final expenditure report or the date on which resolution of audit exceptions, litigation, etc. occurs (whichever date is later) 45 CFR 92.42 & 74 Subpart D				
f.	Participants are given an opportunity to make voluntary contributions 45 CFR 1321.67(a)(1)				
g.	Limitations on transfers between congregate and home-delivered meal allotments 45 CFR 1321.45				
h.	Privacy of contributions 45 CFR 1321.67(a)(2)				
i.	Safeguards and accounting for contributions 45 CFR 1321.67(a)(3)				
j.	Support services contributions are used to expand support services 45 CFR 1321.67				

	CRITERIA	Y	P	N	COMMENTS
k.	NOT APPLICABLE TO AAA				
l.	AAA administration is funded from Title III B and/or Title III C, only OAA Sec. 303(c)				
m.	NOT APPLICABLE TO AAA				
n.	Retention of Federal government financial interest in senior centers OAA Sec. 312				
o.	AAAs spend State Agency prescribed percentages on specified categories of services OAA Sec. 307(a)(22) and 306(a)(2)				
p.	Audits for governmental and non-governmental AAAs OMB Circulars A-128, A-133				
q.	Nutrition services contributions are used to increase meals, for access, or for authorized services. OAA 307(a)(13)(C)(ii) & 45 CFR 1321.67				

For each criteria 17a-17q indicating an entry of NO, PARTIAL, or NOT AVAILABLE, list it in the first column of question 18 prior to the on-site interview. NOTE: For those items marked NA as a result of the desk review, State Agency responses may indicate converting the NA to Y, P, N, CMSL (Criteria met at State level), or NSC (State Agency does not address this applicable Federal criteria). Ask question 18 during the on-site visit.

18. A few weeks ago, AoA also requested a copy of the assessment instrument and any applicable tools used by the State Agency to assess compliance and performance of AAAs with financial management law and regulations. These were reviewed against the specific financial management criteria contained in the Older Americans Act and the Title III regulations. During this review, we identified issuances which only partially addressed specific criteria, or we were unable to identify issuances addressing specific criteria. For these, I need to understand how the State Agency assesses the AAAs to ensure that financial management requirements are met for those criteria not addressed or partially addressed.

Criteria # with
No, Partial, or
Not Available entry

Agency Response

(If additional space is required, use the back of the previous page)

19. What are the most common financial management deficiencies of the AAAs?

a.

b. Don't Know *(Check if applicable)*

20. What technical assistance or training has the State Agency provided to AAAs in order to address these deficiencies?

a. _____

b. _____ Don't Know (*Check if applicable*)

21. What kind of technical assistance or training on financial management is needed by the State Agency?

a. _____

b. _____ Don't Know (*Check if applicable*)

22. What was the beginning date and the ending date of the most recent area plan year?

a. Beginning date _____

b. Ending date _____

Questions 23 and 24 apply to the most recent area plan year:

23. How many contracts did AAAs award to profitmaking firms?

a. _____ (*Indicate number*)

b. _____ Don't Know (*Check if applicable*)

c. _____ None

24. If any contracts were made with profitmaking firms, how many firms were approved by the State Agency?
- a. _____ (*Indicate number*)
 b. _____ Don't Know (*Check if applicable*)
25. In Fiscal Year 1978, what was the total amount of the expenditures in rural areas from Title III, Title V (multipurpose senior centers), and Title VII (nutrition)?
- a. _____ Title III Expenditures
 b. _____ Title V Expenditures
 c. _____ Title VII Expenditures
 d. _____ Don't Know (*Check if applicable*)
26. Of the total amount of the Title III expenditures included in the most recent Final SF-269 Report, how much was expended in rural areas?
- a. \$ _____
 b. _____ Don't Know (*Check if applicable*)
27. *The preselected sample of 10 Area Agencies on Aging were identified prior to the on-site visit. This sample is to be used throughout the compliance review process for all five areas, the first compliance review being Stewardship.*

For the sample AAAs, obtain the most currently completed annual cycle of State Agency assessment instruments and corresponding assessment reports (if any). Review the assessment findings and determine the extent to which each of the sample AAAs were in compliance with each of the criteria identified in Attachment A. Record your responses on the following table using these codes:

<i>Y (Yes)</i>	=	<i>Total Compliance with Criteria</i>
<i>P (Partial)</i>	=	<i>Partial Compliance with Criteria</i>
<i>N (No)</i>	=	<i>Not in Compliance with Criteria</i>
<i>NSC</i>	=	<i>No State Criteria (State Agency does not assess this Federal criteria - identified through in-house review of State Agency's assessment tool and related materials)</i>
<i>CMSL</i>	=	<i>Criteria met at State level</i>
<i>O</i>	=	<i>Other Finding (provide explanation and indicate by report number and criteria number in the Comments section following the table)</i>

As a few of the Federal criteria are not applicable to the AAAs, they have been eliminated from the following table.

AAA Name										
Sample Number	1	2	3	4	5	6	7	8	9	10
Criteria										
a.										
c.										
d.										
e.										
f.										
g.										
h.										
i.										
j.										
l.										
n.										
o.										
p.										
q.										

COMMENTS:

[INTERVIEW COMPLETED]

ENDNOTES

1. This requirement has been revised in the 1992 Amendments to the OAA. The new requirement in Section 307(a)(21) reads: "The plan shall provide assurances that the State agency, in carrying out the State Long-Term Care Ombudsman program under Section 307(a)(12), will expend not less than the total amount expended by the agency in fiscal year 1991, in carrying out such a program under this title."