



Commonwealth of Massachusetts  
Office of the State Auditor  
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*Making government work better*

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## Executive Office of Elder Affairs' Use of American Recovery and Reinvestment Act Funds

For the period July 1, 2009 through June 30, 2011



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## **INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS**

This audit was conducted as part of the Office of the State Auditor's ongoing efforts to audit the receipt, administration, and disbursement of American Recovery and Reinvestment Act of 2009 (ARRA) funds by state entities. In addition to reviewing controls over the receipt and expenditure of ARRA funds and determining compliance with applicable laws, rules, and regulations, we assessed the Executive Office of Elder Affairs' (EOEA) progress in complying with recommendations made in two prior audits conducted by the United States Department of Labor (DOL) and the Massachusetts Office of the State Comptroller (OSC).

### ***Highlight of Audit Findings***

- The June 18, 2010 DOL report identified five issues regarding Memorandums of Understanding, employees subsidized for work performed before the execution of the controlling contract, at-will termination clauses in participants' employment documents, misreporting of federal and non-federal funds, and a lack of documentation in sub-grantees' files identifying the program end date. Our audit identified that the EOEA had taken steps to resolve these prior audit issues.
- The OSC review identified that the EOEA's internal control plan did not meet ARRA requirements; management did not establish a risk assessment proportionate to the size, structure, risks, and complexity of the EOEA; and the EOEA had not prepared a comprehensive fraud, waste, and abuse prevention and detection plan. Our audit identified that the EOEA had partially resolved these prior issues.

### ***Recommendations of the State Auditor***

- The EOEA should continue to improve its program to prevent and detect fraud, waste, and abuse.
- The EOEA should complete its internal control plan in accordance with OSC requirements.

### ***Agency Progress***

Regarding the OSC's review, the EOEA updated its internal control plan to address ARRA requirements; however, it did not relate the five components of internal controls to each transaction cycle. The EOEA did incorporate a proportional risk assessment in its internal control plan and was in the process of developing a program to detect fraud, waste, and abuse.

## OVERVIEW OF AUDITED AGENCY

The Executive Office of Elder Affairs (EOEA), established by Section 1, Chapter 19A, of the Massachusetts General Laws, administers and oversees various programs and services that benefit elderly citizens in the Commonwealth in accordance with the requirements of the Older Americans Act of 1965. The EOEA promotes the dignity, independence, and rights of Massachusetts elders and supports their families through advocacy and the development and management of programs and services.

The EOEA's programs and services operate through a statewide network providing services to elders through both regional and local agencies, including 27 regional Aging Services Access Points; 23 Area Agencies on Aging, which operate programs authorized under the Older Americans Act; 347 Municipal Councils on Aging; and 290 senior and drop-in centers. This network reaches out to elders in need of such services as home care and caregiver support, ombudsman programs, nutrition programs, protective services, health and wellness services, housing options, and counseling services for elders with limited English proficiency. The nutrition program provides education and meals to elders through home-delivered meals (Meals on Wheels) or congregate meal sites. In addition, the EOEA is responsible for certifying over 100 assisted living residences and administering the Prescription Advantage<sup>1</sup> drug insurance plan.

During our audit period, the EOEA was awarded four separate grants totaling \$3,753,352 by two federal agencies through the American Recovery and Reinvestment Act of 2009 (ARRA). As of June 30, 2011, the EOEA had expended \$3,158,259 of this amount, as indicated below.

| <u>ARRA Grantor/Grant</u>                       | <u>Award Amount</u> | <u>Funds Expended</u> |
|---|---------------------|-----------------------|
| <b>Department of Labor:</b>                     |                     |                       |
| Senior Community Service Employment             | \$516,999           | \$512,680             |
| <b>Department of Health and Human Services:</b> |                     |                       |
| Home-Delivered Nutrition Services               | 690,992             | 690,992               |
| Congregate Meals                                | 1,403,578           | 1,403,578             |
| Chronic Disease Self-Management                 | <u>1,141,783</u>    | <u>551,009</u>        |
| Total   | <u>\$3,753,352</u>  | <u>\$3,158,259</u>    |

<sup>1</sup> Prescription Advantage is a prescription drug insurance plan that is available to Massachusetts residents age 65 and older, as well as younger individuals with disabilities who meet income and employment guidelines. Prescription Advantage provides supplemental assistance, based on income, for its members with Medicare prescription drug coverage.

Each program is described as follows:

### ***Senior Community Service Employment***

The Senior Community Service Employment Program provides, fosters, and promotes useful part-time work opportunities (usually 20 hours per week) in community service employment and training activities for low-income persons age 55 years or older. The EOEA provided funds to three community-based nonprofit organizations to provide work-based training programs for elderly workers with poor employment prospects. The training programs provide older workers with skills, knowledge, and confidence, with the goal of obtaining unsubsidized employment in the public or private sector. The ARRA funds supplemented an annual grant from the United States Department of Labor that established the Senior Community Service Employment Program.

### ***Home-Delivered Nutrition Services***

The Commonwealth received ARRA funds to support nutrition services, including home-delivered, nutritious meals, nutrition education, and other nutrition services for older (generally age 60 or over with social or economic need) Americans to maintain health, independence, and quality of life. These additional resources ease the burden of care on the families of elders, many of whom are impacted by the recession and unemployment. The program was not intended to create jobs. The ARRA grant supplemented other funds annually appropriated by the federal government (Title III) and the Commonwealth that support the EOEA's Elderly Nutrition Program. The program provides home-delivered meals on a statewide basis through a network of 23 community-based local Area Agencies on Aging (AAAs). These AAAs are nonprofit organizations that offer a wide range of services and information to elders and their families.

### ***Congregate Meals***

The Congregate Meals Program provides meals at senior centers and other community-based locations. In addition to offering healthy meals, the congregated meal sites provide socialization and recreational activities for elders. The ARRA grant supplemented the existing EOEA's Elderly Nutrition Program, financed with federal and state funds. The program provides congregated meals on a statewide basis through a network of 23 community-based local AAAs. ARRA financing for the Congregate Meals Program is intended to provide nutrition support services to elders in need. Although this financing is not directly intended to create or retain jobs, it addresses the overall

recession by providing additional support to elders and their family caregivers, many of whom are impacted directly by the recession and benefit from elder-focused resources and support.

### ***Chronic Disease Self-Management***

This grant strengthens and sustains the statewide infrastructure to deliver the Chronic Disease Self-Management Program (CDSMP) to older adults in Massachusetts. The program assists the elderly in understanding and managing chronic disorders such as diabetes, asthma, and vascular disease in order to maintain an active and healthy lifestyle. The EOEА executed an Intergovernmental Service Agreement (ISA) with the Department of Public Health (DPH) for \$242,325 for the period July 20, 2010 through March 30, 2012. Subsequently, the DPH executed an agreement with the Donahue Institute of the University of Massachusetts to further develop outcome measurement tools and performance evaluations. The maximum obligation of the 18-month contract is \$148,000. In addition, the DPH partially funded one position for coordinating contract activities, maintaining work schedules, making site visits, and completing required reports.

The EOEА also executed a contract with Elder Services of Merrimack Valley (ESMV) for \$639,948 to provide home care and community-based services to older adults in the Merrimack Valley. ESMV serves as the lead agency in the development of a community collaborative network to deliver the CDSMP and to develop an infrastructure to ensure program quality and fidelity. ESMV is responsible for developing key partnerships within Lifetime Elder Care Solutions, a consortium of six AAAs in northeast Massachusetts. This consortium includes diverse urban centers such as Cambridge, Lowell, Lawrence, and Lynn, and works with other public health and aging services network agencies to expand the current infrastructure that supports the delivery of CDSMP. The EOEА also funded one position to manage and implement the CDSMP.

## **AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Executive Office of Elder Affairs (EOEA) for the period July 1, 2009 through June 30, 2011. The objectives of our audit were to obtain and review a listing of the type and amount of all American Recovery and Reinvestment Act of 2009 (ARRA) funds that the EOEA has applied for, plans to receive, or has received and expended; to review and evaluate the EOEA's internal controls over ARRA expenditures and determine whether ARRA funds are being expended for the intended purposes and in compliance with applicable laws, rules, and regulations; to determine whether the EOEA is complying with ARRA accounting and reporting requirements as well as other grant requirements; and to ensure that the EOEA has identified and reported the number of jobs created/retained with ARRA funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we conducted the following audit procedures:

- Determined whether the EOEA had developed internal controls to ensure that federal stimulus funds are safeguarded against loss, theft, and misuse.
- Obtained and reviewed a listing of all ARRA grants applied for and awarded to EOEA during our audit period.
- Tested internal controls over ARRA expenditures and determined whether ARRA funds are being expended for the intended purposes and in compliance with applicable laws, rules, and regulations.
- Reviewed recordkeeping procedures to determine whether the expenditure of ARRA funds is properly authorized, supported by adequate documentation, and accounted for separately within the EOEA's accounting records.
- Reviewed ARRA reports and supporting documentation to ensure that the EOEA was in compliance with reporting requirements, including identifying the number of jobs created/retained.

- Reviewed the United States Department of Labor's and the Office of the State Comptroller's prior audit reports to assess the EOEAs progress in managing and administering ARRA funds.
- Reviewed the EOEAs monitoring of sub-grantees.

We obtained grant award and expenditure information from systems maintained by the federal government, the Commonwealth, and the EOEAs. We compared this information with other source documents and interviewed knowledgeable EOEAs officials about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Based on our audit we have concluded that, except for the issue addressed in the Audit Findings section of this report, for the period July 1, 2009 through June 30, 2011, the EOEAs maintained adequate internal controls and complied with applicable laws, rules, and regulations for the areas tested.

At the conclusion of our audit, a draft copy of this report was provided to EOEAs officials for their review and comments; however, they chose not to provide written comments. Any verbal comments made by EOEAs officials during our audit relative to the information presented in our report was considered in the drafting of the final report.



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## AUDIT FINDINGS

### STATUS OF PRIOR AUDIT RESULTS CONDUCTED BY THE UNITED STATES DEPARTMENT OF LABOR AND THE OFFICE OF THE STATE COMPTROLLER SPECIFIC TO THE AMERICAN RECOVERY AND REINVESTMENT ACT

As part of our audit of the Executive Office of Elder Affairs (EOEA), we assessed the agency's progress in addressing issues identified in two other reviews of its American Recovery and Reinvestment Act of 2009 (ARRA) funds conducted by the United States Department of Labor (DOL) and the Massachusetts Office of the State Comptroller (OSC). The status of the EOEA's progress in addressing the issues in these reports is described below:

#### a. Status of DOL Review Issues

The DOL examined the EOEA's ARRA fund management and administration, issuing its report on June 18, 2010. The DOL reviewed the Senior Community Service Employment Program (SCSEP) and disclosed issues regarding the EOEA's sub-grantees' Memorandums of Understanding (MOU), employment outside the contract period, contract terms regarding termination of program participants, reporting of federal and non-federal funds, and inadequate documentation of the SCSEP program end date. Our follow-up audit work in these areas indicated that EOEA had taken steps to address these issues, as discussed below:

- The DOL review identified that a MOU between one of the EOEA's grantees (a sub-grantee of ARRA funds distributed to the EOEA) and its local partner had expired. The EOEA reviewed its records and found that MOUs between a sub-grantee and three contractors were outdated. The EOEA informed DOL that it updated one MOU and that the issue was moot for another sub-grantee because it no longer provided program services. The EOEA also informed the DOL that it considered itself compliant in regard to the third contractor because the MOU stated by its terms that it continued to be ongoing.

During our follow-up audit, the EOEA showed us an updated MOU that replaced the expired MOU and the expired agreement for the sub-grantee that no longer provides program services. The EOEA also sent us the contract that stated it continued to be ongoing unless terminated by either party after giving 30-days' notice.

- The DOL review disclosed that some SCSEP employees had begun subsidized employment before the execution of a contract between the EOEA and its sub-grantee.

During our follow-up audit, the EOEA indicated that it responded to the DOL review by stating that it used excess regular funding (pre-ARRA) for this program so that the sub-grantee could begin the enrollment process and then transfer the five enrollees two

months later when ARRA funding became available. EOEA indicated that utilizing this procedure allowed maximum use of federal funds and that no individual was employed without a sub-grantee contract in effect.

- The DOL review noted that contracts entered into by sub-grantees and SCSEP participants contained a clause allowing the sub-grantee to terminate the employee without cause. The 20 Code of Federal Regulations 641.580(d) requires just cause for termination. The EOEA determined that the sub-grantee was using outdated forms that contained the improper language and then forwarded updated participant forms to the sub-grantee.

During our follow-up audit, the EOEA showed us more current executed forms in which the clause allowing termination without cause was removed.

- The DOL review determined that the Application for Federal Assistance (SF 424-A) budget documentation combined federal and non-federal funds on the same line item. According to the SFA 424-A guidelines, federal and non-federal funds should be reported separately. The EOEA responded that it updated the SF 424-A document.

During our follow-up audit, the EOEA showed us a reporting form that reported the federal and non-federal funds separately.

- The DOL review disclosed that one sub-grantee did not document in one participant's file that the ARRA SCSEP program would end on June 30, 2010. This assurance is mandatory for all ARRA participant files. The EOEA informed the sub-grantee about this finding, and the sub-grantee informed the participants that the end date for the program is June 30, 2010.

During our follow-up audit, the EOEA showed us executed forms that showed June 30, 2010 as the termination date of the program.

#### **b. Status of OSC Review Issues**

The OSC's Quality Assurance federal stimulus team conducted a review of the EOEA's policies and procedures for compliance with ARRA and Commonwealth requirements on August 24, 2010. The OSC review team noted that, based on the documents and files it reviewed, fiscal practices at the EOEA generally complied with ARRA requirements and Commonwealth policies and procedures. However, the OSC review found internal control deficiencies in the EOEA's internal control plan (ICP) documentation, risk assessment, and preparation of a program to detect/prevent fraud, waste, and abuse. Our follow-up audit indicated that the EOEA had taken steps to address these issues but some remained partially resolved, as discussed below:

- The OSC review noted that the EOEAs ICP did not meet guidelines issued by the OSC and did not include ARRA compliance requirements. Specifically, the EOEAs did not document its risk events and risk assessment/evaluation; identify to what party, and through what process, the EOEAs would report variances, losses, shortages, and thefts of funds or property in conformance with Chapter 647 of the Acts of 1989; or address similar recommendations made by the OSC in its prior Quality Assurance review on October 16, 2007.

During our follow-up audit, the EOEAs informed us that an updated ICP incorporating a risk assessment was completed and forwarded to the OSC. The OSCs preliminary assessment of the ICP indicated that it needed to be expanded in certain areas, but the OSC had not sent a final assessment as of the end of our fieldwork. Our review of the draft ICP indicated that, although it addressed ARRA requirements and the five components of internal controls (risk assessment, control environment, information and communication, control activities, and monitoring) in an overall sense, it did not relate these components to each transaction cycle.

- The OSC review noted that EOEAs management did not establish a risk assessment proportionate with the size, structure, risks, and complexity of the agency's activities.

During our follow-up audit, the EOEAs indicated that it had updated its ICP to incorporate such a risk assessment.

- The OSC review noted that the EOEAs had not prepared a comprehensive program to detect/prevent fraud, waste, and abuse.

During our follow-up audit, the EOEAs indicated that it was in the process of developing a program to prevent and detect fraud, waste, and abuse.

### ***Recommendation***

The EOEAs should:

- Complete its ICP in accordance with the OSCs requirements.
- Continue to prepare a program to prevent and detect fraud, waste, and abuse.

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**OTHER MATTERS**

The Single Audit Report of the Commonwealth of Massachusetts for fiscal year 2011 noted a finding on cash management reconciliation procedures that affected \$30.2 million in U.S. Department of Health and Human Services “Aging Cluster” programs, including the \$2,094,570 in ARRA funds received and expended in the Executive Office of Elder Affairs (EOEA) Home-Delivered Nutrition Services and Congregate Meals programs cited in our audit report. The Single Audit Report stated that the EOEA did not have tangible evidence to show its review of various cash draw reports prepared by the Office of the State Comptroller (OSC) to identify rejected drawdowns and/or negative balances in the federal spending accounts.

The report did not cite any excess cash draws, negative balances, or questioned costs in the finding but rather focused on the possibility of negative spending account balances or possible errors in drawdowns due to the lack of a formal reconciliation process and written procedures. The report noted that the Commonwealth uses the Automated Central Draw (ACD) process to comply with the Cash Management Improvement Act. ACD operates such that grant payments entered into the Massachusetts Management Accounting and Reporting System automatically generate a drawdown of federal funds. The drawdown is accomplished through an electronic transfer of funds from the United States Treasury to the Office of the State Treasurer. The system is designed to prevent drawdowns of federal funds in excess of needs. Rejected draws or other mistakes could cause negative balances in the federal grant accounts whereby the grant expenses are financed using state funds until the proper drawdown is made.

In its response to the Single Audit Report finding, the EOEA maintained that it is actively engaged in the process of routinely reconciling its federal grants and identifying rejected draws by Warehouse<sup>2</sup> queries and reviews of the Federal Payment Management System. The EOEA also stated that it continually communicates with the OSC and federal awarding agencies regarding expenditures and draws. These procedures were contained in the EOEA’s updated internal control plan. The EOEA acknowledged the Single Audit Report’s recommendations to formally and extensively document its monitoring procedures and to maintain hard copy records of its grant reconciliations.

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<sup>2</sup> The Commonwealth Information Warehouse brings together a subset of the financial, budgetary, human resource, payroll, and time reporting information maintained in dedicated and separate systems by individual Massachusetts state agencies.