

**Review: 4356
Statewide Single Audit
Year Ended June 30, 2010
Department on Aging**

**FINDINGS/RECOMMENDATIONS – 5
Repeated – 3**

**Accepted – 4
Implemented – 1**

- 10-43. The auditors recommend the Department on Aging perform periodic on-site reviews of all subrecipients which include reviewing financial and programmatic records, observation of operations and/or processes to ensure their subrecipients are administering the federal program in accordance with the applicable laws, regulations, and the annual area plan. (Repeated-2003)**

Findings: IDOA is not adequately monitoring subrecipients receiving federal awards for the Aging Cluster.

During testwork over four subrecipients of the Aging Cluster with expenditures of approximately \$21,949,000 during the year ended June 30, 2010, on-site monitoring procedures had not been performed since 1998 for any of the subrecipients selected. Also, fiscal on-site monitoring procedures were not performed for any subrecipients during the year ended June 30, 2010. However on-site reviews were performed over internal controls related to the operation of the program at each area agency on aging. The reviews were only over internal controls in place and there were no reviews over financial or programmatic records to ensure the federal awards were used for authorized purposes.

In discussing these conditions with IDOA officials, they stated on-site programmatic monitoring is performed at all subrecipient locations annually and the fiscal monitoring tool has been updated and reviewed as outlined in OMB Circular A-133 for use in fiscal year 2011.

Updated Response: Accepted. The Division of Fiscal Administration (DFA) initiated a fiscal on-site monitoring program in June, 2011, that is being conducted by DFA staff, in addition to the programmatic on-site monitoring program conducted by the Division of Home and Community Services (DHCS). These monitoring programs cover the compliance requirements enumerated in the OMB Circular A-133 Compliance Supplement and should be sufficient to ensure that subrecipients are administering federal programs in accordance with applicable laws, regulations, and the annual area plan. Additionally, the Internal Audit Unit is conducting compliance examinations of subrecipient activities. These compliance examinations have been scheduled so that each subrecipient will receive at

least one formal financial and administrative compliance examination during a three year period.

10-44. The auditors recommend the Department on Aging establish procedures to ensure that: (1) desk reviews are performed on a timely basis for all subrecipients, (2) expenditures reported by the subrecipients are reconciled to the schedule of expenditures of federal awards submitted in the OMB Circular A-133 audit reports, and (3) supervisory reviews are documented to evidence their completion. (Repeated-2006)

Findings: IDOA is not adequately monitoring the OMB Circular A-133 reports submitted by its subrecipients receiving federal awards for the Aging Cluster.

During testwork of four subrecipients of the Aging Cluster (with total expenditures of approximately \$21,949,000), the A-133 desk review checklist was not completed in a timely manner and a management decision was not issued for findings reported in the audit report reviewed for one subrecipient tested (with expenditures of \$7,753,000). Additionally, the expenditures in the schedule of expenditure of federal awards for this subrecipient were not reconciled to IDOA's financial records.

Response: The Department has filled the position responsible for performing A-133 desk reviews, which will ensure that all A-133 desk reviews are completed timely and in accordance with the requirements of OMB Circular A-133.

Updated Response: Implemented. The Division of Fiscal Administration (DFA) has written policies and procedures to ensure that (1) desk reviews are performed timely for all subrecipients; and (2) expenditures reported by the subrecipients are reconciled to the schedule of expenditures of federal awards submitted in the audit reports; and (3) supervisory review be documented to evidence completion of the review.

10-45. The auditors recommend the Department on Aging implement procedures to ensure the maintenance of effort requirement is met.

Findings: IDOA does not have an adequate process to ensure the Aging Cluster maintenance of effort (MOE) requirement has been met.

During testwork over the Aging Cluster MOE requirement for federal fiscal year 2009 (reported in fiscal year 2010), auditors noted IDOA had not prepared or submitted the annual MOE certification as of February 15, 2011. Accordingly, IDOA had not determined whether State funded expenditures for aging services were sufficient to meet the MOE requirement. In May 2011, IDOA certified MOE expenditures of \$5,323,630 for federal fiscal year 2009.

In discussing these conditions with IDOA officials, they stated maintenance of effort is monitored on a continuous basis during the life of the grant to ensure the MOE requirements are met. USDHHS sends an email reminder to agency staff responsible for preparing the MOE. This staff position was vacant when the email reminder was sent, contributing to this oversight.

Response: We agree that the MOE for federal fiscal year 2009 was not filed in a timely manner. Upon identification of the oversight, the Department immediately prepared and submitted the report to AoA. Additionally, the Department has completed MOE for federal fiscal year 2010 and submitted the report to AoA in a timely manner.

10-46. The auditors recommend the Department on Aging review its advance funding policies and techniques for subrecipients and implement a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis and that the subrecipient interest certified and remitted appears reasonable. (Repeated-2006)

Findings: IDOA does not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the Aging Cluster program.

During testwork, auditors noted that IDOA requires its subrecipients to prepare a quarterly reconciliation of their net cash position; however, IDOA does not reduce a subrecipient's cash advance if the reconciliation identifies the subrecipient has excess cash on hand. As a result, subrecipients remitted approximately \$17,103 in interest earned on excess federal funds to IDOA. Additionally, IDOA does not have a process in place to determine if the interest remitted is reasonable.

In discussing these conditions with IDOA officials, they stated subrecipients are not required to provide monthly expenditure reports; therefore, the actual expenditures are reconciled on a quarterly basis.

Updated Response: Accepted. The Division of Fiscal Administration (DFA) and the Division of Home and Community Services (DHCS) are in the process of revising advance funding policies and techniques for subrecipients to ensure subrecipients do not receive more than 30 days of funding on an advance basis. The revised funding policies and forms are anticipated to be rolled out to the subrecipients by January 1, 2012. The changes in funding technique are expected to result in a considerable decrease in the amount of interest earned on federal funds. The amount of interest certified and remitted by the subrecipients will be reviewed to ensure that the amount appears reasonable. Additionally, the on-site fiscal monitoring program, implemented in June, 2011, includes procedures for testing subrecipient compliance with advance funding requirements.

10-47. The auditors recommend the Department on Aging implement procedures to ensure the financial status reports submitted for its federal awards are complete and accurate.

Findings: The IDOA did not accurately report indirect costs in its annual financial status reports (SF-269 reports).

IDOA is required to submit semi-annual SF-269 reports for the Aging Cluster program. These reports are intended to identify the direct federal expenditures, as well as the indirect cost base, the applicable indirect cost rate, and amount of indirect costs attributable to the award. During testwork over the SF-269 report for the semi-annual period ending March 31, 2010, auditors noted the IDOA did not report the indirect cost base, indirect cost rate, or indirect costs attributable to the award.

In discussing these conditions with IDOA officials, they stated the Department was under the impression that indirect costs did not have to be reported on the SF-269 based upon discussion with USDHHS personnel.

Response: Accepted. The Department will continue to work with AoA to further clarify the reporting requirements related to indirect costs.