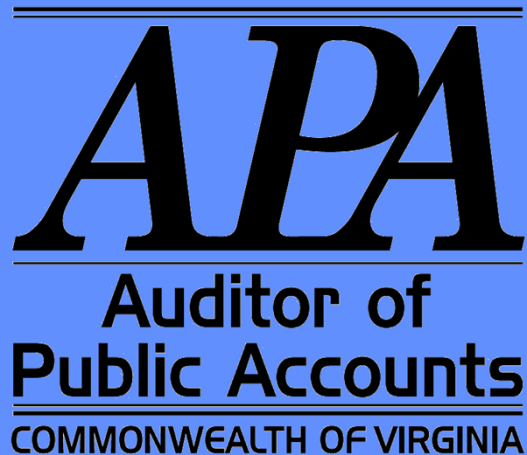


**VIRGINIA DEPARTMENT FOR THE AGING**

**REPORT ON AUDIT  
FOR THE YEARS ENDED  
JUNE 30, 2009 AND JUNE 30, 2010**



## **AUDIT SUMMARY**

Our audit of the Virginia Department for the Aging, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- a matter involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

## TABLE OF CONTENTS

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDING AND RECOMMENDATION	1
AGENCY HIGHLIGHTS	2 - 3
INDEPENDENT AUDITOR'S REPORT	4 - 5
AGENCY RESPONSE	6
AGENCY OFFICIALS	7

## **AUDIT FINDING AND RECOMMENDATION**

### **Improve Sub-Recipient Monitoring Program**

About 94 percent of Aging's expenses are transfer payments to about 65 entities comprised of local Area Agencies on Aging (Area Agencies) and other non-profit entities that provide services for the elderly. Of these, the 25 Area Agencies receive 93 percent of the transfer payments. All of the Area Agencies receive annual financial statement and federal compliance audits.

Of the remaining 40 entities that receive the other seven percent of transfer payments, five have both annual financial statement and federal compliance audits and 15 have annual financial statement audits. The remaining entities either do not have annual audits or are not required to provide them to Aging because they receive less than \$30,000 in funding.

Aging employs a financial auditor that conducts on-site visits of sub-recipients throughout the year. In 2010, the financial auditor performed 38 site visits of sub-recipients without regard to their amount of funding, prior audit results and findings, effectiveness of internal systems, or the potential risks to Aging.

Aging management and the financial auditor should develop a risk assessment to better utilize audit resources. The risk assessment should consider recipients' prior audit results and findings, the effectiveness of their internal systems, and potential risks to Aging. Aging management should review the financial auditor's assessment of the various entities to determine if they agree with this audit work plan.

## **AGENCY HIGHLIGHTS**

### **Managing Services**

Aging contracts with 25 Area Agencies on Aging (Area Agencies) to provide services to older Virginians. The Area Agencies, directly or through their contractors, provide a variety of services including delivered meals, congregate meals, transportation, homemaker services, personal care services, care coordination, volunteer programs, disease prevention and health promotion and information and assistance, a long-term care ombudsman, and other services that foster the independence and meet the care needs of older Virginians.

Of the Area Agencies, 14 are private nonprofit corporations, five are local government units, five consist of two or more local governments that exercise joint powers to create the Area Agency, and one is part of a Community Services Board. All Area Agencies must first submit to Aging an annual “area plan” of service provision. Once Aging approves the area plan, it signs a contract with the Area Agency, which receives funding in accordance with the approved plan.

The Older Americans Act requires Aging to allocate a portion of its federal funds to the Area Agencies based on a formula that weighs several factors related to the population of older Virginians in each locality. The U.S. Administration on Aging contracts with the U.S. Bureau of the Census once every 10 years to perform a special tabulation of the weighted factors. The weighted factors are as follows.

#### **Weighting of Factors for Allocating Federal Funding Under the Older Americans Act**

Population 60+	30%
Population 60+ in Rural Jurisdictions	10%
Population 60+ in Poverty	50%
Population 60+ Minority in Poverty	<u>10%</u>
Total Allocation	<u>100%</u>

Aging expects the Bureau of the Census to complete its special tabulation of the 2010 census in fiscal 2013. Area Agencies do not expect the tabulation to reveal a significant shift in the population demographics of older Virginians. However, Area Agencies have agreed to the recommendations of a committee comprised of 10 Area Agency directors if there is a significant population shift. The committee’s recommendations include phasing in funding adjustments over several years to minimize the impact of any variances.

### **Administrative Functions**

In September 2010, Governor McDonnell named the commissioner of the Department of Rehabilitative Services as the interim commissioner of Aging. The Governor tasked the commissioner to look for areas of convergence between the aging and disability populations in order to increase the services available to both. In addition, Rehabilitative Services, which already functions as a service agency for several other state agencies that provide services to segments of these populations, will begin providing Human Resource and Information Security functions for Aging in March 2011.

### **Financial Information**

The tables below show an analysis of Aging’s budgeted and actual expenses for fiscal years 2009 and 2010 as well as the proposed budget for fiscal 2011. The only significant change from the original budget in either year is an additional appropriation for American Recovery and Reinvestment Act (ARRA) funding.

Actual expenses were below the budgeted amounts for the individual years below because Aging had the authority to spend ARRA awards through fiscal 2011. Aging expended over 96 percent of its ARRA awards through January 2011.

Analysis of 2010 Budgeted and Actual Expenses by Funding Source  
(Dollars in Thousands)

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>	<u>Proposed Budget 2011</u>
Federal	\$31,627	\$36,301	\$35,979	\$34,327
General	18,523	17,572	17,572	16,920
Special	160	299	198	160
ARRA	<u>-</u>	<u>2,967</u>	<u>1,923</u>	<u>-</u>
Total	<u>\$50,310</u>	<u>\$57,139</u>	<u>\$55,672</u>	<u>\$51,407</u>

*Source: Original budget - Appropriation Act Chapter 781, Adjusted Budget, and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2010.*

Analysis of 2009 Budgeted and Actual Expenses by Funding Source  
(Dollars in Thousands)

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
Federal	\$31,627	\$33,673	\$32,589
General	18,879	18,546	18,474
Special	100	537	507
ARRA	<u>-</u>	<u>2,801</u>	<u>84</u>
Total	<u>\$50,606</u>	<u>\$55,557</u>	<u>\$51,654</u>

*Source: Original budget – Appropriation Act Chapter 879, Adjusted Budget and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 Report as of June 30, 2009*

As depicted in the next table, 94 percent of Aging’s total expenses are transfer payments for grants to Area Agencies and other contractors and service providers. For fiscal 2010 and 2009, Aging had the following operating expenses.

Expenses by Type  
(Dollars in Thousands)

	<u>2010</u>	<u>Percent</u>	<u>2009</u>	<u>Percent</u>
Transfer Payments	\$52,526	94%	\$48,047	93%
Payroll & Personnel Services	1,950	4%	1,965	4%
Contractual Services	973	2%	1,358	3%
Other	<u>222</u>	<u>&lt; 1%</u>	<u>284</u>	<u>&lt; 1%</u>
Total	<u>\$55,671</u>	<u>100%</u>	<u>\$51,654</u>	<u>100%</u>

*Source: Commonwealth Accounting and Reporting System*



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

March 15, 2011

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Virginia Department for the Aging (Aging)** for the years ended June 30, 2009 and June 30, 2010. 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.

## Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of Aging's internal controls, and test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

Aging's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Subrecipient monitoring procedures and controls
- Information Security
- Review of prior year findings

Our audit did not include payroll expenses, as the Department of Accounts' Payroll Service Bureau provides administration of the agency's payroll processes, which are covered by another audit we are conducting, and the results of that audit will be reported at a later date in a separate report.

We performed audit tests to determine whether Aging's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, and records, and observation of Aging's operations. We tested transactions and performed analytical procedures, including budgetary and trend analysis.

### Conclusions

We found that the Virginia Department for the Aging properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Virginia Department for the Aging records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a certain matter involving internal control and its operation. This matter is described in the section entitled "Audit Finding and Recommendation." Management has addressed the deficiency identified in our prior report with respect to its Information Security program.

### Exit Conference and Report Distribution

We discussed this report with management on March 18, 2011. Management's response to the finding identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

SEV/alh





# COMMONWEALTH of VIRGINIA

*Department for the Aging*

James Rothrock, Interim Commissioner

March 18, 2011

The Honorable Walter J. Kucharski  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218-1295

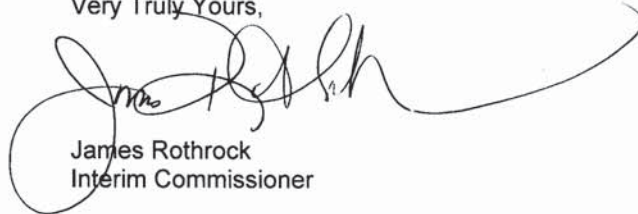
Dear Mr. Kucharski:

The Department of Aging (Aging) appreciates the opportunity to respond to the findings and recommendations contained in the audit report of the Agencies' activities for the year ended June 30, 2009 and June 30, 2010.

During the entrance interview, we brought to the attention of the auditing team the need for Aging to improve the monitoring of sub-recipients. Specifically, we were seeking best practices methodologies to be more efficient and productive. The findings and recommendations in this report confirm our initial observation. We have begun to take action that not only addresses risk based assessment, but how monitoring is conducted.

Again, thank you for the opportunity to respond and please contact me should you require further information.

Very Truly Yours,



James Rothrock  
Interim Commissioner

1610 Forest Avenue, Suite 100, Richmond, Virginia 23229  
Toll-Free: 1-800-552-3402 (Voice/TTY) · Phone: 804-662-9333 · Fax: 804-662-9354  
E-mail: [aging@vda.virginia.gov](mailto:aging@vda.virginia.gov) · Web Site: [www.vda.virginia.gov](http://www.vda.virginia.gov)



DEPARTMENT FOR THE AGING

James Rothrock  
Interim Commissioner

Katie Roeper  
Assistant Commissioner

Tim Catherman  
Director of Administrative Services

Marcia Monroe  
Fiscal Manager