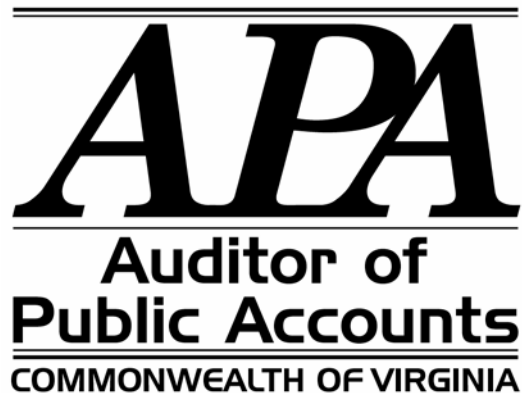


**DEPARTMENT FOR THE AGING  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE THREE-YEAR PERIOD ENDED  
JUNE 30, 2004**



## **AUDIT SUMMARY**

Our audit of the Department for the Aging for the three-year period ended June 30, 2004, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance required to be reported under Government Auditing Standards.

## AGENCY HIGHLIGHTS

The Department for the Aging (Aging) fosters the independence, security, and dignity of older Virginians by promoting partnerships with families and communities. Aging is the federally-recognized state unit on aging for the Older Americans Act. The Act contains objectives that address the inherent dignity of older people, and the duty and responsibility of the governments of the United States to assist older Americans. The objectives cover the areas of adequate income, availability of mental and physical services, suitable housing, long-term care needs, employment opportunities, transportation, and protection against abuse, neglect, and exploitation.

As state administrator of the Act, Aging is responsible for the implementation of a plan and delivery of services that accomplishes the objectives. Aging accomplishes its mission through the receipt of federal funds and General Fund appropriations. Additionally, Aging collects special revenues funds through state tax refund contributions and miscellaneous grants. For fiscal years 2002, 2003, and 2004, Aging had the following revenues.

### **Revenue for Fiscal Years 2002 through 2004**

<u>Funds</u>	<u>FY 2002</u>	<u>Percent</u>	<u>FY 2003</u>	<u>Percent</u>	<u>FY 2004</u>	<u>Percent</u>
General Fund	\$15,412,266	35	\$13,779,015	30	\$13,955,871	31
Special Revenues	588,864	1	358,376	1	487,736	1
Federal Fund	<u>27,783,275</u>	<u>64</u>	<u>31,829,700</u>	<u>69</u>	<u>31,166,671</u>	<u>68</u>
Total revenue	<u>\$43,784,405</u>	<u>100</u>	<u>\$45,967,091</u>	<u>100</u>	<u>\$45,610,278</u>	<u>100</u>

### **Analysis Of Budgeted And Actual Revenue By Funding Source**

As part of the budget reductions, Aging experienced a yearly General fund reduction of approximately \$2.2 million. Management was able to offset the reduction by increasing the share of federal grants and maintaining state matching requirements for these federal programs.

Aging's Special Revenue fund has two revenue sources: transfers from the General Fund for the Respite Care program and the income tax check-off. The Appropriation Act requires Aging to transfer funds from its General Fund to its Special Revenue fund for the Respite Care Program, \$500,000, \$292,444, and \$391,691 in fiscal years 2002, 2003, and 2004, respectively. To enable Aging to spend these funds, the agency requested budget adjustments for the Special Revenue fund throughout the year.

Revenue from income tax check-off was \$91,209, \$65,932, and \$68,073 for fiscal years 2002, 2003, and 2004, respectively. In 2003, Aging expected to collect \$450,000 for SeniorNavigator.com; however, revenue was inadequate to support this program.

Aging relies on the Department of Planning and Budget to assist them in projecting and budgeting federal revenues. While both agencies jointly work to develop the estimation of federal collections, neither agency has sufficient federal budgetary data to project federal collections at the time the agency must prepare its state budget. Both agencies are refining this process as Aging has become more reliant on federal funding.

<u>Fiscal Year 2002</u>				
<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive/(Negative)</u>
General Fund				
appropriations and revenue	\$16,039,180	\$15,384,898	\$15,412,266	\$ 27,368
Special Revenue fund				
revenues and transfers	100,000	647,654	588,864	(58,790)
Federal Fund				
revenues and transfers	<u>19,118,123</u>	<u>29,341,357</u>	<u>27,783,275</u>	<u>(1,558,082)</u>
Total resources	<u>\$35,257,303</u>	<u>\$45,373,909</u>	<u>\$43,784,405</u>	<u>\$ (1,589,504)</u>

<u>Fiscal Year 2003</u>				
<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive/(Negative)</u>
General Fund				
appropriations and revenue	\$16,489,405	\$13,769,058	\$13,779,015	\$ 9,957
Special Revenue fund				
revenues and transfers	550,000	1,193,385	358,376	(835,009)
Federal Fund				
revenues and transfers	<u>24,519,420</u>	<u>31,933,171</u>	<u>31,829,700</u>	<u>(103,471)</u>
Total resources	<u>\$41,558,825</u>	<u>\$46,895,614</u>	<u>\$45,967,091</u>	<u>\$ (928,523)</u>

<u>Fiscal Year 2004</u>				
<u>Funding Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive/(Negative)</u>
General Fund				
appropriations and revenue	\$13,918,969	\$13,948,838	\$13,955,871	\$ 7,033
Special Revenue fund				
revenues and transfers	100,000	755,930	487,736	(268,194)
Federal Fund				
revenues and transfers	<u>29,733,171</u>	<u>32,269,683</u>	<u>31,166,671</u>	<u>(1,103,012)</u>
Total resources	<u>\$43,752,140</u>	<u>\$46,974,451</u>	<u>\$45,610,278</u>	<u>\$ (1,364,173)</u>

*Source: Original Budget is the budget in effect at the beginning of the fiscal year: Chapter 1073 for fiscal year 2002, Chapter 899 for fiscal year 2003 and Chapter 1042 for fiscal year 2004.*

*Final Budget is the budget in effect at the end of the fiscal year and includes appropriation adjustments: Commonwealth Accounting Reporting System 1408 Option A1 Report, Current Appropriations.*

*Actual funding by source: Commonwealth Accounting Reporting System 402 Option B1 Report.*

### Expenditures

Approximately 95 percent of the Department's total disbursements are grants to Area Agencies on Aging (AAAs) and other contractors and service providers. For fiscal years 2002, 2003, and 2004, the Department had the following operating expenses.

<u>Expenditure Type</u>	<u>FY 2002</u>	<u>Percent</u>	<u>FY 2003</u>	<u>Percent</u>	<u>FY 2004</u>	<u>Percent</u>
Personal services	\$ 1,521,476	3.45	\$1,475,553	3.22	\$1,564,686	3.43
Contractual services	381,637	0.87	303,670	0.66	455,228	1.00
Supplies and materials	25,896	0.06	25,699	0.06	25,023	0.05
Grants to organizations	41,977,950	95.18	43,784,264	95.60	43,405,176	95.05
Continuous charges	154,399	0.35	159,467	0.35	186,795	0.41
Equipment	<u>43,878</u>	<u>0.10</u>	<u>50,556</u>	<u>0.11</u>	<u>27,281</u>	<u>0.06</u>
Total expenditures	<u>\$44,105,236</u>	<u>100.00</u>	<u>\$45,799,209</u>	<u>100.00</u>	<u>\$45,664,189</u>	<u>100.00</u>

### Area Agencies on Aging

The Department contracts with the 25 AAAs to provide delivered meals, congregate meals, transportation, homemaker services, personal care services, care coordination, volunteer programs, disease prevention and health promotion information and assistance, a long-term care ombudsman, and other the services to foster independence and meet care needs for older Virginians. These AAAs must first submit to the Department an annual "area plan" of service provision. Once the Department approves the area plan, it signs a contract with the AAA, who receives funding in accordance with the approved plan. Of the 25 AAAs, 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 Mental Health, Mental Retardation, and Substance Abuse Services community services board.

The table on the next page indicates total funds disbursed to each AAA and the other contractors and service providers for fiscal year 2004.

<u>Area Agencies on Aging</u>	<u>Grant Disbursements</u>	<u>Percentage of Total Disbursements to AAAs</u>
Private nonprofit corporations:		
Mountain Empire Older Citizens, Inc.	\$ 1,799,328	4.39
Appalachian Agency for Senior Citizens, Inc.	1,628,137	3.97
LOA - Area Agency on Aging, Inc.	2,115,745	5.16
Valley Program For Aging Services, Inc.	1,782,850	4.35
Shenandoah Area Agency on Aging, Inc.	1,410,378	3.44
Central Virginia Area Agency on Aging, Inc.	1,682,417	4.10
Southern Area Agency on Aging, Inc.	2,622,035	6.39
Piedmont Senior Resources Area Agency on Aging, Inc.	1,190,626	2.90
Senior Connections - Capital Area Agency on Aging, Inc.	3,893,997	9.49
Rappahannock Area Agency on Aging, Inc.	784,876	1.91
Chesapeake Bay Agency on Aging, Inc.	1,799,467	4.39
Senior Services of Southeastern Virginia	5,006,497	12.20
Peninsula Agency on Aging, Inc.	1,859,859	4.53
Eastern Shore Area on Aging - Community Action Agency, Inc.	844,803	2.06
Local governments:		
Alexandria Office of Aging and Adult Services	538,180	1.31
Arlington Agency on Aging	562,109	1.37
Fairfax Area Agency on Aging	2,123,402	5.18
Loudoun County Area Agency on Aging	277,961	0.68
Prince William Area Agency on Aging	403,738	0.98
Joint operating agencies:		
District Three Senior Services	2,410,044	5.87
New River Valley Agency on Aging	1,193,145	2.91
Jefferson Area Board for Aging	1,232,880	3.00
Lake Country Area Agency on Aging	1,423,503	3.47
Crater District Area Agency on Aging	1,499,764	3.66
Community Services Board:		
Rappahannock-Rapidan Community Services Board	<u>942,849</u>	<u>2.30</u>
Total - AAA amount	41,028,590	<u>100.00</u>
Other contractors and service providers	<u>2,376,586</u>	
Total grants to organizations	<u>\$43,405,176</u>	



# Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

October 28, 2004

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department for the Aging** (Aging) for the three-year period ended June 30, 2004. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

### Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of Aging's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of Aging's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Federal grants  
Expenditures  
Revenues

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. 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.

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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that Aging properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. 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 and the Acts of Assembly.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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.

#### EXIT CONFERENCE

We discussed this report with management at an exit conference held on November 22, 2004.

AUDITOR OF PUBLIC ACCOUNTS

GDS/kva  
kva:

DEPARTMENT FOR THE AGING  
Richmond, Virginia

AGENCY OFFICIALS  
As of June 30, 2004

Jay W. DeBoer  
Commissioner

Tim Catherman  
Deputy Commissioner of Support Services

Warren McKeon  
Fiscal Manager