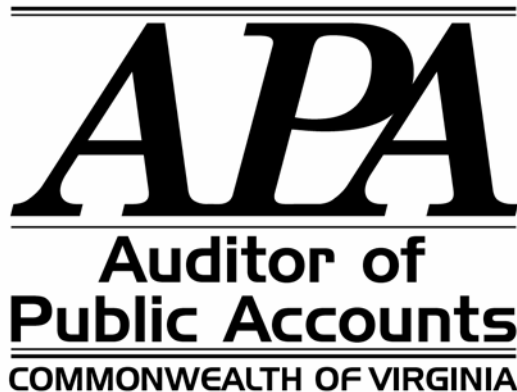


DEPARTMENT FOR THE AGING

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2006**



AUDIT SUMMARY

Our audit for the Department for the Aging for the two-year period ending June 30, 2006 found:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters 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 -

Pages

AGENCY HIGHLIGHTS

AUDIT OBJECTIVES

AUDIT SCOPE AND METHODOLOGY

CONCLUSIONS

EXIT CONFERENCE AND REPORT DISTRIBUTION

AGENCY OFFICIALS

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 for the Older Americans Act (Act). The Act contains objectives that address the inherent dignity of older people, and the duty and responsibility of 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.

Aging, in its role as state administrator of the Act, is responsible for the implementation of a plan and delivery of services that accomplishes the objectives of the Act. Aging accomplishes its mission through the receipt of federal funds and General Fund appropriations. Additionally, Aging receives special revenue funds through state tax refund contributions and miscellaneous grants. For fiscal years 2005 and 2006, Aging had the following revenues.

Revenues for Fiscal Years 2005 and 2006

<u>Fund Source</u>	<u>FY 2005</u>	<u>Percent</u>	<u>FY 2006</u>	<u>Percent</u>
General	\$14,869,737	32%	\$15,220,530	31%
Special	59,829	< 1%	258,941	< 1%
Federal	<u>31,472,123</u>	68%	<u>32,904,000</u>	68%
Total	<u>\$46,401,689</u>		<u>\$48,383,471</u>	

Source: Commonwealth Accounting and Reporting System (CARS)

Area Agencies on Aging

Aging contracts with 25 Area Agencies on Aging (AAA) to provide services to older Virginians. The AAAs, directly or through their contractors, provide a litany of services including: 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 services that foster the independence and meet the care needs of older Virginians.

Of the 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 (CSB). All AAAs must first submit to Aging an annual "area plan" of service provision. Once Aging approves the area plan, it signs a contract with the AAA, which receives funding in accordance with the approved plan. The table below indicates total funds disbursed to each AAA in fiscal years 2005 and 2006.

Disbursements to AAAs for Fiscal Years 2005 and 2006

<u>Area Agency on Aging</u>	<u>2005</u>	<u>2006</u>	<u>Difference</u>	<u>Percentage of Change</u>
Private nonprofit organizations:				
Senior Services of Southeastern Virginia	\$4,905,407	\$5,942,652	\$1,037,246	21%
Senior Connections, The Capital Area Agency on Aging	3,874,493	4,137,094	262,601	7%
Southern Area Agency on Aging, Inc.	2,679,677	2,901,416	221,739	8%
LOA Area Agency on Aging	2,189,173	2,295,507	106,334	5%
Peninsula Agency on Aging, Inc.	1,918,842	2,144,551	225,709	12%
Bay Aging	1,803,572	2,059,764	256,192	14%
Valley Program for Aging Services, Inc.	1,934,578	1,833,127	-101,451	-5%
Mountain Empire Older Citizens, Inc.	1,860,031	1,826,933	-33,098	-2%
Central Virginia Area Agency on Aging	1,636,082	1,647,745	11,663	1%
Appalachian Agency for Senior Citizens, Inc.	1,681,158	1,629,783	-51,375	-3%
Shenandoah Area Agency on Aging, Inc.	1,363,000	1,371,752	8,752	1%
Piedmont Senior Resources Area Agency on Aging, Inc.	1,189,033	1,186,271	-2,762	-0.2%
Eastern Shore Agency on Aging/Community Action Agency, Inc.	827,012	931,916	104,904	13%
Rappahannock Area Agency on Aging, Inc.	718,739	928,771	210,032	29%
Local governments:				
Fairfax Area Agency on Aging	2,260,061	2,285,928	25,867	1%
Arlington Agency on Aging	756,048	768,125	12,077	2%
Prince William Area Agency on Aging	365,293	488,257	122,964	34%
Loudoun County Area Agency on Aging	360,637	322,691	-37,946	-11%
Alexandria Office of Aging and Adult Services	335,944	122,569	-213,375	-64%
Joint operating agencies:				
District Three Senior Services	2,384,655	2,440,809	56,154	2%
Lake County Area Agency on Aging	1,500,220	1,572,460	72,240	5%
Crater District Area Agency on Aging	1,370,742	1,480,946	110,204	8%
Jefferson Area Board for Aging	1,153,806	1,207,432	53,626	5%
New River Valley Agency on Aging	1,233,559	1,119,101	-114,458	-9%
Community Services Board:				
Rappahannock-Rapidan CSB	1,127,127	1,001,599	-125,529	-11%
 Total AAA amount	<u>41,428,888</u>	<u>43,647,199</u>	<u>2,218,311</u>	<u>5%</u>
 Other contractors and service providers	<u>2,884,916</u>	<u>3,367,388</u>	<u>482,472</u>	<u>17%</u>
 Total Grants to Organizations	<u>\$44,313,804</u>	<u>\$47,014,587</u>	<u>\$2,700,783</u>	<u>6%</u>

Source: CARS Vendor Summary Report

Recent Changes in Funding

The Older Americans Act requires Aging to allocate a portion of its federal funds to the AAAs 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 (Bureau) once every ten years to perform a special tabulation of the weighted factors. The weighted factors are as follows:

Population 60+	30%
Population 60+ in rural jurisdictions	10%
Population 60+ in poverty	50%
Population 60+ minority in poverty	<u>10%</u>
Total allocation	100%

The Bureau completed its special tabulation of the 2000 census in fiscal year 2005. Aging used the 1990 census statistics to allocate funds up until fiscal year 2004.

The Funding Formula Task Force (task force) was established in June of 2005 to develop a methodology that would reduce the volatility of the current Aging formula. Ten representatives of affected AAAs comprised the task force including five representatives from AAAs that would lose funds and five from AAAs that would receive increased funding. The task force finalized its work in September 2005, and recommended a provision in Aging's budget to "hold harmless" those AAAs that would have lost funding because of the demographic changes reported in the 2000 census. As a result of the task force's recommendation, Aging's annual base budget now includes \$1.2 million from the General Fund and a provision to "hold harmless" those AAAs that the demographic shift affected negatively. However, if Aging's federal-funding level increases to the point that the affected AAAs funding increases to pre-2005 funding levels, then Aging could allocate the additional \$1.2 million to all AAAs based on the funding formula.

The "hold harmless" provision is a short-term solution. If the population demographic of older Virginians continues to shift in the future, the AAAs will face the same issue once again in 2014 or whenever the Bureau completes its special tabulation of 2010 census data.

Analysis of Budgeted and Actual Revenue by Funding Source

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 program. The Appropriations Act requires Aging to transfer funds from its General Fund to its Special Revenue fund for the Respite Care Program. To enable Aging to spend these funds, the agency requested budget adjustments for the Special Revenue fund throughout the year.

Aging relies on the Department of Planning and Budget to assist them in projecting and budgeting federal revenues. While both agencies work to develop an accurate 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. As a result, Aging works closely with its Planning and Budget analyst. If Aging receives federal grant awards above their budget, they request an adjustment to their budget to allow them the ability to transfer the federal funds, as requested, to the AAA's.

Budgeted and Actual Revenue for Fiscal Years 2005 and 2006

	<u>2005</u>			<u>2006</u>		
<u>Source</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>
General	\$15,102,765	\$14,869,737	\$ (233,028)	\$15,432,765	\$15,220,530	\$ (212,235)
Special	100,000	903,381	803,381	100,000	985,735	885,735
Federal	<u>29,759,086</u>	<u>31,593,189</u>	<u>1,834,103</u>	<u>29,759,086</u>	<u>36,303,288</u>	<u>6,544,202</u>
Total	\$44,961,851	\$47,369,307	\$2,407,456	\$45,291,851	\$52,509,553	\$7,217,702

Expenses

Approximately 95 percent of Aging's total expenses are grants to AAAs and other contractors and service providers. For fiscal years 2005 and 2006, Aging had the following operating expenses.

Expenses for Fiscal Years 2005 and 2006

<u>Type of Expenses</u>	<u>2005</u>	<u>Percent</u>	<u>2006</u>	<u>Percent</u>
Grants to organizations	\$44,399,947	94.70%	\$47,229,673	95.00%
Personnel services	1,636,867	3.50%	1,851,456	3.70%
Contractual services	540,163	1.20%	414,155	0.80%
Continuous charges	196,528	0.40%	167,785	0.30%
Supplies and materials	45,262	0.10%	33,284	0.10%
Equipment	<u>42,432</u>	0.10%	<u>12,867</u>	0.00%
Total	<u>\$46,861,199</u>		<u>\$49,709,220</u>	

Source: CARS Expenditure Summary



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 5, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Virginia Department for the Aging** for the years ended June 30, 2005 and June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of Aging's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the years ended June 30, 2005 and June 30, 2006 and test compliance for the Statewide Single Audit. In support of this objective, we evaluated the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, reviewed the adequacy of Aging's internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The Department for the 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 materiality and control 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.

Federal grant revenues and expenditures
Payroll expenditures
Appropriations

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, records, and contracts, and observation of Aging's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

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.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on January 25, 2007.

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

GDS:jab
jab:28

AGENCY OFFICIALS

As of December 5, 2006

Virginia Department for the Aging

Julie Christopher
Commissioner

Debbie Burcham
Chief Deputy Commissioner

Tim Catherman
Director of Administrative Services

Warren McKeon
Fiscal Manager

