

112796

GAO

United States General Accounting Office  
Washington, DC 20548

Human Resources  
Division

B-196673

JULY 17, 1980

✓ The Honorable Bob Packwood  
United States Senate



Dear Senator Packwood:

Subject: Oregon's Financial Management of Funds  
Under the Older Americans Act (HRD-80-97)

In response to your June 11, 1979, request, we have completed our work on Oregon's financial management of funds under the Older Americans Act. We performed our review in Oregon between October 1979 and April 1980. The review covered State and area agency planning, procurement, monitoring, and assessment practices and fiscal controls over the use of Older Americans Act funds. The review was conducted at the State's Office of Elderly Affairs and area agency offices in Hillsboro and Salem. We also visited three service providers funded by each of these area agencies. DLG04940

At the time of your request, we had underway a nationwide review of the social service planning and delivery systems under the Older Americans Act. These systems were being reviewed in response to a request from the Chairman, Subcommittee on Aging, Senate Committee on Human Resources. Based on this request, we established two reporting objectives. One objective is to measure how well the Administration on Aging has integrated services for the elderly at both the State and local levels. The second objective deals with the financial management of the social service funds under the act. In response to your request, we included Oregon under the second reporting objective in order to determine its use of Older Americans Act funds. SEN069d

On March 11, 1980, we briefed your staff on the results of our work in Oregon. We agreed to report the results of our work as it relates to the State agency's management of the social service funds under the act. The enclosure to this letter summarizes our major findings regarding State management practices and the corrective actions in process or planned by the State agency. The issues and weaknesses



011337

DLG02130

(104069)

DLG04662

B-196673

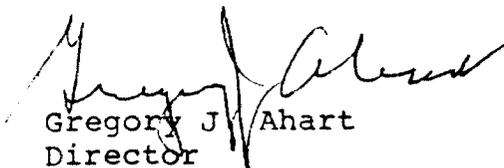
identified in Oregon have been discussed with State and area agency officials. These officials generally agreed with our findings and told us they have begun or plan to correct most of the problems we noted.

We will also furnish you a copy of our reports on the results of our nationwide reviews when issued. These reports will cover the results of our work in Oregon as well as several other States.

As requested by your office, we did not obtain comments on this report from the Department of Health and Human Services.

As arranged with your office, we will send copies of this report to the Secretary of Health and Human Services and the Commissioner of the Administration on Aging. Copies will be sent to the Office of Elderly Affairs, Department of Human Resources in Oregon, and will be available to others upon request.

Sincerely yours,



Gregory J. Ahart  
Director

Enclosure

REPORT ON OREGON'S  
FINANCIAL MANAGEMENT OF FUNDS  
UNDER THE OLDER AMERICANS ACT

This report discusses Oregon's financial management of social service funds authorized under title III of the Older Americans Act (OAA) in relation to Federal program requirements. Several of the issues discussed below indicate that some action should be taken at the Federal level. With this in mind, we have discussed these issues with Administration on Aging (AOA) officials, who are reviewing them. In our report on the results of our nationwide review on the financial management of title III funds, we will discuss in more detail the Federal role as it relates to these issues.

BACKGROUND

In Oregon the Office of Elderly Affairs, Department of Human Resources, serves as the designated State agency responsible for administering aging programs. This office employs 17 full-time persons and has had 2 directors since January 1978. The present director has been on the job since June 1979.

The State agency divided the State into 17 planning and service areas and designated an area agency in 12 of the planning and service areas. The area agencies are responsible for developing and administering an area plan for a comprehensive and coordinated system of services. Although not designated as area agencies, six direct service agencies plan and administer social service projects in the other five planning and service areas. The 18 agencies received the following title III social service funds to administer during fiscal years 1977-79.

<u>Fiscal year</u>	<u>Amount of OAA funds</u>
1977	\$1,300,000
1978	1,700,000
1979	2,300,000

These agencies also received the following State funds under the Oregon Project Independence (OPI) to provide social services to the elderly.

<u>Fiscal year</u>	<u>Amount of funds</u>
1978	\$1,400,000
1979	1,400,000

### IDENTIFYING ELDERLY NEEDS

OAA requires both State and area agencies to assess the social service needs of the elderly and to evaluate the effectiveness of existing resources in meeting these needs. Such an assessment provides the State and area agencies with the basis for developing plans on how OAA social service funds will be used to satisfy the needs of older persons.

The State agency conducted statewide needs assessment studies in 1971 and 1974. The State agency, however, has not established guidelines to help area agencies conduct their own needs assessments. The two area agencies we visited had never performed a formal needs assessment. Instead, these area agencies determined the needs of the elderly from secondary sources 1/ and from the perceptions and judgments of their staff, advisory council members, service providers, and others. Neither area agency attempted to evaluate the effectiveness of existing resources in meeting the needs of the elderly.

A State agency official told us in April 1980 that the State plans to update its needs data in 1980. The official said, however, that the State does not plan to change needs assessment practices at area agencies because (1) AOA has not provided adequate guidance to the State on conducting needs assessments and (2) area agencies have inadequate resources to conduct a formal needs assessment and can better use available funds taking care of known needs of the elderly.

### INCLUDING MEASURABLE OBJECTIVES IN AREA PLANS

Regulations issued by AOA provide that each area agency will develop and submit an area plan annually to the State agency. The area plan serves as both an application for

---

1/Secondary sources refers to data collected by other agencies. For example, one area agency used needs data prepared by the State agency, which was based in part on nationwide data prepared by the Department of Health and Human Services.

social service funds and a detailed statement concerning the manner in which the area agency proposes to expand or improve service for the elderly residing in the planning and service area. Area agencies are also responsible for establishing measurable program objectives and priorities for area plan implementation.

In December 1978, the State agency developed common definitions and service unit criteria for social service categories and directed area agencies to use them in developing fiscal year 1979-80 plan objectives. For example, the State agency has defined home health service to be basic self-care to individuals in their homes. As defined, home health care includes: nursing care, various therapy treatments, services for visually impaired, homemaker services, and home-delivered meals. Further, the State agency has also established service unit criteria designed to allow measurement of the delivery of services. In the case of home health care, one unit of service is defined as 1 hour of care.

The fiscal year 1979-80 plans developed by area agencies included measurable objectives for most service categories; however, only about one-third of the service category objectives were stated in terms of the required service units. Therefore, the State agency did not always have objectives stated in service units to assess the results of area agency efforts. A State agency official told us that, effective with the 1980-81 area plans, the State will strictly enforce the requirement that area plan objectives be stated in service units and persons served.

#### JUSTIFYING NEGOTIATED PROCUREMENTS

Federal regulations for administering AOA grants include procurement standards that area agencies must adhere to in purchasing services. The procurement standards require all procurement transactions to provide open and free competition to the maximum extent practicable. The regulations permit area agencies to negotiate procurements only if formal advertising is not feasible. For every negotiated procurement over \$10,000, area agencies must include written justification in their procurement records and files.

The two area agencies visited purchased all fiscal year 1978-79 services through negotiation rather than formal advertising. Although 9 of 25 contracts exceeded \$10,000, neither area agency included written justification in their files for the negotiated purchases. Area agency officials

said they negotiated procurements rather than advertised because of (1) the limited number of service providers available in the area, (2) an area agency policy requiring that certain contracts be awarded to senior centers, <sup>1/</sup> and (3) their desire to continue funding service providers that were initially established to provide the service.

One area agency official said the agency planned to establish a request for proposal process that will require formal advertising for services every 3 years. A State agency official said a recently hired contract/grants manager would provide technical assistance to area agencies on Federal and State procurement requirements.

#### DEFINING CONTRACTOR PERFORMANCE REQUIREMENTS

Federal procurement standards require that all contracts contain sufficient provisions to define a sound and complete agreement, including a clear and accurate description of the services purchased. However, 8 of 25 contracts, awarded by two area agencies to purchase social services, described the activity in such general terms that the area agencies did not know what contractors were committed to deliver and, thus, whether they met their commitments.

As a result of the lack of defined levels of service, area agencies reimbursed contractors for actual expenses incurred without regard to the level of service provided. In one case, a contractor initially agreed to provide information and referral to 4,000 elderly clients. The initial contract award amounted to \$4,000, resulting in a unit cost of \$1 for each elderly individual served. During the contract period, the contractor provided services to only 304 elderly clients. The contractor, however, received \$2,172 in cost reimbursement resulting in a unit service cost over \$7 per unit.

A State agency official told us in February 1980 that State actions planned to improve area agency contracting practices include (1) establishing a policy requiring all service contracts to define service purchased in terms of standard service units and (2) providing technical assistance to area agencies on preparing, negotiating, and administering contracts.

---

<sup>1/</sup>Senior center means a community facility for the organization and provision of a broad spectrum of services to older persons.

REPORTING ADMINISTRATIVE EXPENDITURES

The 1978 Older Americans Act amendments provide that the State agency may use not more than 8.5 percent of its total social and nutrition service allotments for area plan administration. The State agency reporting system, however, makes no provision for reporting the amount of funds spent by area agencies for plan administration. Rather, the State agency estimates the amount of funds spent for area plan administration in its financial reports to AOA.

In April 1980, a State agency official said the State planned to revise its reporting system by July 1980 so that area agency financial reports will disclose the amount of funds spent for area plan administration. State officials also said that they plan to determine the amount of fiscal year 1979-80 funds spent for area plan administration by requesting each area agency to develop and submit a special report on administrative costs.

MONITORING PROGRESS IN ACHIEVING  
AREA PLAN OBJECTIVES

AOA rules and regulations require State agencies to monitor and assess the implementation of each area plan, including progress made toward achieving plan objectives. The State agency performs an onsite assessment of each area agency at mid-year to determine its progress in achieving plan objectives. The State agency, however, does not assess area agencies at yearend to determine how successful each area agency was in achieving plan objectives. Also, the State agency's present reporting system does not provide the State with information needed to monitor an area agency's progress in achieving plan objectives.

To better enable the State to monitor area agencies, the State plans to require all area agencies to submit quarterly reports showing progress in meeting service unit, unit cost, and client objectives. The State will also be able to use this information in assessing the year's progress.

COMPLYING WITH NATIONAL  
PRIORITY REQUIREMENTS

The 1978 Older Americans Act amendments require that each area agency spend at least 50 percent of its title III social service allotments for the delivery of information and referral services, in-home services, and legal services and

that some funds be spent in each of these categories. The State agency is authorized to waive these requirements if an area agency can demonstrate that the services are being provided by other means to meet the needs of older persons in the planning and services area for that category of service.

Ten area agencies in Oregon are not in compliance with this national priority service requirement for fiscal year 1979-80. Although at the time of our review fiscal year 1979-80 was two-thirds completed, six area agencies in Oregon had not spent any title III funds for legal services, two had not spent any title III funds for in-home services, and two had not spent any title III funds for either of these services. The State agency had not granted any of these area agencies a waiver. When we brought this to their attention, State agency officials said they initially thought they had met the national priority requirement since some national priority services were being provided with State funds. Office of Elderly Affairs officials said it was not until April 1980 that they learned from AOA that an area agency would not be eligible for a waiver unless all needs in a national priority service category were being met.

In April 1980 an Office of Elderly Affairs official said that, since only 2 months remained in the fiscal year, the State agency plans to take no action to obtain area agency compliance in the current fiscal year. This official said the State agency will strictly enforce the national priority requirements in approving 1980-81 area agency plans.

#### COMPLYING WITH AUDIT REQUIREMENTS

The Department of Health and Human Services uniform requirements for administering grants provide that audits be conducted on a continuing basis or at least every 2 years. The audits are performed to determine the effectiveness of the financial management system and internal procedures of recipients. AOA has determined that these audit requirements apply to the State agencies, area agencies, and service providers.

The State agency and two area agencies visited have been audited in the past 2 years as required; however, the service providers of one area agency received \$187,250 in the past 2 years but were never audited during this period. This area agency director said funds were allocated in the fiscal year 1979-80 area plan to audit all service providers.

In April 1980, an Office of Elderly Affairs official said the State agency plans to (1) define audit requirements applicable to area agencies and service providers in a revised policy and procedures manual and (2) develop a reporting system to monitor compliance with audit requirements.

USING A PERSON'S INCOME OR  
RESOURCES TO DENY SERVICES

Although AOA and the act's legislative history stress that State and area agencies should not use income screening to determine a person's eligibility, neither the act nor prior AOA regulations prohibited means testing. The recently published AOA regulations, however, specifically prohibit State and area agencies from using an older person's income or resources to deny or limit that person's receipt of services. Also, the present AOA policy permits voluntary contributions but does not allow mandatory charges for social services. In contrast, the regulations for the State-funded OPI program, which provides social services to the elderly, require an area agency's service providers to use income screening procedures to determine a person's eligibility for services and to charge clients a service fee.

We reviewed projects funded by the two area agencies and identified six service providers who were using a means test and/or charging clients a fee for services; however, only two service providers used the person's income as a basis to deny services. These two service providers were jointly funded with OAA and OPI funds. The service providers used OPI eligibility criteria to deny services to some clients. Also, the service providers charged clients a fee for services on a sliding income scale developed for the OPI program.

An area agency official said the agency has discontinued jointly funded projects with OAA and OPI funds because of the conflicting requirements. The area agency official also said the agency would notify service providers to discontinue charging clients a fee for services and prohibit use of a means test. A State agency official said that, on OAA-funded projects, the State would permit service providers to continue gathering financial data on clients but would instruct them not to deny services based on the client's financial status or to charge clients a service fee.