

GOVERNOR'S OFFICE OF ELDERLY AFFAIRS
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED FEBRUARY 27, 2008

**LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

January 22, 2008

**GOVERNOR'S OFFICE OF ELDERLY AFFAIRS
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Governor's Office of Elderly Affairs for the period from July 1, 2005, through June 30, 2007. Our procedures included (1) a review of the office's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected office personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Governor's Office of Elderly Affairs were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The office's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

While we did not perform an audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we did perform certain procedures related to compliance with federal laws and regulations in accordance with those standards. Our finding related to federal compliance testing is included in this procedural report and will be included in the Single Audit Report for the State of Louisiana.

In our prior report on the Governor's Office of Elderly Affairs, dated March 11, 2005, we reported a finding relating to inadequate monitoring of subrecipients. The finding has not been resolved by management and is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Inadequate Subrecipient Monitoring for the Aging Cluster

The Governor's Office of Elderly Affairs' (GOEA) Home and Community Based Services Unit (HCBS) did not monitor subrecipients of the Aging Cluster programs (CFDA 93.044, 93.045, and 93.053) for compliance with federal laws and regulations during the period July 1, 2006, through March 31, 2007. The Code of Federal Regulations (35 CFR 1321.11) requires that state agencies develop policies for monitoring the subrecipient performance for quality and effectiveness for all programs and activities for the Aging Cluster programs. Part 3 of the Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* requires that pass-through entities monitor subrecipient activities to provide reasonable assurance that the subrecipients are administering federal awards in compliance with federal regulations. In addition, OMB Circular A-133 requires entities to consider various risk factors, such as the relative size and complexity of awards administered by, and prior experience with, each subrecipient in developing subrecipient monitoring procedures.

During our review of the Aging Cluster programs, we noted that written monitoring procedures were last updated and issued in November 2002 and were last used in the 2004 fiscal year. Our review of the HCBS program monitors' desk review working papers for five of 37 subrecipients disclosed the following for all five monitoring reviews:

- Standard monitoring programs were not used by the monitors to conduct and document the reviews.
- Monitors did not document consideration of risk factors, which include the size and complexity of the awards and prior experience (i.e., results of audits, prior monitoring reviews, or desk reviews) to develop subrecipient monitoring procedures.
- Monitors did not document that they had performed procedures to determine if the subrecipients had complied with applicable compliance requirements.
- Monitoring reports were not issued.

In addition, the HCBS unit stated that the above procedures were not performed for the remaining 32 subrecipients.

GOEA does not have a comprehensive tracking system to identify all subrecipients, monitoring review completion or due dates, monitoring report issue dates, or the scope and results of reviews. In addition, the agency neither ensured that monitors addressed the risk of noncompliance in planning nor considered the adequacy of its test procedures for detecting noncompliance.

Failure to monitor subrecipients increases the risk that GOEA's subrecipients are not administering the federal awards in compliance with federal requirements. Costs incurred by a subrecipient that have not been appropriately monitored are at an increased risk of being treated as disallowed costs by the federal grantors.

GOEA should implement procedures to ensure that the monitoring function is performed to determine subrecipient compliance with applicable laws and regulations. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the office. The varying nature of the recommendation, its implementation cost, and its potential impact on the operations of the office should be considered in reaching decisions on a course of action. The finding, which relates to the office's compliance with laws and regulations, should be addressed immediately by management.

This report is intended solely for the information and use of GOEA and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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GOEA07

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Management's Corrective Action
Plan and Response to the
Finding and Recommendation



KATHLEEN BABINEAUX BLANCO
GOVERNOR

STATE OF LOUISIANA

GOVERNOR'S OFFICE OF ELDERLY AFFAIRS

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August 3, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Finding:

Inadequate Subrecipient Monitoring for the Aging Cluster

Response:

The agency concurs in principle with the finding. However, the agency would like to make a statement to put this into perspective. The storms of 2005 put three councils on aging out of business for an extended period of time, and five other councils on aging were displaced and operated on a limited basis for several months. Three councils on aging continue to operate in temporary quarters at a reduced level. The Program Monitors' top priority at that time was to get the impacted councils on aging back on line as quickly as possible.

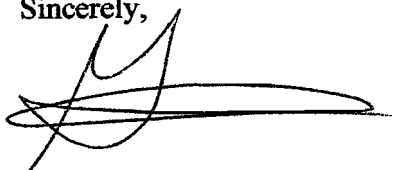
Corrective Action:

We have completed the policies and tools for monitoring the subrecipient performance for compliance with applicable laws and regulations. In addition management tracking logs have been developed to ensure timely completion of assessments, report issuance, and follow-up. Each program monitor will perform an on-site subrecipient assessment during September 2007 to test the effectiveness and usability of the instruments. For these first assessments we will choose agencies with expected good performance and varying size awards for testing purposes. Thereafter, during the area agency grant cycle, July 1, 2007 – June 30, 2011, we will assess all subrecipients, thus providing for all subrecipient assessments to be completed every 4 years. Approximately 12 subrecipients will be done each year during fiscal years 2007-2010. The order in which subrecipients will be assessed will be selected according to the following risk factors: 1) agencies receiving largest funds and 2) agencies that GOEA has encountered problem with in the past with service quality, reporting, or adequate documentation of service planning or delivery. The service areas were chosen according to the following risk factors: 1) services with largest funds appropriated, 2) services where problems in accurate reporting have been widely encountered in the past and 3) a cross-section of the various titles that funding is appropriated.

Contact Person: Mary Tonore
Beverly Armstead

Anticipated Completion Date: September 30, 2007

Sincerely,

A handwritten signature in black ink, appearing to be 'G. White', with a long horizontal flourish extending to the right.

Godfrey White, Executive Director