

Audit Report

Maryland Department of Aging

June 2021



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

June 23, 2021

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Aging (MDOA) for the period beginning May 25, 2016 and ending July 7, 2020. MDOA is responsible for identifying the needs of the State's elderly and for ensuring that those needs are met through a comprehensive network of accessible services at the local level. MDOA has designated 19 geographical regions within the State and each region is served by a local Area Agency on Aging (AAA), which is either a local governmental agency or a nonprofit organization. MDOA provided State grants totaling \$23.4 million to the AAAs during fiscal year 2020 for the delivery of program services to older adults.

Our audit disclosed that MDOA lacked evidence to substantiate that certain activities of AAAs were properly monitored. MDOA lacked a comprehensive policy for conducting required annual financial reviews, and many financial reviews, some dating back to 2018, as well as required annual programmatic reviews, had not been performed. Furthermore, reviews that were performed were not adequately documented, including any corrective action required by AAAs.

Our audit also disclosed that MDOA did not always submit requests for reimbursement of federal fund expenditures in a timely manner, resulting in lost interest income totaling at least \$53,000 for related expenditures incurred from December 2016 through June 2020.

Our audit included a review to determine the status of the three findings contained in our preceding MDOA audit report. We determined that MDOA satisfactorily

addressed one of these three findings. The remaining two findings are repeated in this report.

MDOA's response to this audit report is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by MDOA and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized initial 'G'.

Gregory A. Hook, CPA
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Agency Responsibilities

The Maryland Department of Aging (MDOA) is responsible for providing information and services to support older adults aging healthfully and safely in their homes and communities. Under the guidance of the federal Older Americans Act, MDOA has designated 19 local Area Agencies on Aging (AAAs) within the State, based on geographical regions, to ensure that eligible Maryland residents can easily access applicable information and services. Each regional AAA is either a local government agency or a nonprofit organization. As grantees of MDOA, these AAAs deliver direct services to support aging in place, including nutrition support, chronic disease management, case management, and elder abuse prevention, typically through State and federal grant programs. According to the State's records, MDOA expenditures totaled approximately \$71.4 million during fiscal year 2020 including approximately \$23.4 million in State general funds and \$41.4 million in federal funds provided for community services, primarily through grants to AAAs.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the three findings contained in our preceding audit report dated March 9, 2017. As disclosed in Figure 1, we determined that MDOA satisfactorily addressed one of these three findings. The remaining two findings are repeated in this report.

Figure 1
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	MDOA lacked a comprehensive policy and did not adequately document annual financial reviews of AAAs it conducted to ensure the appropriate use of State grant funds.	Repeated (Current Finding 1)
Finding 2	MDOA did not conduct all required site visits of AAAs to monitor certain senior care program activity, and there was a lack of evidence that deficiencies noted during site visits conducted were communicated to the applicable AAAs for corrective action.	Repeated (Current Finding 2)
Finding 3	MDOA did not ensure that administrative costs incurred by AAAs for the Senior Care grant program were within required spending limits.	Not repeated

Findings and Recommendations

Monitoring of the Local Area Agencies on Aging

Background

The 19 local Area Agencies on Aging (AAAs) operate in partnership with the Maryland Department of Aging (MDOA) to deliver program services to older adults primarily through State and federal grant programs. MDOA awards grants to the AAAs, which provide services through numerous programs, including the State-funded Senior Assisted Living Group Home Subsidy (SALGHS) program and the Senior Care program. The SALGHS program offers a subsidy to eligible seniors (those aged 62 and older) to help offset the cost of assisted living services. The Senior Care program helps eligible seniors (those aged 65 and older) to live at home. The program provides a comprehensive assessment of an individual's needs, case management services, and funds for services such as personal care, adult day care, home-delivered meals, medications, medical supplies, transportation, and respite care. MDOA's *AAA Monitoring and Assessment Policy* requires MDOA to perform annual performance or monitoring reviews and financial reviews, which focus on various programmatic aspects including ensuring that grant funds are properly requested and spent in accordance with grant requirements and for eligible purposes.

According to State records, during fiscal year 2020 MDOA expended \$65.4 million for community services, of which \$23.4 million represented general funds provided primarily through State grants to AAAs. Of these State funds, approximately \$3.4 million was for the SALGHS program, \$7.9 million was for the Senior Care program, and the remaining \$12.1 million was for numerous smaller grant programs. According to MDOA's records, approximately 4,789 seniors received services through the SALGHS and Senior Care programs during fiscal year 2020.

Finding 1

MDOA's policy for conducting annual financial reviews of AAAs was not comprehensive, and MDOA did not perform numerous required reviews or adequately document reviews that were performed.

Analysis

MDOA's policy for conducting annual financial reviews of AAAs was not comprehensive; and MDOA did not perform required annual reviews of 13 AAAs during fiscal years 2018 and 2019 and did not adequately document the reviews conducted for the remaining 6 AAAs. The reviews are necessary to ensure that

State grant funds awarded were spent in accordance with the related award documents and other applicable requirements.

- MDOA's *AAA Monitoring and Assessment Policy* was not comprehensive as it did not include specific procedures on how to conduct the financial reviews to ensure that grant funds were properly requested and spent in accordance with grant requirements and for eligible purposes. In addition, the policy did not require that the work performed, and conclusions reached, by MDOA staff during the reviews be subject to supervisory review and approval.
- As of September 2020, neither the fiscal year 2018 nor the fiscal year 2019 required financial reviews had been performed by MDOA for 13 AAAs that received \$12.7 million in SALGHS and Senior Care program funds during these years. Furthermore, MDOA had not performed the fiscal year 2017 financial review for 2 of the aforementioned 13 AAAs which received \$1.7 million in SALGHS and Senior Care program funds during that year.
- MDOA lacked sufficient documentation to support the work performed and conclusions reached for the 6 reviews that had been conducted covering fiscal years 2018 and 2019 for 6 AAAs. For example, there was no documentation describing test objectives, scope, and conclusions, the extent to which AAA procedures were reviewed, and there was insufficient documentation of actual test items examined. In addition, there was no evidence that the reviews were subject to MDOA supervisory review and approval. Furthermore, reports generated by MDOA at the conclusion of the reviews did not provide sufficient information, such as summaries of test results and conclusions regarding procedures and controls in place, to assist in identifying and verifying any needed corrective actions.

Similar conditions regarding the lack of a comprehensive policy for conducting required financial reviews and the lack of adequate documentation supporting work performed and conclusions reached have been commented upon in our three preceding audit reports dating back to 2011. In response to our preceding audit report, MDOA stated that it took significant action, including changes in personnel, to address deficiencies in the auditing/financial review of AAAs. However, as noted above, these efforts were not sufficient.

Recommendation 1

We recommend that MDOA

- a. develop a comprehensive policy that clearly defines the objectives and scope of its AAA annual financial reviews and that requires supervisory review and approval of work performed (repeat),**

- b. **require that sufficient grant expenditures and source documents are reviewed to provide assurance that grant funds were spent in accordance with grant requirements and for eligible purposes (repeat),**
- c. **adequately document and properly review and approve work performed and conclusions reached in accordance with the comprehensive policy developed (repeat), and**
- d. **perform all required financial reviews in a timely manner.**

Finding 2

Annual MDOA reviews of SALGHS and Senior Care grant program activity were not performed or were not adequately documented.

Analysis

Annual reviews of SALGHS and Senior Care grant program activity were not always performed by MDOA as required, and those that were performed, including any necessary corrective action taken by AAAs, were not adequately documented. In October 2019, MDOA stopped conducting physical site visits of the AAAs and instead initiated a virtual process, during the fiscal year 2019 review process, to conduct the required reviews via video conference and examination of electronically submitted records. The reviews are to be performed separately for each program and include a determination if the AAAs have administered the program appropriately, including verification of client eligibility for programs services. According to MDOA policy, there are 35 separate monitoring reviews that are to be performed each year (the Senior Care program at 19 AAAs and the SALGHS program at 16 participating AAAs).

As of September 2020, MDOA advised us that it had completed only one fiscal year 2019 review for the SALGHS program, and there were no plans to complete the remaining 15 reviews (as of September 2020, no fiscal year 2020 reviews had been scheduled or started). MDOA further advised us that virtual reviews had been completed for the fiscal year 2019 Senior Care grants, however the related reports had not been prepared for issuance. In addition, the reviews only included an examination of client eligibility documentation for 4 AAAs because personnel at the other AAAs were not going into their offices due to the COVID-19 pandemic.

Furthermore, although MDOA advised us that the fiscal years 2017 and 2018 monitoring reviews were completed and related results were reported to the AAAs, critical supporting documentation was not available. Specifically, MDOA could not provide us with a listing of client files it examined for each review, the checklist of attributes examined for each file or documentation of any necessary

corrective action taken by the AAAs. According to MDOA management, all documentation other than the actual reports was destroyed after the reviews were completed. Consequently, we could not assess the comprehensiveness of the actual reviews conducted, although we did note that all required reports were issued to the applicable AAAs during those years.

Annual monitoring reviews are required by MDOA's *AAA Monitoring and Assessment Policy* which states that the reviews are to ensure that AAAs that receive SALGHS and Senior Care grant funding are operating effectively and according to applicable program performance standards as stipulated in State regulations and other requirements. Similar conditions regarding the lack of reviews performed and the lack of supporting documentation were commented upon in our preceding audit report.

Recommendation 2

We recommend that MDOA

- a. complete all reviews, including those for fiscal year 2019, as required (repeat);**
- b. ensure that all monitoring reviews determine if the AAAs have administered the programs appropriately, including verification of client eligibility; and**
- c. maintain adequate documentation of the reviews, including any corrective action taken by the AAAs (repeat).**

Federal Funds

Finding 3

MDOA did not always submit requests for reimbursement of federal fund expenditures in a timely manner, resulting in lost interest income totaling at least \$53,000.

Analysis

MDOA did not always submit requests for reimbursement of federal fund expenditures related to grant funding from the Older Americans Act in a timely manner. Consequently, the State lost interest income that would have been earned had the funds been requested and received more timely. These funds are primarily allocated to AAAs to cover the cost of various senior programs. According to the State's records, during fiscal years 2017 through 2020, federal fund expenditures totaled \$127.3 million, of which \$82.2 million related to the Older Americans Act.

Our test of federal fund expenditures for the program totaling \$68.0 million for five grant awards for the period December 2016 through June 2020 disclosed that requests for reimbursement were routinely submitted late. For example, expenditures related to each of the five grants incurred during the period January 2019 through March 2019 totaling \$1.3 million were not submitted for reimbursement until June 2019. Federal guidelines for these grant funds permit reimbursements to be requested when expenditures are incurred. We determined the recovery of the funds tested resulted in lost interest income totaling at least \$53,000 for related expenditures incurred from December 2016 through June 2020, based on reimbursements being obtained as soon as permitted by the federal guidelines.

Recommendation 3

We recommend that MDOA submit federal fund reimbursement requests as soon as permitted to do so under federal guidelines.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Aging (MDOA) for the period beginning May 25, 2016 and ending July 7, 2020. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MDOA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included State grant programs, payroll, federal fund reimbursements, and procurements and disbursements for operating expenditures. We also determined the status of the findings included in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MDOA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MDOA.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of May 25, 2016 to July 7, 2020, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MDOA's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated,

neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MDOA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MDOA, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MDOA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and

regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MDOA that did not warrant inclusion in this report.

MDOA's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDOA regarding the results of our review of its response.

APPENDIX



Larry Hogan | Governor Boyd K. Rutherford | Lt. Governor Rona E. Kramer | Secretary

June 17, 2021

Mr. Gregory A. Hook, CPA
Legislator Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Hook,

Attached please find the Maryland Department of Aging's response to the draft audit report on the Department, for the period of May 16, 2016 through July 7, 2020.

I would like to thank the members of the Office of Legislative Audits for their assistance and professionalism under the difficult circumstances of the Department's enhanced workload due to the pandemic and remote work requirements. Please do not hesitate to contact me if you have any questions.

Very truly yours,

Rona E. Kramer
Secretary

Enclosure

Maryland Department of Aging

Agency Response Form

Monitoring of the Local Area Agencies on Aging

Finding 1

MDOA's policy for conducting annual financial reviews of AAAs was not comprehensive, and MDOA did not perform numerous required reviews or adequately document reviews that were performed.

We recommend that MDOA

- a. develop a comprehensive policy that clearly defines the objectives and scope of its AAA annual financial reviews and that requires supervisory review and approval of work performed (repeat),**
- b. require that sufficient grant expenditures and source documents are reviewed to provide assurance that grant funds were spent in accordance with grant requirements and for eligible purposes (repeat),**
- c. adequately document and properly review and approve work performed and conclusions reached in accordance with the comprehensive policy developed (repeat), and**
- d. perform all required financial reviews in a timely manner.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The Department experienced personnel challenges which caused a delay in completing the reviews. The Department has one auditor position. The two individuals that filled the position over the past five years were terminated. Lengthy disciplinary actions and appeals ensued for each employee. The Department prevailed in both appeals. During the appeal process, the Department did not have a formal auditor. In an effort to continue the financial reviews, the responsibilities were carried out by a contractual employee with auditing experience, but it was not enough to satisfy auditing requirements. This resulted in financial reviews not being performed in a timely manner.</p> <p>The Department recently hired an auditor and three additional accountants with auditing experience. This additional staff will assist in the financial monitoring process.</p> <p>The Department has also drafted a revised financial monitoring policy. The revised policy will require financial monitoring to be performed every two years or annually based on a risk assessment.</p>

Maryland Department of Aging

Agency Response Form

	The recent hiring of fiscal staff and the revised financial monitoring policy will allow the Department to move forward with a timely, effective, and efficient review process in the future.		
Recommendation 1a	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	The Department has drafted a comprehensive policy, however, the policy was not formalized prior to the Office of Legislative Audit review. MDoA will continue to monitor its policy to ensure that it meets the objectives, supervisory approval levels, and State requirements.		
Recommendation 1b	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	Adequate documentation and proper reviews have been implemented and will continue to be a part of the financial monitoring process. The Department will substantiate sufficient AAA grant expenditures and source documents that will provide assurance of eligible expenditures.		
Recommendation 1c	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	The Department has implemented supervisory review and approval of all financial reviews to ensure procedures are followed, to include proper documentation, and conclusions.		
Recommendation 1d	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	Implementing the new financial review policy and the recent hiring of fiscal staff will ensure that the financial reviews are performed timely, accurately, and in accordance with State requirements.		

Maryland Department of Aging

Agency Response Form

Finding 2
Annual MDOA reviews of SALGHS and Senior Care grant program activity were not performed or were not adequately documented.

We recommend that MDOA

- a. complete all reviews, including those for fiscal year 2019, as required (repeat);
- b. ensure that all monitoring reviews determine if the AAAs have administered the programs appropriately, including verification of client eligibility; and
- c. maintain adequate documentation of the reviews, including any corrective action taken by the AAAs (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	Due to the pandemic, the FY 2019 monitoring reviews were delayed. All monitoring reviews for FY 2019 were rescheduled, completed, and findings were sent to the AAAs by February 18, 2021. All FY 2019 corrective actions were resolved as of March 30, 2021.		
Recommendation 2b	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	The Department's program monitor did and does, in fact, review and confirm all required information for clients in each jurisdiction. Prior to FY 2019, once reviewed, the Department did not retain these client documents at the state level, following the review period, due to the belief that the privileged information contained therein could not be retained in the state Department's files. All complete client files are retained at the county level. The Department will, heretofore, retain documentation for clients in each jurisdiction in a de-identified manner, in order to satisfy both the retention requirements and HIPAA restrictions.		
Recommendation 2c	Agree	Estimated Completion Date:	June 30, 2021
Please provide details of corrective action or explain disagreement.	As noted above, the Department will maintain review documentation in a de-identified manner, as well as information on AAA corrective actions.		

Maryland Department of Aging

Agency Response Form

Federal Funds

Finding 3
MDOA did not always submit requests for reimbursement of federal fund expenditures in a timely manner, resulting in lost interest income totaling at least \$53,000.

We recommend that MDOA submit federal fund reimbursement requests as soon as permitted to do so under federal guidelines.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>Currently, the Department submits more than quarterly federal fund reimbursement requests.</p> <p>Previously, due to limited fiscal staffing, the Department was unable to submit federal expenditure reimbursements, as required. Though it was not our preference to function with short staff, the result to the State was a financial net benefit resulting from reverting the salaries of the unfilled positions, which exceeded any net loss.</p>		
Recommendation 3	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; padding: 2px;">Agree</td> <td style="padding: 2px;">Estimated Completion Date: June 30, 2021</td> </tr> </table>	Agree	Estimated Completion Date: June 30, 2021
Agree	Estimated Completion Date: June 30, 2021		
Please provide details of corrective action or explain disagreement.	<p>The federal guidelines do not have a specific policy on exactly when federal fund reimbursement requests should be made. The Department submits federal fund reimbursements more than quarterly; however, the Department will increase the frequency of drawdowns suggested by the auditors.</p>		

AUDIT TEAM

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