North Carolina Department of Health and Human Services

Division of Aging

Plan for Monitoring Subrecipients

May 2003

NORTH CAROLINA DIVISION OF AGING
PLAN FOR MONITORING SUBRECIPIENTS

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I. Background

Federal Requirements:
The Older Americans Act, as amended, Section 307(4) (Appendix A)
OMB Circular A-133
Single Audit Act of 1997

State Requirements:
GS 143B-6.1
DOA Home and Community Block Grant Manual (see http://www.dhhs.state.nc.us/aging/manual/hccbg/bgmanual.htm)
Section 308 of the AAA Policies and Procedures Manual (Appendix B)
DOA Administrative Letter 98-7 (Appendix C)
DOA Administrative Letter 98-11 (Appendix D)
DOA Administrative Letter 98-13 (Appendix E)

The North Carolina Division of Aging (DOA) is designated as the state unit on aging to administer services for older adults through federal appropriations from the Administration on Aging under the Older Americans Act of 1965 and through state appropriations. The Division grants and contracts approximately 94% of these funds to regional Area Agencies on Aging (AAAs) who, in turn, subcontract with local provider agencies to deliver services for older adults throughout the state.

All Area Agencies on Aging in North Carolina are housed in Lead Regional Organizations or Regional Councils of Governments (COGs) and are considered local government entities. Because of the unique administrative structure of aging services, Area Agencies serve a crucial role in both fiscal and programmatic monitoring. As the pass-through agency, each AAA maintains a close working relationship with its subrecipient and serves as the point of contact for technical assistance and regulator for compliance with state and federal mandates. It is the role of the Division of Aging to conduct compliance monitoring with the Area Agencies on Aging for not only those services that they provide directly but also to determine compliance with the monitoring conducted by the AAAs of their over 400 local subrecipients.

Early in 1998, the Division acknowledged the 1997 changes and revisions to OMB Circular A-133 and to the Single Audit Act. These changes require pass-through entities to monitor the activities of their subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. With these new requirements in mind, the Division implemented a renewed emphasis on the monitoring of subrecipients by not only DOA but also the monitoring conducted by the AAAs. In 1999, the “risk based” approach and concepts for auditing financial assistance programs employed as part of OMB Circular A-133 were adopted by the Division in its approach to subrecipient monitoring.

II. Division of Aging Monitoring Team

The Fiscal Program Specialist position in the Planning, Budget and Systems Support Section at DOA is designated as the Lead Monitoring Coordinator for the Division of Aging. Responsibilities of this position include audit finding resolution, financial management training and monitoring, compliance supplement development and provision of technical assistance and consultation to the regional Area Agencies on Aging and their subrecipients in the area of monitoring and coordination of direct service waivers and compliance requirements. The Lead Monitor will act as a "clearinghouse" for monitoring reports, updates, and management of the DHHS Monitoring Web Site.

The DOA monitoring team includes staff assigned as resource personnel to provide technical assistance and training in specific service delivery or programmatic areas (see Appendix F). Throughout the year, each staff member serves as a resource person to AAAs and to local providers for their area of responsibility. Through this interaction, these staff become extremely familiar with the strengths and weaknesses of each subrecipient as well as having knowledge and experience in the specific service area. Prior to 1998, monitoring was conducted by specific field staff assigned to conduct all monitoring for certain agencies in a specific geographic area of the state. That arrangement did not adequately provide quality, in-depth monitoring which included a strong element of technical assistance. The use of personnel trained in specific service areas has proven to be a best practice for monitoring aging services since 1998.

III. Subrecipients and Risk Based Monitoring

Subrecipients: Area Agencies on Aging (AAAs)

The Division of Aging has two levels of monitoring responsibilities with subrecipients who provide services to older adults. The first level of subrecipients are 17 designated Area Agencies on Aging (AAAs). AAAs in North Carolina are sub-units of the seventeen Lead Regional Councils (LRO) or Regional Councils of Government, (see Appendix G) and are categorized as local government entities receiving federal, state and local support. Area Agencies were established by the Older Americans Act to provide essential services such as program planning, monitoring and funds administration, and greatly contribute to the support of local aging programs. AAAs are the primary subrecipients of the Division of Aging receiving over $62.5 million in funding annually. Some of the 17 AAAs provide services directly to older adults, however the majority of their funding is contracted for specified services with 440 different local public, non-profit, and for-profit organizations. The AAA pass-through monitoring responsibilities with these subrecipients are described below.

The Division of Aging has two primary focuses with its monitoring of AAAs.

1. AAA Administration and Direct Service: Each AAA receives planning and administrative funds for operation as a designated regional area agency on aging with specific mandated responsibility under the Older Americans Act. The monitoring by the Division of Aging includes a review and determination of compliance with applicable laws, policies and

procedures. In addition, specific programmatic goals and initiatives may be reviewed to provide technical assistance or attain information on best practices. Some Area Agencies on Aging directly provide a community-based service for the older adult population. Those AAAs in direct service receive an annual review through the self-assessment process and depending on the level of risk assigned receive an on-site programmatic monitoring visit as it relates to that service at least once every three years.

2. AAA Subrecipients: Community Based Services: Approximately $54 million is subcontracted from AAAs to 440 local subrecipients annually. Monitoring of these subrecipients is a significant responsibility of each AAA and therefore the Division of Aging reviews this monitoring for compliance. Each AAA is required to submit a four-year Area Plan to the Division of Aging that includes an exhibit detailing their planned monitoring over a four-year period. This exhibit is updated annually to reflect the monitoring planned for their subrecipients. Each on-site visit includes verification that monitoring is conducted in accordance with Section 308 of the AAA Policies and Procedures Manual. (see Appendix B or http://www.dhhs.state.nc.us/aging/monitor/mpolicy.htm) and is scheduled in accordance with the approved area plan.

AAA Self-Assessment for Administrative and Direct Services

Programmatic monitoring each year begins with each agency completing the AAA Self-Assessment Guide, which was introduced as part of Administrative Letter 98-11 in 1998 (Appendix D). The intent of the guide is to set a limited scope for the overall monitoring effort, as well as provide a uniform base for determining subrecipient (AAA) risk. The concept of the self-assessment guide is a cornerstone of this monitoring plan; however, the actual indicators found in the guide change from year to year. Changing the indicators allows a review of different program goals, operating procedures of subrecipients. It also helps to address revised policies and procedures. Annually, key Division of Aging program staff revise the self-assessment guide for their assigned areas of responsibility. The current self-assessment guide can be found on the DOA web site at http://www.dhhs.state.nc.us/aging/monitor/mtools.htm. Through this process, each self-assessment is reviewed by Division of Aging staff to determine the level of risk for each of the four sections in the self-assessment guide. The four sections in the Self-Assessment Guide are:

- **Elder Rights**: Includes the Long Term Care Ombudsman, Elder Abuse and Senior Employment Program.
- **Planning**: Includes planning/administration and Family Caregiver Support.
- **Services Operation**: Includes all community-based services (direct and subcontracted) for older adults.
- **Financial Management:** Includes subrecipient fiscal monitoring, audit reviews and financial management of aging programs.

Description of Risk Method

Once each section completes the review and assigns a level of risk for each section, a joint meeting of monitoring staff from the four sections is held to determine an overall “Risk” for each AAA. Based on the level of risk, appropriate staff are assigned for on-site monitoring visits.

One to six divisional staff may make an on-site visit. In some cases higher risk subrecipients receive visits lasting two or more days with multiple Division staff participating. Regardless of the level of risk, each AAA is visited by at least one DOA staff member annually. The following guidelines are used to determine the most appropriate monitoring approach:

Chart A

Level of Risk	Indicators	Monitoring Procedure
Low Risk Subrecipients	Examples of conditions that would categorize a low risk agency would be no unresolved audit finds or corrective action plans, no turnover in staff, and no unfavorable variances or unresolved questions from the AAA Self-Assessment document.	Lowest risk subrecipients receive a desk review and receive a short half-day visit for verifying and review of selected documentation.
Moderate Risk Subrecipients	Examples of conditions that would categorize a moderate risk agency would be corrective action plans or audit finds that need additional follow-up or verification, key staff are in need of training in specific areas and/or unfavorable variances on routine reports or unresolved questions from the AAA Self-Assessment document.	Following a desk review of the self-assessment document and performance reports**, moderate risk subrecipients receive an on-site visit to verify or follow-up specific points not resolved from the desk review of the self-assessment or prior areas of non-compliance.
High Risk Subrecipients	High Risk indicators include unresolved audit findings, unresolved corrective action plans, new/untrained staff in key positions, complaints from clients, specifically identified management weaknesses and/or unfavorable variances on routine reports or substantial unresolved questions from the AAA Self-Assessment document.	Following a desk review of the self-assessment and performance reports**, those agencies determined to be high risk receive an in-depth programmatic and/or financial monitoring visit. Depending on the findings at the visit, a follow-up monitoring visit may be required.

** Performance Reports include: past assessment reports, reimbursement requests, the annual audit, and other correspondence and reports submitted to the Division of Aging

Once the review of the Self-Assessment is completed and the risk determination is made, on-site visits are assigned to specific staff and scheduled to begin in February and end in May.

Programmatic Monitoring Procedures

There are three primary purposes for conducting on-site monitoring of Area Agencies on Aging.

1. To complete verification of compliance with the mandated administrative and service delivery responsibilities set forth under the Older Americans Act as well as any state policies and applicable service standards. Often this review includes further investigation of items discussed in the AAA Self-Assessment Guide and/or audit findings.
2. To conduct on-site reviews and verification of monitoring conducted by the AAA with their local subrecipients who provide services to older adults as well as determine if the AAA has fulfilled the monitoring requirements for each subrecipient. Each AAA is required to submit Area Plan Exhibit 17 (Appendix K) which details their plans for monitoring subrecipients. Annually, as part of the AAA Self Assessment Guide, each subrecipient of the AAA is assigned a level of risk. Based on this risk determination, the Area Agency carries out its monitoring plan accordingly. The greater the risk, the more frequent monitoring occurs. The AAA Policies and Procedures Manual, Section 308, (revised 7/1/96) states that at a minimum "*reviews will be conducted on all community service providers as needed but at least once every three years*." The policy also defines specific funding sources, such as senior center and health promotion funding, which receive an annual assessment. Furthermore, the policy states: "*unit verification will be performed as needed but at least every other year for all aging services provided by each community service provider*." Areas of non-compliance cited in prior monitoring by the AAA are reviewed to determine that the corrective action plan has been implemented appropriately by the subrecipient.
3. To determine if any areas of non-compliance cited for the AAA, by DOA in prior monitoring visits, has been corrected appropriately and in accordance with the approved corrective action plan submitted to the Division.

Fiscal Monitoring

Due to the amount of funding received, each of the 17 AAAs, as part of Lead Regional Organizations (or Councils of Governments), is required to receive an A-133 Single Audit annually. The Division as well as the DHHS Controllers Office reviews these audits annually and conducts follow-up on any findings cited.

Subrecipients: Other

Approximately 6% of the funding received by the Division of Aging is subcontracted to subrecipients other than Area Agencies on Aging. These groups of subrecipients are service provider agencies that provide direct services to older adults (see Appendix I). The Division has a direct contractual relationship with these public and non-profit agencies, and services provided by these subrecipients differ from those provided by Area Agencies on Aging. The majority of these services are targeted to a specific population of older adults (e.g., older adults with Alzheimer's Disease) or for specific activities such as Senior Games.

Monitoring Procedures

Those funds utilized by subrecipients listed in Appendix I vary significantly. Therefore, a unique approach to monitoring is taken including desk review of performance logs, reimbursement requests and performance reports as well as conducting on-site visits. Each approach is described below:

1. Alzheimer's Disease Demonstration Grant: These funds are provided as administrative support funding for one public and 2 non-profit entities. Monitoring includes desk reviews of reimbursement requests and quarterly progress reports. Site visits are made annually to verify program activities meet the criteria set forth in the contract between the Division of Aging and the subrecipients.
2. Alzheimer's Disease-Duke Contract: These state appropriations are provided as administrative support funding for one private entity, the Duke University Aging Center Family Support Program. Monitoring includes desk reviews of reimbursement requests and quarterly progress reports. Site visits are made annually to verify program activities meet the criteria set forth in the contract between the Division of Aging and the subrecipient. Due to the size of these grants, a short-form compliance supplement is required.
3. Alzheimer's Chapter Support: Monitoring includes desk reviews of reimbursement requests and quarterly progress reports. Site visits are made annually to verify program activities meet the criteria set forth in the contract between the Division of Aging and the subrecipients.
4. Social Service Block Grant In-Home Fund: Falls under the Memorandum of Understanding between DSS and DOA.
5. Senior Community Service Employment (Title V): Currently the Division of Aging has one public entity receiving funding for this program who is not an Area Agency on Aging. A quarterly progress report is reviewed along with monthly reimbursement requests. An annual site visit is made to determine compliance with federal regulations.
6. Senior Games: This is an operational grant to a single non-profit entity. Reimbursement requests are reviewed as part of a desk audit. Due to the size of the grant, a short-form compliance supplement is required.
7. State Adult Day Care Fund (SSBG): All adult day care and adult day health care providers in the state must be certified initially for operation by the NC Division of Aging (NCGS 143-B-153). Thereafter, each program receiving SSBG funding for Adult Day Care services is monitored monthly by the local county department of social services. During this monthly review, at a minimum, one aspect of program, staff or service compliance is examined. At the time of annual certification, the county DSS forwards required documentation to the Division of Aging and recommends the program for continued certification after reexamination of the program operation. The Division of Aging is responsible for funds utilization and budget revisions of SSBG funding, however this funding is reimbursed from the Division of Social Services.

The level of risk for each of these subrecipients is assigned according to the risk criteria defined in Chart A.

IV. Monitoring Role of Area Agencies on Aging

The monitoring role of Area Agencies on Aging is in relationship to their local subrecipients who provide services to older adults in North Carolina. Many of these organizations will provide more than one type of service in their community. Approximately 70,000 older adults receive some type of direct benefit from these public, non-profit or for-profit organizations under funds administered by the DOA. Monitoring of these subrecipients is a significant responsibility of each AAA and therefore is monitored by the Division of Aging for compliance.

The core services provided under the Home and Community Care Block Grant are Nutrition, including Congregate and Home Delivered Meals; Transportation, both general and medical, In-Home Aide services (Levels I-IV and Respite Care), Senior Centers, Adult Day Care and Adult Day Health Care; Information and Assistance, and Housing and Home Improvement. Other funding sources provide the following services: Health Promotion/Disease Prevention, Legal Assistance and Outreach. Appendix J provides a summary of the funding sources that are typically passed-through the AAA to local subrecipients.

As mandated in the Older Americans Act (OAA), Section 307 (4), each Area Agency on Aging is responsible for ensuring services are provided within the guidelines established in the OAA and the NC Division of Aging Service Standards. Currently in NC, over 400 private, non-profit and governmental agencies provide services to adults age 60 and older provided through the Older Americans Act and state funding (see Chart B). Depending on the service and the level of risk assigned to each subrecipient, compliance monitoring, which encompasses quality assurance, is completed annually, semi-annually, or at least once every three years. The verification of the number of units of service provided compared to the number of units reimbursed is completed bi-annually.

Chart B

Types of AAA Subrecipients	Number
Total Non-Profit Subrecipients	199
Total Public Subrecipients	216
Total For-Profit Subrecipients	25
Total Subrecipients	**440**

Additionally, the Single Audit Act of 1997 and OMB Circular A-133 placed Area Agencies on Aging, as a pass-through agency of federal/state funds, in a fiscal monitoring role. In compliance with these mandates, AAAs must complete internal control reviews for all subrecipients and a fiscal monitoring review for all agencies not required to complete a single audit. The AAAs, however, have the option of waiving the requirement that public entities complete the Internal Control Questionnaire since internal control is reviewed in the Single Audit process. The changes in the Single Audit Act currently require agencies receiving $300,000 or more in federal funding to complete the single audit process. Throughout North Carolina, over 90 local agencies are not required to have a single audit and must receive fiscal

monitoring from one of the 17 AAA's. On-site visits must be completed, at least once, every three years as stated in Administrative Letter 98-7.

Area Agencies on Aging have a subrecipient relationship with 58 local departments of social service. In an effort to reduce the duplication of programmatic monitoring of services provided by county departments of social services with both Home and Community Care Block Grant funds administered by the Division of Aging and funds formerly administered by the Division of Social Services, the Division of Aging and Social Services established an Memorandum of Understanding defining roles and responsibilities of each Division. According to the Memorandum of Understanding (Appendix E), local departments of social services receiving funding through an Area Agency on Aging for In-Home Aide, Adult Day Care/Adult Day Health Care and/or Housing and Home Improvement are monitored by Regional DSS Adult Program Representatives rather than the AAA. However, funding received by local departments of social service for any other Home and Community Block Grant service is monitored by the Area Agency on Aging.

In accordance with the Memorandum of Understanding, once a monitoring visit has been conducted, the Adult Programs Representative will submit a copy of the completed monitoring tool(s) to the Area Agency on Aging within thirty days of the monitoring visit. AAAs are also required to track this monitoring in their Area Plan Exhibit 17 monitoring plan.

V. Monitoring Tools

The Division of Aging provides prescriptive monitoring instruments for all community-based services. These programmatic instruments can be found on the DOA web site at http://www.dhhs.state.nc.us/aging/monitor/mtools.htm and found in Appendix L of this document. These tools must be utilized by Area Agencies on Aging and the Division of Aging for monitoring local and regional subrecipients for direct service of community-based programs for older adults. The Fiscal Monitoring Document for Non-Profit Agencies and DHHS Internal Control Questionnaire (Appendix M) are utilized by the AAAs and can also be found in the appendix and on the web page.

All of the relevant 14 audit compliance supplement criteria are addressed through programmatic and fiscal monitoring. Other criteria are met through other verifiable documents including reimbursement reports, contracts, and assurances. Complementary tools (Appendix N) are used to document compliance with the relevant 14 compliance requirements and conflict of interest by funding source. These tools are to be completed, by funding source, once programmatic monitoring is completed. The results from these reviews are documented in the monitoring report to the subrecipient and these results will be entered into the DHHS Monitoring Web Site by the lead monitor.

VI. Monitoring Reports

Monitoring reports from the Division of Aging to AAA subrecipients and also from the Area Agency on Aging to their subrecipients must be submitted in writing within 30 days of the site

visit. Monitoring reports are written in a format that conforms to the data entry necessary to populate the DHHS Monitoring Web Page. Each report contains the following information:

1) Name and Address of Subrecipient monitored,
2) Program names and funding sources monitored,
3) Name and title of monitoring staff,
4) A statement of the review of the self-assessment,
5) A summary of the areas reviewed during the site visit and, <u>if applicable,</u> a list of the non-compliance programmatic findings,
6) acknowledgement of compliance or non-compliance as related with the <u>applicable</u> 14 Audit Supplement Criteria **by funding source (CFDA #)** which are:
   - Activities Allowed or Unallowed
   - Allowable Costs/Cost Principles
   - Cash Management: (*Not applicable to aging)*
   - Davis-Bacon Act: *(Not applicable to DHHS)*
   - Eligibility
   - Equipment and Real Property Management
   - Matching, Level of Effort, Earmarking
   - Period of Availability of Funds
   - Procurement and Suspension and Debarment
   - Program Income
   - Real Property Acquisition and Relocation Assistance: *(Not applicable to DHHS)*
   - Reporting
   - Subrecipient Monitoring
   - Special Test and Provisions
7) acknowledgement of compliance or non-compliance with the Conflict of Interest policy (non-profit entities only),
8) a description of relevant findings and areas of non-compliance with recommended corrective action,
9) any suggestions for improvement and/or technical assistance, and
10) the date a written corrective action is to be received by the Division or the AAA (normally within 30 days of the issuance of the assessment report). If no non-compliance is cited, the assessment is closed with no further response necessary by the subrecipient.

<u>Follow-up and Closeout of Monitoring</u>

All subrecipients are generally given 30 days to submit a corrective action plan in writing for approval by the monitor. Upon approval of a corrective action plan, a close out letter of approval is sent to the subrecipient. Periodically, a follow-up on-site visit is necessary to verify that severe non-compliance has been corrected. Severe non-compliance is generally defined as areas where the health, wellness or safety of older adult clients is at risk.

VII. Monitoring Documentation

All documentation related to a AAA is maintained in a notebook, by fiscal year, at the Division of Aging. Each notebook contains the following information:

- The current Area Plan including Exhibit 17 and signed assurances

- AAA Self-Assessments
- Budget/Grant Agreement
- Monitoring Reports & notes
- Corrective Action Plans
- Waivers for Direct Service
- Audits
- Other correspondence.

Area Agencies on Aging maintain copies of all contracts and monitoring documentation, source documents, internal control questionnaires and audits for each local subrecipient.

The documentation of performance for subrecipients other than AAAs is maintained by the Lead Monitor. All contracts and reimbursement requests are managed by the Budget Officer for the Division.

VIII. DHHS Monitoring Web Site

The designated Lead Monitor is responsible for all data entry aspects of the DHHS monitoring web site for the Division of Aging. This includes:

- regular reviews of and input into the DHHS monitoring web site,
- determining whether previous issued non-compliance concerns have been resolved, and
- that the information is current.

In addition, the Lead Monitor will coordinate efforts with the DHHS Monitoring Coordinator. The Lead Monitor will conduct training for Division of Aging staff and Area Agency on Aging staff.

<u>DOA Monitoring Web Site</u>

The Division of Aging maintains a monitoring web site as part of the Division's home web page. This page includes all policies and procedures, monitoring instruments, audit supplements and other current information regarding monitoring for use by the Area Agencies on Aging and DOA staff. The web site can be found at: http://www.dhhs.state.nc.us/aging/monitor/monitor.htm.