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REPORT BY THE

Comptroller General

OF THE UNITED STATES

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More Specific Guidance And Closer Monitoring Needed To Get More From Funds Spent On Social Services For The Elderly

Federal support for providing social services to elderly persons under title III-B of the Older Americans Act has increased significantly over the past 5 years. In fiscal year 1981, area agencies on aging administered about 95 percent of the $252 million Federal appropriation.

While the elderly receive substantial services from the program, GAO found they were not receiving the level of social services that could be expected had area agencies used better management procedures and practices. Improvements are needed to assure that title III-B funds are

- used to attract other resources,
- awarded to service providers under adequately defined agreements with performance-based payment provisions, and
- spent for needed services in a timely manner.

In addition, the Administration on Aging should require that State agencies establish better procedures for holding area agencies accountable for the results of title III-B expenditures. Improvements are needed in setting objectives, reporting, and monitoring and assessment.

116871

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-196673

The Honorable Jeremiah Denton
Chairman, Subcommittee on Aging,
Family and Human Services
Committee on Labor and Human Resources
United States Senate

Dear Mr. Chairman:

In a March 7, 1979, letter, the former Chairman of the Subcommittee on Aging, Senate Committee on Labor and Human Resources, asked that we examine how well the State and area agencies on aging are coordinating and managing the numerous Federal programs which could be used to serve the elderly.

This report, the first of two which will address this request, deals with the administration of social services subgrants and contracts under title III-B of the Older Americans Act. It discusses the lack of specific guidance from the Department of Health and Human Services' Administration on Aging to State agencies to help them develop their own instructions for area agencies on several matters. One of these involves developing methods for using title III-B funds to attract outside resources. It also addresses State agency problems with accountability and monitoring area agencies' management of subgrants and contracts.

The report contains recommendations to the Secretary of Health and Human Services. Both the Department and the State agencies that provided comments generally agreed with our recommendations. However, there are some specific points which they asked us to consider further. We have incorporated their views as well as ours into the report and also have noted where the Department and the State agencies have begun to take some corrective action.

As agreed with your staff, we are sending copies of this report to the Secretary of Health and Human Services; the Director, Office of Management and Budget; appropriate congressional committees; and other interested parties.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CHAIRMAN, SUBCOMMITTEE ON AGING, FAMILY AND HUMAN SERVICES, SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

MORE SPECIFIC GUIDANCE AND CLOSER MONITORING NEEDED TO GET MORE FROM FUNDS SPENT ON SOCIAL SERVICES FOR THE ELDERLY

D I G E S T

Although the elderly are receiving substantial benefits from the social services programs established under the Older Americans Act, more could be done to increase the level of services provided. GAO believes that better monitoring and management controls are needed at both the State and area agency levels to assure that subgrants and contracts to service providers are being managed efficiently.

In enacting the Older Americans Act and its amendments, the Congress established a series of State and sub-State units charged with planning, coordinating, and implementing a comprehensive system of social services for the elderly. These units are the backbone of the so-called "aging network," which consists of the Administration on Aging (AOA), located in the Department of Health and Human Services (HHS); 57 State agencies on aging serving the 50 States, the District of Columbia, and 6 territorial units; and approximately 665 local area agencies on aging.

Under the act's social services program (referred to as title III-B), these agencies provide to the elderly a broad array of social services, such as transportation, homemaker services, and information/referral services. The area agencies are responsible for obtaining these services, usually through subgrants and contracts with service providers. For fiscal year 1981, title III-B was funded at $252 million.

Federal funds for the program are distributed to each State on a formula grant basis upon AOA's approval of a plan prepared by each State. Similarly, an area agency receives funds on a formula basis upon the State agency's approval of the area plan. Program accountability follows a similar pattern with AOA overseeing

State agencies' operations and State agencies overseeing area agencies' operations.

GAO reviewed social services spending by the agency network in six States as part of its response to a request by the Chairman, Subcommittee on Aging, Senate Committee on Human Resources. This report, the first of two, evaluates the adequacy of State and area agency administration of title III-B funds. GAO's second report will examine the progress and problems experienced by State and area agencies in bringing together other programs to establish a comprehensive, coordinated service system for the elderly.

IMPROVEMENTS NEEDED AT THE AREA AGENCY LEVEL

In its review of 6 State agencies on aging and 11 area agencies, GAO found that only 1 of the 11 area agencies had emphasized the use of title III-B funds to attract needed outside resources in accordance with congressional expectations. Although AOA had provided general guidance about the catalyst intent, neither AOA nor any of the six State agencies had provided specific instructions to area agencies on how to use subgrants and contracts to attract such resources. (See pp. 9 and 10.)

GAO also identified other weaknesses in the area agencies' management practices, many of which could be attributed to a lack of specific instructions from AOA and especially the State agencies. For example:

--Without instructions to include performance-based payment methods in provider agreements, the area agencies followed a general practice of compensating service providers based on costs claimed--regardless of the level of services delivered. This often resulted in service providers being compensated for the total agreement amount even when they had not fulfilled their service objectives to the elderly. (See pp. 12 and 13.)

--In the absence of specific instructions, some area agencies did not spend significant portions of their title III-B funds during the year for which the funds had been allocated. As a result, services obtainable with these funds, and needed by the elderly, were not provided to the elderly on a timely basis. (See pp. 14 and 15.)

GAO believes that the lack of specific instructions in these areas also limits the effectiveness of AOA and State efforts to evaluate area agency operations and provide appropriate technical assistance.

Specific instructions will not, in themselves, assure that area agencies will improve their management of title III-B funds. In order for management improvements to be made at the area agency level, instructions must be accompanied by better monitoring and enforcement to make certain these are followed. In this regard, GAO found a lack of such monitoring and enforcement at area agencies in all six States reviewed. Area agencies in five States, for example, often did not comply with Federal requirements that services being purchased be adequately defined in procurement agreements. (See p. 17.)

GAO also found a lack of compliance with legislative provisions and/or Federal regulations on (1) the prohibition against denying services based on a person's income or charging the elderly for services and (2) the requirement to spend 50 percent of each area agency's allocation on national priority services. (See pp. 19 and 21.)

IMPROVEMENTS NEEDED IN AOA AND STATE AGENCY ACCOUNTABILITY

AOA and, more specifically, State agencies have responsibility for administration, evaluation, and oversight of title III-B program funds. Under Federal statute, State agencies are responsible for administering plans and programs funded under the Older Americans Act. The Federal role is to ensure that States comply with Federal statutes and the terms of their grants and to evaluate the effectiveness of all programs the act funds.

The six State agencies GAO reviewed had not developed or followed procedures that would allow them to effectively monitor and evaluate the results of area agency subgrant and contract activities. Common problems identified in performance accountability were:

--State agencies had not adequately developed or assured consistent application of service definitions and unit measurements that are necessary to effectively define, measure, and evaluate program performance. (See p. 31.)

--Area agency performance reports did not contain accurate information on the services provided elderly persons in relation to area agency expenditures. (See p. 34.)

--Area plans were not being used as intended--for setting goals and monitoring area agency performance. (See p. 35.)

Representatives at all levels in the aging network generally acknowledged that program performance reports had limited usefulness and reliability. Some representatives, including AOA officials, stated that AOA's information system, which requires data only on numbers of individuals served, contributes to the problem of not having useful data on the levels of services provided elderly persons. (See p. 31.)

GAO believes performance reports which allow State agencies to relate services provided elderly persons to title III-B expenditures would provide needed management data for measuring one area agency against another and developing trend data on each area agency's performance. This information would allow State agencies and AOA to identify not only area agencies that need technical assistance but also those that obtain the best results from their subgrants and contracts. State agencies and AOA could then determine the methods, techniques, and procedures that have produced the best results and provide this information to other network agencies.

RECOMMENDATIONS

GAO recommends that the Secretary of HHS direct the Commissioner, AOA, to develop more specific instructions for State agencies' use in assisting area agencies on

--using title III-B subgrants and contracts as catalysts to attract outside resources,

--providing performance-based payment provisions in subgrants and contracts with service providers, and

--expending title III-B funds for needed services in a timely manner. (See pp. 24 and 25.)

In the area of performance accountability, GAO recommends that the Secretary of HHS direct the Commissioner, AOA, to require that State agencies

--use area plans as intended for setting goals and monitoring results and

--enforce area agencies' use of statewide standards in setting service objectives, defining provider requirements in subgrants and contracts, and reporting the results of subgrant and contract expenditures. (See pp. 39 and 40.)

GAO further recommends that the Secretary of HHS direct the Commissioner, AOA, to revise AOA's performance reporting system to include data on the levels of services provided to elderly persons and that State agencies be required to include verification of such data in their required onsite area agency assessments. (See p. 40.)

AGENCY COMMENTS

HHS generally agreed with GAO's recommendations and, although it did not always commit itself or AOA to take corrective action, some efforts have been planned for fiscal year 1982 which should address several problems noted in GAO's report. One such effort involves placing more emphasis on performance-based payment agreements.

GAO believes that this responds to its recommendation and, if successfully implemented, title III-B funds will be used more efficiently.

However, GAO believes that HHS has not adequately addressed some of the other recommendations. (See app. VIII.) These recommendations and GAO's comments are discussed in detail at the end of chapters 2 and 3. (See pp. 25 and 40.)

GAO also provided copies of its draft report to the six State agencies included in its review. Each State was asked to review the report and comment on it. Two States--Florida and California--provided written comments. (See apps. IX and X.) Like HHS, both State agencies basically agreed with GAO's evaluation of management weaknesses. Both also specifically noted the need for national service definitions and standards to evaluate the title III social services program. The State comments have also been addressed at the conclusions of chapters 2 and 3.

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ABBREVIATIONS

AOA	Administration on Aging
GAO	General Accounting Office
HHS	Department of Health and Human Services

CHAPTER 1

INTRODUCTION

The Chairman, Subcommittee on Aging, Senate Committee on Human Resources, in a March 7, 1979, letter, requested that we examine how well State and area agencies on aging are bringing together the many Federal programs serving the elderly. The Chairman also requested recommendations for improving performance, should problems or limits to the aging network's effectiveness be found.

In subsequent discussions with the Chairman's office, we agreed to issue two reports. This report addresses the administration of contracts and subgrants, awarded by the area agencies under title III-B of the Older Americans Act, to provide social services for the elderly. A second report, to be issued later, will examine the progress and problems experienced by State and area agencies in bringing together other programs to establish a comprehensive, coordinated service system for the elderly.

HOW SOCIAL SERVICES ARE PROVIDED UNDER THE OLDER AMERICANS ACT

In response to concerns over the service needs of older persons, the Congress enacted the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.). The act, designed expressly to address the social services needs of the Nation's elderly population, set forth 10 broad objectives. It also called for the creation of the Administration on Aging (AOA) to serve as both the national focal point for the elderly and the administrator of programs authorized by the act. Since initial passage, the act has been amended on several occasions, most recently in 1978. Appropriations for the act have increased from $217.8 million in 1974, when the area agencies were established, to $673 million in 1981. Appendix I presents an analysis of funding for recent fiscal years.

Through the act and its amendments, the Congress established a series of State and sub-State units charged with planning, coordinating, and implementing a comprehensive system of social services for the elderly. These units are the backbone of the so-called "aging network," which consists of AOA, located in the Department of Health and Human Services (HHS); 57 State agencies on aging serving the 50 States, the District of Columbia, and 6 territorial units; and approximately 665 local area agencies on aging.

Under the act's social services program, referred to as title III-B, these agencies plan, coordinate, and fund a broad array of social services that further three goals of title III. These goals are (1) to secure and maintain maximum independence and dignity in a home environment for older persons capable of self-care, (2) to remove individual and social barriers to economic and personal independence for older persons, and (3) to provide a continuum of care for the vulnerable elderly. Typical social services authorized for funding by the program include transportation and escort services, in-home health and homemaker services, home repair and handyman services, legal and other counseling services, and information and referral services. Title III-B social services are available to older individuals, with preference to those with the greatest economic or social needs.

To support the title III-B program, the Federal Government provides funds on a formula grant basis to each State, upon AOA's approval of a plan prepared by each State. These plans must assure compliance with the objectives of the Older Americans Act and assurance that funds provided under the act will be properly handled. Similarly, area agencies receive funding on a formula basis upon the State agency's approval of the area's plan. With minor exceptions, a State's total title III-B allocation is based on the ratio of its elderly population age 60 or over to the Nation's elderly population age 60 or over.

Since area agencies are responsible for obtaining services for the elderly through subgrants and contracts with service providers, funds are allocated specifically for the title III-B services program and are passed from the State agency directly to the area agency. 1/ State agencies also receive a separate allocation for administering all programs and activities included in the State plan. This, of course, includes more than the title III-B program. State agencies, for example, also have administrative responsibilities for nutrition programs authorized under title III-C. Likewise, AOA administrative funds are used for all programs mandated by the Older Americans Act--including title III-B. As shown in the following table, funding in all three areas has increased over the past 5 years.

1/In 13 of the less populated States and territories, the State agency functions as the single area agency. Only about 5 percent of total title III-B allotments went to these States and territories in fiscal year 1980.

Fiscal year	Area planning and services allocation (III-B) (note a)	State administrative allocation	AOA administrative allocation
	(millions)		
1977	$122	$17.0	$6.5
1978	153	19.0	6.8
1979	197	22.5	7.8
1980	247	22.5	8.2
1981	252	22.7	9.6

a/Up to 8.5 percent of these funds may be used for area agency administration of the title III-B program.

In addition to the Federal formula grant funds available to further title III-B program objectives, other resources support program operations. State agencies, for example, must assure that at least a 25-percent match is met on Federal funds allocated for administering area agency plans. Since fiscal year 1981, State agencies also have had to assure a minimum 15-percent match of Federal funds allocated for providing social services to the elderly. Before fiscal year 1981, the social services match requirement was 10 percent.

Specific responsibilities of area agencies, which operate within State-designated geographical planning areas, include

--serving as advocates and focal points for the elderly;

--developing and administering area plans designed to further a comprehensive, coordinated system of services;

--determining the need for social services and multipurpose senior centers and funding service providers to meet these needs;

--assuring that at least 50 percent of their title III-B funds are used for access services, in-home services, and legal services; and

--monitoring service providers funded under title III-B.

Within each State and territorial unit, State agencies have general responsibility for program administration, evaluation, and oversight. State agency responsibilities include

--serving as an advocate for all older persons in the State;

--developing and administering a State plan on aging;

--negotiating interagency cooperative agreements with public and private agencies to enhance and coordinate services;

--providing leadership and technical assistance to area agencies in the development of community service systems; and

--monitoring the performance of area agencies.

At the Federal level, AOA has responsibility for administering the title III-B grant program and serving as an advocate for the elderly with other departments and agencies of the Federal Government. Some of AOA's general responsibilities under the Older Americans Act, which include the title III-B program, are

--providing technical assistance and consultation to States with respect to programs for the aging,

--developing basic policies and setting priorities for the development and operations of programs and activities conducted under the act, and

--carrying on a continuing evaluation of the programs and activities related to the act's purpose.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Through discussions with the office of the Senate Subcommittee on Aging, we agreed to respond to the Subcommittee Chairman's request by performing two separate reviews and issuing a report on each. The objective of this review, the first of the two, was to evaluate the adequacy of State and area agency administration of title III-B funds. This report presents our evaluation.

The objective of the second review is to evaluate the progress and problems experienced by State and area agencies in bringing together other programs to establish a comprehensive, coordinated service system for the elderly. Our report on the second review will be issued later.

Scope and methodology

When the Chairman made his request, we had a general survey of the aging network underway. During this survey we discussed the aging network's operations with AOA officials assigned to regional offices in Denver, Colorado, and San Francisco, California. We visited State agencies in California, Colorado, Maryland, and North Dakota to obtain information on State agency operations. We also visited an area agency in each of three States--California, Colorado, and Maryland.

Information obtained during this survey showed that all title III-B funds are allocated for area planning and services and virtually all of these funds are allocated to area agencies. These agencies, in turn, award most of their title III-B funds to service provider agencies. Thus, we decided that the focus of our work should be directed toward making a detailed onsite assessment of management procedures and practices used by area agencies to award and administer agreements with service provider agencies. We also decided that our work at State agencies and AOA offices should be directed toward assessing the adequacy of management oversight systems for holding area agencies accountable for title III-B expenditures.

Specifically, at the area agency and service provider levels we evaluated

--how area agencies decide which services and service provider agencies to fund,

--what efforts area agencies make to use title III-B funds to attract outside resources,

--how area agencies define performance requirements in service provider agreements and what methods they use to compensate provider agencies,

--how area agencies monitor and assess service provider performance, and

--whether performance and financial data submitted by service providers to area agencies are accurate.

To determine whether area agencies are held accountable for the results of their title III-B expenditures, we assessed whether AOA and State agencies require that area agencies

--define, measure, and communicate program results based on statewide standard definitions of service categories and common unit measurements;

--set measurable objectives for planned title III-B expenditures; and

--submit accurate performance reports.

Since a limited number of staff was available for this review, we decided that it was not feasible to select State and area agencies for review based on a statistical random sample.

Rather, we projected the number of State and area agency operations that could be reviewed within our staffing constraints. We then judgmentally selected for review State and area agencies considered representative of the program nationwide. In selecting representative State agencies, we consulted AOA officials and representatives of the National Association of State Units on Aging and the National Association of Area Agencies on Aging. In selecting representative area agencies on aging, we consulted State agency officials in each State visited.

This process resulted in our performing review work at AOA headquarters, 4 HHS regional offices, 6 State agencies on aging, and 11 area agencies on aging. The 11 area agencies visited awarded 151 subgrants and contracts valued at $5.2 million. From this base, we judgmentally selected service providers so that our review would include high and low dollar amounts spent and the various services authorized by the act. As a result, we performed evaluations of two to three service provider operations at each of the area agencies reviewed. Appendix II lists the Federal regional offices, State agencies, and area agencies included in our review. Appendix III lists the service provider operations reviewed and the categories of services that these agencies provided to the elderly.

During our fieldwork we identified Federal requirements, procedures, and instructions that area agencies are required to follow in administering title III-B funds awarded to service providers. After identifying any additional procedures and instructions issued by the State agency under review, we made onsite evaluations of the area agency and service provider operations to compare actual practices to established Federal requirements and State procedures and instructions. At each location we gathered and analyzed data and interviewed agency representatives. Appendix IV shows the types of data reviewed at each organizational level.

As discussed in succeeding chapters, we identified management weaknesses in subgrant and contract administration at each area agency reviewed. After completing fieldwork at each of these agencies, we submitted a written statement of facts and observations to the agency director which covered the weaknesses identified. We requested and received a written response from each agency director concerning the accuracy and completeness of our data. We then

--summarized the problems and asked State agency and AOA regional officials if they were aware of them,

--attempted to determine whether similar problems existed at other area agencies based on information available at State agencies, and

--determined what actions, if any, the State agency planned to take to correct the problems.

We also discussed the weaknesses identified in State management oversight systems with State agency and AOA officials. Their comments concerning the validity of our observations and their planned corrective actions are included in this report.

Issues not addressed in this review

The issue of adequate needs assessments is a difficult one to evaluate, not only for the aging programs but also for many other social services programs. Partially due to the number of variables involved in the process as well as the inability of social scientists to agree on valid and reliable models, those assessments being attempted are proving very costly and often unreliable. The lack of a national information system contributes to this problem significantly. This issue was handled in two previous reports on the well-being of the elderly and the need for such an information system. We determined that dealing with the issue of adequate needs assessments would also require a study of its own. Thus, this report does not address whether the area agencies reviewed were funding the services most needed by the elderly.

In addition, we did not address the quality of the services provided to elderly persons. Considering our staffing constraints, we did not believe this was a feasible undertaking because of the variety of services provided and the absence of quality standards for any of the services.

The issue of State agencies' failing to assure adequate financial control over title III-B expenditures has been well documented by HHS' Office of Inspector General. Instead of developing additional information on this issue, we have summarized in appendix V the financial management weaknesses reported by HHS auditors.

Nor did we examine the nutrition program (title III-C) in this review. Our 1978 report, "Actions Needed to Improve the Nutrition Program for the Elderly" (HRD-78-58, Feb. 23, 1978), contained recommendations for improving that program.

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As indicated earlier, this report deals with the administration of subgrants and contracts awarded to provide social services to the elderly. Although the actual subgrant/contract award takes place at the area agency level, State agencies and AOA have oversight responsibilities for subgrant/contract administration. Accordingly, chapter 2 of this report discusses area agency activities relative to contract and subgrant administration. Chapter 3 discusses State agency and AOA activities relative to their management oversight responsibilities of area agency expenditures.

CHAPTER 2

AREA AGENCIES SHOULD BETTER MANAGE

TITLE III-B RESOURCES FOR SERVING THE ELDERLY

Area agencies used a major portion of their $252 million fiscal year 1981 title III-B allocation to purchase social services for elderly persons through subgrants and contracts with service providers. Based on our observations at 11 area agencies, elderly persons received significant amounts of assistance from these arrangements, including transportation services, homemaker and home health aides, legal services, employment counseling and placement, information and referral services, home repairs, and handyman services.

AOA has provided some general guidance for implementing the congressional intent that title III-B funds be used as an incentive and catalyst to attract other resources. However, neither AOA nor any of the State agencies reviewed has provided specific instructions on how to use funds in this manner. AOA thought the catalytic approach could be achieved in a variety of ways, one being the use of subgrants and contracts to attract increasing commitments of resources. We found that only 1 of the 11 area agencies reviewed emphasized the use of its subgrants and contracts for this purpose, and this was done in the absence of assistance from AOA and its State agency.

We identified other weaknesses in the area agencies' management practices which could also be attributed to lack of specific instructions from AOA and the State agencies. For example:

--Without instructions on preferred payment methods to be included in provider agreements, the area agencies followed a general practice of compensating service providers based on costs claimed--regardless of the level of services delivered. This often resulted in service providers being compensated for the total agreement amount even when they had not fulfilled their service commitments to the elderly.

--In the absence of specific instructions, some area agencies did not spend significant portions of their title III-B funds during the year for which the funds had been allocated. As a result, services obtainable with these funds were not provided to the elderly on a timely basis.

We observed, however, that specific instructions will not, in themselves, assure that area agencies will improve their management of title III-B funds. Most area agencies reviewed often did not comply with Federal requirements that services being purchased be adequately defined in procurement agreements. We also found a frequent lack of compliance with legislative provisions and/or Federal regulations on (1) the prohibition against denying services based on a person's income or charging the elderly for services and (2) the requirement to spend 50 percent of each area agency's allocation on national priority services.

While this chapter identifies problems associated with inadequate monitoring of area agencies' activities by State agencies and AOA, this issue is discussed in more detail in chapter 3.

AOA AND STATE AGENCIES HAVE NOT PROVIDED SPECIFIC INSTRUCTIONS TO AREA AGENCIES ON HOW BEST TO USE TITLE III-B FUNDS TO ATTRACT OTHER RESOURCES

A primary mission of area agencies, according to congressional expectations, is to act as a catalyst for obtaining expanded and new services for the elderly. AOA and State agencies have not provided area agencies specific instructions on how to use title III-B funds to accomplish this intent. Consequently, area agencies have differing perceptions on their responsibilities for using title III-B funds to increase commitments from public and private service providers. Only 1 of the 11 area agencies we reviewed had emphasized the use of its subgrants and contracts to accomplish the catalytic intent.

Even though area agencies are responsible for obtaining services for the elderly, they were not expected to become primary service providers. Rather, the primary role envisioned for area agencies was that of coordinators/catalysts. This expectation is reflected by the following excerpt from Senate subcommittee deliberations 1/ on the bill that became the 1973 amendments to the Older Americans Act.

> "It is not intended, however, that the area agencies on aging shall be primary providers of services. In many communities existing organizations may already be engaged in providing services and the entry of the area agencies into the position of providing services is likely to result in duplication and overlap. Their primary concern must be to coordinate existing services and to stimulate the expansion of such services and the introduction of new services by other providers."

According to AOA, the rationale behind the congressional intent for a catalytic approach is straightforward. The dollar resources of AOA are limited as compared, for example, to the budgets for the various Older Americans Act mandated adult social

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1/S. Rept. 93-19, 93rd Cong., 1st sess., p. 9 (1973).

services programs that are to be coordinated with the title III-B program. (See app. VI.) There simply is not enough title III-B money to purchase all the services necessary to meet the overall needs of older persons.

AOA believes there are various ways that an area agency can expand services through outside resources. For example, an area agency can attempt to obtain outside resource commitments to meet the service needs of elderly persons without using any of their title III-B funds. This could be done through advocacy efforts or coordination with existing service providers. A focus in this chapter, however, is how the area agency used its subgrants and contracts to attract additional funding for elderly services.

While AOA views the catalytic use of title III-B funds as an important part of the development of services for the elderly and has provided some general guidance for its implementation, it has not issued any instructions detailing how area agencies should emphasize this approach in awarding subgrants and contracts. According to an AOA official who had a major role in developing program handbooks for State and area agencies, AOA has been uncertain about how the catalyst approach should be implemented at the area agency level. State agency officials in the six States reviewed advised us that they too have not provided detailed instructions to area agencies on how to use subgrants and contracts to attract outside resources.

In the absence of specific instructions from AOA and State agencies, the 11 area agencies reviewed had differing perceptions on their responsibilities to use subgrants and contracts for attracting additional resources. One Florida agency had initiated an aggressive approach designed to increase resources committed to programs for the elderly. Working directly with service providers in receipt of title III-B funds, area agency staff assisted providers in identifying, applying for, and--once received--administering funds devoted to programs for the elderly. According to the Executive Director, the agency also acted as a conduit for some providers by applying for and, when received, redistributing funds to providers.

The Florida area agency required that service providers seeking title III-B funds include in their applications a detailed list of all additional resources they intended to use in their proposed program for the elderly. The agency designed and implemented a quarterly reporting procedure requiring providers to indicate the extent that other resources were used to provide services for the elderly.

During fiscal year 1979, this Florida area agency and its title III-B funded service providers reported that they had marshaled about $1.28 million in nontitle III resources to provide additional services to the elderly, or about 1-1/2 times the amount of title III-B funds allocated to the agency for social services, as shown below.

Title III-B funds allocated for social services		$ 768,451
Additional resources marshaled:		
Federal funds:		
Comprehensive Employment and Training Act	$ 676,461	
Title XX of Social Security Act	192,965	
Title V of Older Americans Act	161,011	
Other Federal	6,819	1,037,256
State funds:		
State government		38,894
Local funds and in-kind contributions:		
Local private cash	68,219	
Local public cash	23,414	
Volunteers (value of their time)	107,555	199,188
Total additional resources		1,275,388
Total resources obtained by the area agency to provide social services to the elderly		$2,043,789

In contrast to the Florida agency, a general lack of emphasis on the use of subgrants and contracts to attract additional resources was observed at the 10 other area agencies reviewed. These agencies routinely funded their existing service providers year after year without assessing whether the subgrant or contract could be used to marshal additional resources. Some agencies did not even attempt to maintain data on service provider initiatives to expand services with outside resources. Two agencies were concerned only that service providers meet a required 10-percent non-Federal match.

The reasons for the lack of emphasis varied, depending on area agency conditions and staff perceptions about the catalytic intent. For example, officials we spoke with at two area agencies in Oregon acknowledged that neither area agency had developed formal procedures to guide efforts devoted to attracting outside resource commitments for the elderly. While providers operating under contract with one of the agencies reported that they had secured significant levels of additional resources, an agency official acknowledged that this achievement was not the result of area agency policy or initiative. Officials at both area agencies recognized the need to take a more active role in attracting outside resources; however, the officials stated that limited agency staffing has contributed to their lack of emphasis on this activity.

Officials of an area agency in Arizona acknowledged a similar lack of established procedures. Further, agency officials stated that the agency has historically depended on service providers to initiate the action necessary to expand services and obtain additional resources benefiting the elderly. According to the officials, this position is based on an agency decision that it is not the agency's responsibility to be the driving force behind efforts designed to increase resources committed to programs for the elderly.

Officials of a large area agency in Southern California said that the agency has never used title III-B funds as a catalytic agent designed to attract additional resources. Rather, according to the officials, title III-B funds have been used to purchase services which are needed but are not being provided by the existing system serving the elderly.

INADEQUATE INSTRUCTIONS FOR COMPENSATING PROVIDER AGENCIES ON THE BASIS OF THEIR PERFORMANCE

During fiscal year 1979, the 11 area agencies that we reviewed had entered into 151 agreements totaling $5.2 million with service providers to furnish needed services to the elderly. Without instructions to include performance-based payment provisions in provider agreements, the area agencies followed a general practice of compensating service providers based on costs claimed--regardless of the level of services delivered. This practice did not assure efficient use of title III-B funds by service providers and often resulted in their being compensated for the total agreement amount even when they had not fulfilled their service objectives.

The effect of cost-reimbursable arrangements on levels of services and unit costs can be illustrated by an agreement awarded by an Arizona area agency for adult day care services for the elderly. Performance objectives proposed by the provider agency and contained in the initial grant award of $69,534 stipulated that the provider would supply 37,350 units 1/ of adult day care services. However, subsequent revisions submitted by the provider agency significantly reduced the original level of services to be

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1/A unit of adult day care was defined as 1 hour of service.

provided. While provider officials acknowledged that the original level of services could not be attained, they nevertheless justified maintaining the initial funding level of the agreement on the basis of increased operating costs, including personnel, utility, and office expenses. As a result, the original level of services was reduced by 66 percent while the cost per unit of services increased approximately 290 percent, based on data shown below.

	Amount of grant award	Units of services	Title III-B cost per unit of services
Initial award	$69,534	37,350	$1.86
1st revision	69,534	23,087	3.01
2nd revision	69,534	16,251	4.28
Yearend results	69,534	12,703	5.47

While it was not determined if the cause of the reduced service levels was justified, the provider agency was paid the full amount of the grant even though it achieved only 34 percent of its originally proposed service levels.

Another example illustrating the difficulty of assuring efficient use of title III-B funds under cost-reimbursable agreements involved a contract awarded by a California area agency. In this case, the area agency advanced a transportation service provider $37,203 for startup costs and for purchasing two multipurpose vans. Area agency staff later learned that, although the provider agency had purchased the vans, the agency was not using the other funds in accordance with the budget approved by the area agency. Specific problems identified included:

--The agency director paid himself $2,400 for 2 months while his part-time salary under the budget should have been $240.

--The secretary and accountant were also being paid at rates greater than approved under the budget.

--An excessive rental payment was prepaid for the project office.

The area agency terminated the agreement after 4 months, and the two vans valued at $20,261 were recovered. Although the provider agency did not transport any elderly persons, it was allowed to keep the balance of $16,942 based on undocumented costs that the area agency decided to allow under their cost-reimbursable agreement. While this example involved a number of problems in fiscal management, a basic point is that the area agency would have been in a better position to recover the $16,942 under a performance-based agreement.

Additional examples of service providers failing to fulfill their service objectives to the elderly were identified in all six States reviewed. The cost-reimbursable agreements and payment procedures used almost exclusively by the area agencies reviewed simply did not provide for financial penalties if service providers failed to fulfill their service objectives.

In contrast, a few agreements awarded by the area agencies did provide for performance-based reimbursements. For example, an Oregon area agency awarded to a local public health department a contract stipulating that the department would provide elderly persons with about 2,000 hours of homemaker service. In this instance, provider performance requirements were established on the basis of a discrete, measurable unit of service--1 hour--and contractor payments were based on an established hourly rate for each hour of service provided by the contractor.

We recognize that in many situations, such logical unit cost reimbursements are not possible. Potential demand for newly introduced service, for example, is often difficult to predict, and service providers would want some assurance of a minimum level of compensation. In addition, service providers often have little control over the level of service requested by the elderly for such services as information and referral, health screening, counseling, etc., so that a payment provision that is totally conditioned on performance may be unrealistic. In these cases, a possible alternative would be to establish service goals in the agreement with incentive-type payment provisions that would encourage the provider agency to meet or exceed performance goals.

We believe that problems associated with service provider agreements and payment procedures could be addressed to some extent by using materials developed for other social services programs. One example is a guide that was prepared for the title XX (Social Security Act) program (recently consolidated into a social services block grant program), which contains a discussion of methods for determining units of services in contracts, rate setting, and contract pricing.

FAILURE TO SPEND TITLE III-B FUNDS IN A TIMELY MANNER

Although title III-B funds are insufficient to purchase all the services needed by the elderly, some area agencies were not spending a large part of the available funds during the year for which they were allotted. As a result, services obtainable with these funds were not provided to the elderly on a timely basis.

Federal regulations require each State agency to allocate title III-B funds to various area agencies within the State on a formula basis. In developing the formula, State agencies must consider four factors designed to distribute funds to further the act's objectives. The formula process results in area agencies receiving a set amount of a State's total title III-B allocation each year.

Large unexpended balances at yearend illustrated that many area agencies had not adequately planned to spend their allocations. Not spending available moneys in a timely manner is not necessarily indicative of a management problem. However, when there are significant unmet needs that the moneys would be used to meet, a problem does, in our view, exist. In this regard, this review does not address the issue of required area agency needs assessments (see p. 7); however, our discussion with the elderly and local program officials support the fact that the elderly do have unmet needs. In addition, one of the reports resulting from our work in Cleveland, Ohio, 1/ documents extensively the existence of such needs. The problem we noted during the current review was not the absence of the elderly's needs, but the failure to satisfy those needs in a timely manner.

This problem was most evident in Missouri and California where statewide data were maintained on unexpended program funds. In Missouri, for example, $1.3 million (about 30 percent) of its fiscal year 1979 allocation of $4.2 million was unused at yearend and carried forward to fiscal year 1980. An estimated $0.5 million of the $1.3 million carryover represented allocations to area agencies for which no service provider projects had been approved. Missouri's annual carryover percentage from fiscal years 1976 through 1979 ranged from 23 to 68 percent.

California has a long, well-documented history of problems concerning unexpended title III-B funds. At the end of the State's fiscal year 1979 (June 30, 1979), the State Auditor General reported that the cumulative unexpended balance for title III-B was $13 million. We found that a major cause for this large unexpended balance was that area agencies had used far less in title III-B funds than the State had allocated to them.

State agency officials in both Missouri and California pointed out that several factors including the late receipt of Federal funds contribute to the problem of unexpended funds at yearend. The officials acknowledged, however, that many area agencies have failed to spend the funds available to them in a timely manner.

Although AOA has expressed concern about the failure of many State and area agencies to promptly spend their allotted funds, AOA has not provided instructions to State agencies on

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1/"The Well-Being of Older People in Cleveland, Ohio" (HRD-77-70, Apr. 19, 1977).

how to deal with this problem. AOA has authority to reallot funds that it determines will not be used by one State to a State that will use the funds. AOA has decided, however, only to reallot funds that a State chooses to make available.

In the absence of specific instructions from AOA, State agencies have developed their own policies for handling unexpended area agency allocations. During our review, the Missouri State agency was planning to start reallocating funds not programed by specific area agencies to area agencies which could use the funds in a timely manner. In California, State agency officials had devised a plan to provide "accelerated" and "one-time" funds to area agencies in order to reduce the large unexpended balance.

Another State agency, Arizona, adopted a policy for fiscal year 1980 of reducing an area agency's allocation by the amount of any unexpended balance from its previous allocation. In March 1980, the State agency had withheld $479,000 from area agencies based on this policy. It intended to use the funds for emergencies or one-time projects.

Although efforts obviously are needed to assure that the area agencies spend title III-B funds in a timely manner, implementation of a strict reallocation policy can run counter to the legislated formula process, which is designed to distribute funds to further the act's objectives. Considering the insufficiency of title III-B funds to meet all the needs of the elderly, an alternative would be to assist area agencies in expanding service programs for the elderly.

LACK OF MONITORING TO ASSURE THAT AREA AGENCIES COMPLY WITH FEDERAL REQUIREMENTS

AOA and State agencies need to strengthen monitoring and assessment activities because area agencies often did not comply with Federal requirements. In five of six States reviewed, area agencies frequently had not complied with Federal requirements for adequately defining services being purchased in procurement agreements. We identified 8 of the 11 area agencies reviewed that did not minimize the amounts of funds disbursed to service providers in accordance with Federal regulations. In addition, we found a lack of compliance with legislative provisions and/or Federal regulations on (1) the prohibition against charging the elderly for services, (2) the requirement to spend 50 percent of each area agency's allocation on national priority services, and (3) the prohibition against using an income standard to deny services to those who exceed it.

Failure to define performance requirements in provider agreements

Title 45 of the Code of Federal Regulations, Part 74, which is applicable to the area agencies, requires that procurement agreements contain provisions sufficient to define a sound and complete agreement, including a clear and accurate description of the services purchased. In addition to these requirements, AOA instructions emphasize that a clear statement of provider responsibilities should be included in the award agreement to enable the area agency to effectively monitor provider performance and assure effective use of title III-B funds.

Despite both Federal requirements and AOA instructions, area agencies in five of six States reviewed awarded some provider agreements that did not adequately define the services purchased. For example, 8 of 25 contracts awarded by two area agencies in Oregon to purchase social services described the activity in such general terms that the area agencies did not know what the contractors were committed to deliver. These cost-reimbursable contracts generally specified the maximum amount that contractors could be reimbursed and the number of clients that were expected to receive services. The contracts, however, did not specify the level or amount of services that clients were to receive. In one contract, for example, the only stipulation was that the provider supply health screening services to 600 elderly persons.

Similar problems regarding failure to adequately define the level of services being purchased through provider agreements were observed in other States. For example, during the program year that we reviewed:

--An Arizona area agency did not attempt to define or set service levels in any of the eight agreements that it awarded; rather, it allowed service providers to set their own objectives.

--A California area agency had not clearly defined how service levels would be measured; accordingly, it could not effectively monitor many of its service providers.

--A Colorado area agency established specific performance objectives in only 6 of the 13 agreements that it awarded.

--A Missouri area agency did not clearly define the services being purchased in 14 of the 22 agreements that it awarded.

The failure of area agencies to adequately define services being purchased in the above examples was often associated with the need to improve performance accountability through consistent application of standard service definitions and unit measurements as discussed in chapter 3. Unless area agencies develop and provide a clear and accurate description of services to be purchased in provider agreements, they cannot effectively monitor service provider performance or apply the performance-based payment procedures discussed previously.

Failure to minimize funds disbursed to service providers

Federal regulations require that area agencies have methods and procedures for making payments to service providers that minimize the time elapsing between the transfer of title III-B funds and service providers' disbursements. Failure to comply with this requirement results in increased interest cost to the Federal Government to the extent that excessive drawdowns of cash involve additional borrowing by the Department of the Treasury.

Advance payment systems used by 8 of 11 area agencies reviewed did not meet this Federal requirement. While payment advances are understandable for funding the initial costs of an agreement, the lack of management control over amounts advanced had resulted in excessive rates of funding to numerous service providers at these area agencies. This problem was evident at the end of annual agreement periods when title III-B payments to provider agencies exceeded the amount to which these agencies were entitled under their cost reimbursement agreements.

An area agency in Missouri, for example, routinely advanced its providers approximately one-twelfth of their total grant award each month. The agency required that each provider submit a monthly expenditure report; however, information contained in these provider reports was not used to adjust the monthly payment amounts. Under its payment system, 18 of the area agency's 22 service providers had excess title III-B funds on hand at the end of the 1979 agreement period. The amount of excess for five providers was over 30 percent of their total title III-B payments.

Both Florida area agencies reviewed also provided excessive payment rates to service providers based on an advance system similar to that of the Missouri agency. Compared to actual need, we found that one Florida service provider had an excess of $5,000 to $7,000 of title III-B funds on hand during 5 months of program year 1979.

We found problems similar to those described above at the other five area agencies.

Using a person's income to deny services and requiring fees for services

Introductory material contained in proposed AOA regulations published in July 1979 stated that the legislative history of the Older Americans Act emphasized that income screening or means testing is prohibited in determining a person's eligibility for services under the act. The material further stated that AOA has consistently advised State and area agencies on the income screening prohibition; however, it noted that neither the act nor prior AOA regulations specifically prohibited income screening. Income screening has been prohibited by Federal regulation since March 1980, when revised program regulations were published. In addition, these revised regulations, as well as prior Federal regulations, permit voluntary contributions but do not allow mandatory charges for social services.

We identified examples in five of the six States where title III-B service providers were either using income screening to limit services to the elderly or requiring that the elderly pay for services. Although some of the examples on income screening relate to practices before publication of the March 1980 regulations, other examples show that use of income screening continued at some area agencies after March 1980. All examples identified on charging the elderly for services were in conflict with Federal regulations. Examples identified in each State follow.

--California: In reviewing project files at a large area agency, we found that 5 of 26 title III-B provider agencies limited elderly participation by using income screening in program year 1979 before the new regulations issued in March 1980. Income screening was, however, used by 4 of 24 service providers in program year 1980 after the new regulations had been issued. In addition, we found that a transportation service provider charged the elderly $.75 per trip during program year 1980.

--Colorado: At one area agency, we noted that one of its providers, which operated a hearing clinic, denied services to elderly persons having incomes of more than $4,400 for single persons and $6,000 for married persons. This example occurred before the new regulations. However, another agency, which provided housekeeping and health-aide services, charged the elderly for services based on a sliding income scale. The charges ranged from $.75 to $5.25 per hour, and services were denied to those who could not or would not pay their assigned share.

--Florida: Two agencies that provided home repairs for an area agency employed income screening. An official of one agency stated that it denied services to elderly persons who were financially able to pay for such services. The other agency asked the elderly to purchase the materials if the agency felt the client was able to do so.

--Missouri: At an area agency, we found that title III-B agreements with an agency administering fuel assistance loans limited elderly participation based on income screening for program years 1979 and 1980. Further, an agreement with a transportation provider authorized the provider to solicit a $1.00 per ride contribution. An area agency official acknowledged that the "contribution" may have been enforced by the provider as a "fee for service."

--Oregon: In reviewing projects funded by two area agencies, we identified six service providers who were using income screening and/or charging the elderly a fee for services. Only two providers, however, denied services based on a person's income and the instances occurred before the new regulations. These providers--one providing homemaker services and the other providing simple home repairs--used State program requirements to deny services to welfare recipients. The two providers also charged the elderly a fee for service based on a sliding income scale.

Several State and area agency officials cited conflicting requirements as the cause of using income screening and fees for services. Although the Older Americans Act requires that agencies pool and coordinate title III-B services with other Federal assistance programs, the basic eligibility and operating requirements of the various programs are often different. Federal programs, such as former title XX of the Social Security Act and the Legal Services Corporation program, require the use of income screening while title III prohibits its use. A similar problem exists in Oregon with a State-funded program that provides services for the elderly. In contrast to title III, the Oregon program regulations require service providers to use income screening to determine a person's eligibility and to charge clients a fee for services based on a sliding income scale. Since many Oregon service providers are jointly funded by both programs, problems arise in following the programs' conflicting eligibility requirements.

While acknowledging that income screening and fees for services are not permitted, State agency officials in California have expressed concern with meeting conflicting demands of the title III-B program. State officials pointed out in an internal memorandum that the act does not provide sufficient funds to meet the needs of the elderly and a stated goal of the act is to give preference to those with the greatest needs. The memorandum suggested that without income screening there is virtually no guarantee that those in greatest need will be served.

Failure to meet national priority service requirements

The 1978 Older Americans Act amendments require that each area agency spend at least 50 percent of its annual title III-B social services allotment for the delivery of access services (transportation, outreach, and information and referral), in-home services (homemaker, home health aide, visiting and telephone reassurance, and chore maintenance), and legal services. The amendments also require that some funds be spent in each of these three categories.

Of 23 area agencies in Arizona and Oregon, we found that 15 had not met the national priority service requirements in program year 1980. In addition, we identified one to two area agencies in California, Florida, and Missouri which had not complied with the requirements during program year 1979. The following table shows the number of area agencies we reviewed for compliance and the results of our findings.

State	Program year reviewed	Number of area agencies for which data were reviewed	Number of area agencies failing to meet requirement	Category of failure: Did not meet the 50-percent requirement	Category of failure: Did not spend funds in all categories
Arizona	1980	a/ 5	5	5	2
Oregon	1980	a/18	10	b/0	10
California	1979	2	1	0	1
Colorado	1980	1	0	0	0
Florida	1979	2	2	1	1
Missouri	1979	2	2	1	1

a/State agencies maintained data that allowed us to check compliance with priority service requirements for all area agencies within these States.

b/We only checked on compliance with this requirement at the two area agencies visited.

Funds allocated for national priority services by the five area agencies in Arizona ranged from 14 to 48 percent of their available title III-B funds. In addition, two of the five agencies did not spend title III-B funds in all categories--one had not funded access services, and the other had not funded legal services. In Oregon, 6 of the 18 area agencies had not spent any title III-B funds for legal services, 2 had not spent funds for in-home services, and 2 had not spent funds for either of these services.

The California area agency had not spent funds for in-home services in program year 1979; however, it funded this service in fiscal year 1980. Both the Florida and Missouri area agencies failed to fund legal services.

Except in California, where corrective action was noted during our review, we sought explanations from State agency officials for the failure to require area agency compliance with the national priority service requirement. As shown below, their explanations varied.

Arizona

A State agency official thought senior center funding counted toward meeting the 50-percent expenditure requirement. When the State agency learned that it did not, the agency administrator had inquired if AOA could waive the national priority service requirement for program years 1979 and 1980.

Oregon

State agency officials thought the national priority requirement had been met since some priority services were being provided with State funds. According to State agency officials, it was not until April 1980 that the State agency learned from AOA that an area agency must spend Federal funds in each of the national service categories regardless of the services being provided with such State funds.

Florida

The State agency had approved area agency plans for program year 1979 before the 1978 amendments incorporated this requirement into the act.

Missouri

State agency officials contended that area agencies were not technically in violation of the requirement until all unexpended program year 1979 funds were spent. Also, the State agency had notified area agencies that were not in compliance to use their unexpended program year 1979 funds on national priority services.

In all six States reviewed, State agency officials were often unaware that area agencies were not complying with Federal requirements. These officials assured us that they will work toward resolving these problems.

AOA's policy until 1980 prohibited its staff from formally assessing area agency operations. AOA viewed such formal assessments as the responsibility of State agencies. In April 1980, however, AOA announced it had changed its policy because of continuing management problems reported at the area agency level. The announcement stated that AOA would implement a program to assess all area agencies over a 3-year period in an effort to resolve problems and provide appropriate assistance to the aging network. AOA officials told us that after making some preliminary area agency assessments, AOA had to suspend these assessments in February 1981, because of the lack of travel funds.

CONCLUSIONS

Area agencies spend most of their title III-B allocation ($252 million in fiscal year 1981) to purchase services for the elderly through subgrants and contracts with service providers. While the elderly received a significant level of services under these agreements at the 11 area agencies reviewed, we believe there were opportunities for increasing the level of social services that could have been provided had area agencies used better management procedures and practices. The consistency of problems that we observed and an acknowledged lack of procedures in certain critical areas lead us to conclude that management weaknesses may not be limited to the area agencies reviewed.

The lack of specific instructions from AOA and State agencies contributed to area agencies' failure to

--use title III-B subgrants and contracts as catalysts to attract needed outside resources,

--use performance-based payment provisions to assure that provider agencies fulfill their service commitments to the elderly, and

--spend title III-B funds in a timely manner.

We believe the lack of specific instructions in these areas also will limit AOA and State efforts in effectively assessing area agency operations and providing appropriate technical assistance.

We recognize, however, that specific instructions will not, in themselves, assure that area agencies will improve management of their title III-B funds. We observed that many area agencies failed to follow Federal regulations on such things as defining specific services to be provided and spending 50 percent of their allocations on national priority services. Thus, efforts to improve area agency management should be accompanied by appropriate monitoring to assure that instructions for administering title III-B funds are followed.

RECOMMENDATIONS

We recommend that the Secretary of HHS direct the Commissioner, AOA, to develop more specific instructions for State agencies' use in assisting area agencies on

--using title III-B subgrants and contracts as catalysts to attract needed outside resources;

--providing performance-based payment provisions, to the extent possible, in subgrants and contracts with service providers; and

--expending title III-B funds for needed services in a timely manner.

With respect to the above recommendations, we believe that AOA should work with State agencies to develop a set of instructions that could be used by all the area agencies. A suggested first step for developing instructions to implement the catalyst concept through subgrants and contracts is for AOA to identify methods successfully used by some area agencies to attract outside resources. AOA could then assess whether the methods identified are adaptable to the network of area agencies.

As discussed earlier in this chapter (see p. 14), we believe that many of the methods presented in a guide and accompanying handbook for the former title XX (Social Security Act) program could be used in addressing service provider agreements and payment procedures for the title III-B program. These documents discuss methods for determining units of services in contracts, rate setting, and contract pricing.

With regard to the recommendation on the more timely use of funds, we suggest that AOA and State agencies develop instructions which will help:

1. Determine why an area agency has not spent its available title III-B funds. If the funds are actually needed for elderly services within the area agency's service area, it may be more appropriate to provide technical assistance or take other actions that would assist the area agencies in using available funds in a more timely manner, rather than reallocating such funds.

2. Set a maximum amount or percent of an area agency's allocation that can be carried forward from one program year to the next.

We wish to point out, however, that we support reallocations after other appropriate measures have been taken. We believe that the limited title III-B funds are needed in too many places to allow substantial amounts of funds to remain unexpended from one year to the next.

In addition, we recommend that the Secretary direct the Commissioner to require State agencies to effectively monitor area agencies, and specifically to cover the issues included in this chapter, to help ensure that program instructions are followed. If the State and area agencies we reviewed are representative of other agencies in the network, future assessments of area agency operations need to be more comprehensive than past assessments.

AGENCY COMMENTS AND OUR EVALUATION

Neither HHS nor the six State agencies covered by our review took exception to the facts presented in this chapter. Although HHS generally agreed that our recommendations had merit, it did not always commit itself or AOA to take corrective actions. Specific comments received from HHS and State agencies are summarized below followed by our evaluation. See appendixes VIII, IX, and X for the written responses received on our report draft.

Using title III-B subgrants and contracts as catalysts to attract needed outside resources

HHS agreed that additional attention should be given to increasing the use and effectiveness of catalyst activities by area agencies. It stated that AOA has proposed a plan which will emphasize the development of alternative service approaches (i.e., services provided through non-Federal sources) to meet older persons' needs.

Although HHS also agreed that area agencies should consider resource development in awarding subgrants and contracts, it did not comment on what actions were planned to implement the catalytic approach through subgrant and contract activity. Rather, HHS pointed out that (1) it does not see a clear intent in the legislation that the "catalyst criteria" should be the determining factor in awarding all subgrants and contracts, (2) the findings in our report should be carefully qualified to reflect the extremely small sample of area agencies reviewed, and the recommendation should be changed to provide further analysis to determine the extent to which these findings exist in all area agencies, and (3) the report should be more specific about the State agencies' responsibilities for providing adequate training and technical assistance to area agencies in the catalyst function.

The California State agency response stated that the law and subsequent regulations do not adequately address the "catalytic" approach in the real world of overall diminishing resources. It further stated that area agencies are often forced to "fill service gaps" rather than fulfilling the intent of title III-B to expand services. The State agency also pointed out that the two area agencies reviewed in California cannot truly represent the 33 area agencies within the State.

In response to HHS' first point, we did not state that the "catalyst criteria" should be the determining factor in awarding all subgrants and contracts but that area agencies should be given instructions for using title III-B subgrants and contracts as catalysts to attract needed outside resources. Our position on the use of title III-B funds is consistent with some existing AOA guidance which lists the following general procedures for meeting the service needs of older persons.

1. First, seek funding entirely through other public and private agencies.

2. If this is not possible, use title III funds as incentive moneys to attract or "draw in" support from other agencies.

3. Fund exclusively with title III funds only when it has been clearly determined that a service cannot or will not be supported solely or in conjunction with another agency.

The point of our recommendation is that area agencies should be provided instructions on how to accomplish step 2 above. Certainly, if a service is needed and no resources are available except title III-B, area agencies can use title III-B funds to provide the service as noted in step 3. However, even in an environment of diminishing resources, we believe that opportunities will still exist for area agencies to bring together outside resources to help the elderly.

In response to comments that the limited number of area agencies we reviewed may not be representative of the universe of area agencies, we agree. We do not agree, however, that this casts doubt on the validity of our recommendation because

--AOA and the six State agencies reviewed acknowledge that they have not issued any instructions detailing how area agencies should implement the catalyst approach in awarding subgrants and contracts and

--in the absence of such specific instructions, only 1 of 11 area agencies reviewed had emphasized the use of its subgrants and contracts to accomplish the catalytic intent.

Although our sample of area agencies was small, we are confident that our recommendations on the catalyst approach, as well as our recommendations on other issues, are applicable to the aging network. This position is based on a lack of instructions for area agencies to follow and the consistency of problems identified. Each area agency we visited, regardless of its size, funding, or geographic location, had common management weaknesses. We note that while HHS and the California State agency took exception to our small sample, neither agency took the position that the procedural and management weaknesses that we identified were limited to the State and area agencies covered by our review.

Considering the above, we disagree with HHS' comment that we should change our recommendations to provide further analysis to determine the extent to which the problems identified exist in all area agencies. We do not believe an agency must document the extent of a problem before taking actions to develop and improve procedures for administering a program.

In response to HHS' comment that the report should be more specific about the responsibilities of State agencies, we refer to chapter 1 of this report in which we did describe the State agencies' responsibilities as well as those of AOA.

Providing performance-based payment provisions, to the extent possible, in subgrants and contracts with service providers

HHS stated that AOA will be proposing a management initiative for fiscal year 1982 for the title III programs which will include an emphasis on performance-based payment provisions. AOA believes that increased emphasis on the need to utilize sound procurement practices in conformance with Federal requirements will do much to correct the kinds of deficiencies identified at the area agencies and service providers covered by our review. AOA noted that performance-based agreements may not always be appropriate for some of the services provided under title III.

We believe that HHS' comments were responsive to our recommendation on using performance-based payment provisions. If the planned initiative is carried out by AOA, we believe that it will result in more efficient use of title III-B funds.

Expending title III-B funds for needed services in a timely manner

While agreeing that some area agencies have not spent title III-B funds in a timely manner, both HHS and the California State agency emphasized that delays in Federal appropriations are a major cause for large unexpended balances of title III-B funds. HHS also commented that it believes that Federal regulations limit its authority to require liquidation of legally incurred obligations within a specific time period. HHS stated that AOA will continue to emphasize the need for timely expenditures, and will continue to make it a priority item in its technical assistance, monitoring, and assessment activities.

We do not believe HHS' comments are fully responsive to our recommendation on this issue. Although we recognize that delays in Federal appropriations create problems in developing advanced budget and expenditure plans, the issue addressed in our report was that some area agencies were not spending a large part of available title III-B funds during the year for which the funds were allotted. This problem occurred even when area agencies knew early in the fiscal year what their total title III-B allocation would be.

As stated on page 23, we believe that the lack of specific instructions on areas such as this will limit AOA and State efforts in effectively assessing area agency operations and providing appropriate technical assistance. Thus, we believe that AOA should develop specific instructions to promote the timely expenditure of title III-B funds on needed services.

CHAPTER 3

AOA AND STATE AGENCIES SHOULD HOLD AREA AGENCIES ACCOUNTABLE FOR THE RESULTS OF TITLE III-B EXPENDITURES

Although AOA and specifically State agencies have responsibility for program administration, evaluation, and oversight, the six States we reviewed had not developed or followed procedures that would allow them to effectively monitor and evaluate the results of area agency subgrant and contract activities. Under Federal statute, State agencies are responsible for administering plans and programs funded under the Older Americans Act. The Federal role is to insure that States comply with Federal statutes and the terms of their grants and to measure and evaluate the effectiveness of all federally funded programs.

Common weaknesses identified in performance accountability were:

--State agencies have not adequately developed or assured consistent application of service definitions and unit measurements that are necessary to effectively define, measure, and evaluate program performance.

--Area agency performance reports have not contained accurate information on the services provided elderly persons in connection with area agency expenditures.

--The area plans have not been used as they were intended for setting goals and monitoring the results of social services expenditures.

These weaknesses result in program managers at AOA and State agencies not knowing whether area agencies have used title III-B funds in an efficient manner.

PROGRAM PERFORMANCE CANNOT BE EVALUATED BECAUSE OF THE LACK OF USEFUL AND RELIABLE DATA

If AOA were asked the question, "What have area agencies accomplished nationwide to provide services for the elderly?," it could not provide any data on the level of services provided elderly persons and only inaccurate data on the numbers of persons receiving services. Likewise, none of the six State agencies reviewed could provide accurate data on the level of services provided elderly persons in their States--five State agencies did not attempt to collect such data. Without meaningful and reliable data on program results, AOA and State agencies cannot relate program results to expenditures of title III-B funds.

Under Federal regulations, State agencies are responsible for maintaining performance accountability over area agency expenditures, including responsibility for determining the content of performance reports. To the extent appropriate, these reports should compare actual accomplishments to the goals established for the period and provide reasons for any slippage in achieving goals. Where output of the program can be readily expressed in numbers, a computation of the cost per unit of output can be required.

Performance information obtained from area agencies is important because it not only allows a comparison of actual to estimated performance of the particular area agency but, when collected at the State agency level, allows the comparison of one area agency to another. Comparative data would be useful at the State agency level to identify area agencies that need technical assistance in obtaining better results from their title III-B expenditures.

Except in Arizona and Florida, the only performance data reported by area agencies to the States reviewed were data required by AOA. AOA requires an unduplicated count of the number of elderly persons provided services, 1/ and the number of low-income and minority persons included in the count. Program reports with this information flow from service providers to area agencies and then to State agencies, AOA regional staff, and AOA headquarters in Washington. Starting with area agencies, each organizational level consolidates the data received from lower levels and forwards the data to the next successive level. AOA uses collected information in preparing its annual report and its budget justification.

The information collected under AOA's reporting requirement does not reflect even a rough approximation of program results. For example, many elderly persons repeatedly receive services, such as homemaker and transportation services. The reporting requirement, however, states that a person's receipt of a service only be counted once. Thus, if one elderly person received 1 hour of homemaker service during a year while another received 100 hours, AOA's system would record the same result for each person: homemaker services provided to one person. At the time of our review, only two of the six States reviewed placed any additional program reporting requirements on area agencies.

Representatives at the regional, State, and area agency levels acknowledged that program performance reports have limited usefulness and reliability. Some representatives, including AOA

1/This means the number of different persons provided services in major social services categories.

officials, contended that AOA's information system, which requires only an unduplicated count, contributes to the problem of not having useful data on the levels of services provided the elderly. AOA, however, allows State agencies to request whatever additional information they need from area agencies to carry out their management evaluation and oversight responsibilities.

<u>Standard service definitions and measurements are needed to evaluate program results</u>

Each State agency reviewed had weaknesses in using the standards to define and measure the various social services provided elderly persons through title III-B expenditures. Only one State, California, had failed to develop statewide standards; however, area agencies in the five other States had either failed to consistently use State agency standards or considered some of the standards as inappropriate.

AOA has recognized the need to develop standards, but to date has left the responsibility for assuring that area agencies use standard service definitions and unit measurements to State agencies. The consistent use of standards is a basic requirement for establishing performance accountability over area agency expenditures. For example, if one agency measures homemaker services by "hours of service" and another agency measures it by "clients served," a comparative evaluation of unit cost data is not possible. In addition, statewide trends in expenditures and accomplishments cannot be evaluated unless area agencies use consistent definitions and unit measurements.

<u>Inconsistent use of standards</u>

In four of the five States that had developed statewide standards, we found that State agencies did not require area agencies to consistently use them for setting objectives, awarding subgrants/contracts, and reporting results. During our review, for example, area agencies in Arizona, Colorado, Missouri, and Oregon did not report program data to State agencies based on statewide standard unit measurements. State agency officials acknowledged that they did not use area performance reports to monitor achievement of area service objectives. Instead, they merely used the data to prepare reports for AOA.

Although area agencies in these same four States made some use of State-developed standards for setting service objectives and defining provider requirements, their application of the standards in these two areas was selective and inconsistent. In Oregon, for example, we found that only about one-third of area agency service objectives were stated in terms of State-developed unit measurements. The inadequately defined provider agreements discussed in chapter 2 illustrate the failure of some area agencies to use State agency standards for defining service provider requirements. For example, the Missouri area agency which had not clearly defined performance objectives in 14 of the 22 agreements that it awarded had not used State agency unit measurements in these agreements.

Inappropriate standards

Several area agency officials who attempted to use State agency standards commented that some standards were inappropriate. In Missouri, for example, area agency officials had trouble distinguishing between the following State definitions for home service categories entitled homemaker services and chore services.

> Homemaker services provide care for elderly individuals in their own homes and help them maintain, strengthen, and safeguard their personal functioning there through the service of a trained and supervised homemaker.
>
> Chore services provide for the performance of household tasks, essential shopping, simple household repairs, and other light work necessary to enable persons to remain in their own homes.

Some unit measures prescribed by State agencies were too general to allow meaningful unit cost comparisons or analyses. To illustrate, a unit of home repair service was frequently defined as one home repaired. Obviously the amount of effort required to repair a home can vary greatly depending on the service needed--installing a security lock versus painting a house. Thus, developing unit cost data under this broad measurement has little meaning.

Lack of statewide standards

Due to the absence of State-prescribed definitions and unit criteria in California, the two area agencies we visited used standards applicable to their own local level operations. Officials at one of the area agencies stated that before July 1979 the lack of standards was a chronic problem between service providers and area agency administrators. Although this California area agency developed its own standards for use in fiscal year 1980, its standards were not consistent with those used by other California area agencies.

The California State agency has recognized the management problems associated with its lack of statewide standards. State officials told us that uniform definitions and unit measurements were being developed for statewide use in connection with a new program evaluation system. The new system is designed to allow the State agency to assess and compare the performance and efficiency of area agencies.

AOA and State efforts to improve standards

Similar to corrective actions planned in California, State agency officials in Arizona, Colorado, and Oregon stated that they were taking actions to correct the problems with the application of statewide definitions and unit criteria. Although these individual State efforts are commendable, the problem of standards appeared much broader than the States we reviewed. This was evidenced by a September 1980 report issued by the National Association of State Units on Aging. Major findings and conclusions shown in the association report--which covered 11 State and 7 area agencies--included the following:

--Information systems in the aging network have grown piecemeal and are not producing reports which integrate the information needed by State units and local agency management. This is particularly reflected in the separate and uneven development of fiscal and programmatic systems.

--The lack of standards or guidelines regarding service definitions and unit measures makes it difficult for managers to make meaningful comparisons of grantee performance within their own service areas, and especially regarding other service areas within a State.

One objective of the association study (funded by AOA) was to develop a taxonomy (classification system) of social services. A draft report, issued on January 12, 1981, presents detailed service descriptions and service unit measures and explains the system within which they should be used. 1/ AOA officials said that they hoped the standards and unit measures suggested as a result of this report would serve as a model for use by State agencies. AOA officials told us that they did not believe AOA should dictate the use of national standards because each State has unique service requirements.

While each State may have some unique service requirements, we believe that many service definitions and unit measures could be established at the national level. For example, each area agency must spend 50 percent of its title III-B social service allotment on access services, in-home services, and legal services. At present, significant variations exist among States in their definitions and unit measures for these service categories.

1/"Uniform Description of Services for Aging Programs," prepared by The National Association of Area Agencies on Aging, The National Association of State Units on Aging and TSDI, Inc.; Grant #90-A-1657.

Need for accurate program data

Improvements in standards for reporting program results will be of little value unless the accuracy of the data collected is also improved. In each of the six States, we found that area agencies provided State agencies inaccurate data in their program reports. During our review, State agencies accepted whatever performance data area agencies submitted to them--without periodic verification to determine the data's accuracy.

Comments by the State agency administrator in Arizona illustrate the weaknesses that we observed in five of the States reviewed. The administrator said Arizona's reporting system was useless, considering the type of information that area agency reports provide and the inaccuracies in the reports resulting from a lack of data verification. Inaccurate reports also were a problem in Florida, even though its reporting system was more comprehensive than the other five States' systems.

A common error which inflated area agency statistics on the number of elderly served involved reporting nontitle III-B services. For example, we identified service providers in Arizona, Florida, Missouri, and Oregon that reported to area agencies accomplishments that were not related to their title III-B agreements (for example, services to nonelderly persons). This occurred in cases where provider agencies had several sources of funding and provided services to handicapped, low-income, or other persons as well as to the elderly.

A provider agency in Florida, for example, rendered information and referral services to both elderly and nonelderly persons. Although data forms completed by the agency showed the age range of persons served, all services were reported to the area agency as services provided to the elderly under its title III-B agreement. Our random review of 90 of 180 data forms completed during 1 month showed that only 39 percent of the services were provided to persons age 60 or over.

Another common problem in reported service accomplishments was the use of estimated data. Three service providers under contract with an Oregon area agency stated that the data they provided the area agency were estimated because they did not maintain complete client records. The area agency, in turn, used estimated data to complete its report to the State agency. We also found that estimated data were included in reports submitted by area agencies to State agencies in California, Colorado, and Missouri.

Similar to reporting service accomplishments for nonelderly persons, the effect of using estimates also can inflate the reported number of elderly persons served. To illustrate, a Missouri area agency estimated the number of different persons served in the homemaker category by dividing the number of times elderly persons received services by three. For one service provider, this method resulted in reporting to the State agency that 1,143 different persons had been served, while the provider agreement called for the provider agency to serve only 75 different persons. When we checked with the provider agency we were told that the agency could not identify the numbers of different persons receiving homemaker services under their title III-B agreement.

The compilation of inaccurate data has been apparent in AOA's annual reports, which have indicated that about one-third of the Nation's elderly population receives title III-B social services each year. In discussions with us, AOA officials agreed that these data greatly exaggerate the number of elderly that probably receive services.

FAILURE TO USE THE AREA AGENCY PLAN TO SET GOALS AND MONITOR PERFORMANCE

Federal regulations provide that each area agency is to prepare an area plan which is to serve as both an application for social services funds and a detailed statement of the manner in which the area agency proposes to provide services to the elderly. An area agency may receive Federal funds only upon the State agency's approval of the area's plan, and may use its subgrants and contracts only for activities under its approved plan. State agencies are responsible for using the area plans as a basis for goal setting and performance monitoring of the area agency.

In contrast to Federal requirements, most State agencies reviewed were not using area plans as a basis for goal setting and performance monitoring, as shown in the following table.

Description of problem	States where problem was observed Arizona	California	Colorado	Missouri	Oregon
Area plan objectives often were not stated in measurable terms	X	X	X	X	
State agencies did not determine how successful area agencies had been in achieving plan objectives at yearend	X	X	X	X	X
Area plan objectives were revised or deleted without justification to or approval by State agencies	X	X	X	X	X

Note: This segment does not include data on Florida. The Florida State agency has delegated the responsibility to monitor area agencies to 11 district offices.

Four of the five State agencies approved area plans that did not detail the services and/or service levels that were to be provided to the elderly through title III-B subgrants and contracts with service providers. For example, a large California area agency's approved plan contained only one measurable service objective, "To perform necessary residential repairs and/or maintenance on a minimum of 200 homes * * *." The budget allocation document included in the plan showed that about $227,000 (or 8 percent) of $2.8 million title III-B funds was to be used for residential repair. However, the approved plan did not contain measurable service objectives showing how over $2.5 million in title III-B subgrants and contracts was to be used.

A similar problem was found at a Missouri area agency where agency officials stated that the State agency had directed them to present new ideas and approaches in the area plan. In this case, the agency's approved plan did not contain measurable service goals showing how it intended to spend most of the $300,000 of title III-B funds it received.

A lack of measurable plan objectives for subgrant and contract activity also was found in approved area plans in Arizona and Colorado. One Arizona area agency's approved plan covering approximately a $100,000 title III-B allocation did not have a single objective which indicated the level of services to be provided the elderly, and had only one objective indicating the number of elderly to be served. Similarly, of 13 approved objectives covering a Colorado area agency's subgrant and contract activity, 9 objectives were not stated in measurable terms. The other four objectives in the approved plan called for an expansion of certain services by 10 percent; however, the plan did not show the prior year's service levels. The Colorado area agency received a title III-B allocation of about $177,000.

Because of State agencies' failure to require measurable objectives, area agencies can spend title III-B funds on services that have not received the required approval of State agencies. The previously mentioned California area agency, for example, was authorized to spend about 92 percent of its title III-B funds on services which were not defined in its approved area plan.

A California State agency monitor then compounded this problem by limiting his assessment report of the area agency to a review of approved plan objectives and action plans. The assessment report ignored provider agreements that were not covered by approved plan objectives. In our review of the area agency, we identified several service provider agreements that we thought should have been questioned by the State agency. For example, the State agency should have questioned why the area agency allowed a provider that failed to serve any elderly persons to keep a $16,942 advance based on undocumented expenditures.

We also found that area agencies in Arizona, Colorado, and Missouri awarded some subgrants and contracts which were not covered by measurable plan objectives. In these instances, State agencies did not have a basis for comparing actual accomplishments to goals established for the period.

In cases where measurable objectives were included in approved area plans, State agencies could improve their monitoring of area agencies' progress in achieving plan objectives. Although all five State agencies generally made onsite assessments of area agencies at least once a year, the assessments were not used to determine how successful area agencies had been in achieving plan objectives at yearend. In Missouri and Oregon, for example, State agency onsite assessments were conducted around mid-year and did not include a review of the prior year's accomplishments compared to approved objectives.

Annual onsite assessments might be frequent enough if a State agency's reporting system provided the State with information needed to monitor an area agency's progress in achieving plan objectives. As previously mentioned, however, none of the five States had such a reporting system at the time of our review.

The lack of monitoring by State agencies allowed area agencies to delete, revise, or otherwise fail to meet approved plan objectives without justifying the changes to State agencies. Examples identified in each of the five States follow.

--Arizona: One of the area agencies reviewed did not successfully complete four of its eight approved service objectives on the number of elderly to be served. The agency also failed to meet the approved number of unit measurements on three of the eight objectives. The State agency allowed area agencies to revise plan objectives without the State's review of whether the changes were justified.

--California: A report prepared as a result of a State agency onsite assessment of an area agency we reviewed noted that one approved objective and a number of action plans were deleted, altered, or not completed. The report further noted that these changes had not been communicated to the State agency.

--Colorado: Of 13 approved service objectives contained in the area plan we reviewed, 12 called for social services to be provided regionwide. The area agency, however, did not provide regionwide services on 9 of these 12 objectives. The area agency also failed to provide any title III-B funds for three objectives in its approved plan. The Colorado State agency allowed area agencies to revise area plan objectives without even notifying the State agency of the revisions.

--Missouri: At an area agency reviewed, 8 of 14 approved service objectives were not successfully accomplished, 3 were dropped, and 5 others were only partially met. Although a State agency monitor had told the area agency before yearend that some of its approved objectives should be revised, the area agency did not revise any of them. The State agency did not attempt to determine the extent to which area agencies had achieved plan objectives at yearend.

--Oregon: Both area agencies reviewed generally met approved plan objectives that were defined in measurable terms. One exception, however, was an objective to provide 200 elderly individuals with a comprehensive assessment of health and social service needs and followup case management services. Only 86 persons were actually provided services under this objective. As in Missouri, the Oregon State agency did not attempt to determine the extent to which area agencies had achieved plan objectives at yearend.

State agency officials in all five States told us they were working toward correcting the weaknesses that were identified in the administration of area plans. All five State agencies recognized the need to require area agencies to establish measurable service objectives in area plans. The agencies also recognized the need to develop a better reporting and monitoring system to track the progress of area agencies toward meeting approved plan objectives.

CONCLUSIONS

AOA and especially State agencies have not fulfilled their management oversight responsibilities for holding area agencies accountable for the results of title III-B expenditures. The lack of useful and reliable data on program results, along with the failure of State agencies to use the area plan as an accountability tool, has resulted in program managers at AOA and State agencies not knowing whether title III-B funds have been used in an efficient manner. As discussed in chapter 2, we believe there were opportunities for increasing the level of social services that could have been provided the elderly had area agencies used better management procedures and practices in the purchase of and payment for provider-supplied services.

Performance reports which allow State agencies to relate services provided elderly persons to title III-B expenditures would provide needed management data for measuring one area agency against another and developing trend data on each area agency's performance. This information would allow State agencies and AOA not only to identify area agencies that need technical assistance but also identify those area agencies that obtain the best results from their subgrants and contracts. State agencies and AOA could then determine the methods, techniques, and procedures that have produced the best results and provide this information to other network agencies.

We are not concluding that a sophisticated management information system is needed for the program. Rather, we believe that a sufficient reporting system would be one that provides standard and accurate information on types and levels of services provided to the elderly. In addition to serving a basic management need for this information, such a reporting system should facilitate State agencies' monitoring of the administration of area agency plans. First, of course, State agencies must use the area plan as an accountability tool and require that area agencies set measurable objectives, using the same definitions and standards used for the reporting system.

RECOMMENDATIONS

We recommend that the Secretary of HHS direct the Commissioner, AOA, to have State agencies develop performance accountability systems for title III-B expenditures. The Commissioner should require State agencies to

--use area plans as intended for setting goals and monitoring results and

--enforce area agencies' use of statewide standards in setting service objectives, defining provider requirements in subgrants and contracts, and reporting the results of subgrants and contract expenditures.

We further recommend that the Secretary of HHS direct the Commissioner, AOA, to revise its performance reporting system to include data on the levels of commonly provided services to elderly persons. To assure that accurate data are being reported under the revised system, we recommend that the Commissioner, AOA, direct State agencies to verify performance data as a part of their required onsite assessments of area agencies.

AGENCY COMMENTS AND OUR EVALUATION

As with chapter 2, neither HHS nor the six State agencies covered by our review took exception to the facts presented in this chapter. HHS generally agreed with our recommendations on (1) use of the area plan for setting goals and monitoring results and (2) need for a better performance information system. HHS did not provide comments on the other recommendations. Specific comments received from HHS and State agencies are summarized below followed by our evaluation. See appendixes VIII, IX, and X for the written responses received on our report draft.

Use of area plans for setting goals and monitoring results

HHS stated that it agreed with our recommendation in this area and will reemphasize the need for State agencies to enhance their monitoring of area plans. HHS also asked us to point out the considerable efforts made by AOA with regard to the development and issuance of monitoring and assessment tools and guidelines.

We believe that HHS' comment was generally responsive to this recommendation. We also believe that efforts to reemphasize the need for better State agency monitoring of area plans should include monitoring actions by AOA to assure that State and area agencies follow program requirements on the use of area plans.

Use of standards to define services and measure performance and need for a better reporting system

HHS stated that the remaining recommendations made in this chapter largely relate to the need to develop and implement systems which will standardize the ways in which results achieved by area agencies and service providers are reported to State agencies and

AOA. HHS stated that it was in agreement with the need to improve program management through improved information systems as evidenced by AOA efforts to develop a title III services taxonomy and a new national reporting system. HHS noted that significant results cannot be expected on a short-term basis, but that considerable investment of resources will be required to carry out these efforts.

Both State agencies--Florida and California--that provided written comments on our report draft supported the development and use of national standards for defining services and measuring unit performance.

If carried out, AOA's current and planned actions should result in national service standards and unit measurements which are necessary for developing a meaningful performance information system at the national level. We support this effort.

In developing recommendations for this chapter, we recognized that it may take time to develop, test, and implement national standards. We, therefore, made two recommendations for improving performance accountability that can be implemented under current conditions.

HHS did not comment on any planned action for implementing these recommendations which would require State agencies to

--enforce area agencies' use of statewide standards in setting service objectives, defining provider requirements in subgrants and contracts, and reporting the results of subgrant and contract expenditures and

--verify performance data as a part of their required onsite assessments of area agencies.

As indicated in the preceding pages of this report, most State agencies have standards that can be used--until national standards are implemented--to set service objectives, define service provider requirements, and report program results. In addition, State agencies can begin to verify performance data submitted by area agencies during onsite visits. Although we recognize these actions will not result in AOA being able to compile meaningful performance data on national program results, we believe the actions should significantly contribute to improved performance accountability within each State. Thus, we believe that HHS should act on the recommendations that were not addressed in its comments on our report draft.

FUNDING FOR PROGRAMS AUTHORIZED BY THE OLDER AMERICANS ACT

Title	Fiscal year appropriations 1980	1981 (note a)	1982 (note b)
Title III-B, Social Services and Centers	$247,000,000	$251,500,000	(c)
Title III-C, Nutrition Program	320,000,000	350,000,000	(c)
	567,000,000	602,000,000	$692,480,000
State Administration	22,500,000	22,700,000	22,675,000
Training, Research & Discretionary Projects	54,300,000	40,500,000	d/23,200,000
Grants to Indian Tribes	6,000,000	6,000,000	6,000,000
Federal Council on Aging	450,000	500,000	200,000
National Clearinghouse on Aging	2,000,000	1,800,000	-
	$652,250,000	$673,000,000	$744,555,000

a/Figures reflect budget rescissions signed on 6/5/81.

b/Budget request as of March 1981.

c/Legislation proposed to consolidate nutrition and social services into grants for State and community programs.

d/This figure represents a formally proposed consolidation of these programs.

HHS REGIONAL OFFICES, STATE OFFICES,

AND AREA AGENCIES VISITED BY US

HHS REGIONAL OFFICES VISITED

Region IV - Atlanta, Georgia
Region VII - Kansas City, Missouri
Region VIII - Denver, Colorado
Region IX - San Francisco, California

STATE OFFICES VISITED

Arizona Department of Economic Security,
  Aging and Adult Administration - Phoenix, Arizona
California Department of Aging - Sacramento, California
Colorado Department of Social Services,
  Division of Services for the Aging - Denver, Colorado
Florida Department of Health and Rehabilitative Services,
  Aging and Adult Services Program Office - Tallahassee, Florida
Missouri Department of Social Services,
  Division of Aging - Jefferson City, Missouri
Oregon Department of Human Resources,
  Office of Elderly Affairs - Salem, Oregon

AREA AGENCIES ON AGING VISITED

Senior Citizens Council of
  Maricopa County, Inc. - Phoenix, Arizona
Southeastern Arizona Governments Organization - Bisbee, Arizona
Los Angeles County Department of
  Senior Citizens Affairs - Los Angeles, California
Senior Citizens Program Office - Santa Ana, California
Larimer-Weld Regional Council of Governments - Loveland, Colorado

AREA AGENCIES ON AGING VISITED

East Central Florida Regional
  Planning Council - Winter Park, Florida
Gulfstream Area Wide Council
  on Aging, Inc. - Fort Pierce, Florida
Mid-East Area Agency on Aging - Brentwood, Missouri
Northeast Missouri Area Agency on Aging - Kirksville, Missouri
Mid-Willamette Valley Council of Governments - Salem, Oregon
Washington County Council on Aging, Inc. - Hillsboro, Oregon

SERVICE PROVIDERS REVIEWED

Name and location of service provider	Services provided to the elderly
Community Legal Services Phoenix, Arizona	1. Legal services. 2. Assistance in filling out forms for Medicare, food stamps, social security, etc. 3. Preventative legal educational talks.
East Valley Health Service Center, Inc. Apache Junction, Arizona	1. Health screening services. 2. Counseling services. 3. Referral services.
Foundation for Senior Adult Living Phoenix, Arizona	1. Adult day care services, which include nursing care, continuous care and supervision, rehabilitative therapies, and several other services.
Graham Senior Transportation Project Safford, Arizona	1. Round-trip transportation to a nutrition site and to such other places as a store, hospital, or friend's house.
Santa Cruz County Health Department Nogales, Arizona	1. Home-health-chore services and simple health screenings which include checking vital signs and taking specimens.
Southern Arizona Legal Aid, Inc. Tucson, Arizona	1. Legal services.
City of Long Beach, Department of Human Resources, Division of Senior Citizen Affairs Long Beach, California	1. Case management services for the elderly with multiple needs. 2. Escort/transportation service. 3. Adult day care.
Pasadena Community Services Commission, Inc. Pasadena, California	1. Round-trip transportation services to nutrition center, doctor, grocery store, and other places, such as beauty shop, government offices, etc.

Name and location of service provider	Services provided to the elderly
University of Southern California Los Angeles, California	1. Direct legal services. 2. Information on various legal services available to seniors. 3. Development of handouts on legal issues.
CARE-A-VAN Fort Collins, Colorado	1. Transportation services: a. Individual rides to doctors, etc. b. Group trips to special events and outings. c. Special trips from nursing homes. d. Trips to nutrition sites. e. Regularly scheduled rural-to-city trips.
Weld County Health Department Home Health Care Division Greeley, Colorado	1. Homemaker services which include housekeeping services and personal care. 2. Home-health care services provided by a nurse.
Weld County Council on Aging Greeley, Colorado	1. Advocacy program. 2. Information on legislation affecting the elderly. 3. Information and referral to assist elderly in living more secure lives. 4. Outreach and problem resolution.
Community Services Council of Brevard County, Inc. Merritt Island, Florida	1. Transportation services. 2. Home maintenance repair. 3. Recreation. 4. Three other services.
Federation of Senior Citizens Clubs of Seminole County, Inc. Altamonte Springs, Florida	1. Transportation services. 2. Homemaker services. 3. Home-delivered meals. 4. Information services.

Name and location of service provider	Services provided to the elderly
Orange County Citizens Advisory Council on Aging, Inc. Orlando, Florida	1. Adult day care. 2. Legal counseling. 3. Consumer counseling.
Palm Beach County Division of Aging Riveria Beach, Florida	1. Friendly visits. 2. Telephone reassurance. 3. Transportation services. 4. Home-delivered meals.
St. Lucie County Council on Aging Ft. Pierce, Florida	1. Chore services. 2. Home-delivered meals. 3. Transportation services. 4. Four other services.
United Way of Palm Beach County West Palm Beach, Florida	1. Information and referral services.
Mid-East Area Agency on Aging Brentwood, Missouri	1. Information, referral, and followup services.
Jewish Employment and Vocational Service St. Louis, Missouri	1. Family helper service program (handyman/chore services).
Older Adults Transportation Service, Inc. Columbia, Missouri	1. Transportation services.
Brashear Senior Citizens, Inc. Brashear, Missouri	1. Recreation and other free-time activities. 2. Information and referral services. 3. Use of volunteers. 4. Shopping assistance and outreach.
Shelby County Senior Citizens Association Shelbina, Missouri	1. Homemaker and handyman services.
Marion-Polk-Yamhill Council on Aging Salem, Oregon	1. Chore services. 2. Friendly visits. 3. Outreach services.
Mid-Willamette Valley Community Action Agency, Inc. Salem, Oregon	1. Information and referral services. 2. Outreach services.

APPENDIX III

Name and location of service provider	Services provided to the elderly
Yamhill County Health Department McMinnville, Oregon	1. Assessment and referral services. 2. Home-health services. 3. Health screening services.
R and J Services Aloha, Oregon	1. Simple household and home repairs.
Special Mobility Services, Inc. Portland, Oregon	1. Transportation services.
Washington County Department of Public Health Hillsboro, Oregon	1. Homemaker services, including light housekeeping and personal care.

TYPES OF DATA REVIEWED AT EACH LEVEL

HHS

Regional office functional statement for AOA
AOA instructions on administering title III-B funds
AOA instructions for the assessment of a State agency on aging
Monitoring and assessment reports on selected State agencies
HHS internal audit reports
Correspondence

STATE AGENCIES

State plan on aging
Statement of functions and responsibilities for State agency
State operating budget plan for services for the aged
Policies and procedures prescribed by the State agency for area agencies
State needs assessments
State procedures and instructions for monitoring and assessment of aging service projects
State agency's monitoring reports
State fiscal instructions to area agencies
State training and technical assistance plan and requirements

AREA AGENCIES ON AGING

Functional assignments of area agency personnel
Grant and contract documents, including grant application, notice of grant awarded, correspondence, etc.
Area plan on aging
Instructions and requirements for the preparation of an area plan on aging
Programmatic and fiscal reports from service providers to the area agency
Area agency's field review reports on service providers visited
Accounting records of the area agency
Title III program quarterly financial reports
CPA reports on service providers
Needs assessment
Quarterly title III program performance reports

SERVICE PROVIDERS

Subgrant and contract documents
Project activity reports
Quarterly project status reports
CPA reports

SUMMARY OF FINANCIAL MANAGEMENT

WEAKNESSES REPORTED BY HHS

AUDITS OF TITLE III

Chapter 2 discusses some financial management problems at the area agency and service provider levels of the aging network. This appendix presents some additional evidence of other financial/fiscal management problems which exist at the State level as well as at the other levels of the network. We reviewed 18 audit reports issued by HHS to the States between June 1976 and February 1981 and found that 13 of these discussed some financial/fiscal management weaknesses at one or more levels of the aging network, including:

1. Lack of documentation for costs: In some cases, especially at the area agency level, cost allocations and expenditures were not supported by financial records, and sometimes estimates rather than actual costs were used. In one local project, payroll costs were not supported by time and effort distribution records as required by Federal regulations. In many cases, because of lack of proper documentation, HHS auditors had difficulty ensuring that costs claimed for Federal financial participation were allowable and properly matched with State and local expenditures.

2. Lack of required internal audits: Federal regulations require audits of title III projects (area agencies by the State and service providers by the area agencies) with reasonable frequency, usually annually but not less than once every 2 years. In several States, these either were not done or were incomplete and no provisions were made for correcting these problems.

3. Failure to require quarterly reports: Both area agencies and service providers are required to be monitored quarterly and to submit certain performance and financial data. Failure to comply with this requirement contributed to several State agencies being unable to assure that the status of Federal funds was being accurately reported and that Federal financial participation claimed by the State was allowable.

4. Errors in financial reporting: In at least one instance, expenditures and cash advances were commingled in incorrect expenditure reports. In other cases, accounting records were incomplete. The most common errors were in calculating and reporting non-Federal contributions used to match Federal funds. In several instances, such errors

resulted in overclaims by the State for Federal funds, and HHS recommended refunds and technical assistance to States in complying with this requirement.

5. Problems with letter-of-credit procedures: Financial procedures were not adequate sometimes to ensure that withdrawals of Federal funds under letter-of-credit were made as close as possible to the time of the actual disbursements to minimize the impact of these withdrawals on the public debt level.

6. Improper allocation of employees' salaries: In at least two States, employees' salaries from other programs were charged to title III-B, and in one case this was done on the basis of budget estimates rather than actual time devoted to the program.

7. Overcharge for use of space: In at least two States, the State agency claimed a use charge for space at a rate higher than approved by HHS. As a result, the State claimed more in Federal participation than it should have.

8. Lack of a proper accounting system: In a few States, HHS auditors found financial management problems such as those noted above so widespread as to require an overhaul of the entire system. Procedures used by these States, and sometimes the area agencies, were so ineffective and unreliable that HHS auditors were unable to assure that title III funds were being expended in accordance with Federal regulations. This problem was most evident in one State which, due to staffing problems, relied almost totally on the area agencies to provide assurances that the program was being properly administered.

OTHER FEDERAL LEGISLATION/PROGRAMS RELATED TO THE PURPOSES OF THE OLDER AMERICANS ACT

Authorizing legislation and program title	Fiscal year 1980 funding estimates (thousands)
Comprehensive Employment and Training Act of 1973:	
Programs under titles II and VI	$ 5,297,000
Title II of the Domestic Volunteer Service Act of 1973:	
Retired Senior Volunteers Program (note a)	26,200
Senior Companions Program (note a)	10,200
Foster Grandparents Program (note a)	46,900
Titles XVIII, XIX, and XX of the Social Security Act:	
Medicare (note a)	22,762,600
Medicaid	14,770,896
Social Services for Low-Income and Public Assistance Recipients	2,697,000
National Housing Act, sections 231 and 232:	
Mortgage Insurance--Rental Housing for the Elderly (note a)	65,285
Mortgage Insurance--Nursing Homes and Intermediate Care Facilities	99,162
United States Housing Act of 1937:	
Low-Income Housing - Assistance Program Homeownership for Low-Income Families	2,115,100
Lower Income Housing Assistance Program (Section 8)	3,580,000
United States Housing Act of 1959, section 202:	
Housing for the Elderly or the Handicapped	839,016
Housing and Community Development Act of 1974, title I:	
Community Development Block Grants/Entitlement Grants	2,794,225
Community Development Block Grants/Small Cities Program	996,000

Authorizing legislation and program title	Fiscal year 1980 funding estimates
	(thousands)
Economic Opportunity Act of 1964, section 222(a)(8):	
Community Food and Nutrition Program	28,000
Senior Opportunities and Services Program (note a)	10,500
Emergency Energy Conservation Services	400,900
Elementary and Secondary Education Act of 1965:	
Community Schools Program	3,183
Urban Mass Transportation Act of 1964, sections 3, 5, 9, and 16 (note b)	2,635,800

a/Programs specifically designated for the elderly. Other programs could serve a variety of target groups.

b/Section 9 of the act was repealed by Public Law 95-599, and section 16 is funded from section 3 authorization.

GAO REPORTS ISSUED ON MATTERS RELATING TO ADMINISTRATION OF SOCIAL SERVICES (TITLE III-B) GRANTS/CONTRACTS BY THE STATE AND AREA AGENCIES ON AGING

Transportation Programs for the Elderly (HRD-77-68, Apr. 7, 1977)

The Well-Being of Older People in Cleveland, Ohio (HRD-77-70, Apr. 19, 1977)

Local Area Agencies Help the Aging But Problems Need Correcting (HRD-77-82, Aug. 2, 1977)

The 1975 Amendments to the Older Americans Act--Little Effect on Spending for Priority Services (HRD-78-64, Mar. 6, 1978)

Home Health Care Services: Tighter Fiscal Controls Needed (HRD-79-17, May 15, 1979)

Conditions of Older People: National Information System Needed (HRD-79-95, Sept. 20, 1979)

Conditions and Needs of People 75 Years Old and Older (HRD-80-7, Oct. 15, 1979)

Comparison of Well-Being of Older People in Three Rural and Urban Locations (HRD-80-41, Feb. 8, 1980)

Oregon's Financial Management of Funds Under the Older Americans Act (HRD-80-97, July 17, 1980)

Financial Audit of the District of Columbia's Office on Aging (GGD-80-70, July 17, 1980)

Continuation of More Model Projects Could Increase the Delivery of Services to the Elderly (HRD-81-9, Oct. 23, 1980)

Federal and State Actions Needed to Overcome Problems in Administering the Title XX Program (HRD-81-8, Oct. 29, 1980)

DEPARTMENT OF HEALTH & HUMAN SERVICES Office of Inspector General

Washington, D.C 20201

17 AUG 1981

Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "More Specific Guidance and Tighter Management Control over Social Services Programs Can Result in Gains for the Elderly." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard P. Kusserow
Inspector General

Enclosure

GAO note: Page references in this appendix may not correspond to page numbers in the final report.

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE GAO REPORT "MORE SPECIFIC GUIDANCE AND TIGHTER MANAGEMENT CONTROLS OVER SOCIAL SERVICES PROGRAMS CAN RESULT IN GAINS FOR THE ELDERLY"

GAO Recommendation (page 40)

We recommend that the Secretary of Health and Human Services direct the Commissioner, AoA, to develop more specific guidance which would enable State agencies to more efficiently develop and issue procedures and instructions for

-- using Title III B subgrants and contracts as catalysts to attract needed outside resources.

Comment

We agree that additional attention must be given to increasing the use and effectiveness of catalyst activities by Area Agencies. Such a need is reflected in the Administration on Aging's proposed forward plan which emphasizes the development of alternative service approaches (i.e., services provided through non-Federal sources) to meet older persons' needs. Several initiatives will be undertaken in FY 1982 in this regard.

We also agree that consideration should be given by Area Agencies to resource development in awarding subgrants and contracts for services under an approved Area Plan. We do not see, however, the clear intent in the legislation that the "catalyst criteria" should be the determining factor in awarding all subgrants and contracts. Such an approach was evident in the regulations and guidelines which existed prior to the current regulations implementing the 1978 amendments to the Act. Under those previous regulations, service providers could only be funded for a period of three years after which specific approval had to be obtained from the Commissioner on Aging for any additional funding for services at that specific provider. Numerous requests were received for extended funding during that time, justified on the grounds that loss of funding would result in termination of the services being funded, thereby creating serious deficiencies in the Area Agencies' ability to develop comprehensive services systems in their communities. In short, Title III funds were the only funds available to meet the service needs of the older persons; additional resources were not available to meet these needs. Our experience indicates, therefore, that the catalyst or "seed money" concept is not universally appropriate since there are no other significant resources available to be leveraged, especially in rural areas.

The current regulations, therefore, place a responsibility on the State and Area Agencies to spend Title III funds in the most appropriate and effective manner to meet the assessed needs of the local community, and to assist in developing a services system which meets a wide variety of needs. One way of doing this is clearly by serving as a catalyst; another way, however, equally acceptable under the legislation is the development of services using Title III funds when no other funds or resources are available. Different combinations of the two approaches have been developed in many cases to respond to local needs and circumstances. The catalyst approach appears to be successful in many areas.

Two final points should be noted with regard to the findings and conclusions on the catalyst funding of Area Agencies. First, the review covered only 11 Area Agencies. Since there are currently 670 Area Agencies throughout the country, this represents less than 2% of the total. We believe the findings should be carefully qualified to reflect this extremely small sample of Area Agencies, and that the recommendations made in the report should be changed to recommend further analysis in order to determine the extent to which these limited findings exist in all Area Agencies. Second, we believe the report should be more specific about the responsibilities of the State Agencies with regard to providing adequate training and technical assistance to Area Agencies in this catalvst function. Clearly, the Area Agencies which were reviewed had not received adequate training in this area, and apparently had not been adequately monitored by the State Agencies in question. Deficiencies on the part of the State Agencies should be much clearer in the findings and conclusions contained in the report.

GAO Recommendation (page 40)

We recommend that the Secretary of Health and Human Services direct the Commissioner, AoA to develop more specific guidance which would enable State agencies to more efficiently develop and issue procedures and instruction for

-- providing performance-based payment provisions, to the extent possible, in subgrants and contracts with services providers.

Comment

The deficiencies noted in the report with regard to inadequate monitoring of program results and of performance-based payment systems result, in part, from confusion on the part of many State and Area Agencies as to the nature of the funding mechanism they are using when they approve Area Plan or service provider agreements. There has not been a clear understanding of the appropriate funding mechanism to use under Title III program (i.e. subgrants or procurement contracts) at the Area Agency level. The basic grant administration regulations promulgated by OMB and published by the Department in Part 74 have attempted to provide some clarification, as has the Administration on Aging in various program instructions and technical assistance materials. We believe that increased emphasis on the need to utilize sound procurement practices in those instances where they are appropriate, and in conformance with Part 74 requirements will do much to correct the kinds of deficiencies found in the Area Agencies and service providers included in the report. AoA will be proposing for FY 1982 a management improvement initiative for the Title III program, which will include an emphasis on performance-based payment approaches. It should be noted, however, that performance-based agreements may not always be appropriate for some of the services provided under Title III; e.g., information and referral services, legal services, telephone reassurance, etc. Nevertheless, in those areas where such agreements are appropriate, they should be used to the maximum extent in conjunction with a system of frequent monitoring by Area Agencies staff.

GAO Recommendation (page 40)

We recommend that the Secretary of Health and Human Services direct the Commissioner, AoA, to develop more specific guidance which would enable State agencies to more efficiently develop and issue procedures and instructions for

-- expending title III B funds for needed services in a timely manner.

Comment

The existence of prior year balances has been of major concern to the Administration on Aging for some years. Historically, this problem developed from circumstances largely beyond the control of Network agencies. The initial funding of Title III programs came from the release of two fiscal year appropriations in FY 1974 because of the delay in Congressional action in FY 1973; as a result, many States awarded funds to Area Agencies and Nutrition Projects on a forward funded basis (e.g., issuing grants late in one fiscal year under which expenditures were made largely in the following fiscal year). This action, coupled with a court decision in 1977 which required AoA and State Agencies to increase the rate at which nutrition services funds were obligated, resulted, in some States, in large amounts of balances of prior year allotments. Many State and Area Agencies have been reluctant to reduce these balances to near zero in view of the unpredictable nature of appropriations process. Since 1976, appropriations have been made on the basis of continuing resolutions, many of which have been approved only for one or two quarters at a time. In the current fiscal year, for example, State Agencies did not know the full amount of their allotment until June, and had to rely on previously obligated funds and State funds, or wait until this June or July to make full year awards to Area Agencies. These factors have discouraged Network agencies from changing funding cycles which occur late in the Federal fiscal year, and have acted as a disincentive to reduce balances in accord with AoA policies and guidelines.

One final point should be noted with regard to this matter. In the proposed regulations developed to implement the 1978 amendments to the Act, a provision was included which would limit the time which Area Agencies could liquidate obligations under a fiscal year allotment. This provision was not included in the final version of the regulations because of the numerous negative comments made in response to the proposal (largely indicating that such a provision might result in forcing recipients to make expenditures under time pressure without adequate consideration), and because there was a question as to whether such a policy was consistent with the regulatory policies set forth in Part 74 which provides authority to recipients to liquidate obligations without arbitrarily imposed time restrictions. We believe that Part 74 policies in this area limit our authority to require liquidation of legally incurred obligation within a specific time period. Nevertheless, AoA will continue to emphasize the need for timely expenditures, and will continue to make it a priority item in its technical assistance, monitoring, and assessment activities.

GAO Recommendation (page 61)

We recommend that the Secretary of Health and Human Services direct the Commissioner, AoA, to have State agencies develop performance accountability systems for title III B expenditures. The Commissioner should require State agencies to

-- use area plans as intended for setting goals and monitoring results

Comment

We are in agreement with the recommendations made in this area, and will re-emphasize the need for State Agencies to enhance their monitoring of the Area Plans. We believe, however, that the GAO report should more adequately acknowledge the considerable efforts made in the past by AoA in this regard, specifically the development and issuance of monitoring and assessment tools and guidelines.

GAO Recommendation (page 62)

We recommend that the Secretary of Health and Human Services direct the Commissioner, AoA, to have State agencies develop performance accountability systems for title III B expenditures. The Commissioner should require State agencies to

-- enforce Area Agencies use of statewide standards in setting service objectives, defining provider requirements in subgrants and contracts, and reporting the results of subgrants and contract expenditures.

We further recommend that the Secretary of Health and Human Services direct the Commissioner, AoA to revise its performance reporting system to include data on the levels of commonly provided services to elderly persons. To assure that accurate data is being reported under the revised system, we recommend that the Commissioner, AoA, direct State agencies to verify performance data as a part of their required on-site assessments of area agencies.

Comment

The findings and recommendations made in this section of the report largely relate to the need to develop and implement systems which will standardize the ways in which results achieved by Area Agencies and service providers are reported to State Agencies and AoA. We are in agreement with the need to improve program management through improved information systems as is evidenced by the efforts (noted in the report) undertaken by AoA to define the need for and develop a Title III services taxonomy. Testing of the taxonomy is included in AoA's discretionary grant plan for this year, the results of which will enable AoA to go forward with a program to encourage adoption of the service unit definitions throughout the Network. This effort is being undertaken simultaneously with the development of a national data base which will collect services and related information from all levels of the Network, and store the data in a computerized facility for use by AoA and any other interested organizations. These activities will go far towards carrying out the recommendations made in the report.

A word of caution, however, should be included in the report with regard to the time frame in which success can be achieved in this area. Developing standard units of service definitions has been a continuing effort among many social service programs of this Department for many years, and is an extremely difficult subject on which to achieve agreement. The report should not give the impression that significant results can be achieved on a short-term basis, but that considerable investment of resources will be required to carry out this recommendation.

STATE OF FLORIDA
DEPARTMENT OF
Health & Rehabilitative Services
Bob Graham, Governor
1317 WINEWOOD BOULEVARD TALLAHASSEE, FLORIDA 32301

August 7, 1981

Mr. Gregory J. Ahart
Director
Human Resources Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

Thank you for the opportunity to review the GAO draft report on State and Area Agencies on Aging management of social services subgrants and contracts under Title III of the Older Americans Act.

We feel that the report has reflected a review of program activities conducted during a period of regulation transition which involved a time lag between the 1978 amendments and receipt of the approved guidelines. Specifically in Florida the State unit has developed a strong accountability approach to management which includes thorough reporting procedures and regular monitoring at the Area Agency and project level. We recognize certain areas needing improvement such as watching draw down of advance funds, performance contracting methodology and reemphasizing "no means test, enforced contributions and income screening." Through our current management plans at the State and Area Agency levels such items are being corrected.

I would like to add that any assistance GAO can provide toward encouraging a national standardization of service definitions and units of service would be endorsed by this office.

Your staff is to be commended on the work they have done and you can be assured of our continued cooperation.

Sincerely,

John L. Stokesberry

John L. Stokesberry
Program Staff Director
Aging and Adult Services

JLS/nr

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY EDMUND G. BROWN JR., Governor

DEPARTMENT OF AGING
1020 19th STREET
SACRAMENTO, CALIFORNIA 95814
(916) 322-5290

August 7, 1981

Mr. Gregory J. Ahart, Director
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

Thank you for an opportunity to review the draft of your proposed report on the state and area agencies' management of social services subgrants and contracts under Title III of the Older Americans Act. We have no overall disagreements with the stated problems and conclusions. We would however, like to make some specific comments.

There are two weaknesses in the report that could significantly alter its accuracy. Firstly, in California only two area agencies were investigated out of a total of 33. Given the wide geographic, economic and cultural diversity in our state, these two agencies cannot truly represent the entire state. Therefore, as indicated on page 8 of your report, representativeness is merely an assumption which cannot be considered methodologically valid.

Secondly, the report uses "worst case" examples to make each point. We understand the reason for this, but need to point out that extrapolating these cases into "typical" cases would be unjustified.

Pages 15 and 16 of the report lay the foundation for much of the following analysis. The concept of the "catalytic" approach to Title III-B services is not however, as straightforward as implied. The law and subsequent regulations do not adequately address the "catalytic" approach in the real world of overall diminishing resources. Many other services outside the Older Americans Act network are also suffering fiscal restraints and cutbacks (e.g., CETA, Legal Services Corporation).

Area agencies are often forced to "fill service gaps" rather than fulfilling the intent of Title III-B to expand services. This is particularly so with the large urban agencies used in the report. It would be incorrect to ascribe this problem entirely on area agencies.

To attempt the "catalytic" approach, area agencies must mix funding sources which produces yet another difficulty. Different funding sources have conflicting law and regulations. As was pointed out on pages 34 and 35, these conflicting requirements are a major constraint for area agencies. (Prime examples of this are the 10 percent fare box requirement of the California Transportation Development Act of 1979 and the income screening of the Legal Services Corporation.) Therefore, the"catalytic" approach has far reaching ramifications not generally acknowledged in critiques of such problems as income screenings, means testing or fee generation.

We were pleased that the report acknowledged California's effort to correct area agency accountability problems. Since the report was compiled we have made additional strides in improving areas such as service definitions and units of service. However, all three levels of the Older Americans Act network, Administration on Aging, State Units and area agencies must work cooperatively to solve these problems. Even as the California Department of Aging finishes standards, the national problem of discordant state standards remains. The Administration on Aging plays a vital role in setting policies and defining terms in regulations. All too often state requests for definitions or policy clarifications are not responded to until state policy is finalized. In some cases this has resulted in having to change standards after the fact (e.g., USDA reimbursement standards when multiple meals per day are served to eligible seniors. In this case the California Department of Aging was encouraged to develop and implement its own policy which the Administration on Aging later contradicted.)

Page 26 of the report states that the major cause of the large unexpended balance (FY 79 - $13 million) was that "area agencies had used far less in Title III-B funds than the State had allocated to them." We have attached the document California Department of Aging Response to Audit Findings (1981), which goes into an explanation of these unexpended funds. While area agency unexpended funds contributes to some of this problem, our response does point out the inaccuracies of isolating this as the primary cause. In addition you will find our response document helpful in bringing you up to date on our efforts to improve accountability. Of particular importance is section V (page 9) regarding reporting, monitoring, assessment, audits, and training and technical assistance.

APPENDIX X

Again, thank you for this opportunity to respond. We sincerely hope your report will stimulate new directions.

Most sincerely,

JANET J. LEVY
Director

Attachment

(104069)

*U.S. GOVERNMENT PRINTING OFFICE: 1981-0-361-843/820

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