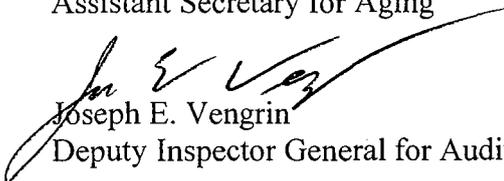




FEB 21 2007

TO: Josefina G. Carbonell
Assistant Secretary for Aging

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Administration on Aging's Resolution of Audit Recommendations
(A-07-06-03084)

Attached is our final report examining the Administration on Aging's (AoA) resolution of audit recommendations.

Pursuant to Office of Management and Budget Circular A-50, section 8.a(2), and other authorities, AoA is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports. Monthly stewardship reports that the Office of Inspector General prepares and forwards to AoA show the status of those recommendations. Our review covered the 319 audit recommendations identified in stewardship reports for calendar years (CY) 2003–2005.

Our objectives were to determine whether AoA had (1) resolved all audit recommendations as of December 31, 2005, and (2) resolved audit recommendations in a timely manner during CYs 2003–2005.

As of December 31, 2005, AoA had not resolved 28 audit recommendations, all of which were within the allowable timeframe for resolution. During CYs 2003–2005, AoA resolved 291 of the 319 audit recommendations that were outstanding during this period. However, it did not resolve 207 of the 291 recommendations within the required 6-month period. AoA did not resolve all audit recommendations in a timely manner because it did not follow departmental policies and procedures. As a result, AoA did not have reasonable assurance that it was exercising proper stewardship over Federal dollars.

We recommend that AoA resolve all audit recommendations within 6 months of receiving the audit reports as required.

In written comments on our draft report, AoA concurred with our recommendation. However, AoA recommended deleting our statement that it did not have reasonable assurance of proper stewardship over Federal dollars because "all outstanding audits over 6 months were resolved by

December 2005 . . . as required by policy.” After reviewing AoA’s comments, we continue to believe that our statement is valid.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Joe.Green@oig.hhs.gov. Please refer to report number A-07-06-03084 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ADMINISTRATION ON AGING'S
RESOLUTION OF AUDIT
RECOMMENDATIONS**



Daniel R. Levinson
Inspector General

February 2007
A-07-06-03084

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The Department of Health and Human Services, Administration on Aging (AoA), is responsible for providing home- and community-based services to millions of older people through programs funded under the Older Americans Act. AoA carries out these responsibilities through internal activities and through grants and contracts to private entities.

Pursuant to Office of Management and Budget Circular A-50, section 8.a(2), and other authorities, AoA is also responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports. Monthly stewardship reports that the Office of Inspector General prepares and forwards to AoA show the status of those recommendations. Our review covered the 319 audit recommendations identified in stewardship reports for calendar years (CY) 2003–2005.

OBJECTIVES

Our objectives were to determine whether AoA had (1) resolved all audit recommendations as of December 31, 2005, and (2) resolved audit recommendations in a timely manner during CYs 2003–2005.

SUMMARY OF FINDINGS

As of December 31, 2005, AoA had not resolved 28 audit recommendations, all of which were within the allowable timeframe for resolution. During CYs 2003–2005, AoA resolved 291 of the 319 audit recommendations that were outstanding during this period. However, it did not resolve 207 of the 291 recommendations within the required 6-month period.

AoA did not resolve all audit recommendations in a timely manner because it did not follow departmental policies and procedures. As a result, AoA did not have reasonable assurance that it was exercising proper stewardship over Federal dollars.

RECOMMENDATION

We recommend that AoA resolve all audit recommendations within 6 months of receiving the audit reports as required.

ADMINISTRATION ON AGING COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, which are included as Appendix B, AoA concurred with our recommendation. However, AoA recommended deleting our statement that it did not have reasonable assurance of proper stewardship over Federal dollars because “all outstanding audits over 6 months were resolved by December 2005 . . . as required by policy.” After reviewing AoA’s comments, we continue to believe that our statement is valid.

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INTRODUCTION

BACKGROUND

The Department of Health and Human Services (HHS), Administration on Aging (AoA), is responsible for providing home- and community-based services to millions of older people through programs funded under the Older Americans Act. AoA carries out these responsibilities through internal activities and through grants and contracts to private entities.

AoA is also responsible for resolving Federal and non-Federal audit report recommendations related to its own activities and to its grantees and contractors within 6 months after formal receipt of the reports.¹

Federal Audits

Pursuant to the Inspector General Act of 1978, the Office of Inspector General (OIG) conducts audits of internal AoA activities as well as activities performed by AoA grantees and contractors. These audits are intended to provide independent assessments of AoA programs and operations and help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards and oversees audit work done by certified public accounting firms.

Non-Federal Audits

Office of Management and Budget (OMB) Circular A-133 requires periodic “single” audits of non-Federal entities that expend \$300,000 (\$500,000 for fiscal years that ended after December 31, 2003) or more in Federal awards in a year.² Single audits, generally conducted by certified public accounting firms, are audits of all Federal awards to an entity.

OMB Circular A-133 states that the Federal awarding agency is responsible for issuing a management decision, within 6 months after formal receipt of the audit report, for recommendations that relate to its awards. A management decision is the evaluation of audit recommendations and the proposed corrective action plan and the issuance of a written decision on what corrective action is necessary. OMB Circular A-133, subpart D, §____.405(a), states: “The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given.”

OIG’s National External Audit Review Center (NEAR) reviews the OMB Circular A-133 reports for compliance with Federal regulations and the Single Audit Act and for conformance with

¹Throughout this report, we use the term “recommendations” to refer to both audit findings and recommendations.

²Some State and local governments that are required by constitution or statute, in effect on January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations also are allowed to have biennial audits under certain conditions.

professional standards. NEAR transmits each AoA-related report to AoA's Audit Liaison Office. After resolving the audit recommendations, AoA issues a management decision to the grantee or contractor and an audit clearance document to the OIG audit resolution group.

Audit Resolution

In resolving Federal and non-Federal audit recommendations, AoA must comply with OMB Circular A-50, section 8.a(2), which requires “. . . prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible.”

The HHS “Grants Administration Manual,” section 1-105, sets forth departmental policies and procedures for resolving recommendations pertaining to grants, contracts, and cooperative agreements. According to section 1-105-30(B)(1) of the manual, action officials must resolve audit recommendations within 6 months of the end of the month of issuance or release of the audit report by OIG. Resolution is normally deemed to occur when:

- a final decision on the amount of any monetary recovery has been reached;
- a satisfactory plan of action, including time schedules, to correct all deficiencies has been established; and
- the report has been cleared from the HHS tracking system by submission and acceptance of an audit clearance document(s).

Stewardship Reports

The OIG audit resolution group prepares monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits and forwards the stewardship reports to the applicable HHS agency. We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for AoA. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the action taken (management's decision) and the date of that action or indicate that no action has been taken.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether AoA had (1) resolved all audit recommendations as of December 31, 2005, and (2) resolved audit recommendations in a timely manner during calendar years (CY) 2003–2005.

Scope

We determined the resolution of audit recommendations identified in the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for CYs 2003–2005. These stewardship reports identified 81 (1 Federal and 80 non-Federal) audit reports and 319 corresponding recommendations.

Our objective did not require an understanding or assessment of AoA’s overall internal control structure. We limited our review to gaining an understanding of controls over AoA’s audit resolution process.

We performed fieldwork from May through July 2006 at the NEAR office in Kansas City, Missouri, and at the AoA office in the District of Columbia.

Methodology

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, the HHS “Grants Administration Manual,” and other Federal requirements;
- reviewed AoA policies and procedures for resolving audit recommendations;
- interviewed AoA staff and reviewed documentation provided by AoA officials;
- determined whether AoA had resolved the 319 recommendations in the 81 audit reports identified in stewardship reports for CYs 2003–2005 in accordance with Federal requirements; and
- reviewed 28 audit reports, judgmentally selected from the 81 reports, to test the accuracy of the information in the stewardship reports.

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATION

As of December 31, 2005, AoA had not resolved 28 audit recommendations, all of which were within the allowable timeframe for resolution. During CYs 2003–2005, AoA resolved 291 of the 319 audit recommendations that were outstanding during this period. However, it did not resolve 207 of the 291 recommendations within the required 6-month period.

AoA did not resolve all audit recommendations in a timely manner because it did not follow departmental policies and procedures. As a result, AoA did not have reasonable assurance that it was exercising proper stewardship over Federal dollars.

FEDERAL REQUIREMENTS

OMB Circular A-50, section 8.a(2), requires “. . . prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible.”

OMB Circular A-133, §____.405(d), states: “The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible.”

According to the HHS “Grants Administration Manual,” section 1-105-30(B)(1), action officials must resolve audit recommendations pertaining to grants, contracts, and cooperative agreements within 6 months of the end of the month of issuance or release of the audit report by OIG.

AUDIT RECOMMENDATIONS NOT RESOLVED

As of December 31, 2005, AoA had resolved all but 28 audit recommendations. These recommendations had not exceeded the allowable timeframe for resolution.

AUDIT RECOMMENDATIONS NOT RESOLVED IN A TIMELY MANNER

Of the 291 audit recommendations that AoA resolved in CYs 2003–2005, 207 (71.1 percent) were not resolved within 6 months of the end of the month of issuance or release of the audit report by OIG as required. The following table shows the timeframes for resolving these recommendations.

Timeliness of Audit Resolution in CYs 2003–2005		
Resolution Timeframe	Number of Resolved Recommendations	Percent of Total
Resolved timely (within 6 months)	<u>84</u>	<u>28.9</u>
Not resolved timely:		
6+ months to 1 year	129	44.3
Over 1 year	<u>78</u>	<u>26.8</u>
Subtotal	<u>207</u>	<u>71.1</u>
Total	291	100.0

LACK OF REASONABLE ASSURANCE OF PROPER STEWARDSHIP OVER FEDERAL DOLLARS

AoA did not resolve all audit recommendations in a timely manner because it did not follow departmental policies and procedures. As a result, AoA did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. Based on our review of 28 judgmentally selected audit reports (not to be confused with the 28 unresolved recommendations), we are concerned about the potential for the inefficient and ineffective use of Federal funds. Many of the recommendations (51 of 183) contained in the 28 audit reports were related to unallowable costs charged to Federal programs, inadequate documentation to support transactions, and cash management issues.

The recommendations in 11 of the 28 reports were so significant, i.e., material, that they caused auditors to issue 10 Circular A-133 reports with qualified opinions³ and 1 report with an adverse opinion.⁴ Auditors issued these opinions because the grantees' financial statements were not prepared in accordance with generally accepted accounting principles. Appendix A contains details on the 11 reports.

RECOMMENDATION

We recommend that AoA resolve all audit recommendations within 6 months of receiving the audit reports as required.

ADMINISTRATION ON AGING COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, AoA concurred with our recommendation and noted that it had developed more rigorous internal control procedures to manage audit recommendations. AoA also stated that "all outstanding audits over six months were resolved by December 2005, demonstrating that AoA is resolving audit recommendations as required by policy." AoA therefore recommended deleting our statement that it did not have reasonable assurance of proper stewardship over Federal dollars. AoA's comments are included in their entirety as Appendix B.

After reviewing AoA's comments, we continue to believe that our statement is valid. For CYs 2003–2005, AoA did not resolve 207 audit recommendations, including some recommendations related to material findings, within the required 6-month period. Therefore, we did not revise our report.

³A qualified opinion is an auditor's opinion that, except for the effects of the matter to which the qualification relates, the auditee complied with the laws, regulations, and provisions of the Federal program.

⁴An adverse opinion is an auditor's opinion that the auditee did not comply with the laws, regulations, and provisions of the Federal program.

APPENDIXES

**DETAILS ON 11 CIRCULAR A-133 AUDIT REPORTS ISSUED FOR
CALENDAR YEARS 2003–2005**

Report Number	Auditee	Opinion
A-02-01-65228	Puerto Rico Governors Office for Elderly Affairs	Qualified
A-02-01-69417	Puerto Rico Governors Office for Elderly Affairs	Qualified
A-02-02-70915	Puerto Rico Governors Office for Elderly Affairs	Qualified
A-02-03-73496	Puerto Rico Governors Office for Elderly Affairs	Qualified
A-02-04-75962	Puerto Rico Governors Office for Elderly Affairs	Qualified
A-03-05-82162	State of West Virginia	Qualified
A-03-06-83570	National Hispanic Council on Aging, Inc.	Adverse
A-06-04-76732	Kiowa Tribe of Oklahoma	Qualified
A-09-05-78496	Government of Guam	Qualified
A-10-04-75419	National Asian Pacific Center on Aging	Qualified
A-10-05-81691	Confederated Tribes & Bands of the Yakima Indian Nation	Qualified



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
Administration on Aging

Washington D.C. 20201

JAN 24 2007

TO: Joseph E. Vengrin
Deputy Inspector General for Audit Services

FROM: John T. Wren 
Deputy Assistant Secretary for Management

Subject: Administration on Aging's Resolution of Audit Recommendations
(A-07-06-03084)

The Administration on Aging (AoA) has reviewed the Office of Inspector General's draft report regarding the Administration on Aging's Resolution of Audit Recommendations.

AoA concurs with the draft report's Recommendation that we resolve all audit recommendations within 6 months of receiving audit reports as required. In the summer of 2005, AoA recognized the need to more effectively manage audit recommendations and developed more rigorous internal control procedures. These internal procedures and controls were further refined and then documented in a formalized AoA Procedure in May of 2006. The formal AoA "Audit Resolution Procedures" were provided to the on-site auditors as part of their fieldwork. In addition, AoA made available to the on-site auditors our internal tracking system which identifies each audit recommendation by CIN #, the date received, the date of required resolution, AoA's resolution point of contact, and the current status of each audit recommendation.

As noted in the audit's Summary of Findings, with these new procedures in place, all outstanding audits over six months were resolved by December 2005, demonstrating that AoA is resolving audit recommendations as required by policy. As such, we recommend deleting the sentence "As a result, AoA did not have reasonable assurance that it was exercising proper stewardship over Federal dollars" from the final report.

Exercising proper stewardship over Federal dollars is a responsibility AoA takes seriously. We will continue to aggressively pursue the Recommendation to resolve audit recommendations within 6 months.

Thank you for the opportunity to review and comment on this draft report. If you or your staff have any additional questions, please contact Steve Daniels, Director of the Office of Grants Management, at 202-357-3464.