

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Aging and Adult Services Agency
Michigan Department of Health and Human Services

October 2021

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The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



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Report Summary

Follow-Up Report

Aging and Adult Services Agency (AASA)

Michigan Department of Health and Human Services

Report Number:
391-0645-18F

Released:
October 2021

We conducted this follow-up to determine whether AASA had taken appropriate corrective measures in response to the material condition noted in our October 2019 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
<p>Finding 1 - Material condition.</p> <p>Improvement needed in monitoring and oversight of subcontracted service provider activities.</p> <p>Agency agreed.</p>	Partially complied	Reportable condition exists. <u>See Finding 1.</u>	Agrees

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October 14, 2021

Mr. Robert C. Schlueter, Chair
Commission on Services to the Aging
South Grand Building
Lansing, Michigan
and
Ms. Elizabeth Hertel, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Mr. Schlueter and Ms. Hertel:

This is our follow-up report on the material condition (Finding 1) and corresponding recommendation reported in the performance audit of the Aging and Adult Services Agency, Michigan Department of Health and Human Services. That audit report was issued and distributed in October 2019. Additional copies are available on request or at audgen.michigan.gov.

Your agency provided the preliminary response to the follow-up recommendation included in this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler
Auditor General

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AGING AND ADULT SERVICES AGENCY

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the material condition* (Finding 1) and corresponding recommendation reported in our performance audit* of the Aging and Adult Services Agency (AASA), Michigan Department of Health and Human Services (MDHHS), issued in October 2019.

PURPOSE OF FOLLOW-UP

To determine whether AASA had taken appropriate corrective measures to address our corresponding recommendation.

AGENCY DESCRIPTION

AASA is Michigan's designated State unit on aging. AASA is responsible for the coordination of all State activities related to the Older Americans Act of 1965*, as amended, and the Older Michiganians Act of 1981*, as amended. The State's Commission on Services to the Aging* is granted authority for expenditure of funds related to these laws. AASA's mission* is to provide Statewide leadership, direction, and resources to support Michigan's aging, adult services, and disability networks with the aim of helping residents live with dignity, meaning, purpose, and independence.

AASA provides funding to 16 local agencies* throughout the State and oversees the varied services the local agencies provide to Michigan's older adults*.

For fiscal year 2020, AASA expended \$124.8 million, including \$94.4 million (75.6%) provided to the 16 local agencies.

* See glossary at end of report for definition.

PRIOR AUDIT FINDING AND RECOMMENDATION; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSION, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE

FINDING 1

Audit Finding Classification: Material condition.

Summary of the October 2019 Finding:

AASA needed to improve its oversight to ensure local agency staff effectively monitor subcontracted service provider* activities. Specifically, we noted:

- a. Local agencies did not always maintain or appropriately complete subcontractor assessment documentation.
- b. AASA did not always appropriately conduct and/or document its monitoring of local agencies' subcontractor assessment activities. Specifically, we noted field representatives did not:
 - Review 31% of the program and fiscal assessment guide templates used by local agencies in assessing subcontracted service providers' compliance with AASA operating standards.
 - Complete 28% of the required local agency subcontractor assessment observation monitoring tools.
 - Ensure their monitoring of local agency assessments identified the subcontractor assessment files and included the required number of AASA funded purchase-of-service (POS) providers.

Recommendation Reported in October 2019:

We recommended that AASA ensure that local agency staff and AASA field representatives improve their monitoring and oversight of subcontracted service provider activities.

AGENCY PLAN TO COMPLY*

MDHHS indicated AASA:

- Updated its guidance for local agencies' subcontractor assessments.
- Revised its annual local agency assessment tool and the subcontractor assessment observation guide templates used by the AASA field representatives.
- Enhanced its supervisory review process of assessments completed by AASA field representatives.

* See glossary at end of report for definition.

**FOLLOW-UP
CONCLUSION**

Partially complied. A reportable condition* exists.

Our follow-up noted AASA:

- Provided guidance to the local agencies emphasizing the duration and type of supporting documentation local agencies should maintain related to their subcontractor assessment activities.
- Enhanced the assessment tools its field representatives use to monitor the local agencies and observe local agencies' subcontractor assessments, including the addition of supervisory sign-off on completed observation guides.

However, we noted AASA field representatives did not always appropriately conduct monitoring of subcontractor assessment activities performed by the local agencies. Specifically, AASA did not:

- Review 3 (9.4%) of the 32 fiscal year 2020 local agencies' subcontractor program and fiscal assessment guide templates.
- Perform 2 (12.5%) of the 16 fiscal year 2020 subcontractor observation monitoring visits.
- Perform 2 (12.5%) of the 16 fiscal year 2020 annual assessment visits.
- Review 19 (23.8%) of 80 required local agency subcontractor assessment files for fiscal year 2020. AASA is required to review at least 5 of each local agency's AASA funded subcontractor assessment files during the local agency's annual assessment visit and ensure at least 2 of the 5 are POS providers if the local agency uses AASA funding for POS agreements. Specifically, AASA field representatives did not review:
 - Any of the 10 required assessment files for 2 local agencies.
 - 3 of the 10 required assessment files for another 2 local agencies.
 - 6 of the 30 required assessment files for 6 other local agencies. Instead, AASA field representatives reviewed 24 required assessment files and 6 files related to POS providers that were non-AASA funded for the time period under review.

* See glossary at end of report for definition.

**FOLLOW-UP
RECOMMENDATION**

We recommend that AASA ensure that local agency staff and AASA field representatives conduct monitoring and oversight of subcontracted service provider activities as required.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees.

During the audit period, AASA was challenged with competing priorities due to the COVID-19 pandemic which caused a delay in performing oversight and monitoring of subcontracted service provider activities. In addition, at the beginning of calendar year 2020, an AASA staff person who had a significant role in oversight and monitoring provided short-term notice of retirement. With the local office restrictions in place because of COVID, AASA staff were not able to get into the office where the files were located on a timely basis which caused a delay in determining outstanding oversight still necessary.

AASA has filled the staff vacancy and all oversight and monitoring deficiencies cited in the finding have been completed. AASA has also developed a tracking spreadsheet to help ensure that all assessments are completed in a timely manner.

AASA reviews a list of local agency subcontractors, including POS providers, for Aging programs in place during the fiscal year being assessed. Although a POS provider may not have incurred expenditures in the year that is being assessed, they must still be compliant with program requirements because a POS provider could receive a call for immediate services. AASA has since instructed field representatives to review the Financial Summary Profile Report and select POS providers that were utilized during the assessment period. If there are no POS providers with expenditures in the selection, then the field representative is required to select two additional local agency subcontractors with expenditures for review.

FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES

METHODOLOGY

We reviewed AASA's corrective action plan, operating standards, and updated guidance to local agencies. Also, we:

- Interviewed AASA management to obtain information regarding AASA's processes and procedures for monitoring local agencies' oversight of subcontracted service providers.
- Reviewed AASA's fiscal year 2020 local agency subcontractor assessment documentation for all 16 local agencies to determine if AASA field representatives had:
 - Reviewed the local agencies' subcontractor program and fiscal assessment guide templates.
 - Completed required observations of local agency subcontractor assessments.
 - Completed annual assessments, including required reviews of local agency subcontractor assessment files.
- Judgmentally selected one local agency and reviewed its assessment files for 10 of the 42 subcontracted service providers it used during fiscal year 2020 to determine whether the local agency:
 - Completed required subcontractor assessments.
 - Assessment conclusions aligned with the supporting documentation.

PERIOD

Our follow-up generally covered October 1, 2019 through September 30, 2020.

AGENCY RESPONSES

Our follow-up report contains 1 recommendation. MDHHS's preliminary response indicates that it agrees with the recommendation.

The follow-up agency preliminary response in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the

Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
Aging and Adult Services Agency (AASA)	The State agency responsible for administering aging programs funded by the federal Older Americans Act of 1965 and the Older Michiganians Act of 1981.
Commission on Services to the Aging	A 15-member commission appointed by the Governor, by and with the advice and consent of the Senate, to act as an effective and visible advocate for aging and older persons in all government decisions.
local agency	An agency designated by the Commission on Services to the Aging as being responsible for assessing the needs of the aging within a single planning and service area and for implementing programs to address those needs.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
mission	The main purpose of a program or an entity or the reason the program or the entity was established.
older adult	A State resident who is 60 years of age or older and the spouse of the older person, regardless of age.
Older Americans Act of 1965	Federal law that provides grants to the states for community planning and service programs for the aging.

Older Michiganians Act of 1981	Public Act 180 of 1981, which created the Commission on Services to the Aging, Aging and Adult Services Agency, and area agencies on aging.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
POS	purchase-of-service.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
subcontracted service providers	Not-for-profit agencies, government agencies, and for-profit businesses that contract with the local agencies to identify seniors in need of services and to provide services to help seniors remain as independent as possible.



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