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MEMORANDUM

DATE: January 22, 1979 827.4
TO: Richard Robinson, Chairman
Joint Legislative Audit Committee
FROM: *Thomas W. Hayes*
Thomas Hayes
Acting Auditor General
SUBJECT: Preliminary Survey of California Department of Aging

I. AUTHORIZATION

- A. Requester: Assemblyman Lawrence Kapiloff, Chairman,
Assembly Special Subcommittee on Aging
- B. Request: The Committee requested the Auditor General
to conduct a full performance audit of the Department
of Aging. (Joint Legislative Audit Committee Resolution
827--4/13/78)

II. RECOMMENDATION

Based on our survey, we recommend that the program audit of the Department be postponed and placed on the two-year plan. We further recommend that a new audit be initiated when the following conditions are met:

- 1. The Department's field operations are centralized and its administrative reorganization is in place
- 2. The changes mandated by the reauthorized Older Americans Act are implemented
- 3. The Department has completed the implementation of standardized procedures based on recommendations from previous audits conducted by the Auditor General, the Department of Finance and the U.S. Department of Health, Education and Welfare (HEW).

III. BACKGROUND AND PROGRAM HISTORY

The California Department of Aging (CDA) is designated by state statute as the single state agency to administer funds which are allocated to the State under the federal Older Americans Act of 1965, as amended. As the state unit on aging authorized by the Act, the Department is responsible for planning, coordinating and monitoring programs to stimulate development of a statewide network of comprehensive services to the elderly.

The primary responsibility of the California Department of Aging is the supervision and administration of programs funded under Title III and Title VII of the Older Americans Act. Title III of that Act provides for the development, delivery and coordination of existing supportive services to the low-income elderly. Title VII is designed to provide meals and attendant services to the low-income elderly. As of September 30, 1978, there were 69 Title III projects and 231 Title VII nutrition projects.

Other programs funded by the Older Americans Act include:

- Title IVA-Provides training programs and education for elderly service providers.
- Title V-Provides financial assistance for the purchase or renovation of facilities to be used as multi-purpose community senior centers.
- Title IX-Provides subsidized employment in community service activities for low-income elderly.

Until recently the Department was divided into three divisions: Field Operations; Program Support; and Administration. The Field Operations Division had staff in Sacramento, Oakland, Los Angeles and Fresno. The Sacramento office provided overall management and statewide coordination. The three regional offices were responsible for processing grant applications, technical assistance and assessing and monitoring the various CDA projects. CDA is currently centralizing the functions of the Field Operations Division. Centralization should be complete by February 1979.

Under federal mandate the State is divided into 26 geographical units called Planning and Service Areas (PSAs). Of the 26 PSAs, 17 have designated Area Agencies on Aging (AAAs), which are responsible for preparing written area agency plans and for developing and administering a comprehensive system of services for the elderly in their areas. AAAs are located in the more populous areas of the State, in which 89 percent of the population over age 60 reside. Agencies designated as AAAs vary from county health and welfare agencies to small nonprofit agencies established for the sole purpose of being focal points in the delivery of services to the elderly.

The remaining nine PSAs are considered Direct Service Areas (DSAs) in which services are provided to the elderly through contracts let directly by CDA to local service provider groups. PSAs are generally located in the more rural areas of the State. Both AAAs and projects within DSAs have reported to the regional offices of the Field Operations Division for grant applications, technical assistance and program assessment.

In the last three years Older Americans Act monies have increased significantly, while the General Fund portion of the Department's budget has remained relatively constant.

	<u>Federal</u>	<u>State</u>
1975-76	\$ 21,204,251	\$ 1,325,073
1976-77	28,055,632	1,288,758
1977-78	46,655,125	1,580,512

The federal funding level for fiscal year 1978-79 has not been determined because Congress adjourned before making new appropriations under the Older Americans Act. The Department, therefore, must operate at the funding levels established for the 1977-78 federal fiscal year.

IV. SURVEY RESULTS

The California Department of Aging is presently undergoing major organizational changes and implementing procedures to address problems noted in past audits. In addition, the Older Americans Act is being revised.

A. Agency Reorganization and Centralization

On August 1, 1978, a new deputy director was hired. Effective September 25, 1978, the entire Department was reorganized. Many staff members have assumed new responsibilities and position descriptions, and formal lines of communication are in process of being developed. The Fresno and Oakland regional offices have been phased out and staff have transferred to Sacramento. The Los Angeles regional office will be phased into program operation by February 1, 1979.

B. Reauthorization of the Older Americans Act

The U.S. Congress amended the Older Americans Act to take effect on September 22, 1978. The Administration on Aging of the U.S. Department of Health, Education and Welfare (HEW) estimated that the new regulations to implement these amendments will be published in April 1979.

Two of the federally mandated changes will have significant impact on the administrative structure of the State's aging network:

1. The Act changes the roles of CDA and the AAAs. Effective October 1, 1980, Older Americans Act funds must be distributed only through AAAs. Projects currently designated as DSAs will be brought under the sponsorship of newly formed or currently existing AAAs.

To facilitate this change, CDA must designate AAAs throughout the State. CDA officials estimate that the structure might be altered to include 22 to 30 AAAs. A study completed by the School of Gerontology at the University of Southern California in November 1978, recommended alternative standards to be used for the designation of AAAs. Once AAAs have been designated, CDA will be responsible for providing training to AAAs to enable them to assume new and increased administrative responsibilities. The direction of the new law is for AAAs to carry out many of the program management functions which were formerly the responsibility of CDA. CDA, however, will assume greater responsibilities for policy development and statewide planning.

2. The Act mandates the consolidation of Title III and nutrition projects (formerly Title VII projects under AAAs) by October 1, 1980. AAAs will be Title III agencies responsible for coordinating all Older Americans Act projects including nutrition. Generally nutrition projects have been in existence longer and are more visible and better developed. There is considerable resistance on the local level to the mandated consolidation. CDA will play a major role in facilitating these changes, in terms of attitude and administrative structure.

C. Implementation of Standardized Procedures

The Department is presently in the process of implementing standardized procedures based on recommendations in previous audits conducted by the Auditor General, the Department of Finance and the U.S. Department of Health, Education and Welfare. Major issues being addressed include:

- Statewide needs assessment
 - Special planning unit to coordinate the delivery of services to the elderly
 - Uniform accounting systems
 - Statewide training program
 - Standardized project close-out procedures
 - Revision of personnel classification series
1. Statewide Needs Assessment: The Auditor General's Report 275.3* recommended that a statewide identification of needs of the elderly be accomplished. This will enable the State to provide a comprehensive service delivery system to assure that California's elderly receive the health care and supportive services commensurate with their needs.

*Auditor General. Lack of a Planned, Integrated System of Services for the Elderly, Part III, December 1977

The Department is currently conducting its first statewide needs assessment. The project will meet the long-standing goal of CDA to enhance its ability to formulate annual plans which better reflect the needs of the State's elderly population. By this process the Department will also have a strong data base for ascertaining the strength and efficiency of current programs and resources to meet those needs. It is expected that the AAAs will also benefit from an improved statewide data base on the elderly and a standardized procedure for periodic needs assessments in their respective PSAs, thereby improving their own planning efforts.

The projected completion date for this needs assessment is June 1979. The assessment data will be used in the 1980 state plan. When complete, it should improve the Department's decision-making process for allocation and direction of resources and facilitate the communication network between CDA and the AAAs.

2. Special Planning Unit: The Department has established a special unit to develop a report which contains clearly defined recommendations for both legislative and administrative action necessary to assure that services to the elderly will be developed in a cost-effective and integrated manner. The special planning unit is working with representatives from the Departments of Health Services, Social Services and the Office of Statewide Health Planning and Development. However, the Department of Transportation is not represented in the planning unit. Transportation is vital in the network of services provided to the elderly. The contract for staffing this unit expires in April 1979.

In our opinion, CDA's needs assessment and special planning units will provide the mechanism to carry out the Auditor General's recommendation to provide a comprehensive services delivery system to California's elderly population. However, the Legislature must clearly define the roles of the state agencies concerned with the care of the elderly and the California Department of Aging in order to effectively and economically achieve the integration of service to the elderly.

3. Uniform Accounting System: To facilitate fiscal controls the Department has developed an accounting system which is recommended for all Older Americans Act projects. The system is designed to match accounts specified on reporting forms required by the Federal Government. The implementation of the system will be inhibited by the 75 percent vacancy rate in the CDA division which provides technical assistance in accounting. A new administrative manual was disseminated to all projects in August 1978.
4. Statewide Training Program: CDA is presently exercising increased control over funds used to train service providers. In the past, training funds were distributed to AAAs who provided the training they deemed necessary. In federal fiscal year 1978-79, each AAA submitted a proposal for use of training funds in its respective area. To date, training funds have been administered to only six AAAs which met objective criteria. The remaining funds were used to subcontract training for providers throughout the State. The training is based on a statewide assessment of training needs identified by service providers in the aging network. All training courses will be evaluated at the end of the current fiscal year.
5. Standardization of Project Close-Out Procedures: CDA has contracted with the Department of Finance to conduct the close-out audits mandated for all Older Americans Act projects. In the past, each project hired a local auditor to perform this function which led to inconsistencies in procedures and standards.
6. Personnel Classification Series "Aging Program Analysts": CDA is negotiating to replace the "Consultant on Aging" classification with the "Aging Program Analyst" classification. There have been criticisms from projects that consultants are not equipped to provide technical assistance and to conduct project assessments. Changes in responsibilities have led to a shift from emphasizing social service-counseling skills to program management and administration skills. Of the 99.5 budgeted positions at CDA, 22 are classified as "Consultants on Aging". However, work of this nature is performed by approximately 35 staff members. This reclassification procedure

reflects the need for greater specialized expertise and should improve the quality of technical assistance and program assessment provided by CDA.

D. Problems Requiring CDA's Attention

Problems still requiring the attention of the California Department of Aging include:

- Staffing levels
- Project evaluation and monitoring
- Statewide planning coordination
- Capital equipment insurance program

1. Staffing: The Department appears to be understaffed and to have a consistently high vacancy rate. In the last three years federal funding has more than doubled (see page 3), while CDA staff has increased by 22 percent. The annual staff turnover rate is approximately 30 percent. As of November 30, 1978, there were 99.5 positions, 12.5 of which were vacant. Included in the vacancies were 4.5 of the 6 auditing positions and 2 of the 3 nutritionists in the field staff. These positions provide technical assistance to projects and perform project assessments. Staff members responsible for three major projects (the statewide needs assessment, capital equipment insurance programs and special planning unit) are on temporary assignments which will end early in 1979.

CDA also lost 8 positions due to Proposition 13 cutbacks. The Department of Finance subsequently authorized 10 new positions for fiscal year 1978-79, contingent upon federal funding. Since the appropriations will not be made before April 1979 and it is not certain there will be adequate funding for the positions, such positions have not been filled.

In addition, resignations have been submitted in November 1978, by three professional staff members having key supervisory and policy-making responsibilities.

The understaffing in key areas of CDA responsibility and the high employee turnover have caused disruptions in the program and reduced the quality of assistance available to those who deliver services to the elderly.

2. Project Evaluation and Monitoring: In June 1977 the HEW Audit Agency reported that CDA grantees were not evaluated as frequently as prescribed in the regulations, were not evaluated in all significant aspects of the operations, were not provided written notices of deficiencies and were not required to develop plans for improvement with time frames for corrective action. This continued to be a problem. Project assessments have only recently been used to determine if projects should be refunded. As a result there has been no assurance that refunded projects are in compliance with the law and are providing services for which they are contracted.
3. Statewide Planning Coordination: Area agency plans are not being coordinated by CDA to provide a base for the development of the state plan. As a result, the area plans are not integrated into the state plan. Therefore, the efforts and resources of the aging network are not properly coordinated.
4. Capital Equipment Insurance Program: CDA has a fleet of between 400 and 450 vehicles and has developed an optional vehicle insurance program for projects to meet the need for reduced insurance premiums. No controls have been established to determine the exact extent of the fleet and to assure that the vehicles meet state requirements with regard to insurance, maintenance, qualifications of drivers, transfer of ownership, etc. Because of this lack of control, there is potential in this system for misuse of funds.