

**AUDIT REPORT
OF
MIDLAND AREA AGENCY ON AGING
JULY 1, 2017, THROUGH JUNE 30, 2018**

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the Auditor of Public Accounts.**

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Issued on September 18, 2018

MIDLAND AREA AGENCY ON AGING

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MIDLAND AREA AGENCY ON AGING

KEY OFFICIALS AND CONTACT INFORMATION

Board Members

Name	Title
Charles Neumann	Board Chair
Pam Lancaster	Board Member
Roger Wiegert	Board Member
JoAnn Reiher	Board Member
Scott Arnold	Board Member
Eldon Orthmann	Board Member
Mike Anderson	Board Member
Daren Blackstone	Board Member
Bobby Parks	Board Member
Rance Lierman	Board Member
Douglas Lanfear	Board Member
Lee Hogan	Board Member

Midland Area Agency on Aging Executive Management

Name	Title
Casey Muzic	Director
Linda O'Brien	Fiscal Manager

Midland Area Agency on Aging
2727 W. 2nd Street, Suite 400
Hastings, NE 68901
www.midlandareaagencyonaging.org



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

MIDLAND AREA AGENCY ON AGING

INDEPENDENT AUDITOR'S REPORT

Midland Area Agency on Aging
Hastings, Nebraska

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and the major fund of the Midland Area Agency on Aging (MAAA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the MAAA's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MAAA's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and the major fund of the MAAA, as of June 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole, which collectively comprise the MAAA's basic financial statements. The Management Discussion and Analysis, and the Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund, on pages 5-7 and 17, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, on page 19, is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management Discussion and Analysis and the Schedule of Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018 with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering the MAAA's internal control over financial reporting and compliance.

September 7, 2018



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

MIDLAND AREA AGENCY ON AGING

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Midland Area Agency on Aging’s (MAAA) audit report presents our discussion and analysis of the MAAA’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the MAAA’s financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MAAA is completing this audit report in compliance with the provisions of Statement No. 34 of the Governmental Accounting Standards Board *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. Statement No. 34 establishes standards for external financial reporting for all State and local government entities, which includes government-wide financial statements, fund financial statements, and the classification of net assets into three components: (a) invested in capital assets, net of related debt; (b) restricted; and (c) unrestricted.

This annual report consists of four parts: (1) Management’s Discussion and Analysis (this section); (2) Basic Financial Statements – Cash Basis; (3) Supplemental Schedules; and (4) Information on the Single Audit (Federal funds).

The accompanying basic financial statements have been prepared on the cash basis of accounting. Accordingly, the financial statements and supplemental schedules are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

The financial statements report information on all the activities of the MAAA. All of the MAAA activities are essentially reported under the umbrella of the MAAA’s General Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data about the financial statements and the MAAA’s commitments and contingencies that are not reported in the cash basis financial statements. The statements are followed by a section of Supplementary and Other Information, which further explains and supports the information in the financial statements.

FINANCIAL HIGHLIGHTS

Book Balances

As of June 30, 2018, the MAAA’s General Checking Account Book Balance was \$109,604. The balance in the Edward Jones Money Market on June 30 was \$11,871, the Savings Reserve was \$14,108, and the regular Savings Account was \$188,920. The MAAA payroll account had a balance of \$10 on June 30, 2018. The County Savings Accounts totaled \$21,432, for a total Fund Balance of \$345,945.

The MAAA’s total cash available in its General Fund increased from \$274,051 to \$345,945, or an increase of \$71,894.

	<u>FY 2018</u>	<u>FY 2017</u>
Cash and Cash Equivalents	\$ 345,945	\$ 274,051
Total Assets	<u>\$ 345,945</u>	<u>\$ 274,051</u>
Net position		
Restricted	\$ 9,000	\$ 5,000
Unrestricted	<u>\$ 336,945</u>	<u>\$ 269,051</u>

MIDLAND AREA AGENCY ON AGING

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

Receipts and Disbursements

As of June 30, 2018, the MAAA’s total receipts were \$3,571,912. The MAAA’s total disbursements were \$3,500,018, a net change of \$71,894.

Below is information from the Statement of Cash Basis Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Governmental Fund.

	FY18	FY17
	<hr/>	<hr/>
RECEIPTS		
Federal and State Sources		
Older American’s Act	\$ 709,676	\$ 1,331,698
Nutrition Services Incentive Program	86,464	90,495
Title XX	225,959	250,304
Care Management	192,588	211,027
Community Aging Services Act	635,953	-
Level of Care/Case Management	598,386	666,876
Senior Medicare Patrol	18,087	-
Transportation Programs	303,528	267,241
Other Government Sources		
Aged and Disabled Resource Center Grant	87,614	137,857
Local Contributions	180,244	179,137
Client Contributions	479,518	522,995
Fees for services	5,212	10,655
Miscellaneous	46,215	98,099
Interest	2,468	1,545
Total Receipts	<hr/> 3,571,912	<hr/> 3,767,929
 DISBURSEMENTS		
Personnel	2,136,667	2,075,267
Travel	57,424	45,034
Printing and Supplies	124,328	197,511
Equipment	30,386	65,290
Building Space	66,671	209,785
Communication and Utilities	122,687	45,670
Other Expense	156,349	83,100
Raw Food	369,965	369,371
Contractual Services	435,541	571,999
Total Disbursements	<hr/> 3,500,018	<hr/> 3,663,027
 Excess of Receipts over Disbursements	 <hr/> \$ 71,894	 <hr/> \$ 104,902

MIDLAND AREA AGENCY ON AGING

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

Differences between FY17 and FY18 are not directly comparable given that the accounting basis for the financial reports changed from an accrual basis to a cash basis. Older American's Act funding for FY17 was consolidated to include Community Aging Services Act (CASA) and Senior Medicare Patrol (SMP).

Federal Funding

Federal revenue is received by the MAAA to administer Federal Older American's Act programs and grants. These funds support the program/grant activities.

State Funding

State revenue is received by the MAAA to administer State programs and grants. These funds support the program/grant activities.

Interlocal Agreement

The MAAA reports involvement in an interlocal agreement with five direct counties: Clay, Howard, Merrick, Nuckolls, and Webster – and three contract subaward counties: Adams, Hall, and Hamilton. The MAAA oversees the finances, meal services, and programming of the direct counties. The board of the subrecipients in the contract counties have control over how funds the MAAA provides are spent with MAAA oversight.

As part of the interlocal agreement, each county provides funds equal to \$1 per person over the age of sixty according to the 2010 Census. The financial statements shown are an aggregate of these eight counties along with the administrative costs from the Central Office located in Hastings, Nebraska.

Contacting MAAA's Financial Management

This financial report is designed to provide the public with a general overview of the MAAA's finances and to demonstrate the MAAA's accountability for the money with which it is entrusted. If you have any questions about this report or need additional information, contact Casey Muzic, Director, Midland Area Agency on Aging, 2727 W 2nd St, Hastings, NE 68901. The MAAA's phone number is 402-463-4565. Its website is located at midlandareaagencyonaging.org.

MIDLAND AREA AGENCY ON AGING
STATEMENT OF NET POSITION – CASH BASIS

June 30, 2018

	<u>Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 345,945
Total Assets	<u>\$ 345,945</u>
NET POSITION:	
Unrestricted	\$ 336,945
Restricted	9,000
Total Net Position	<u>\$ 345,945</u>

The accompanying notes to the financial statements are an integral part of this statement.

MIDLAND AREA AGENCY ON AGING
STATEMENT OF ACTIVITIES – CASH BASIS
For the Fiscal Year Ended June 30, 2018

Governmental Activities:	Disbursements	Program Receipts		Net (Expenditures)/ Receipt and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Aging Services	\$ 2,348,403	\$ 194	\$ 2,353,412	\$ 5,203
Care Management	199,038	-	193,447	(5,591)
Senior Medicare Patrol	20,196	-	18,087	(2,109)
Transportation	369,892	5,019	373,677	8,804
Case Management/Level of Care	562,489	-	598,386	35,897
Total Governmental Activities	\$ 3,500,018	\$ 5,213	\$ 3,537,009	42,204
General Receipts:				
Interest				2,468
Membership dues				27,222
Total General Receipts				<u>29,690</u>
Change in Net Position				71,894
Net Position - Beginning of year				<u>274,051</u>
Net Position - Ending of year				<u>\$ 345,945</u>

The accompanying notes to the financial statements are an integral part of this statement.

MIDLAND AREA AGENCY ON AGING
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND
 June 30, 2018

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 345,945
Total Assets	<u>\$ 345,945</u>
FUND BALANCE	
Restricted	\$ 9,000
Unassigned	<u>336,945</u>
Total Fund Balance	<u>\$ 345,945</u>

The accompanying notes to the financial statements are an integral part of this statement.

MIDLAND AREA AGENCY ON AGING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE
GOVERNMENTAL FUND

For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>
RECEIPTS	
Federal and State Sources	
Older American's Act	\$ 709,676
Nutrition Services Incentive Program	86,464
Title XX	225,959
Care Management	192,588
Community Aging Services Act	635,953
Level of Care/Case Management	598,386
Senior Medicare Patrol	18,087
Transportation Programs	303,528
Other Government Sources	
Aged and Disabled Resource Center Grant	87,614
Local Contributions	180,244
Client Contributions	479,518
Fees for services	5,212
Donations	-
Miscellaneous	46,215
Interest	2,468
Total Receipts	3,571,912
DISBURSEMENTS	
Personnel	2,136,667
Travel	57,424
Printing and Supplies	124,328
Equipment	30,386
Building Space	66,671
Communication and Utilities	122,687
Other Expense	156,349
Raw Food	369,965
Contractual Services	435,541
Total Disbursements	3,500,018
Excess of Receipts over Disbursements	71,894
Cash Basis Fund Balance - Beginning	274,051
Cash Basis Fund Balance - Ending	\$ 345,945

The accompanying notes to the financial statements are an integral part of this statement.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies of the Midland Area Agency on Aging (MAAA), Hastings, Nebraska.

A. Reporting Entity

The MAAA is a governmental entity established under and governed by the laws of the State of Nebraska. The MAAA was formed in 1973 under the Nebraska Interlocal Cooperation Act, which allows for local governments to join together for a common goal. The MAAA provides a variety of services to adults age 60 and older and their families in eight counties in south central Nebraska: Adams, Clay, Hall, Hamilton, Howard, Merrick, Nuckolls, and Webster counties. Its central office is located in Hastings, NE.

The financial reporting entity consists of the MAAA.

In determining the financial reporting entity, the MAAA complies with the provisions of GASB Statement No. 61, and it has addressed all potential component units (traditionally separate reporting entities) for which the MAAA may be financially accountable and, as such, should be included within the MAAA's financial statements. The MAAA (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the MAAA. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on these criteria, the MAAA has no component units.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position and Statement of Activities display information about the activities of the MAAA and are in the format of government-wide statements, as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the MAAA. The MAAA reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in two categories:

Restricted. This category results when constraints are externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

Unrestricted. This category represents resources that do not meet the definition of the preceding category. Unrestricted resources often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General revenues include all other revenues properly not included as program revenues. The MAAA reported the following general revenues: Interest and Membership Dues.

The MAAA does not allocate indirect costs.

Fund Financial Statements. The fund financial statements provide information about the MAAA's funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The MAAA uses only the governmental fund category. An emphasis is placed on major funds within the governmental category. Major funds are funds whose receipts, disbursements, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds. Any other fund may be reported as a major fund if the MAAA's officials believe that fund is particularly important to financial statement users.

The MAAA reports the following types of governmental funds:

General Fund. This is the MAAA's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

The MAAA designates fund balances as follows:

Restricted. This category includes funds whose use is externally imposed by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. This amount is from a grant to be used to assist Adams county senior citizens.

Unassigned. This category is for funds that are not restricted, committed, or assigned for a specific purpose.

C. **Measurement Focus, Basis of Accounting**

The MAAA prepares its financial statements on the cash basis, which is in conformity with the accounting practices prescribed or permitted by the State of Nebraska; consequently, these statements represent a summary of the cash activity of the various funds of the MAAA and do not include certain transactions that would be included if the MAAA prepared its financial statements in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Concluded)

Under the cash basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, these financial statements are not intended to present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental units.

D. Cash and Cash Equivalents

The MAAA's cash and cash equivalents are considered to be cash on hand and demand deposits.

E. Capital Assets

Under the cash receipts and disbursement basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Compensated Absences

Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a disbursement of the MAAA funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

G. Budget Process

The Agency adopts an annual budget that is approved by the Nebraska Department of Aging. It is prepared in accordance with the basis of accounting utilized by the MAAA's governmental funds. Any revisions that alter the total expenditures must be approved by the Nebraska Department of Aging. The Agency is not obligated by statute to file a budget with the State of Nebraska.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. **Deposits and Investments**

The following disclosures, deposits – including checking accounts, savings accounts, and money market accounts – are all classified as cash or cash and cash equivalents on the financial statements.

Custodial credit risk is the risk that, in the event of a bank failure, the MAAA’s deposits may not be returned to it. As of June 30, 2018, the MAAA had \$40,558 in deposits with financial institutions that were not fully insured or collateralized by securities held in the MAAA’s name in the form of an insurance rider. State law requires all funds in depositories to be fully insured or collateralized, and the MAAA’s policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits.

The balance of the MAAA’s accounts, as reflected in its accounting system, at June 30, 2018, consisted of the following:

General Checking and Savings	\$	312,641
Money Market Account		11,871
Subrecipient County Accounts		21,433
	\$	<u>345,945</u>

3. **Contingencies and Commitments**

The MAAA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The MAAA’s losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage or settle claims in excess of insurance coverage in any of the past three fiscal years.

4. **Retirement Plan (Plan)**

The Agency adopted an individual annuity retirement plan under IRS Code Section 403(b) effective July 14, 1989. This plan was restated as of July 1, 2017. Eligible employees who elect to participate in the plan can contribute up to \$18,500 of their wages if under age fifty and \$24,500 if age fifty or over. The MAAA contributes one percent more in matching funds on the employee’s behalf up to a cap of four percent. Participating employees are vested after one year of participation in the funds contributed by the Agency and are fully vested in the funds they contribute themselves from their date of enrollment. The employees contributed \$41,645 and the MAAA contributed \$27,500 for the year ended June 30, 2018.

5. **Capital and Operating Leases**

The MAAA has multiple lease agreements for office space and equipment rent. Future minimal annual lease payments for these leases are immaterial. Total operating lease payments for the year ended June 30, 2018, were \$58,227.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

6. Beginning Fund Balance Reconciliation

The MAAA reported its basic financial statements on an accrual basis for the fiscal year ended June 30, 2017, but is reporting on a cash basis for the fiscal year ended June 30, 2018. Accordingly, the MAAA's ending accrual-basis fund balance as of June 30, 2017, does not agree to the MAAA's beginning cash-basis fund balance as of July 1, 2017, as shown in this report. The difference is due to the following accrual entries that are not included in a cash basis audit:

Accrual Basis Fund Balance as of 6-30-17	\$	605,752
Accounts Receivable		(336,249)
Prepaid Expenses		(53,691)
Capital Assets, net of depreciation		(229,544)
Current Liabilities (Accounts Payable, Accrued Payroll Items, Compensated Absences, etc)		287,783
Cash Basis Fund Balance as of 7-1-17	\$	<u>274,051</u>

7. Subsequent Event

On June 1, 2018, the governing board of the MAAA voted to bring funding oversight for Adams County under the MAAA's control. Effective July 1, 2018, Adams County is no longer a contract (subrecipient) county of the MAAA; it is now a direct service county of the MAAA. Additionally, Cairo Senior Center in Hall County also became a direct service location as of July 1, 2018.

The MAAA has evaluated subsequent events from the balance sheet date through September 7, 2018, the date at which the financial statements were available to be issued.

**MIDLAND AREA AGENCY ON AGING
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE**

**BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2018

RECEIPTS	Original Budget	Final Budget	Actual	Favorable vs. Unfavorable
Federal & State Sources				
Older American's Act	\$ 704,966	\$ 783,617	\$ 709,676	\$ (73,941)
Senior Medicare Patrol	18,000	18,000	18,087	87
Nutrition Services Incentive Program	86,302	86,302	86,464	162
Transportation programs	380,565	380,565	303,528	(77,037)
Care Management Income	192,885	192,588	192,588	-
Case Management/Level of Care	650,137	650,137	598,386	(51,751)
Title XX	273,197	273,197	225,959	(47,238)
Community Aging Services Act	638,156	635,991	635,953	(38)
Veterans Administration	15,200	15,200	-	(15,200)
Other Government Sources				-
County Contributions (local match)	166,552	166,552	180,244	13,692
Aged and Disabled Resource Center	67,101	67,101	87,614	20,513
Client Payments Fee for Service	-	-	5,212	5,212
Client Contributions	552,244	552,244	479,518	(72,726)
Memberships	27,222	27,222	-	(27,222)
Interest	-	-	2,468	2,468
Miscellaneous	-	-	46,215	46,215
Total Receipts	3,772,527	3,848,716	3,571,912	(276,804)
 DISBURSEMENTS				
Personnel	2,399,780	2,422,430	2,136,667	285,763
Travel	87,221	91,821	57,424	34,397
Printing & Supplies	140,033	158,333	124,328	34,005
Equipment	26,207	27,207	30,386	(3,179)
Building Space	123,697	123,697	66,671	57,026
Communication & Utilities	142,312	146,314	122,687	23,627
Other Expense	217,661	228,929	156,349	72,580
Raw Food	441,015	443,772	369,965	73,807
Contractual	529,304	540,915	435,541	105,374
Total Disbursements	4,107,230	4,183,418	3,500,018	683,400
Excess of Receipts Over Disbursements			71,894	
Fund Balance, Beginning of Year			274,051	
Fund Balance, End of Year			\$ 345,945	

See the Notes to the Budgetary and Actual Information.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE BUDGETARY AND ACTUAL INFORMATION

For the Fiscal Year Ended June 30, 2018

BUDGETARY COMPARISON SCHEDULE

Basis of Accounting

The accompanying Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund is presented on the cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the basic financial statements. All unexpended appropriations lapse at the end of the budget year.

Budget Process

The MAAA adopts an annual budget that is approved by the Nebraska Department of Aging. It is prepared in accordance with the basis of accounting utilized by the MAAA's Governmental Funds. Any revisions that alter the total expenditures must be approved by the Nebraska Department of Aging. The Agency is not obligated by statute to file a budget with the State of Nebraska.

MIDLAND AREA AGENCY ON AGING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through Entity's Identifying Number	Passed Through to Subrecipients	Program Expenditures
U.S. Department of Health and Human Services:				
Passed through Nebraska Department of Health and Human Services:				
Aging Cluster:				
* Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	18AANET3SS	\$ 111,320	\$ 194,437
* Special Programs for the Aging_Title III, Part C_Nutrition Service	93.045	18AANET3CM, HD	171,716	324,946
* Nutrition Services Incentive Program	93.053	18AANENSIP	53,807	85,021
Total Aging Cluster:			<u>336,843</u>	<u>604,404</u>
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services				
	93.043	18AANET3PH	-	8,374
National Family Caregiver Support, Title III, Part E	93.052	18AANET3FC	30,272	62,466
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	18AANET70M	-	8,094
Medical Assistance Program	93.778	1705NE5MAP	-	313,578
Total passed through Nebraska Department of Health and Human Services			<u>367,115</u>	<u>996,916</u>
Passed through the Nebraska Department of Insurance:				
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	47-0585186		18,081
Total U.S. Department of Health and Human Services:				<u>1,014,997</u>
U.S. Department of Transportation:				
Passed through the Nebraska Department of Transportation:				
Formula Grants for Rural Areas	20.509	RPT-C181 (218)		111,098
Passed through Webster County:				
Formula Grants for Rural Areas	20.509	RPT-C911 (218)		64,966
Total U.S. Department of Transportation:				<u>176,064</u>
Total Expenditures of Federal Awards				<u>\$ 1,191,061</u>

* Represents Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

MIDLAND AREA AGENCY ON AGING

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2018

1. Basis for Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal grant activity of the Midland Area Agency on Aging (MAAA) under programs of the Federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Grant Guidance). Because the Schedule presents only a selected portion of the operations of the MAAA, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the MAAA.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Grant Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The MAAA elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Grant Guidance.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

MIDLAND AREA AGENCY ON AGING

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Midland Area Agency on Aging
Hastings, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Midland Area Agency on Aging, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Midland Area Agency on Aging's basic financial statements, and have issued our report thereon dated September 7, 2018. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midland Area Agency on Aging's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midland Area Agency on Aging's internal control. Accordingly, we do not express an opinion on the effectiveness of Midland Area Agency on Aging's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit we identified a deficiency in internal control, described below in Section II Financial Statement Findings, that we consider to be a material weakness: 1. Financial Statement Preparation. We also identified a deficiency in internal control, described in Section II Financial Statement Findings, that we consider to be a significant deficiency: 2. Internal Controls over Receipts.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Midland Area Agency on Aging's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midland Area Agency on Aging's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain additional items that we reported to management of the MAAA, described in Section II Financial Statement Findings: 3. Lack of Internal Controls, 4. Insufficient Pledged Collateral, and 5. MAAA Bank Account.

Midland Area Agency on Aging's Response to Findings

Midland Area Agency on Aging declined to respond to the findings identified in this section of our audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, not to provide an opinion on the effectiveness of Midland Area Agency on Aging's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midland Area Agency on Aging's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 7, 2018



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

MIDLAND AREA AGENCY ON AGING

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GRANT GUIDANCE**

Midland Area Agency on Aging
Hastings, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Midland Area Agency on Aging's compliance with the types of compliance requirements described in the OMB Compliance Supplement, which could have a direct and material effect on each of Midland Area Agency on Aging's major Federal programs for the year ended June 30, 2018. Midland Area Agency on Aging's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Midland Area Agency on Aging's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Grant Guidance). Those standards and the Uniform Grant Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, which could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Midland Area Agency on Aging's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Midland Area Agency on Aging's compliance.

Opinion on Each Major Federal Program

In our opinion, Midland Area Agency on Aging complied, in all material respects, with the types of compliance requirements referred to above, which could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Grant Guidance and are described in the accompanying Schedule of Findings and Questioned Costs as item #2018-001 (Lack of Documented Allocation Methods), #2018-002 (SEFA Preparation), and #2018-003 (Subrecipient Monitoring). Our opinion on each major Federal program is not modified with respect to this matter.

Midland Area Agency on Aging declined to respond to the noncompliance finding identified in our audit.

Report on Internal Control Over Compliance

Management of Midland Area Agency on Aging is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Midland Area Agency on Aging's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Grant Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Midland Area Agency on Aging's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be material weaknesses: #2018-001 (Lack of Documented Allocation Methods), #2018-002 (SEFA Preparation), and #2018-003 (Subrecipient Monitoring). We also identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies: #2018-004 (Client Contributions) and #2018-005 Inadequate Documentation to Support Expenses).

Midland Area Agency on Aging's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Midland Area Agency on Aging's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on those responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Grant Guidance. Accordingly, this report is not suitable for any other purpose.

September 7, 2018



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiencies identified?	<u> X </u>	Yes	<u> </u> No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No
Internal control over major programs:			
Material weaknesses identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiencies identified?	<u> X </u>	Yes	<u> </u> No
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a):	<u> X </u>	Yes	<u> </u> No
Major programs: Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers, CFDA 93.044; Special Programs for the Aging Title III, Part C, CFDA 93.045; Nutrition Services Incentive Program, CFDA 93.053			
Dollar threshold used to distinguish between type A and type B programs:	\$750,000		
Auditee qualified as low-risk auditee:	<u> X </u>	Yes	<u> </u> No

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS

1. Financial Statement Preparation

The Midland Area Agency on Aging (MAAA) lacked the level of understanding and expertise needed to prepare fair and complete financial statements, as required by government auditing standards.

The MAAA prepared basic financial statements that included a number of errors, including the following:

Category	Statement of Activities	Statement of Receipts, Disbursements, and Changes in Fund Balance	Difference	Explanation
Disbursements	\$ 3,500,019	\$ 4,448,724	\$ 948,705	The MAAA recorded some disbursements in its accounting system twice, and failed to remove the duplicated transactions from its financial statements.

Category	Book Balance	Bank Balance	Difference	Explanation
Cash and Cash Equivalents	\$ 345,945	\$ 411,003	\$ 65,058	The MAAA recorded its financial statement cash amounts from the bank statements, rather than from the accounting records. Therefore, Cash and Cash Equivalents was overstated by \$65,058.

Additionally, the MAAA attempted initially to show its programs as separate funds on the Statement of Revenues, Expenditures, and Changes in Fund Balances; however, the MAAA could not identify the ending fund balances by program.

Paragraph A2 of AICPA Auditing Standards AU-C Section 200 states, in relevant part, the following:

An audit in accordance with GAAS is conducted on the premise that management and, when appropriate, those charged with governance have acknowledged and understand that they have responsibility

a. for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework[.]

Good internal controls require procedures to permit a fair and accurate presentation of financial statements in accordance with government auditing standards. Without such controls, there is an increased risk for misstatements in the financial statements.

The MAAA's financial statements were materially misstated and required management-approved adjustments.

We recommend the MAAA implement procedures to ensure that financial management has the level of expertise needed to prepare fair and complete financial statements.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

2. Internal Controls over Receipts

The MAAA lacks internal controls over its cash receipt processes. The APA noted a number of control issues, as follows:

- For 6 of 9 client contributions received, the MAAA failed to determine if deposits were made timely because of the lack of documentation provided to support the date of receipt of client contributions. In most cases, the MAAA did not obtain the initial listing of cash received from the counties, so it could not determine if the receipts were deposited timely. For further information regarding the client contributions, see #2018-04, Client Contributions. The central office location also receives mail containing cash receipts. The APA determined only one individual is present when opening mail containing cash receipts (cash or checks). The individual who opens the mail prepares a listing of all cash received each day. There is no reconciliation of that listing to the amount deposited to ensure all cash received is deposited. In March 2018, Hamilton County remitted \$8,410 to the MAAA for its local match funding and membership fees. The APA reviewed the listing of funds received for March 2018 and determined the Hamilton County check was not correctly recorded. The cash receipt list showed \$840 from Hamilton County. The actual deposit was \$8,410. The MAAA needs to ensure the initial listing of cash received is compared to the deposit.
- In Hamilton County, a \$14 deposit made on August 10, 2017, contained two receipts that were dated July 19, 2017, and July 24, 2017, or 22 and 17 days after receipt of the funds. Additionally, another \$14 deposit made on August 22, 2017, contained a receipt dated August 10, 2017, or 12 days after receipt of the funds.
- In the central office, one of two receipts tested was not deposited timely. One \$132.34 check from Adams County Senior Services was recorded on June 7, 2018, and was not deposited until June 19, 2018, or 12 days after receipt of the check.
- For home-delivered meals, the county director is generally responsible for sending a letter to participants requesting a contribution. Therefore, client contributions are received via mail. The MAAA lacked procedures to ensure an initial control log of funds received via mail was used, and the initial control log was reconciled to the deposits made.

Furthermore, the APA determined that the MAAA recorded \$9,423.95 in income and disbursements erroneously, as it was not actual financial activity of the agency. The MAAA provided \$15 for the cost of lifelines for clients. The APA tested one income transaction totaling \$1,170. Instead of recording this cost only as a disbursement, the MAAA recorded the total cost of the lifelines as a disbursement and then recorded the portion paid by the client as income, even though the client paid the provider of the service directly. Therefore, the \$9,423.95 recorded as client contributions was in error, and the disbursements were also inflated by the same amount.

Good internal controls require procedures to ensure mail containing cash and checks sent to the agency is opened in the presence of two individuals, an accurate log of receipts is prepared for the funds received, and the funds are deposited in a timely or manner. Without such procedures, there is an increased risk for loss, theft, or misuse of funds received.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

2. Internal Controls over Receipts (Concluded)

We recommend the MAAA review the feasibility of involving two individuals in opening mail that contains cash or checks. We also recommend the MAAA implement procedures to ensure all funds received are accurately recorded and deposited in a timely manner.

3. Lack of Other Internal Controls

The APA determined that the MAAA also lacked adequate internal controls, as follows:

Issue	Description
Documentation of Pay Rate Changes	The MAAA failed to document its review of pay rate changes in the accounting system. One person makes the change, and there is not a documented review of changes made.
Payroll Deductions and Withholdings	The MAAA did not have adequate documentation on file to support amounts deducted from the payroll of three of the four employees tested. One employee's pay had a \$25.15 dental deduction; however, the billing from the provider showed a total of \$26.41 for the employee. The same employee had a \$21.07 long-term disability deduction; however, there was no documentation to support the deduction. A second employee had 4% of gross pay withheld as the retirement contribution; however, the retirement authorization form showed only a 3% election. The same employee had an additional \$50 Federal tax withholding that was not included on the IRS Form W-4. The third employee had an \$8.34 vision insurance deduction; however, there was no authorization to support the deduction.
Lack of Approved Time Records	The MAAA did not require its employees to document all time worked on time records approved by the employee and supervisor.
Credit Card Procedures	Prior to June 2018, the MAAA did not have formal written policies covering the use of its credit cards.
IRS Tax Penalty	The MAAA failed to make payment to the IRS for taxes withheld on a supplemental pay check to one of its employees in the amount of \$154.08. As a result, the MAAA was required to pay a total of \$499.07 in penalties and interest.
Medicaid Reporting	The MAAA failed to report Medicaid expenditures properly according to the general ledger cost categories on its report to DHHS. The total expenditures were correct, but the MAAA misreported \$1,464 in building space expenditures as equipment expenditures and \$1,041 in communication and utilities expenditures as building space expenditures.

Good internal controls require procedures and records to ensure pay rate changes are accurate, amounts deducted or withheld from employees' pay are authorized and accurate, time worked by employees is verified and approved by supervisors, policies covering the use of credit cards exist, a review is performed of payments made to the IRS to ensure all taxes withheld are properly remitted, and a review is performed of reports submitted to State agencies to ensure reporting amounts are accurate. Without such procedures, there is an increased risk for loss or misuse of agency funds.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

3. Lack of Other Internal Controls (Concluded)

We recommend the MAAA implement procedures to ensure pay rate changes are accurate, amounts deducted or withheld from employees' pay are authorized and accurate, time worked by employees is verified and approved by supervisors, policies covering the use of credit cards exist, a review is performed of payments made to the IRS to ensure all taxes withheld are properly remitted, and a review is performed of reports submitted to State agencies to ensure reporting amounts are accurate.

4. Insufficient Pledged Collateral

The MAAA did not acquire sufficient pledged collateral, as required by Neb. Rev. Stat. § 77-2395(1) (Reissue 2009), to cover its deposits at Five Points Bank on June 30, 2018, when its bank account balances exceeded the Federal Deposit Insurance Corporation (FDIC) coverage.

On June 30, 2018, the MAAA had a total of \$382,900 on deposit at Five Points Bank. These deposits were covered by \$250,000 in FDIC coverage and \$100,000 in collateral pledged through an insurance rider for a total of \$350,000 in covered deposits, which is \$40,558 less than the \$390,558 in coverage (102% of \$382,900 total in deposits) required by State statute.

The FDIC's "Deposit Insurance for Accounts Held by Government Depositors" states, "[A]ll deposits, both time and savings deposits and demand deposits . . . are added together and insured up to \$250,000."

Section § 77-2395(1) provides the following:

If a bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository furnishes securities pursuant to section 77-2389, the custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has furnished to the custodial official securities, the market value of which are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.

A good internal control plan requires procedures to ensure all MAAA funds on deposit in a bank are fully covered through either FDIC coverage or pledged collateral, as required by § 77-2395(1). Without such procedures, there is an increased risk for not only the violation of State law but also the loss of public funds.

We recommend the MAAA implement procedures to provide a periodic review of bank balances to ensure its deposits are fully guaranteed by either FDIC coverage or other pledged collateral at all times throughout the year.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Concluded)

5. MAAA Bank Account

A bank account existed using the MAAA's Federal Tax Identification Number (FTIN), but the MAAA did not consider the bank account to be its asset. The account contained \$1,943 as of June 30, 2018, and was used by Clay County Senior Services for fundraising. Lacking its own FTIN, Clay County Senior Services used the MAAA's FTIN to set up the account. Any accounts under the MAAA's FTIN should be considered an asset of the agency, and any such activity should be recorded in the agency's financial statements.

Good internal controls require procedures to ensure proper accounting for all assets and transactions of the agency. Such procedures should ensure also that the MAAA's FTIN is used for bank accounts under the control of the agency.

Without such procedures, there is an increased risk for the material misstatement of the agency's financial statements.

We recommend the MAAA implement procedures to ensure proper accounting for all of its assets and transactions. Such procedures should ensure also the MAAA's FTIN is used for bank accounts under the control of the agency.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #2018-001: Lack of Documented Allocation Methods

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services

Grant Number & Year: All open, including #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.405(a) states the following regarding allocable costs:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.*

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-001: Lack of Documented Allocation Methods (Continued)

Furthermore, 45 CFR 75.430(i)(1) (October 2017) states, in relevant part:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* * * *

(iii) reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities:

* * * *

(vii) Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award . . .

Condition: The MAAA’s method of allocating costs across its various programs was not adequate or in accordance with the Uniform Grant Guidance, as such allocation was not supported by records that accurately reflected work performed or the relative benefits received.

Personnel costs were allocated based on budgeted estimates and not upon records that accurately reflect the work performed. Additionally, other non-personnel costs that were allocated across various programs lacked documentation to support the allocation of the non-personnel costs.

Repeat Finding: No

Questioned Costs: \$1,092,808 known

CFDA	Grant #	Known Questioned Personnel Costs
93.044	17AANET3SS	\$ 398,301
93.045	17AANET3CM	\$ 339,283
93.045	17AANET3HD	\$ 355,224

**Non-personnel questioned costs are included below in finding 2018-005.*

Statistical Sample: No

Context: The MAAA allocated the majority of its costs to the various programs based on budget projections and not on actual worked performed or relative benefits received.

Cause: Unknown

Effect: Noncompliance with Federal regulations. Grants could be overcharged or undercharged if charges are based on estimates and not actual time worked or relative benefits received.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-001: Lack of Documented Allocation Methods (Concluded)

Recommendation: We recommend the MAAA document all methods used to allocate its expenses and ensure adequate support is maintained for all such allocation methods to ensure compliance with the Uniform Grant Guidance. Allocation methods should be based on actual time worked or relative benefits received and not simply on budgeted amounts. We further recommend the MAAA obtained adequate documentation from subrecipients to support amounts they claim for reimbursement that are allocated among the various programs.

Management Response: See **Attachment B**.

Finding #2018-002: SEFA Preparation

Program: Various, including CFDA 93.048 – Special Programs for the Aging, Title IV and Title II Discretionary Projects; CFDA 20.509 – Formula Grants for Rural Areas; and CFDA 93.778 – Medical Assistance Program – Reporting

Grant Number & Year: All open

Federal Grantor Agency: U.S. Department of Health and Human Services and U.S. Department of Transportation

Criteria: Per paragraph A2 of AICPA Auditing Standards AU-C Section 200:

An audit in accordance with GAAS is conducted on the premise that management and, when appropriate, those charged with governance have acknowledged and understand that they have responsibility

a. for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework[.]

Good internal controls require procedures to permit fair and accurate presentation of financial statements and the Schedule of Expenditures of Federal Awards (SEFA) in accordance with government auditing standards.

Condition: The MAAA lacked the level of expertise needed to prepare a fair and complete SEFA, as required by government auditing standards.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The MAAA's original SEFA excluded a total of \$507,723 in Federal expenditures, as summarized in the following table:

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-002: SEFA Preparation (Concluded)

CFDA	CFDA Description	Amount
93.778	Medical Assistance Program	\$ 313,578
20.509	Formula Grant for Rural Area	\$ 176,064
93.048	Special Programs for the Aging – Title IV and Title II Discretionary Projects	\$ 18,081
	Total	\$ 507,723

The MAAA subsequently revised its SEFA to include the above programs. However, the APA noted a number of issues with this revised SEFA. Most notably, the MAAA included Medical Assistance program expenses as the total amount (Federal and State) it expended on this program, instead of including only Federal expenditures, which resulted in an overstatement of the program’s expenditures by \$278,377.

Cause: The MAAA lacked understanding and expertise required to prepare adequately its financial statements and SEFA.

Effect: The MAAA’s SEFA was materially misstated.

Recommendation: We recommend the MAAA implement procedures to ensure that financial management has the level of expertise needed to prepare fair and complete financial statements.

Management Response: See **Attachment B**.

Finding #2018-003: Subrecipient Monitoring

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Subrecipient Monitoring

Grant Number & Year: #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 2 CFR § 200.331(d) (October 1, 2017):

All pass-through entities must:

* * * *

(d) Monitor the activities of the subrecipient, as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass through entity monitoring of the subrecipient must include:

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-003: Subrecipient Monitoring (Continued)

- (1) *Reviewing financial and performance reports required by the pass-through entity.*
- (2) *Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.*
- (3) *Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.*

Good internal controls require policies and procedures to ensure subrecipients of Federal funds are properly monitored to ensure the costs conform to the requirements in the Uniform Grant Guidance.

Condition: The MAAA has three subrecipients and lacked adequate procedures to ensure the expenditures were allowable, reasonable, necessary, and allocable in accordance with Federal requirements. The monitoring procedures performed by the MAAA were not adequately documented.

Repeat Finding: No

Questioned Costs: \$283,036

CFDA	Grant #	Known Questioned Costs
93.044	17AANET3SS	\$ 111,320
93.045	17AANET3CM	\$ 135,093
93.045	17AANET3HD	\$ 36,623

Statistical Sample: No

Context: The MAAA lacked formal written policies and procedures covering its subrecipient monitoring. To start, the MAAA did not review documentation from any of the three subrecipients each month to determine whether the expenses reported were allowable, reasonable, necessary, or charged to the proper programs. Instead, the MAAA simply received a Summary of Revenues and Expenditures from each subrecipient.

The MAAA's general subrecipient monitoring procedures included on-site reviews of one program for one month during the fiscal year. The monitoring performed by the MAAA did not ensure that costs conformed to the Uniform Grant Guidance.

In the fall of 2017, DHHS' State Unit on Aging (SUA) conducted on-site monitoring of the MAAA and reported that the monitoring performed by the MAAA was not adequate to identify unallowable costs or fraud. A number of issues were reported to the MAAA and are included in **Attachment A**.

As a result, the MAAA updated its informal monitoring policy to state that each county would be monitored once per quarter. See below for a summary of the monitoring that the MAAA performed for each of its subrecipients:

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-003: Subrecipient Monitoring (Continued)

Hall County (Senior Citizens Industries, Inc): The MAAA monitored Hall County in October 2017 for the Title C1 and C2 programs. The documentation provided consisted of a checklist that was completed. That documentation failed to indicate, however, that the MAAA reviewed costs to ensure whether they were allowable, reasonable, necessary, and allocable to more than one program based on the relative benefits received.

During its process to develop an entity-wide cost allocation plan, the MAAA required all employees and subawardees to complete time studies documenting the programs worked each day. Upon reviewing the time study for Senior Citizens Industries Inc. (SCII), the MAAA determined the entity was charging non-aging costs to the aging programs. The MAAA reported this to the SUA and developed a corrective action plan for SCII. As part of the corrective action plan, the MAAA further reviewed the detail of the expenses submitted for reimbursement.

In March 2018, DHHS notified the MAAA that it was disallowing \$165,669.04 in costs that were reimbursed to SCII from July 2017 to January 2018. Through its corrective action plan, the MAAA was able to provide support for the majority of the disallowed costs. However, a total of \$5,466.21 in personnel costs and \$5,025.21 in non-personnel costs were disallowed and withheld from a future reimbursement to SCII. In April 2018, the MAAA held training with the SCII.

The total amount passed through to Hall County was \$178,075. This subrecipient provides an example of the need for adequate subrecipient monitoring procedures.

Adams County: The MAAA monitored Adams County in September 2017 for the Title C1 and C2 programs. The documentation provided consisted of a checklist that was completed. That documentation failed to indicate, however, that the MAAA reviewed costs to ensure whether they were allowable, reasonable, necessary, and allocable to more than one program based on the relative benefits received.

After the DHHS SUA monitoring in the fall of 2017, the MAAA performed monitoring of Adams County Senior Services (ACSS) for January 2018, which consisted of a review of expenditures for the month, including personnel costs. The documentation provided by the MAAA for the monitoring was inadequate because it included only a notepad of handwritten notes from the Director. The MAAA failed to use a checklist or appropriately document which items were tested and maintain support for those items.

The MAAA obtained distribution codes to support the allocation of payroll between various programs; however, the MAAA did not obtain timesheets, or other documentation, to verify that the distribution of costs between the programs was based on the relative benefits received. The amount passed through to ACSS was \$144,487.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-003: Subrecipient Monitoring (Concluded)

Hamilton County: The MAAA performed an on-site monitoring visit of Hamilton County Senior Services on September 26, 2017. After the monitoring visit by the DHHS SUA in the fall of 2017, the MAAA performed additional monitoring of HCSS for January 2018. This monitoring review consisted of reviewing payroll and all expenditures for the month. The MAAA obtained distribution codes to support the allocation of payroll between various programs; however, the MAAA did not obtain timesheets, or other documentation, to verify that the distribution of costs between the programs was based on the relative benefits received. The total amount passed through the MAAA to HCSS was \$44,554.

Cause: The MAAA monitoring policy was to review one program's expenditures for one month each year and did not include a proper review of expenses claimed each month.

Effect: Noncompliance with Federal regulations could result in sanctions. Without adequate monitoring procedures, there is an increased risk Federal awards could be used for improper/unallowable costs.

Recommendation: We recommend the MAAA implement procedures to ensure its subrecipient monitoring policies are formally approved by its governing board. An adequate subrecipient monitoring process should include not only periodic on-site reviews, but should also include desk reviews of expenses and income amounts claimed each month, as well as risk assessments and checklists used in the overall subrecipient monitoring process. The MAAA is responsible for ensuring all Federal funds passed through to other entities are used in accordance with applicable Federal regulations and its monitoring procedures should include ensuring adherence to the Federal regulations, including the Uniform Grant Guidance.

Management Response: See **Attachment B**.

Finding #2018-004: Client Contributions

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Program Income

Grant Number & Year: #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: 45 CFR § 75.307(e)(1) (October 1, 2017) describes how program income is to be used, as follows:

Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the HHS awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-004: Client Contributions (Continued)

Good internal controls require policies and procedures to ensure all monies received, including program income, are properly accounted for by establishing initial control over receipts and subsequently comparing the initial receipt of funds to the bank deposits.

Condition: The MAAA lacked formal, written policies and procedures related to the receipt of client contributions in each of its service locations. Many of the off-site service locations maintain contribution logs to record client contributions. However, the MAAA did not obtain or review the contribution logs to ensure the deposit amount agreed to the amount recorded on the contribution logs at each service location. The client contribution amounts received should be considered a significant risk area for the MAAA, and internal controls should be developed to ensure the amounts recorded in the service locations agree to the amounts deposited to the bank.

The APA requested the contributions logs for nine client contribution transactions selected for testing, and there were issues with documentation received for all nine of the locations tested.

Repeat Finding: No

Questioned Costs: \$44,138

CFDA	Grant #	Known Questioned Costs
93.045	17AANET3CM	\$ 25,427
93.045	17AANET3HD	\$ 18,711

Statistical Sample: No

Context: During fiscal year 2018, the MAAA received \$479,518 that was recorded as client contributions. Clients may make contributions to support the MAAA in providing center meals, home delivered meals, and transportation services. The majority of these contributions are received initially at off-site locations and then remitted to the MAAA.

The APA noted the following issues over the nine client contribution transactions:

County	Program	Amount Tested	Date	Description
Adams	III-C1	\$ 3,561.80	8/31/2017	Adams County received contributions at four locations. A daily contribution log was obtained by the MAAA for only one of the locations, but the contribution log did not list the name of the site at which contributions were received.
Hall	III-C1	\$ 6,978.75	8/31/2017	Hall County failed to provide a daily list of contributions received; rather, it provided a one-page summary of contributions. The MAAA did not have the contribution summary on file and could not verify that the amount received each day was properly deposited. There were no signatures on the summary page received.
Hall	III-C2	\$ 9,436.50	8/31/2017	Hall County failed to provide a daily list of contributions received; rather, it provided a one-page summary of contributions. The MAAA did not have the contribution summary on file and could not verify that the amount received each day was properly deposited. There were no signatures on the summary page received.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-004: Client Contributions (Concluded)

County	Program	Amount Tested	Date	Description
Hamilton	III-C1	\$ 3,119.00	8/31/2017	Hamilton County failed to provide a daily list of contributions received; rather, it provided a one-page summary of contributions. The MAAA did not have the contribution summary on file. There were no signatures on the summary page received, and it did not list the name of the site at which contributions were received.
Merrick	III-C1	\$ 2,399.17	8/31/2017	Merrick County provided a contribution log for the Central City site location with dates and amounts received, but the contribution log contained the signature of only one individual.
Hall	III-C1	\$ 8,112.87	10/31/2017	Hall County failed to provide a daily list of contributions received; rather, it provided a one-page summary of contributions. The MAAA did not have the contribution summary on file and could not verify that the amount received each day was properly deposited. There were no signatures on the summary page received.
Hall	III-C2	\$ 8,525.50	10/31/2017	Hall County failed to provide a daily list of contributions received; rather, it provided a one-page summary of contributions. The MAAA did not have the contribution summary on file and could not verify that the amount received each day was properly deposited. There were no signatures on the summary page received.
Clay	CASA	\$ 1,068.00	5/31/2018	Clay County provided a contribution log with site locations with dates and amounts received, but the contribution log did not have signatures for all days on which money was received.
Clay*	III-C1 III-C2	\$ 2,004.25	5/31/2018	Clay County provided a contribution log with site locations with dates and amounts received, but the contribution log did not have signatures for all days on which money was received. The total amount invoiced, \$2,004.25, was allocated between Title III-C1 for \$1,255.25 and Title III-C2 for \$749.
Total		\$ 45,205.84		

*Selected for testing as one transaction.

Cause: The MAAA lacked procedures to ensure client contributions were adequately recorded and controlled and also failed to reconcile the contribution to the subsequent deposit.

Effect: When adequate controls over client contributions are not in place, there is an increased risk for the loss or misuse of program income.

Recommendation: We recommend the MAAA implement policies and procedures, approved by the Governing Board, related to client contributions. These would include procedures for properly recording daily receipt of cash and requiring dual signatures to verify those daily amounts. Additionally, we recommend that the MAAA obtain adequate documentation to support each of the amounts received per site per program and verify that the amounts were deposited to the bank.

Management Response: See **Attachment B**.

Finding #2018-005: Inadequate Documentation to Support Expenses

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Allowability

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-005: Inadequate Documentation to Support Expenses (Continued)

Grant Number & Year: #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Per 45 CFR § 75.403 (October 1, 2017):

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

* * * *

(g) Be adequately documented.

Per 45 CFR § 75.405(d) (October 1, 2017):

Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. . . .

A proper system of internal controls requires procedures to ensure all transactions are supported by adequate documentation. Without such controls, there is an increased risk for loss or misuse of program funds or for unallowable costs to be paid.

Condition: The APA performed various tests in which supporting documentation was reviewed. In one test, five of seven documents tested contained inadequate documentation to support the expense. In another test, the MAAA did not ensure costs for 6 of 25 transactions were adequately documented, allowable, reasonable, or necessary. In that same test, for 12 of 25 aid payments tested, the MAAA allocated costs between programs based on budgeted amounts, not relative benefits received.

Repeat Finding: No

Questioned Costs: \$14,202

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-005: Inadequate Documentation to Support Expenses (Continued)

CFDA	Grant #	Known Questioned Costs
93.044	17AANET3SS	\$7,676.32
93.045	17AANET3CM	\$1,953.10
93.045	17AANET3HD	\$4,572.11

Statistical Sample: No

Context: The following five transactions lacked adequate documentation in our first test:

Date	Program	Amount	Description
7/1/2017	CASA	\$ 75,000.00	The MAAA had no written contract or agreement for \$79,500 in legal services provided by the Nebraska Association of Area Agencies on Aging. The invoice identified the payment as “FY ’18 Legal Aid Contract.” There was no information regarding the services provided under the contract, the rate of pay for such services, or other terms and conditions of the contract. The MAAA charged \$75,000 to the Community Aging Services Act (CASA) Program and \$4,500 to the Title III-B program.
4/30/2018	various	\$ 10,335.00	The MAAA lacked a written contract or agreement for \$10,335 paid to its auditor for preparation of its IRS Form 990 during fiscal year 2017. The MAAA previously had a three-year contract with the auditor covering fiscal years 2014, 2015, and 2016. The MAAA erroneously believed that fiscal year 2017 was the third and final year of that agreement. The MAAA charged the expense as follows: Title III-B, \$2,997.15; Title III-C1, \$1,756.95; Title III-C2, \$1,756.95; Title III-E, \$1,033.50; Medicaid, \$1,033.50; other MAAA programs, \$1,756.95.
1/31/2018	III-B	\$ 5,018.82	The APA tested \$5,018.82 in “other costs” for the Senior Citizen’s Industries Inc. (Hall County) for January 2018 for its IIBB support services. The Senior Citizen’s Industries, Inc. is a subrecipient of the MAAA and provides services in Hall County. After services are provided, the Senior Citizens Industries, Inc. requests reimbursement from the MAAA for its expenses and provides a Statement of Revenues and Expenditures. The MAAA failed to obtain documentation to determine whether any of the reported expenses were reasonable and allowable because it obtained only a Schedule of Revenues and Expenditures and not the detail to support the expenses. In January 2018, the Senior Citizens Industries, Inc. requested a total of \$58,369.10, which was charged to various programs. This amount is included in questioned costs for Finding 2018-03.
8/31/2017	III-C2	\$ 2,671.50	The MAAA paid Vestey Kitchen Center for 411 home-delivered meals provided to the senior center in Superior, Nebraska, during August 2017. The Fiscal Officer did not obtain documentation to verify the number of meals provided at the center each month prior to payment. For the transaction tested, the APA obtained the meal log from the center and verified the meals on the log agreed to the amount paid.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-005: Inadequate Documentation to Support Expenses (Continued)

Date	Program	Amount	Description
6/29/2018	III-E	\$ 640.00	The MAAA transferred \$640 from Title III C2 to Title III E for caregiver meals at Merrick County Senior Services. The center documented 160 meals provided to care givers; however, the \$4 per meal rate was not supported by adequate documentation.
Totals		\$ 93,665.32	

In our second test, the following six transactions tested lacked adequate documentation to support that costs were allowable, reasonable, necessary, or allocated based on the relative benefit received:

Date	Program	Amount	Description
10/31/2017	III-B	\$ 161.61	The only documentation the MAAA received from Adams County Senior Services was a Schedule of Revenues and Expenditures, which is inadequate to determine if costs are coded correctly or are allowable, reasonable, or necessary. The MAAA obtained the invoice after the APA had questioned the cost, which showed the cost was for a financial statement review performed CPA firm. This is an unallowable cost, as the entity is not required to have a Single Audit performed, according to 45 CFR § 75.425. The total amount invoiced, \$3,232.20, was allocated between the Title III-B, Title III-C1, Title III-C2, and Title III-E programs. This amount is included in known questioned costs in Finding #2018-003.
9/29/2017	III-B	\$ 1.06	The only documentation the MAAA had to support the travel reimbursement to an employee was the paystub showing the payment, which is inadequate to determine if costs were reasonable or necessary. The total cost, \$21.20, was allocated to the Title III-B, Title III-C1, Title III-C2, Title III-E, and Non-AoA/CASA programs. There is also inadequate support to allocate the costs between the programs.
5/31/2018	III-C2	\$ 2.72	The only documentation the MAAA received from Adams County Senior Services was a Schedule of Revenues and Expenditures, which is inadequate to determine if costs were coded correctly, reasonable, necessary, or allocable. This amount is included in known questioned costs in Finding #2018-003.
3/31/2018	III-B	\$ 119.32	The only documentation the MAAA received from Hamilton County Senior Services was a Schedule of Revenues and Expenditures, which is inadequate to determine if costs are coded correctly, reasonable, necessary, or allocable. This amount is included in known questioned costs in Finding #2018-003.
4/30/2018	III-C1	\$ 87.50	The MAAA paid for congregate meals provided by a vendor; however, the MAAA did not obtain adequate documentation to support the number of meals provided. Additionally, the contract provided stated the meals would be home delivered. Therefore, the coding does not agree to the supporting documentation.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-005: Inadequate Documentation to Support Expenses (Continued)

Date	Program	Amount	Description
8/31/2017	III-C1	\$ 54.59	The only documentation the MAAA received was an expense report from two employees for travel to deliver meal vouchers that was not signed. Additionally, there is no support for the allocation of the cost between programs. The total cost, \$109.18, was allocated to the Title III-B, Title III-C1, Title III-C2, and Title III-E programs.
Totals		\$ 426.80	

For 12 of 25 expenses, the method used to allocate the expense between the various programs was not supported by adequate documentation based on the relative benefits received.

Date	Program	Amount	Description
8/31/2017	III-B	\$ 96.17	The total phone expense for Nuckolls County in August was \$267.13. The cost was allocated between the Title III-B, Title III-C1, Title III-C2, Title III-E, and Non-AoA/CASA programs.
11/30/2017	III-C2	\$ 77.99	An invoice for food purchased during October for \$311.98 was on file; however, the amount was not allocated between programs based on relative benefit received. The cost was allocated between Title III-C1 and Title III-C2.
5/31/2018	III-B	\$ 48.07	The total postage expense was \$137.35; however, the amount allocated between programs was based on budgeted amounts, rather than the relative benefit received. The postage expense was allocated to the Title III-B and Title III-C1 programs.
11/30/2017	III-C2	\$ 45.64	The total phone expense for Nuckolls County Senior Services in November 2017 was \$268.46.
3/31/2018	III-C1	\$ 40.11	The total supplies purchased was \$125.34. The cost was allocated between the Title III-B, Title III-C1, and Title III-C2 programs.
1/31/2018	III-B	\$ 20.00	The total amount for the Nebraska Association of Senior Centers was coded to III-B.
6/1/2018	III-B	\$ 8.35	The invoice for Merrick County Senior Services' long distance telephone was \$44.68. The cost was allocated between the Title III-B and Title III-C1 programs.
4/30/2018	III-C1	\$ 7.85	An invoice for food purchased in April was on file for \$14.81. The cost was allocated between Title III-C1 and Title III-C2.
10/31/2017	III-C1	\$ 6.10	The total for the board member travel reimbursement was \$60.99. The cost was allocated between the Title III-B, Title III-C1, Title III-C2, Title III-E, CASA, and Non-AoA/CASA programs.
11/1/2017	III-B	\$ 4.44	The total for the board member travel reimbursement was \$44.41. The cost was allocated between the Title III-B, Title III-C1, Title III-C2, Title III-E, CASA, and Non-AoA/CASA programs.
8/31/2017	III-B	\$ 1.08	The total invoice for supplies was \$36.04. The cost was allocated between Title III-B, Title III-C1, and Title III-C2 programs.
5/31/2018	III-C2	\$ 12.92	The phone expense for Central City Senior Center for May 2018 was \$51.69. The cost was allocated between the Title III-B, Title III-C1, and Title III-C2 programs.
		\$ 368.72	

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-005: Inadequate Documentation to Support Expenses (Concluded)

Finally, the MAAA reimbursed employees for meals when the employees were not in travel status. The MAAA identified this as unallowable and was reimbursed by the employees through payroll deductions. The original entry was recorded as supplies expense. The reimbursement was recorded as staff travel. The sample selected was \$7.11 charged to Title III-C2. The total expenditure was \$71.11 and was charged to various programs.

Cause: The MAAA lacked procedures to ensure proper documentation was on file prior to payment or that the costs charged to more than one program were based on the relative benefits received.

Effect: Without adequate procedures to ensure adequate documentation is obtained, there is an increased risk Federal awards could be used for improper/unallowable costs.

Recommendation: We recommend the MAAA implement procedures to ensure the following:

- Adequate documentation, including written contracts and agreements, as well as documentation from counties to support expenses, exists to support each transaction recorded.
- Procedures are implemented to ensure charges to its programs are based on relative benefits received.
- Contracts are properly monitored for the services provided.
- Expenses of subrecipients are recorded only after documentation is adequately reviewed to determine that the expenses are allowable, allocable, reasonable, and necessary.
- Meal expenses paid to contractors are supported by daily meal logs and agree to the meals provided from the logs prior to payment, and rates are supported by proper authorization.

Management Response: See **Attachment B**.

Finding #2018-006: In-Kind Contributions

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services

Grant Number & Year: #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-006: In-Kind Contributions (Continued)

Criteria: Per 45 CFR § 75.306(i)(3) (October 1, 2017), “The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.”

Per 45 CFR § 75.306(j) (October 1, 2017), “For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.”

Good internal controls require procedures to ensure the value placed on in-kind services is in accordance with the Uniform Grant Guidance.

Condition: We noted the following with regard to in-kind contribution for rent or utilities for the MAAA’s five locations:

- For the Central Office in-kind rent and utilities, the MAAA lacked documentation to support the in-kind amounts recorded. A total of \$23,613 was recorded as in-kind expenses.
- For Webster County, the amount recorded as in-kind rent and utilities was \$10,117. The documentation indicated the amount should be \$12,000.
- For all five locations, the value of the in-kind contribution was provided by the property owner, not an independent appraiser, as required by the Uniform Grant Guidance. The total value of in-kind rent and utilities was \$59,034.

Repeat Finding: No

Questioned Costs: \$41,518

Statistical Sample: No

Context: The MAAA recorded a total of \$59,034 in in-kind revenues and expenditures for rent and utilities during the fiscal year.

Cause: The MAAA failed to review the documentation from the counties to ensure it was supported and in accordance with the Uniform Grant Guidance.

Effect: The value of in-kind contributions used to meet matching requirements may not be accurate.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-006: In-Kind Contributions (Concluded)

Recommendation: We recommend the MAAA ensure the value of the in-kind contribution meets the requirements set forth in the Uniform Grant Guidance and is determined by an independent appraisal of comparable space and facilities.

Management Response: See **Attachment B**.

Finding #2018-007: Aging Reporting Expense Variances

Program: CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services – Reporting

Grant Number & Year: #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services

Criteria: Good internal controls and sound business practice require procedures to ensure amounts reported on reimbursement requests are accurate and agree to accounting records.

Condition: On one monthly Aging Cluster reimbursement request tested, the MAAA inaccurately reported its breakdown of expenditures by expense categories.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: On its May 2018 Aging Cluster reimbursement request, the MAAA misreported \$120 in Title-III-program contractual services expenditures as raw food expenditures. Similarly, it misreported \$168 Title-III-C2 program equipment and communication & utilities expenditures as building space expenditures.

Cause: Unknown

Effect: The MAAA inaccurately reported the breakdown of its expenditures to the Department of Health and Human Services.

Recommendation: We recommend the MAAA implement procedures to ensure it accurately reports expenditures on its monthly reimbursement requests.

Management Response: See **Attachment B**.

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #2018-008: Federal Expenditure Recording

Program: All open, including CFDA 93.044 – Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; CFDA 93.045 – Special Programs for the Aging Title III, Part C, Nutrition Services add IIB, C1, C2

Grant Number & Year: All open, including #17AANET3SS, FFY 2018; #17AANET3CM, FFY 2018; and #17AANET3HD, FFY 2018

Federal Grantor Agency: U.S. Department of Health and Human Services and U.S. Department of Transportation

Criteria: 45 CFR 75.302(b) (October 1, 2017) provides, in relevant part, the following:

(b) The financial management system of each non-Federal entity must provide for the following (see also §§75.361, 75.362, 75.363, 75.364, and 75.365):

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the HHS awarding agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§75.341 and 75.342. If an HHS awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

A good internal control plan requires an entity to track expenditures by funding source to comply with applicable requirements.

Condition: The MAAA failed to track its expenses by funding source because the accounting system is not set up to use funds.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

MIDLAND AREA AGENCY ON AGING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Concluded)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)

Finding #2018-008: Federal Expenditure Recording (Concluded)

Context: The MAAA does not break down expenditures in its accounting system by source of fund. To determine the amount of its Federal expenditures, the MAAA must individually review each of its monthly reimbursement requests, which does include a breakdown of expenditures by source. This is a manual and time-consuming process that is prone to error. See Finding #2018-002 (SEFA Preparation) above for the errors identified in the preparation of the SEFA.

Cause: Unknown

Effect: When Federal expenditures are not tracked and accounted for separately in an accounting system, there is increased risk Federal funds will be used for unallowable or improper purposes.

Recommendation: We recommend the MAAA implement procedures to ensure expenditures are identified by funding source.

Management Response: See **Attachment B**.

SECTION IV. SCHEDULE OF PRIOR AUDIT FINDINGS

Finding for the year ended June 30, 2018: None noted

<p>Complete Internal Control Questionnaire</p> <p><i>There are no written policies for determining that costs are reasonable, allocable, and allowable in accordance with the Uniform Grant Guidance (UGG) and terms and conditions of the subgrant awards. MAAA should develop written procedures for its cost allocation methods that ensure costs are reasonable, allocable, and in accordance with the UGG and its subaward terms and conditions. Costs are considered allocable to a Federal award or other cost objective if the good or service involved is chargeable and assignable in accordance with the relative benefits received.</i></p> <p><i>The method used to allocate personnel costs was not adequate or in accordance with the UGG. Currently, personnel costs are allocated to the various programs based on the budget projections and not based on actual time worked. MAAA’s accounting system contained 22 positions with coding to more than one program. The MAAA should consider documenting the actual time worked on each program on a daily basis. Any method used to allocate employee’s personnel costs should be approved by DHHS.</i></p> <p><i>The MAAA should implement procedures to ensure changes to pay rates are accurate. The Fiscal Manager annually adjusts pay rates in the accounting system. There is no documented review of the changes made to the pay rates.</i></p> <p><i>The MAAA should ensure the Director’s monthly review of time worked and leave used is documented. Currently, the Director reviews a printout of time worked and leave used for all employees but does not document the review with a date and signature.</i></p> <p><i>The MAAA should develop written policies for the use of its credit cards.</i></p> <p><i>The MAAA should include the monthly claims paid in the Board’s meeting minutes. Currently, the check register is included with the Board packets for review, but the approved claims are not published in the Board minutes.</i></p> <p><i>The method used to allocate expenses other than personnel costs to the various programs is not adequate or in accordance with the UGG. Costs were allocated among multiple Federal or State programs based on budgeted projections rather than on relative benefits received. The MAAA should document all methods used to allocate its expenses and ensure adequate documentation is maintained to support such methods.</i></p> <p><i>The MAAA should strengthen the monitoring it performs at its subrecipients. Currently, MAAA does not have a written policy regarding its subrecipient monitoring procedures. Programs documenting steps completed were available but not the Agency’s overall policy on monitoring. Additionally, the MAAA only reviewed one Federal program for one month per year at each of its subrecipients, which may not adequately address all relevant issues, including whether the subrecipients method to allocate costs to various programs is adequate and in accordance with the UGG.</i></p>
<p>Obtain prior audit or monitoring findings and determine if weaknesses have been corrected.</p> <p><i>No issues noted.</i></p>
<p>Document the accounting software used by the entity and obtain a back up or general ledger of the FY 2018 transactions</p> <p><i>No issues noted.</i></p>
<p>Review list of individuals authorized to process expenditure transactions in accounting system.</p> <p><i>No issues noted.</i></p>

Summary of Results – Subrecipient Monitoring – September 2017 DHHS Payment
FYE 6/30/2018

If applicable, determine the subrecipient is a non-profit organization in the State of Nebraska								
<i>MAAA provided documents showing the IRS had approved its status as a 501(c)(3) corporation. However, MAAA has not filed the necessary paperwork with the Nebraska Secretary of State to qualify as a non-profit entity in the State of Nebraska. If the MAAA intends to operate as a non-profit entity, the proper filings should be made with the Nebraska Secretary of State.</i>								
Obtain a list of employees paid during the period tested								
<i>Nothing noted.</i>								
Perform a detailed test of employee payroll								
<i>The APA tested three employees and could not verify whether the correct program was charged for the duties performed. The allocation of the personnel costs was based on budgeted amounts and not a reflection of actual time worked.</i>								
<i>Because the method used to allocate personnel costs were not documented, the MAAA was not in compliance with A-87 or 45 CFR § 75.430. As mentioned previously, the MAAA should implement a method of time reporting that more accurately reflects the actual time worked on each program.</i>								
<i>The following employees were tested and include the programs charged for the pay period tested:</i>								
Employees Tested	Program Charges							Salary for Pay Period
	IIIB	C1	C2	IIIE	SCO	Waiver	Other	
Employee 1	\$650.57	\$325.29	\$487.93	\$162.64	\$162.64	\$325.29	\$1,138.51	\$3,252.87
Employee 2	\$612.40	\$612.40	\$612.40	\$122.48	\$0.00	\$244.96	\$244.96	\$2,449.60
Employee 3	\$637.81	\$850.42	\$850.42	\$212.61	\$0.00	\$425.21	\$1,275.63	\$4,252.10
Totals	\$1,900.78	\$1,788.11	\$1,950.75	\$497.73	\$162.64	\$995.46	\$2,659.10	\$9,954.57
<i>Additionally, the APA noted the following concerns:</i>								
<ul style="list-style-type: none"> • <i>One employee had an additional \$50 Federal tax withholding, for which no written authorization or documentation was provided.</i> • <i>One employee had 4% of gross pay withheld for retirement; however, the most recent authorization form provided for a 3% withholding.</i> • <i>One employee had \$25.15 deducted for dental insurance; however the billing provided indicated the amount for that employee was \$26.41.</i> • <i>One employee had \$21.07 withheld for long-term disability insurance for which no written authorization was provided.</i> 								
<i>The MAAA should implement procedures to ensure all deductions or withholdings from pay are properly authorized and supported by adequate documentation and agree to authorized rates.</i>								
Review journal entries to determine the entry and classification of transactions are reasonable and proper								
<i>No issues noted.</i>								
Review negative expenditures to determine if transactions were reasonable and proper								
<i>No issues noted.</i>								
Perform a detailed test of agency expenditures								
<i>MAAA pays the bills for 5 of its counties, so the documentation to support the expenses is sent to MAAA for payment. There are 3 counties who have contracts with MAAA to provide services. For those counties, the MAAA annually performs subrecipient monitoring for one month and one program. The APA tested the expenses recorded for the three counties under contract with the MAAA, as follows:</i>								
<i>Adams County Senior Services reported the following expenses for August 2017:</i>								

MIDLAND AREA AGENCY ON AGING

Summary of Results – Subrecipient Monitoring – September 2017 DHHS Payment
FYE 6/30/2018

Expense Category	Program Charges				Total
	IIB	C1	C2	III	
Personnel - Contract	\$7,207.53	\$7,820.86	\$1,012.64	\$1,115.56	\$17,156.59
Travel - Contract		\$13.91		\$59.39	\$73.30
Office Supplies	\$123.25	\$358.35		\$19.40	\$501.00
Equipment Purchases	\$337.51	\$200.87	\$2.40		\$540.78
Office Rent		\$25.00			\$25.00
Communication & Utilities - Contract	\$1,035.20	\$725.29	\$27.25	\$63.66	\$1,851.40
Other Cost - Contract	\$1,871.65			\$139.51	\$2,011.16
Raw Food		\$307.15			\$307.15
Contracted Meals	\$1,565.95	\$5,707.22	\$215.76	\$272.25	\$7,761.18
Totals	\$12,141.09	\$15,158.65	\$1,258.05	\$1,669.77	\$30,227.56

The APA tested the expenses in the highlighted cells and noted the following:

- Personnel costs are allocated to the various programs based on a time study completed in 2011. The APA did not obtain or review the time study due to its age. The most accurate method to allocate payroll costs is to record the amount of time worked on each program on the timesheets daily. Any method to allocate payroll costs should be approved in writing by the MAAA and/or DHHS.
- The methods use to allocate costs other than personnel were also not documented. The MAAA should ensure the seniors centers have a reasonable and documented method to allocate its costs based on relative benefits received, rather than on budgets or estimates.
- The Director's timesheets are not approved by anyone other than the Director. Adams County Senior Services should consider having a Board member approve the Director's timesheets.
- One employee's timesheet was not signed by the employee, but was approved by the Director.
- Adams County Senior Services records volunteer in kind hours as an expense which may not be consistent with other senior centers. The MAAA should ensure volunteer services hours are consistently reported by all senior centers.
- One volunteer's record of time worked was not approved by a supervisor.
- Adams County Senior Services has an arrangement with Mary Lanning Healthcare Services for lifeline services. However, no contract exists to document the financial arrangements and other terms of the services to be provided. A monthly invoice is provided in which the names of the client and the rate is included. Rates were either \$24.75 or \$33 per client. Adams County Senior Services paid \$272.25 for August lifeline services.

Hall County Senior Citizens Industries reported the following expenses for August 2017:

Expense Category	Program Charges					Total
	IIB	C1	C2	IID	III	
Personnel - Contract	\$9,000.77	\$6,651.54	\$11,161.84	\$147.00	\$817.98	\$27,779.13
Travel - Contract	\$54.01	\$448.20	\$1,091.11		\$16.20	\$1,609.52
Office Supplies	\$467.06	\$824.21	\$2,729.76		\$23.10	\$4,044.13
Communication & Utilities - Contract	\$1,300.81	\$1,468.75	\$93.09		\$3.47	\$2,866.12
Other Cost - Contract	\$2,484.77	\$2,001.91	\$1,253.09		\$143.01	\$5,882.78
Raw Food		\$10,174.56	\$7,964.19			\$18,138.75
Contracted Other	\$1,158.50				\$340.00	\$1,498.50
Totals	\$14,465.92	\$21,569.17	\$24,293.08	\$147.00	\$1,343.76	\$61,818.93

The APA tested the expenses in the highlighted cells and noted the following:

- The Director does not complete a timesheet to document time worked and leave used. The Senior Citizens Industries Personnel Policy Manual date December 1, 2004, and revised August

Summary of Results – Subrecipient Monitoring – September 2017 DHHS Payment
FYE 6/30/2018

23, 2010 includes a “Miscellaneous” Section on page 12 that states:

All employees working at the Grand Generation Center facility will be required to clock in and clock out on the time clock software. Bus driver are the only employees who will not use this time clock system.

- *A number of the timesheets provided by Hall County Senior Citizens Industries were not signed by the employee, a supervisor, or both.*
- *One employee received a payout of 150.85 hours of vacation time upon termination of employment. That amount included 8.24 vacation hours earned in the final pay period, in which the employee worked 27.75 hours. Leave is earned at 8 hours per month (prorated based on the number of hours worked for part time employees). This individual normally earned less than 5 hours of vacation per month, but earned 8.24 in one bi-weekly pay period. It appears the leave earnings for the last pay period should have been approximately 1.27 hours, resulting in a 6.97 overpayment. (\$9.50 per hour equals \$66.22 overpayment) MAAA should ensure leave payouts are in accordance with policies set by the Board.*
- *That same employee had a vacation balance of 113.23 as of December 31, 2016. The current Personnel Policy Manual dated December 1, 2004, revised August 23, 2010, includes a section on Vacation Leave. Beginning on page 9, the policy states:*

Vacation must normally be used within the year it is accrued, but a maximum of one half of accrued days of vacation may be carried over to the succeeding year, not to exceed nineteen and one half days maximum. Employees with 5 years employment may carryover vacation in the amount of twenty-five days. Hours not taken above this allowed amount will be lost.

Since the normal work schedule was approximately five hours per day, the employee should have earned about 5 hours per month in vacation leave, or 60 hours per year. Additionally, the balance of 113.23 days is equivalent to 22.65 five-hour work days. In either case, the amount of vacation leave carried over from 2016 to 2017 appears to be in excess of amount allowed per the Personnel Policy. The MAAA should ensure leave payments are appropriately carried over in accordance with terms of the Personnel Manual, especially when leave payouts are made.

- *One employee was paid incorrectly. The employee worked 80.55 hours for the pay period and was paid \$1,208.25 for 80.55 hours of work and was also paid \$12.38 for .55 hours of overtime. The overtime payment was in error.*
- *One employee did not have his leave used correctly recorded. The employee worked 47.5 hours in the pay period and used 2.5 hours of vacation leave. The employee was paid for 50 hours of work time for the pay period. Therefore, it does not appear his leave balance was properly adjusted for the leave used.*
- *The allocation of payroll costs is not adequately documented. In general, the allocation is an estimate of time worked on each program rather than an allocation based on the benefit received. There are some workers (cooks) who have their payroll allocated based on the number of meals served. No documentation was provided to support the number of meals served and the calculation is only done annually, which might not adequately reflect all meals served throughout the year. The most accurate method to allocate payroll costs is to record the amount of time worked on each program on the timesheets daily. Any method to allocate payroll costs should be approved in writing by the MAAA and/or DHHS.*
- *The methods use to allocate costs other than personnel, including raw food costs, utilities, administrative allocations, etc were also not adequately documented. The MAAA should ensure the seniors centers have a reasonable and documented method to allocate it costs based on relative benefits received, rather than on budgets or estimates.*
- *The Hall County Senior Services Industries pays mileage to individuals for delivering the home-delivered meals. The procedure to ensure miles paid are reasonable compared to the meal routes is not adequately documented. The mileage log does not contain the locations traveled each day, just the total number of miles. The MAAA should ensure a comparison of miles claimed to the route sheets is documented.*

Summary of Results – Subrecipient Monitoring – September 2017 DHHS Payment
FYE 6/30/2018

- *The Hall County Senior Services Industries uses a vendor to process its payroll. The documentation provided to document the rate paid and services provided was dated October 23, 2017, after the APA requested the supporting documentation. The MAAA should ensure documentation to support services provided is available.*
- *The Hall County Senior Services Industries uses a vendor to assist in its bookkeeping functions. The agreement provided a rate of \$50 per hour. The Hall County Senior Services Industries received only a statement showing the amount owed and did not received invoices that detailed the amount of time and dates services were provided. The MAAA should ensure documentation to support services provided is adequate.*
- *The Hall County Senior Services Industries reported \$1,158.50 for homemaker contractual services in August 2017. The rate per hour for homemaker services is \$9 per hour. Two workers time records did not agree to the amount paid as follows:*
 - *Worker 1 – 2 hours recorded as worked; 1.5 hours paid.*
 - *Worker 2 – 3.25 hours recorded; 4 hours paid.*

Hamilton County Senior Services reported the following expenses for August 2017:

Expense Category	Program Charges				Total
	IIB	C1	C2	III E	
Personnel - Contract	\$2,903.98	\$2,325.66	\$2,325.65	\$241.81	\$7,797.10
Office Supplies	\$246.74				\$246.74
Equipment Purchases		\$132.35	\$16.50		\$148.85
Communication & Utilities - Contract	\$711.60	\$420.72	\$420.72	\$168.25	\$1,721.29
Other Cost - Contract	\$172.56	\$85.32	\$222.52		\$480.40
Raw Food		\$2,410.47	\$2,410.47		\$4,820.94
Contracted Other	\$135.00				\$135.00
Totals	\$4,169.88	\$5,374.52	\$5,395.86	\$410.06	\$15,350.32

The APA tested the expenses in the highlighted cells and noted the following:

- *Personnel costs reported by Hamilton County Senior Services includes only gross pay and not benefits and taxes. While there is nothing wrong with this, it is not consistent with other senior centers, which we wanted to bring to the MAAA’s attention.*
- *There is not a documented method to allocate costs to the various programs. Personnel costs are allocated based on an estimated or budget amount for each program, rather than based on the actual time worked or relative benefit received. The most accurate method to allocate payroll costs is to record the amount of time worked on each program on the timesheets daily. Any method to allocate payroll costs should be approved in writing by the MAAA and/or DHHS.*
- *The Hamilton County Senior Services appears to allocate its raw food and other costs evenly between the C1 and C2 program. There is no documentation to support this allocation method, which would mean an equal number of meals are served between C1 and C2. All costs that are allocated to more than one program should have a documented basis for the allocation based on the relative benefits received for the programs.*
- *Timesheets are not signed by the employee or supervisor, increasing the risk that the hours worked and paid will be incorrect.*
- *One employee earned overtime pay during the pay period tested. The Hamilton County Senior Center policies require the timesheets to be signed by a supervisor in the event that overtime is worked. The time sheet was not signed or initialed in accordance with the policy.*

Determine if the agency has significant contracts. If testing deemed necessary, determine the extent and necessary procedures. The entity followed the same policies and procedures it uses for procurements from its non-Federal funds.

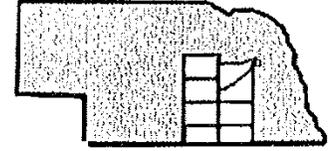
MIDLAND AREA AGENCY ON AGING
 Summary of Results – Subrecipient Monitoring – September 2017 DHHS Payment
 FYE 6/30/2018

<i>N/A – APA tested subawards to grantees.</i>										
Ascertain the procedures to ensure the time elapsing between the receipt of the Federal awards and the disbursement of funds is minimal. (2014 45 CFR 92.36)										
<i>No issues noted.</i>										
Determine whether program income is correctly determined, recorded and used in accordance with applicable requirements.										
<p><i>For 5 of the counties, the MAAA obtains the bank statements to verify the deposits made. Those amounts are transferred to the main MAAA bank account monthly.</i></p> <p><i>For the other 3 counties, the MAAA tests one program for one month each year to determine if program income is correctly determined, recorded, and used in accordance with requirements. See subrecipient monitoring section below.</i></p> <p><i>Howard County Volunteer hours were incorrectly reported for local in-kind matching. The spreadsheet provided did not foot. The total reported was \$2,454.75 and the actual amount of volunteer hours should have been \$2,414.75. A variance of \$36. MAAA should ensure amounts reported are accurate by testing the footing of the reports provided.</i></p>										
Determine whether the required reports include all activity of the reporting period, are supported by adequate records and are presented in accordance with requirements. (Compare financial information obtained to selected reports.) Determine if matching amounts are supported.										
<i>No issues noted.</i>										
Determine the Medicaid & LOC payments were in accordance with the terms of the contract.										
<i>No issues noted.</i>										
Document the Agency’s procedures to monitor its subrecipients, if applicable.										
<p><i>The MAAA did not have adequate procedures to monitor its subrecipients. The three subrecipients tested recorded the following expenses for August 2017:</i></p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Subrecipient</th> <th style="padding: 5px;">Expenses Reported for August 2017</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Adams</td> <td style="padding: 5px;">\$30,227.56</td> </tr> <tr> <td style="padding: 5px;">Hall</td> <td style="padding: 5px;">\$61,818.93</td> </tr> <tr> <td style="padding: 5px;">Hamilton</td> <td style="padding: 5px;">\$15,350.32</td> </tr> <tr> <td style="padding: 5px;">Total</td> <td style="padding: 5px;">\$107,396.81</td> </tr> </tbody> </table> <p><i>The following concerns were noted:</i></p> <ul style="list-style-type: none"> <i>• No written procedures exist that document the type and amount of monitoring procedures to be performed at each senior center. The MAAA should develop written procedures for its subrecipient monitoring.</i> <i>• The amount of monitoring does not appear to be adequate given the amount paid to the subrecipients. MAAA reviews one month for one program each year to review. The MAAA should consider testing all programs each year or should request the subrecipient to send in supporting documentation on a periodic basis to support payments.</i> <i>• It does not appear the MAAA reviewed the method to allocate expenses to multiple programs while at the subrecipient. The MAAA should ensure the method used to allocate expenses to multiple programs is adequately documented and based on relative benefits received and not estimates or budgets.</i> <i>• The MAAA should consider testing various months at the subrecipient. It appears that in 2016 and 2017 the month of August was reviewed.</i> 	Subrecipient	Expenses Reported for August 2017	Adams	\$30,227.56	Hall	\$61,818.93	Hamilton	\$15,350.32	Total	\$107,396.81
Subrecipient	Expenses Reported for August 2017									
Adams	\$30,227.56									
Hall	\$61,818.93									
Hamilton	\$15,350.32									
Total	\$107,396.81									

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN

MIDLAND AREA AGENCY ON AGING

MEMBER OF



2727 W. 2nd Street #440

Hastings, NE 68901

1-800-955-9714

<i>2018 Midland APA Corrective Action Plan</i>				
SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	APA Recommendation:	Method of Measuring Improvement	Due Date	Staff Responsible for Action
<i>Finding #2018-001: Lack of Documented Allocation Methods</i>	<i>Recommendation: We recommend the MAAA document all methods used to allocate its expenses and ensure adequate support is maintained for all such allocation methods to ensure compliance with the Uniform Grant Guidance. Allocation methods should be based on actual time worked or relative benefits received and not simply on budgeted amounts. We further recommend the MAAA obtain adequate documentation from subrecipients to support amounts they claim for reimbursement that are allocated among the various programs.</i>	<ul style="list-style-type: none"> <i>MAAA will complete a new time study due to program changes throughout the agency. The cost allocation will be based on this new time study.</i> <i>All sub recipients will be required to provide backup documentation for reimbursements. This will be addressed in MAAA's revised monitoring policy.</i> 	<i>November 9, 2018</i>	<i>Admin Team: Casey Muzic, Linda O'Brien, Christopher Morrison, Lynne Viglicky, Andrea Cox & Tammy Musgrave</i>
<i>Finding #2018-002: SEFA Preparation</i>	<i>Recommendation: We recommend the MAAA implement procedures to ensure that financial management has the level of expertise needed to prepare fair and complete financial statements.</i>	<ul style="list-style-type: none"> <i>MAAA will research options for training in advanced financial reporting.</i> 	<i>November 9, 2018</i>	<i>Linda O'Brien</i>

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN

<p>Finding #2018-003: Subrecipient Monitoring</p>	<p><i>Recommendation: We recommend the MAAA implement procedures to ensure its subrecipient monitoring policies are formally approved by its governing board. An adequate subrecipient monitoring process should include not only periodic on-site reviews, but should also include desk reviews of expenses and income amounts claimed each month, as well as risk assessments and checklists used in the overall subrecipient monitoring process. The MAAA is responsible for ensuring all Federal funds passed through to other entities are used in accordance with applicable Federal regulations and its monitoring procedures should include ensuring adherence to the Federal regulations, including the Uniform Grant Guidance.</i></p>	<ul style="list-style-type: none"> • <i>MAAA will implement new policies and procedures to include frequency and depth of regular monitoring.</i> 	<p>November 9, 2018</p>	<p><i>Casey Muzic with assistance from Admin Team</i></p>
<p>Finding #2018-004: Client Contributions</p>	<p><i>Recommendation: We recommend the MAAA implement policies and procedures, approved by the Governing Board, related to client contributions. These would include procedures for properly recording daily receipt of cash and requiring dual signatures to verify those daily amounts. Additionally, we recommend that the MAAA obtain adequate documentation to support each of the amounts received per site per program and verify that the amounts were deposited to the bank.</i></p>	<ul style="list-style-type: none"> • <i>MAAA will implement new policies and procedures to confirm client contributions are recorded and documented to maintain accuracy and accountability.</i> 	<p>November 9, 2018</p>	<p><i>Casey Muzic with assistance of Admin Team</i></p>

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN

<p>Finding #2018-005: Inadequate Documentation to Support Expenses</p>	<p><i>Recommendation: We recommend the MAAA implement procedures to ensure the following: Adequate documentation, including written contracts and agreements, as well as documentation from counties to support expenses, exists to support each transaction recorded.</i></p> <p><i>Procedures are implemented to ensure charges to its programs are based on relative benefits received.</i></p> <p><i>Contracts are properly monitored for the services provided.</i></p> <p><i>Expenses of subrecipients are recorded only after documentation is adequately reviewed to determine that the expenses are allowable, allocable, reasonable, and necessary.</i></p> <p><i>-Meal expenses paid to contractors are supported by daily meal logs and agree to the meals provided from the logs prior to payment, and rates are supported by proper authorization.</i></p>	<ul style="list-style-type: none"> • <i>MAAA will change procedures by having a member of the admin and/or fiscal staff verify that meal invoices match actual meals served.</i> • <i>MAAA will verify that all expenses of sub recipients are allowable, allocable, reasonable and necessary by increased use of desk audits and increased monitoring. MAAA will reimburse meal programs based on the number of meals provided at the Governing Board approved rate by location.</i> • <i>Contracts will be reviewed for accuracy and completeness by the admin team.</i> 	<p>November 9, 2018</p>	<p>Admin Team: Casey Muzic, Linda O'Brien, Christopher Morrison, Lynne Viglicky, Andrea Cox & Tammy Musgrave</p>
<p>Finding #2018-006: In-Kind Contributions</p>	<p><i>Recommendation: We recommend the MAAA ensure the value of the in-kind contribution meets the requirements set forth in the Uniform Grant Guidance and is determined by an independent appraisal of</i></p>	<ul style="list-style-type: none"> • <i>Before posting in kind expenses for building space, an independent appraisal of comparable space or facility will be obtained.</i> 	<p>Effective July 1, 2018</p>	<p>Casey Muzic, Linda O'Brien, Christopher Morrison</p>

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	<i>comparable space and facilities</i>			
<i>Finding #2018-007: Aging Reporting Expense Variances</i>	<i>Recommendation: We recommend the MAAA implement procedures to ensure it accurately reports expenditures on its monthly reimbursement requests</i>	<ul style="list-style-type: none"> <i>A member of MAAA's fiscal staff will review G/L entries quarterly for accuracy.</i> 	<i>November 9 2018</i>	<i>Christopher Morrison</i>
<i>Finding #2018-008: Federal Expenditure Recording</i>	<i>Recommendation: We recommend the MAAA implement procedures to ensure expenditures are identified by funding source.</i>	<ul style="list-style-type: none"> <i>MAAA will look at its existing software to see if it is able to separate funding sources and determine if it is feasible to implement the changes.</i> 	<i>November 9, 2018</i>	<i>Linda O'Brien, Christopher Morrison</i>
		<ul style="list-style-type: none"> 		