

D26A07
Department of Aging

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$20,507	\$21,040	\$21,868	\$828	3.9%
Deficiencies & Back of Bill Reductions	0	-5	-487	-483	
Adjusted General Fund	\$20,507	\$21,035	\$21,381	\$345	1.6%
Special Fund	1,821	481	528	46	9.6%
Deficiencies & Back of Bill Reductions	0	0	-8	-8	
Adjusted Special Fund	\$1,821	\$481	\$520	\$38	7.9%
Federal Fund	26,359	26,362	26,469	106	0.4%
Deficiencies & Back of Bill Reductions	0	0	-51	-51	
Adjusted Federal Fund	\$26,359	\$26,362	\$26,418	\$55	0.2%
Reimbursable Fund	3,934	3,991	3,286	-705	-17.7%
Adjusted Reimbursable Fund	\$3,934	\$3,991	\$3,286	-\$705	-17.7%
Adjusted Grand Total	\$52,621	\$51,870	\$51,604	-\$266	-0.5%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- A \$416,133 general fund deficiency appropriation is appropriated to keep the State in compliance with federal maintenance of effort requirements for federal Title III funding, which had been underfunded in the fiscal 2015 budget.
- Cost containment reductions to general fund spending reduce the Maryland Department of Aging (MDOA) budget by \$420,800 in fiscal 2015 and \$430,000 in fiscal 2016.

Note: Numbers may not sum to total due to rounding.

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- General funds grow \$345,448, after accounting for back of the bill reductions assumed in the Governor’s fiscal 2016 budget plan. After accounting for those reductions, the overall agency change turns from a \$275,567 increase to a \$266,058 decrease.

Personnel Data

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>
Regular Positions	51.70	51.70	51.70	0.00
Contractual FTEs	<u>23.00</u>	<u>25.50</u>	<u>25.50</u>	<u>0.00</u>
Total Personnel	74.70	77.20	77.20	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.21	4.27%
Positions and Percentage Vacant as of 10/31/14	5.00	9.70

- MDOA turnover rate is budgeted at 4.3%, requiring 2.2 regular positions to be held vacant throughout the fiscal year. On November 1, 2014, MDOA had 5.0 vacant positions, or a vacancy rate of 9.7%.

Analysis in Brief

Major Trends

Maintaining Seniors in the Community: One of MDOA’s most important goals is helping Maryland seniors reside in their community for as long as possible. The number of seniors receiving services in the community is estimated to grow significantly in fiscal 2014 and 2015. The waitlist for the Senior Care program has fallen compared to where it was a year ago. **The Secretary should comment on the decline of the Senior Care waiting list.**

Ensuring Seniors Are Treated with Dignity: To ensure seniors are protected from abuse, exploitation, and consumer fraud, MDOA operates an ombudsman program. Despite a significant reduction in the number of volunteer ombudsman, the number of cases closed by ombudsman remained level from fiscal 2013 to 2014. That outcome may decline if the number of volunteers stays at the lower level. **The Secretary should comment on how the reduction of volunteer ombudsman will affect the ombudsman program.**

Issues

Joint Chairmen’s Report on Financial Management: The 2014 *Joint Chairmen’s Report* included narrative requesting more information regarding grant funding formulas, the Senior Care program, and State funds that had been used to subsidize the Innovations on Aging conference in May 2012. The response provides information on each of the topics but did not address some of the concerns raised in the narrative. **The Secretary should comment on progress of the workgroup.**

Office of Legislative Audits Report on the Department of Aging: An audit report on MDOA was released in July 2014 with findings related to the budget committees’ concerns on Senior Care and the Innovations in Aging conference. MDOA was also found to have poor oversight of the Area Agencies on Aging with respect to financial reviews and eligibility verifications. **The Secretary should comment on the delay in identifying how fiscal 2013 funds were allocated.**

Recommended Actions

1. Concur with Governor’s allowance.

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Operating Budget Analysis

Program Description

The Maryland Department of Aging (MDOA) has the responsibility for administering community-based long-term care programs and services for older Marylanders, evaluating the services they need, and determining the extent to which public and private programs meet those needs. The department also administers the State Aging and Disability Recourse Center program (ADRC) known as Maryland Access Point (MAP). The ADRC is a national initiative to realign long-term care information and access to resources into a single point of entry system. The department administers the MAP program through collaborative partnerships with State and local aging and disability agencies and stakeholders. With input from the local Area Agencies on Aging (AAA), seniors, caregivers, the Maryland Department of Disabilities, and other sister agencies, the department establishes priorities for meeting the needs of older Marylanders and advocates for frail and vulnerable seniors and expansion of the MAP program. The department promotes healthy lifestyles for older Marylanders, *e.g.*, good nutrition, exercise, employment, and volunteerism, so that they remain active and engaged in their communities. The key goals of the department are:

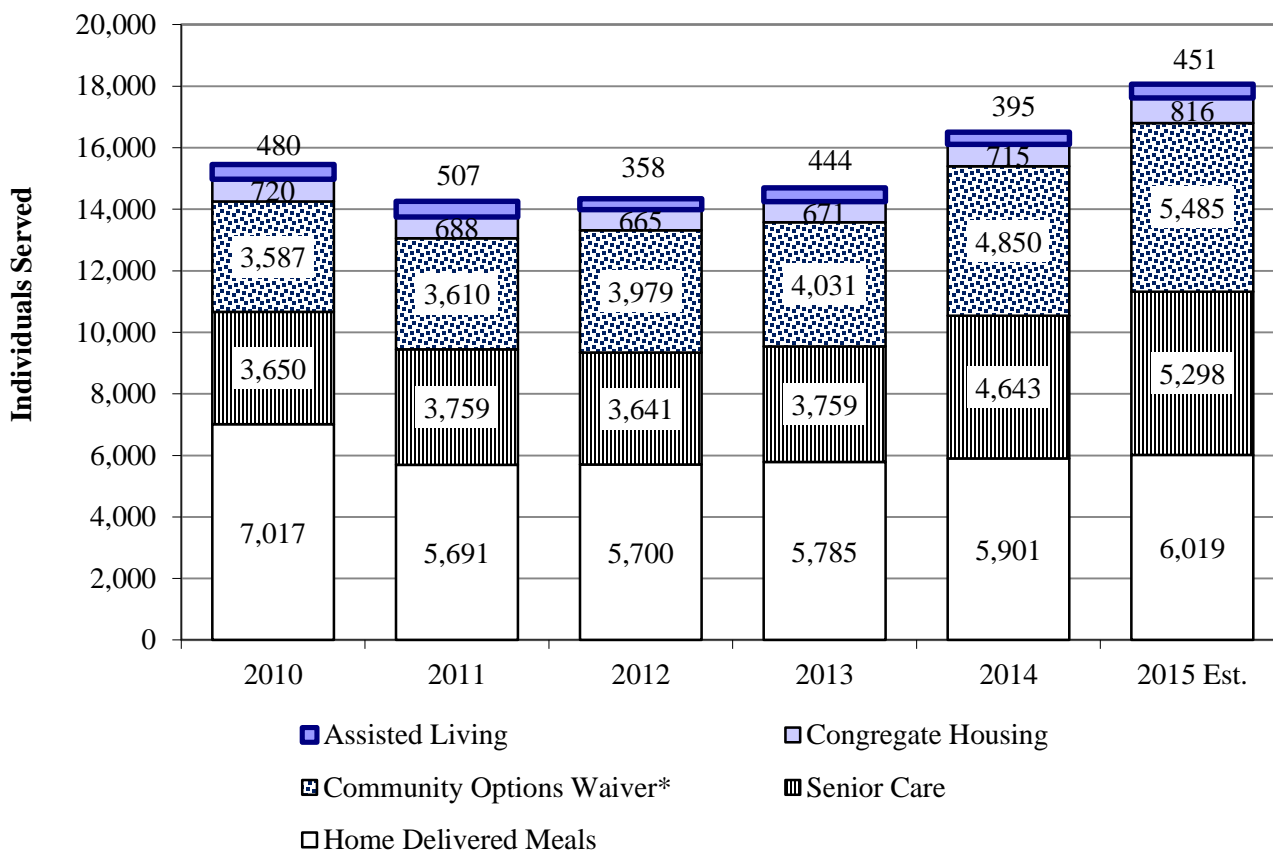
- to enable older residents to remain in their homes with a high quality of life for as long as possible;
- to ensure the rights of older residents and prevent their abuse, neglect, and exploitation;
- to empower older residents to stay active and healthy; and
- to empower older adults, all individuals with disabilities, and caregivers to make informed decisions about their health and long-term care options.

Performance Analysis: Managing for Results

1. Maintaining Seniors in the Community

Exhibit 1 shows the performance data for MDOA's goal to enable seniors to reside in the most appropriate and safest living arrangements within the community for as long as possible. After falling in fiscal 2011, the total number of seniors receiving community-based support services through MDOA increased gradually from fiscal 2011 to 2013, and jumped an additional 1,814 individuals in fiscal 2014. The increase is expected to continue by 1,565 individuals in fiscal 2015. This expansion of services is focused mainly on the Senior Care and the Medicaid Community Options Waiver, which transitioned from the Medicaid Home- and Community-based Waiver in fiscal 2014. Between fiscal 2013 and 2015, the two programs are anticipated to grow by 1,539 and 1,454, respectively.

**Exhibit 1
Maintaining Seniors in the Community
Fiscal 2010-2015 Est.**



*Fiscal 2013 data. Before fiscal 2014, this program was known as the Medicaid Waiver for Older Adults. In fiscal 2014, it was merged with the Living at Home waiver to form the Community Options Waiver.

Source: Maryland Department of Aging

Community-based services are considered a cost-effective investment for the State because many of the people who receive these services would otherwise require nursing home services if the community-based options were not available. As shown in **Exhibit 2**, the average cost per person for nursing homes is more than double the average cost of the Community Options Waiver, the most expensive community-based option. The Community Options Waiver includes such services such as personal care, home-delivered meals, and accessibility adaptations.

Exhibit 2
Cost of Community-based Services Versus Nursing Home Care
Fiscal 2014

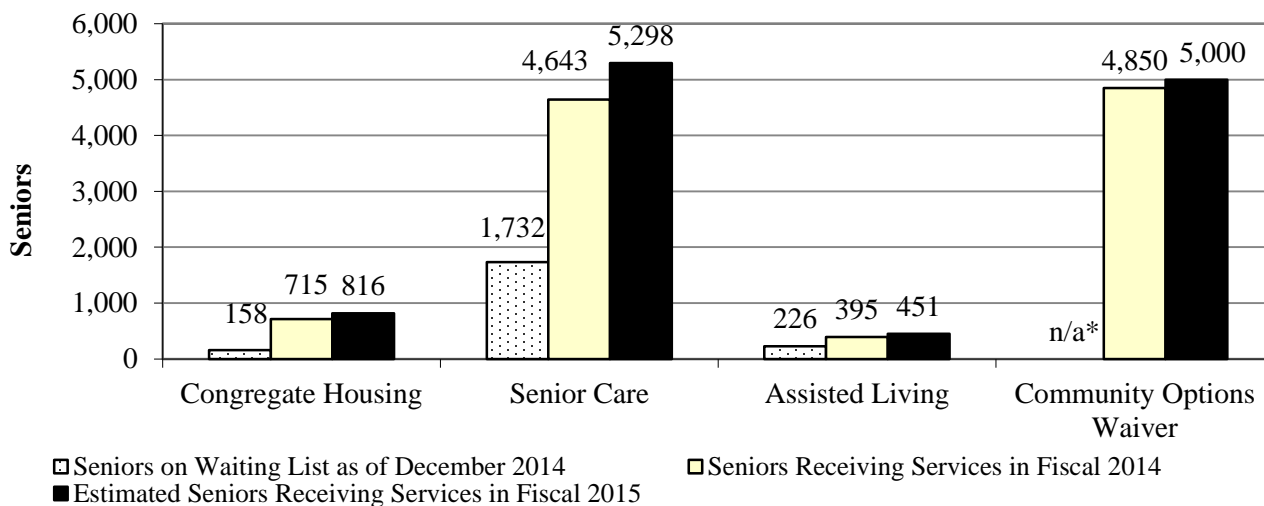
<u>Congregate Housing</u>	<u>Senior Care</u>	<u>Assisted Living Subsidy</u>	<u>Community Options Waiver*</u>	<u>Nursing Home</u>
\$2,100	\$1,564	\$7,800	\$30,748	\$72,076

*Represents fiscal 2013 figure; fiscal 2014 was not available.

Source: Maryland Department of Aging

Exhibit 3 shows the number of individuals on the waiting list as of December 2014 for each of the four community-based services, along with the number of individuals served in fiscal 2014 and those expected to receive services in fiscal 2015. The biggest waitlist as a percent of people served is the Assisted Living program, at 50.1%, followed by Senior Care at 32.7%. The waitlist for Congregate Housing represents about 19.4% of those receiving services in fiscal 2015.

Exhibit 3
Seniors Served Versus the Waiting List
Fiscal 2014-2015



*The Community Options Waiver does not have a waiting list comparable to the other programs shown in this exhibit. Instead, it operates more as a registry, with eligibility determined at a later time.

Source: Maryland Department of Aging

In the fiscal 2015 analysis, it was noted that the Congregate Housing waiting list had grown from 129 individuals to 374 from December 2012 to December 2013. As shown in the exhibit, that number has fallen to 158 people. MDOA attributes this to many congregate housing providers starting a fee-for-service model, allowing individuals who would otherwise be on the waitlist to receive services without fully entering the program.

Similarly, the growth in the Senior Care and Community Options Waiver has increased in the number of individuals being served compared to what was seen last year, and in the case of Senior Care, the waitlist has decreased significantly. In December 2013, 2,791 individuals were waiting for services. In December 2014, that number had fallen to 1,732. **The Secretary should comment on the decline of the Senior Care waiting list.**

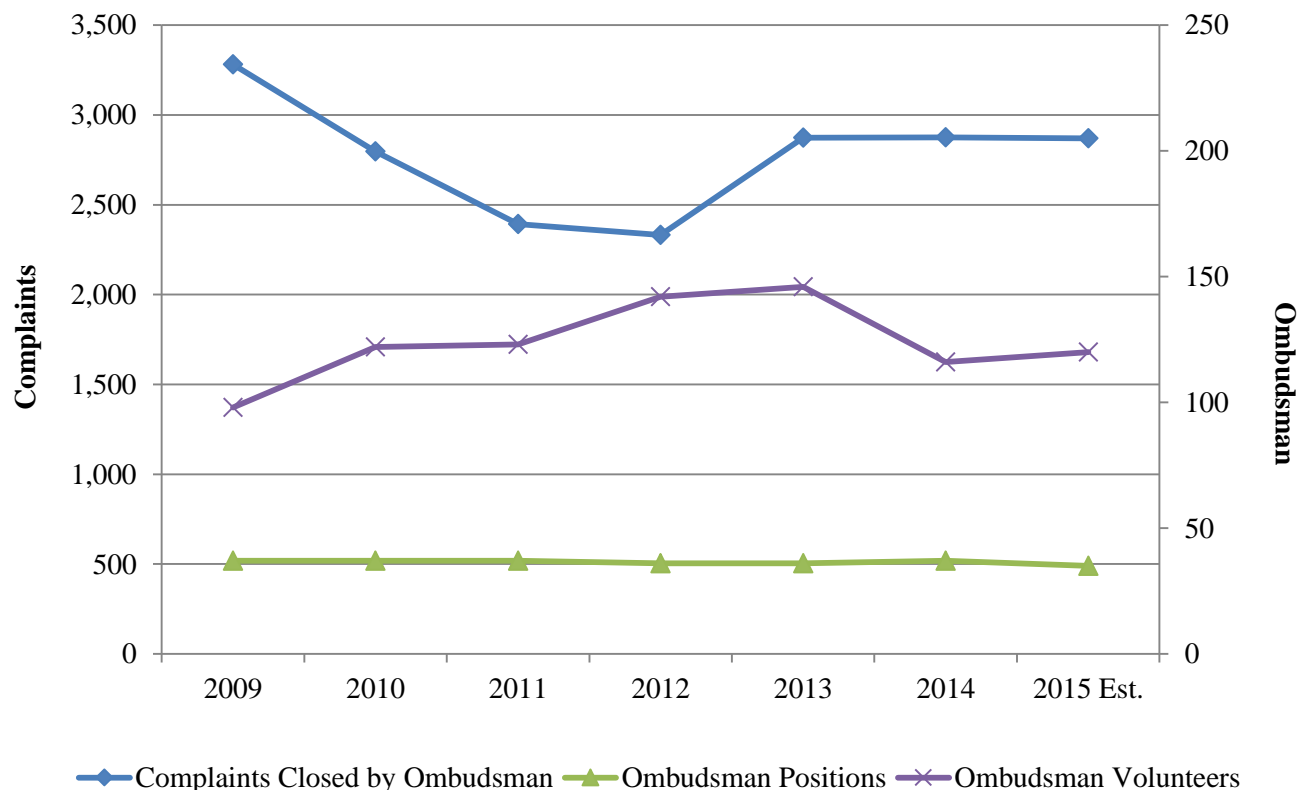
The fiscal 2016 allowance includes \$1.5 million for Congregate Housing, \$7.3 million for Senior Care, and \$3.0 million for Assisted Living. Total funding for these programs is equal to fiscal 2015 at \$11.8 million.

2. Ensuring Seniors Are Treated with Dignity

Exhibit 4 shows MDOA's efforts to achieve its goal to ensure that seniors are treated with dignity and protected against abuse, exploitation, and consumer fraud. The exhibit shows the total number of cases and complaints investigated and closed by ombudsmen, in addition to data on the ombudsman themselves. Beginning in fiscal 2010, the definition of complaint no longer included responses to reports made by nursing facilities, which accounts for the decline in cases closed between fiscal 2009 and 2011.

In terms of ombudsman positions, in fiscal 2014, an additional position was added, bringing the number to 37, equal to where it had been prior to fiscal 2012. Volunteer positions had grown to 146 in fiscal 2013, but declined to 116 in fiscal 2014. MDOA reports that a hospital in Baltimore County had ended a program where residents acted as volunteer ombudsmen in area facilities. The number of cases closed by ombudsmen remained steady in fiscal 2014 at 2,870 but could go down as the number of ombudsmen declines. **The Secretary should comment on how the reduction of volunteer ombudsmen will affect the ombudsman program.**

**Exhibit 4
Investigations Closed and Ombudsman Positions
Fiscal 2009-2015 (Estimated)**



Note: The definition of complaint was changed in fiscal 2010.

Source: Governor’s Budget Books, Fiscal 2011-2016

Fiscal 2015 Actions

Proposed Deficiency

The Governor’s allowance includes a \$416,133 deficiency appropriation to ensure the State meets maintenance of effort (MOE) requirements under federal Title III funding for non-means tested programs like nutrition and information and assistance. Failing to meet MOE requirements leads to a reduction in federal funding.

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The MOE calculation is based on a three-year average, comparing fiscal 2013 to 2010 through 2012, for example. After recession-era budget reductions, State spending on qualified programs had fallen to a level in fiscal 2013 that was below the three-year average. In that year only, the federal government allowed Maryland to count local spending toward MOE.

The fiscal 2014 allowance, which was not reduced by the General Assembly, continued the lower spending level, but in that year, the State was able to use funds appropriated from the Dedicated Purpose Account to count toward MOE. State funding as required by MDOA was again lower than MOE in the fiscal 2015 allowance, which again was not reduced by the General Assembly. **The Secretary should comment on why each year’s allowance was below federal MOE funding levels.**

Cost Containment

The Board of Public Works (BPW) has taken, and the Governor’s allowance includes, a number of cost containment actions affecting the fiscal 2015 working budget. As shown in **Exhibit 5**, in July 2014, BPW approved a \$100,000 reduction to MDOA’s administration budget, achieved through delaying filling vacant positions. In January 2015, BPW approved a statewide 2% across-the-board general fund reduction to State agencies, with MDOA’s share at \$420,800.

Exhibit 5
Fiscal 2015 Reconciliation
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$21,140	\$481	\$26,362	\$3,991	\$51,974
July BPW	Increasing agency turnover and holding positions vacant longer than planned.	-100	0	0	0	-100
Working Appropriation		\$21,040	\$481	\$26,362	\$3,991	\$51,874
January BPW Across the Board	2% across-the-board reduction.	-421	0	0	0	-421
Deficiency Appropriations		416	0	0	0	416
Total Actions Since January 2015		-\$5	\$0	\$0	\$0	-\$5

Source: Maryland Fiscal 2016 Budget; Department of Legislative Services

The Department of Budget and Management (DBM) has advised MDOA that it may not reduce funds that could put the State out of compliance with federal MOE. The agency’s general fund budget is largely spent in salaries and grants to the local agencies, and direct services may be cut as a result. **The Secretary should comment on how the \$420,800 January BPW reduction will be applied.**

Proposed Budget

As shown in **Exhibit 6**, MDOA’s budget declines \$266,058 after accounting for changes approved by BPW in fiscal 2015 and the across-the-board reductions to salary and operating spending assumed in the Governor’s fiscal 2016 budget plan. Outside of personnel and the agency’s grant programs for Maryland seniors, the largest increase is in contractual employee turnover, which grows \$276,519. The contractual employee turnover budget in fiscal 2015 was reduced to account for an assumed reduction in federal funds as a result of the federal sequester. The fiscal 2016 allowance restores contractual turnover to its normal level.

**Exhibit 6
Proposed Budget
Department of Aging
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2014 Actual	\$20,507	\$1,821	\$26,359	\$3,934	\$52,621
2015 Working Appropriation	21,035	481	26,362	3,991	51,870
2016 Allowance	<u>21,381</u>	<u>520</u>	<u>26,418</u>	<u>3,286</u>	<u>51,604</u>
2015-2016 Amt. Change	\$345	\$38	\$55	-\$705	-\$266
2015-2016 Percent Change	1.6%	7.9%	0.2%	-17.7%	-0.5%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$147
Turnover adjustments	95
Increments and salary increases annualization (prior to cost containment).....	63
Employee retirement.....	49
Workers’ compensation.....	17
Social Security contributions.....	4
Section 21: abolition of employee increments.....	-50
Senior employment program salaries	-57
Section 20: abolition of prior year 2% general salary increase	-66

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Other Changes

Grants to the Area Agencies on Aging (see Exhibit 7).....	329
Contractual employee turnover.....	277
Equipment rentals.....	-9
Equipment replacements.....	-9
Section 19: difference in 2% across-the-board reduction.....	-9
Office and data processing supplies	-15
Travel.....	-29
Contractual employee salaries	-64
Deficiency Appropriation to fulfill maintenance of effort requirements.....	-416
Removal of Medicaid Support Planning Service in fiscal 2016.....	-528
Other	4
Total	-\$266

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

MDOA attributes a \$527,630 reduction in various spending lines to lower levels of administrative funding under a memorandum of understanding with the Department of Health and Mental Hygiene (DHMH). Specifically, the removal of fiscal 2015 start-up costs under the Medicaid Support Planning Services. Spending changes the agency attributes to this grant include a \$16,500 reduction in printing, a \$52,000 reduction in advertising and publications, and an \$87,750 reduction in telephone expenses.

In the fiscal 2015 legislative appropriation, telephone expenses were budgeted at \$11,250. The working appropriation currently budgets \$91,250, while the allowance programs \$3,500. MDOA explained that the \$80,000 increase between the legislative and working appropriation is due to installing six telephones for employees who had been hired to focus on the grant.

According to Verizon’s website, six new telephone lines with long distance costs \$335.70, six new wall and desk phone jacks costs \$60, labor costs \$120 for the first half hour and \$60 for each subsequent half hour, and wiring costs \$0.15 per foot. The total cost for six phone lines, six phone jacks, 24 hours of labor, 5,280 feet of wire, and six Cisco VOIP PBX Preconfigured business telephones at \$1,999 each is \$16,121.70.

After concerns were raised regarding use of grant funds administered by MDOA in the 2014 legislative session, the agency’s budget was split by budget amendment from two to three budget programs. Grant funds that had previously been budgeted in administrative lines had made it difficult to identify what spending was being captured in different lines. Though those funds have been removed from the working appropriation and allowance figures, the reason for budgeted levels of spending and their changes often remain opaque. **The Secretary should comment on how MDOA will improve the reporting of spending in future years.**

Under personnel spending, similar to other State agencies, health insurance spending is the biggest cost driver, growing \$147,020 at MDOA. Turnover adjustments, which were used to address the July 2014 BPW reductions, increases by \$94,850 in the allowance. The biggest reduction in personnel costs are the back of the bill changes to employee compensation.

Cost Containment

Three back of the bill sections affect MDOA's budget. Section 20 withdraws funding for the fiscal 2015 employee cost-of-living-adjustment (COLA), reducing employee salaries to their pre-COLA levels and MDOA's budget by \$30,000 in general funds, \$6,000 in special funds, and \$30,000 in federal funds. Section 21 withdraws funding for employee increments in fiscal 2016, which had been budgeted in each individual agency. MDOA's budget is further reduced by \$27,201 in general funds, \$1,975 in special funds, and \$21,116 in federal funds as a result.

In addition, Section 19 contains a statewide 2% across-the-board reduction in general fund spending similar to the one approved by BPW in January 2015. MDOA's share of this reduction is \$430,000, an amount that could again impact services in fiscal 2016, similar to the 2015 BPW reduction. **The Secretary should comment on how MDOA will implement reductions associated with Section 19 of the fiscal 2016 budget bill.**

Community Services Grants

The biggest increase in MDOA's budget are funds appropriated for grants to local AAAs administered by MDOA. Their funding increases \$329,007 in the allowance and are detailed in **Exhibit 7**. Separated into increases, decreases, and level funded grants, the majority of them are funded in fiscal 2016 at working budget level. The four that are decreasing are mainly federal programs that had been affected by the federal sequestration in fiscal 2014 and in that year received special funds from the Dedicated Purpose Account. When sequestration ended, some general funds were added to make up the difference between the pre-sequestration funding level and the lower post-sequestration federal fund allocations. These funds are retained in the agency's fiscal 2016 budget, but spent instead on administrative costs. Together, those grants are reduced by \$265,053.

The increases total \$591,140, all in general funds. Increases to Information and Assistance grants and Senior Nutrition programs are intended to keep Maryland in compliance with federal Title III MOE requirements in fiscal 2016. The other increase, \$350,000 in Naturally Occurring Retirement Communities funding is for a Baltimore Holocaust survivor program.

Appendix 5 shows a county-by-county breakdown of fiscal 2015 State and federal grants to AAAs. MDOA advises that some allocations are preliminary and may change before the end of the fiscal year.

Exhibit 7
Community Services Grants Administered by the Department of Aging
Fiscal 2015-2016

	<u>2015</u>	<u>2016</u>	<u>Change</u> <u>2015-2016</u>
Increases			
Naturally Occurring Retirement Communities	\$800,000	\$1,150,000	\$350,000
Information and Assistance	692,613	841,430	148,817
Senior Nutrition	1,849,126	1,944,449	95,323
Decreases			
Community Services Grants	5,597,563	5,377,516	-220,047
Congregate Meals	6,944,756	6,922,329	-22,427
Ombudsman – Federal Funds	375,519	359,030	-16,489
Home Delivered Meals	3,528,084	3,521,984	-6,100
Level Funding			
Aging and Disability Resource Center Options Counseling	810,000	810,000	0
Chronic Disease Management	95,000	95,000	0
Congregate Housing Grants	1,501,972	1,501,972	0
Aging and Disability Resource Center Grants	2,202,508	2,202,508	0
Elder Abuse	102,675	102,675	0
Frail Elderly	30,000	30,000	0
Health Promotion and Prevention	338,929	338,929	0
Hold Harmless	442,210	442,210	0
Managing Active Citizens	131,800	131,800	0
Medicare Improvements for Patients and Providers	259,856	259,856	0
Money Follows the Person Grants	501,000	501,000	0
National Family Caregiver Grants	2,283,963	2,283,963	0
Nutrition Services	1,562,235	1,562,235	0
Older Adults Waiver Case Management	250,000	250,000	0
Ombudsman – State Funds	1,121,801	1,121,801	0
Public Guardianship	642,692	642,692	0
Senior Care	7,264,243	7,264,243	0
Senior Health Insurance Program	509,584	509,584	0
Senior Medicare Patrol Healthcare Fraud Prevention	62,918	62,918	0
Senior Assisted Group Housing	2,994,386	2,994,386	0
Senior Medicare Patrol Continuation	138,823	138,823	0
Veterans Grants	50,000	50,000	0
Vulnerable Elderly	553,756	553,756	0
Total	\$43,638,012	\$43,967,089	\$329,077

Source: Department of Budget and Management; Maryland Department of Aging; Department of Legislative Services

Issues

1. *Joint Chairmen’s Report on Financial Management*

During the 2014 legislative session, a number of issues were raised regarding MDOA’s financial management. It was learned that weeks before the start of fiscal 2013, funding for the Senior Care program was reallocated between counties and was reduced overall by \$60,000 and that in May 2012, MDOA used State and local grant funds to subsidize the Innovations in Aging Exposition and Conference rather than on the purposes originally budgeted.

The budget committees requested, in committee narrative, that MDOA submit a report detailing what occurred with both the Senior Care program and Innovations on Aging conference, information on the changes to Senior Care in fiscal 2013, and a description and history of the different formulas MDOA uses to distribute grants to the local AAAs. A follow-up letter was also sent from the budget committees in June 2014, providing more detail on what was expected in MDOA’s response, including a detailed accounting of all funds used for the Innovations on Aging conference.

Funding Formulas and Senior Care

MDOA’s submission includes a description of how all of its federal and State formula grants are allocated. Many are based on the federal Older Americans Act (OAA) formula, which accounts for the percent of the jurisdictions population that is over 60 (45%), over 60 and in poverty (45%), and minorities over 60 who are in poverty (10%). Several of the State grants are allocated using this same formula.

Regarding the Senior Care formula, MDOA reported that the change prior to fiscal 2013 was based on the OAA formula, made to address an audit finding regarding how Senior Care funds are allocated. MDOA’s submission did not comment on the timing of the reallocation or the \$60,000 overall reduction from the grant, issues that had been mentioned in both the fiscal 2014 *Joint Chairmen’s Report* (JCR) and the follow-up letter sent by the budget committees.

The local AAAs had already been told their fiscal 2013 Senior Care allocations when, in June 2012, two weeks before the start of fiscal 2013, they were notified that the funding was being reallocated among the jurisdictions, and the total would be \$60,000 less than what it was previously. Some counties experienced large changes when the new allocations were announced and were forced to significantly scale back plans weeks before the start of the fiscal year.

During the 2014 legislative session, MDOA reported that the \$60,000 reduced from Senior Care in fiscal 2013 was intended to pay for a consultant to study Senior Care operations and procedures and that the funding was still available and intended for that purpose. Although not covered in the JCR report, MDOA has since explained that a little more than half of that amount had been paid to a consultant before it was decided existing staff could develop and implement the changes at a lower cost. The remaining \$27,636 is in MDOA’s accrued fiscal 2013 general fund revenues.

Starting in March 2014 until July 2014, a workgroup had been meeting to discuss changes to the formulas for federal funds. In October 2014, MDOA asked the chair of the workgroup to review and make recommendations on the agency’s State grants, including Senior Care. MDOA reports that if there is enough AAA support, the new administration will decide how to proceed. **The Secretary should comment on progress of the workgroup.**

Innovations in Aging Conference

Regarding the Innovations in Aging conference, MDOA’s JCR submission covered only grant funds that were used to support the conference, rather than all funds including sponsorships and registration fees, as requested by the JCR narrative. MDOA’s report shows the following grant funds were available to support conference expenses:

- \$243,566 from Senior Care
 - \$159,685 – Anne Arundel County
 - \$69,423 – Baltimore County
 - \$8,345 – Cecil County
 - \$6,113 – Montgomery County
- \$87,000 from MAP
- \$36,931 from Senior Center Operating Fund
- Total State grant funds targeted to conference costs: \$367,497

Subsequent information from MDOA revealed that revenue from sponsorships and registration fees totaled \$113,145 for a total of \$480,642, and that after the conference, a balance of \$96,553 remained. Altogether, costs for the Innovations in Aging conference totaled \$384,089, and MDOA was able to generate \$113,145 in revenue to help cover the costs. MDOA reported that the balance of \$96,553 was spent on paying back funds from the State grants that had been used, but even after accounting for the balance, \$270,944 in grants funds were still used on supporting the conference rather than on services for seniors.

The Office of Legislative Audits (OLA) appears to share the budget committees’ concerns in a special comment in the July 2014 audit report released by OLA. It describes a DBM audit that found that in addition to the budget shortfalls outlined in the previous issue, the local AAAs received funds from MDOA for registration, hotel rooms, parking, and transportation costs. MDOA intended the conference to be supported with sponsorships and registration fees, and the expenditure of grant and State funds was not planned.

The DBM audit found that MDOA may also have overpaid for the venue by doing a sole-source procurement and did not maintain a complete record of revenue and expenses for the conference.

2. Office of Legislative Audits Report on Department of Aging

Similar to the concerns raised by the budget committees in the JCR request on the Innovations on Aging conference, OLA also shares concerns on the Senior Care program. OLA had findings for that and other issues in an agency audit released in July 2014 and the fiscal 2014 closeout audit, released in January 2015. **Exhibit 8** highlights OLA’s audit findings for MDOA.

Exhibit 8 MDOA Audit Findings July 2014

Audit Period for Last Audit:	July 1, 2010 – May 13, 2013
Issue Date:	July 2014
Number of Findings:	7
Number of Repeat Findings:	3
% of Repeat Findings:	43%
Rating: (if applicable)	

Finding 1: The Maryland Department of Aging (MDOA) lacked a comprehensive policy to ensure that annual financial reviews of the Area Agencies on Aging (AAA) were subject to supervisory review and contained adequate documentation to evidence the appropriate use of State grant funds.

Finding 2: MDOA did not adequately document the procedures performed and evidence examined during AAA site visits to verify participant eligibility for certain State care programs.

Finding 3: MDOA did not ensure that Senior Care grant expenditures reported by AAAs for administrative costs complied with established policy.

Finding 4: MDOA did not ensure the timeliness of Medicaid Waiver for Older Adults Program eligibility determinations and annual redeterminations performed by AAAs. MDOA’s continued responsibility for monitoring the related processes needs to be clarified.

Finding 5: MDOA could not support the basis for allocated Senior Care program grants to AAAs.

Finding 6: Requests for reimbursement of federal fund expenditures were delayed resulting in lost interest income to the State, and MDOA could not substantiate federal fund accrued revenues totaling \$3.7 million.

Finding 7: Authentication, monitoring, and backup controls over the Medicaid billing system were not sufficient.

*Bold denotes item repeated in full or part from preceding audit report.

Source: Office of Legislative Audits

Special Comments

MDOA's audit contained two special comments included in the Background Information section of the report. In addition to the Innovations on Aging conference, another special comment concerns funds that DHMH had to refund the federal government due to improperly billed Medicaid Waiver for Older Adults charges. Though DHMH handles the financial side of the waiver, MDOA is responsible for overseeing the local AAAs who determine eligibility and manage cases.

A federal U.S. Department of Health and Human Services audit found that DHMH did not ensure MDOA's AAA management was satisfactory. The AAAs had service claims that were missing documentation and had submitted claims from uncertified service providers. As a result, DHMH had to reimburse the federal government \$10.9 million in unallowable costs in May 2013. With the new Community Options Waiver, the Medicaid Waiver for Older Adults no longer exists, though MDOA is still responsible for overseeing the AAAs.

A related issue appears in OLA's fiscal 2014 closeout audit, which contains a finding that MDOA was not able to substantiate \$2.9 million in federal fund accrued revenues related to the Medicaid Waiver for Older Adults. The agency is reported to have recorded expenditures under the program but has not been able to provide documentation that the charges will be reimbursed by the federal government, potentially creating the need for general funds to cover the expenditures. MDOA has reported that this long standing problem may be due to an error in how federal revenue was coded in financial databases and reports that it is currently working to resolve the issue. An additional \$0.9 million in reimbursable funds related to the Money Follows the Person program exhibit the same documentation issue.

Regular Findings

Among the audit's regular findings, OLA shared concerns with MDOA's handling of the Senior Care program. Specifically, OLA explained that funds were supposed to be distributed based on a formula, but the agency was not able to document how the fiscal 2013 funds were allocated until after the audit, when MDOA was able to show it was based on an Older Americans Act formula. MDOA did not use this formula in fiscal 2014 however, and instead matched the fiscal 2013 allocation by county.

During the 2014 session, MDOA had reported that it was working to develop a new formula for Senior Care funds. **The Secretary should comment on the delay in identifying how fiscal 2013 funds were allocated.**

A second OLA finding regarding Senior Care noted that MDOA did not limit administrative costs in the AAA's Senior Care budgets to 10%, as required in the established policy. OLA found that administrative costs for Senior Care budgets ranged from 12% to 29% of Senior Care spending in the counties. MDOA indicates that case management costs may have improperly been included as administrative rather than programmatic cost, and that the department would reiterate to the AAAs that administrative costs should not exceed 10% of Senior Care spending.

Two other findings of note:

- OLA found that MDOA did not document that it performed required annual financial reviews of the AAAs or communicated its findings to the local entities. OLA cited a lack of a comprehensive financial review policy, something with which MDOA disagreed.
- In addition, OLA found that MDOA did not document that it verified participant eligibility for Senior Care or the Senior Assisted Living Group Home Subsidy, the former of which may have contributed to the federal fund disallowance. OLA reviewed 20 files and found that 15 were missing age verification and 5 lacked income verification.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Department of Aging (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$20,538	\$421	\$26,362	\$4,283	\$51,605
Deficiency Appropriation	-73	-6	-35	0	-114
Budget Amendments	43	1,406	31	319	1,798
Reversions and Cancellations	0	0	0	-668	-668
Actual Expenditures	\$20,507	\$1,821	\$26,359	\$3,934	\$52,621
Fiscal 2015					
Legislative Appropriation	\$21,125	\$478	\$27,373	\$4,235	\$53,211
Cost Containment	-100		0	0	-100
Budget Amendments	15	3	-1,010	-245	-1,237
Working Appropriation	\$21,040	\$481	\$26,362	\$3,991	\$51,874

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

Negative deficiencies withdrawing funds for employee and retiree health insurance programs, retirement reinvestment, and implementation of a new employee information system reduced spending of general, special, and federal funds by \$73,063, \$5,824, and \$34,820, respectively (though only the retirement reinvestment and part of the health insurance savings applied to the special and federal funds).

An employee COLA added \$32,120 in general funds, \$5,575 in special funds, and \$31,303 in federal funds to the MDOA budget. An additional \$10,567 in general funds was appropriated to MDOA after the annual salary review.

A special fund budget amendment added \$1,400,000 from the dedicated purpose account to make up for spending reductions to aging programs as a result of the federal government sequester. MDOA also received two reimbursable fund budget amendments totaling \$318,663: funding from DHMH assisting local agencies as a form of hold harmless if they lost funding as a result of transition from a grant program to a fee for service model of payments totaled \$276,313, and an additional \$42,350 was transferred from the Office of Health Care Quality for ombudsman training.

At the end of the fiscal year, \$668,046 in reimbursable funds were unspent. MDOA explained that lower than expected use of a referral program with DHMH resulted in this balance of spending authority, and the funds were cancelled.

Fiscal 2015

The MDOA legislative appropriation was reduced in cost containment by \$100,000 in general funds, through increasing the agencies turnover rate. The fiscal 2015 employee COLA added \$14,641, \$3,310, and \$17,809 in general, special, and federal funds, respectively. An additional budget amendment transferred the agency's general, special, federal, and reimbursable grant programs into a separate budget program to increase transparency and provide a better picture of MDOA's use of grants for community services. That amendment also reduced federal and reimbursable funds by \$1,010,074 and \$244,730, respectively, to more closely align with likely spending levels in fiscal 2015.

**Object/Fund Difference Report
Department of Aging**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	51.70	51.70	51.70	0.00	0%
02 Contractual	23.00	25.50	25.50	0.00	0%
Total Positions	74.70	77.20	77.20	0.00	0%
Objects					
01 Salaries and Wages	\$ 5,000,303	\$ 5,303,061	\$ 5,620,840	\$ 317,779	6.0%
02 Technical and Spec. Fees	941,064	812,978	966,282	153,304	18.9%
03 Communication	62,471	147,681	47,063	-100,618	-68.1%
04 Travel	112,584	106,056	77,253	-28,803	-27.2%
07 Motor Vehicles	7,477	5,818	8,735	2,917	50.1%
08 Contractual Services	1,037,001	771,502	661,168	-110,334	-14.3%
09 Supplies and Materials	52,997	318,552	17,942	-300,610	-94.4%
10 Equipment – Replacement	48,959	16,305	7,500	-8,805	-54.0%
12 Grants, Subsidies, and Contributions	45,005,902	44,138,012	44,467,089	329,077	0.7%
13 Fixed Charges	352,329	254,458	276,118	21,660	8.5%
Total Objects	\$ 52,621,087	\$ 51,874,423	\$ 52,149,990	\$ 275,567	0.5%
Funds					
01 General Fund	\$ 20,507,314	\$ 21,040,012	\$ 21,867,994	\$ 827,982	3.9%
03 Special Fund	1,821,126	481,329	527,507	46,178	9.6%
05 Federal Fund	26,358,650	26,362,438	26,468,834	106,396	0.4%
09 Reimbursable Fund	3,933,997	3,990,644	3,285,655	-704,989	-17.7%
Total Funds	\$ 52,621,087	\$ 51,874,423	\$ 52,149,990	\$ 275,567	0.5%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary
Department of Aging**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 General Administration	\$ 7,615,185	\$ 7,736,411	\$ 7,682,901	-\$ 53,510	-0.7%
02 Senior Centers Operating Fund	500,000	500,000	500,000	0	0%
03 Community Services	44,505,902	43,638,012	43,967,089	329,077	0.8%
Total Expenditures	\$ 52,621,087	\$ 51,874,423	\$ 52,149,990	\$ 275,567	0.5%
General Fund	\$ 20,507,314	\$ 21,040,012	\$ 21,867,994	\$ 827,982	3.9%
Special Fund	1,821,126	481,329	527,507	46,178	9.6%
Federal Fund	26,358,650	26,362,438	26,468,834	106,396	0.4%
Total Appropriations	\$ 48,687,090	\$ 47,883,779	\$ 48,864,335	\$ 980,556	2.0%
Reimbursable Fund	\$ 3,933,997	\$ 3,990,644	\$ 3,285,655	-\$ 704,989	-17.7%
Total Funds	\$ 52,621,087	\$ 51,874,423	\$ 52,149,990	\$ 275,567	0.5%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Fiscal 2014 Grants to Area Agencies on Aging

<u>County</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Total</u>
Allegany	\$432,375	\$341,057	\$773,432
Anne Arundel	1,573,548	1,229,850	2,803,398
Baltimore City	4,047,416	3,015,141	7,062,557
Baltimore County	3,080,165	1,936,531	5,016,696
Calvert	258,743	139,934	398,677
Caroline	178,283	171,959	350,241
Carroll	559,502	403,264	962,766
Cecil	320,844	367,525	688,369
Charles	375,785	208,325	584,111
Dorchester	197,854	229,692	427,545
Frederick	635,912	335,448	971,360
Garrett	203,605	197,314	400,918
Harford	714,343	383,442	1,097,785
Howard	744,542	936,138	1,680,680
Kent	178,443	171,959	350,402
Montgomery	3,091,852	1,609,866	4,701,718
Prince George's	2,375,875	1,912,985	4,288,860
Queen Anne's	185,238	160,332	345,569
Somerset	171,327	197,275	368,602
St. Mary's	355,911	199,998	555,909
Talbot	196,360	189,203	385,563
Washington	596,036	440,907	1,036,943
Wicomico	404,179	477,043	881,222
Worcester	301,854	356,581	658,436
Total	\$21,179,990	\$15,611,768	\$36,791,758