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May 1, 1978

Letter Report 827.1

The Honorable Lawrence Kapiloff, Chairman
Assembly Special Subcommittee on Aging
1116 Ninth Street, Room 58
Sacramento, California 95814

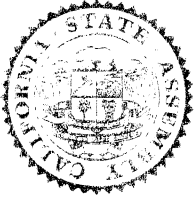
Dear Mr. Chairman:

Your Joint Legislative Audit Committee respectfully forwards the Auditor General's letter report on the California Department of Aging's expenditure of Older Americans Act monies.

The auditors are Gerald A. Silva, Audit Manager, Robert E. Christophel and John Sontra.

Sincerely,

MIKE CULLEN
Chairman



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April 26, 1978

Letter Report 827.1

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
State Capitol, Room 5144
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a resolution of the Joint Legislative Audit Committee, we have reviewed the California Department of Aging's (CDA) expenditure of monies made available since 1974 under Title III (coordinated supportive services) and Title VII (nutrition projects) of the Older Americans Act. This review was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

We conducted interviews and analyzed records pertaining to the expenditure of Title III and Title VII grants awarded to California since 1974. The information presented in this report was extracted from department records which we did not audit. Department records indicate that since 1974 the State has been awarded a total of \$118.7 million in federal grants under Title III and Title VII programs. As of March 31, 1978, total cumulative unexpended funds were approximately \$42.2 million. (Reference Table I.)

For a glossary of terms commonly used by the Department, see Appendix A.

Background

The California Department of Aging is responsible for coordinating and assisting public and nonprofit private agencies in planning and developing programs for older persons, with a view toward establishing a statewide network of comprehensive, coordinated services and opportunities for such persons.

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The Department's administrative manual states that:

. . . all persons have the right to mature with dignity and security throughout their lives -- and that the California Department of Aging should take all action necessary to guarantee that these rights are recognized, respected, maintained and continually visible to the public.

The purpose of Title III is to develop comprehensive and coordinated service systems for older persons by providing funds to attract support from public and private agencies at the community level. The purpose of Title VII is to provide funds for low-cost, nutritionally sound meals for needy senior citizens at congregate dining locations.

Federal Funding Process

Congress appropriates funds each year for Title III and Title VII programs under the Older Americans Act of 1965 as amended. These funds are apportioned to the states as grant awards using a formula based on the elderly population of each state.

The California Department of Aging has been designated as the single state agency responsible for administering grant awards to provide a wide range of supportive services and meals for the elderly. The grant monies are made available to the Department by means of a "draw" or letter of credit authorized by the U.S. Department of Health, Education and Welfare (HEW). The present letter of credit allows the Department to draw up to a maximum of \$3.5 million (for Title III and Title VII programs) per month. The terms of this letter of credit may be revised upon application to HEW.

Monies drawn by the California Department of Aging are disbursed to the various community supportive services and nutrition projects under contract with the Department. Payments are made to these projects only after the projects file a claim with the Department showing actual expenditures incurred to date and projected expenditures for the ensuing month.

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Status of Older Americans Act
Monies as of March 31, 1978

Since 1974, the State of California has been awarded a total of \$118.7 million in federal grants from Title III and Title VII of the Older Americans Act. Table I shows that as of March 31, 1978, total expenditures of Title III and Title VII programs were \$76.5 million.* The remaining \$42.2 million represents total cumulative unexpended funds for these programs. Table II shows total cumulative unexpended funds for Title III alone as \$17.5 million. Table III shows total cumulative unexpended funds for Title VII alone as \$24.7 million.

* CDA expenditures represent funds advanced to the various community projects and are not necessarily an indication that they have been spent by the projects.

TABLE 1
 SUMMARY OF CALIFORNIA DEPARTMENT OF AGING EXPENDITURES^{1/}
 TITLE III AND TITLE VII GRANT AWARDS 1974 THROUGH 1978
 STATUS AS OF MARCH 31, 1978
 (UNAUDITED)

	GRANT AWARDS					Total
	1974 ^{2/}	1975	1976 ^{3/}	1977	1978	
	<u>\$13,235,208</u>	<u>\$17,446,774</u>	<u>\$24,216,336</u>	<u>\$28,350,636</u>	<u>\$35,462,087</u>	<u>\$118,711,041</u>
1974 ^{2/}	\$ 79,710					\$ 79,710
1975	6,251,538	\$ 188,857				6,440,395
1976 ^{3/}	6,209,238	14,316,282	\$ 3,381,970			23,907,490
1977	629,509	2,741,526	17,576,137	\$ 6,015,990		26,963,162
1978 ^{4/}	(64,529) ^{5/}	92,593	1,602,142	14,175,691	\$ 3,345,286	19,151,183
Total Expenditures	<u>13,105,466</u>	<u>17,339,258</u>	<u>22,560,249</u>	<u>20,191,681</u>	<u>3,345,286</u>	<u>76,541,940</u>
Unexpended Funds March 31, 1978	<u>\$ 129,742</u>	<u>\$ 107,516</u>	<u>\$ 1,656,087</u>	<u>\$ 8,158,955</u>	<u>\$32,116,801</u>	<u>\$ 42,169,101</u>

^{1/}Expenditures represent funds advanced to community projects.

^{2/}Schedule does not show expenditures from grant awards received in preceding years.

^{3/}The Federal Government converted to a fiscal year ending September 30. The 1976 period includes the federal transition quarter July 1, 1976 through September 30, 1976.

^{4/}Includes transactions for the first six months of the 1977-78 federal fiscal year ending March 31, 1978.

^{5/}Abatement of expenditure incurred in prior years.

(Unaudited)

TABLE 11
 SUMMARY OF CALIFORNIA DEPARTMENT OF AGING EXPENDITURES^{1/}
 TITLE III GRANT AWARDS 1974 THROUGH 1978
 STATUS AS OF MARCH 31, 1978
 (UNAUDITED)

	GRANT AWARDS					Total
	1974 ^{2/}	1975	1976 ^{3/}	1977	1978	
	<u>\$4,780,795</u>	<u>\$6,837,118</u>	<u>\$10,748,894</u>	<u>\$10,625,833</u>	<u>\$13,463,275</u>	<u>\$46,455,915</u>
1974 ^{2/}	\$ 79,710					\$ 79,710
1975	1,461,271	\$ 188,857				1,650,128
1976 ^{3/}	2,592,849	5,477,681	\$ 2,037,432			10,107,962
1977	602,396	1,034,350	6,835,894	\$ 1,282,800		9,755,440
1978 ^{4/}	-0-	80,404	705,834	5,164,379	\$ 1,460,782	7,411,399
Total Expenditures	<u>4,736,226</u>	<u>6,781,292</u>	<u>9,579,160</u>	<u>6,447,179</u>	<u>1,460,782</u>	<u>29,004,639</u>
Unexpended Funds March 31, 1978	<u>\$ 44,569</u>	<u>\$ 155,826</u>	<u>\$ 1,169,734</u>	<u>\$ 4,178,654</u>	<u>\$12,002,493</u>	<u>\$17,451,276</u>

^{1/}Expenditures represent funds advanced to community projects.

^{2/}Schedule does not show expenditures from grant awards received in preceding years.

^{3/}The Federal Government converted to a fiscal year ending September 30. The 1976 period includes the federal transition quarter July 1, 1976 through September 30, 1976.

^{4/}Includes transactions for the first six months of the 1977-78 federal fiscal year ending March 31, 1978.

^{5/}Abatement of expenditure incurred in prior years.

(Unaudited)

TABLE III

SUMMARY OF CALIFORNIA DEPARTMENT OF AGING EXPENDITURES^{1/}
 TITLE VII GRANT AWARDS 1974 THROUGH 1978
 STATUS AS OF MARCH 31, 1978
 (UNAUDITED)

	GRANT AWARDS					Total
	1974 ^{2/}	1975	1976 ^{3/}	1977	1978	
1974 ^{2/}	\$ -0-	\$10,609,656	\$13,467,442	\$17,724,803	\$21,998,812	\$72,255,126
1975	4,790,267	\$ -0-				4,790,267
1976 ^{3/}	3,616,389	8,838,601	\$ 1,344,538			13,799,528
1977	27,113	1,707,176	10,740,243	\$ 4,733,190		17,207,722
1978 ^{4/}	(64,529) ^{5/}	12,189	896,308	9,011,312	\$ 1,884,504	11,739,784
Total Expenditures	8,369,240	10,557,966	12,981,089	13,744,502	1,884,504	47,537,301
Unexpended Funds March 31, 1978	\$ 85,173	\$ 51,690	\$ 486,353	\$ 3,980,301	\$ 20,114,308	\$24,717,825

^{1/} Expenditures represent funds advanced to community projects.

^{2/} Schedule does not show expenditures from grant awards received in preceding years.

^{3/} The Federal Government converted to a fiscal year ending September 30. The 1976 period includes the federal transition quarter July 1, 1976 through September 30, 1976.

^{4/} Includes transactions for the first six months of the 1977-78 federal fiscal year ending March 31, 1978.

^{5/} Abatement of expenditure incurred in prior years.

(Unaudited)

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Expenditure Premises

At the end of federal fiscal year 1977 (September 30, 1977) the Department had accumulated \$25.8 million in unexpended Title III and Title VII funds. An additional \$35.5 million was awarded to California for federal fiscal year 1978, thereby increasing total funds available to \$61 million. Total cumulative unexpended funds may be reduced based on the following expenditure premises:

1. Maximum Draw

The U.S. Department of Health, Education and Welfare recently authorized the Department to draw up to a maximum of \$3.5 million (Title III and Title VII programs) per month. This authorization increased the maximum draw from \$3.0 million and was based on an evaluation of the Department's expenditure levels. If the Department expends funds at the maximum amount authorized by the federal letter of credit, the cumulative unexpended balance would be reduced to \$21.3 million by September 30, 1978.

2. Current Level of Expenditure

During the first six months of federal fiscal year 1978, the Department had expended an average of \$3.2 million per month. If this expenditure rate should continue, the Department would reduce cumulative unexpended funds to \$22.8 million by September 30, 1978.

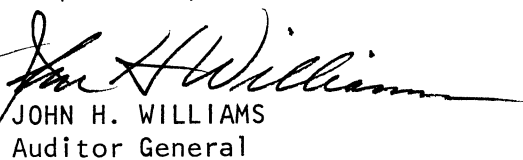
3. Department Planned Level of Expenditure

The Department anticipates increasing allocations to various local projects throughout the State. Should this occur, the level of expenditure would increase to \$41.7 million by September 30, 1978, reducing the cumulative unexpended balance to \$19.6 million. To attain this expenditure level, however, the Department must increase its expenditure by 17 percent per

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month during the next six months. Table IV presents the amounts of cumulative unexpended federal Title III and Title VII funds as of September 30, 1978 based on the above three expenditure premises.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

Staff: Gerald A. Silva, Audit Manager; Robert E. Christophel and John Sontra.

APPENDIX A--Glossary of Terms

TABLE IV
PROJECTED CUMULATIVE UNEXPENDED FEDERAL TITLE III AND VII FUNDS

AS OF SEPTEMBER 30, 1978

	Expenditure Premises		
	1 Maximum Draw	2 Current Level Of Expenditure	3 Department's Planned Expenditures
Cumulative unexpended funds through September 30, 1977 ^{1/}	\$25,793,000	\$25,793,000	\$25,793,000
Add: 1978 Grant Awards: Title III and VII (combined), effective October 1, 1977	<u>\$35,462,000</u>	<u>\$35,462,000</u>	<u>\$35,462,000</u>
Total funds available for expenditure on October 1, 1977	\$61,255,000	\$61,255,000	\$61,255,000
Less: Projected expenditures from October 1, 1977 to September 30, 1978 based on the following premises:			
1. Maximum draw under federal letters of credit (for 1978) ^{2/}	\$40,000,000 ^{2/}		
2. Projected expenditures based on current level of expenditure.		\$38,449,000 ^{3/}	
3. Department's planned expenditures			<u>\$41,687,000</u>
Projected cumulative unexpended federal funds as of September 30, 1978	<u>\$21,255,000</u>	<u>\$22,806,000</u>	<u>\$19,568,000</u>

^{1/} Includes unexpended Title III and Title VII funds from grant awards received 1974 through 1977. The federal fiscal year is October 1 through September 30.

^{2/} The federal letter of credit was increased from \$3.0 million to \$3.5 million in January 1978.

^{3/} Exceptionally high expenditures in March 1978 increased the projection by \$3.7 million from February 1978.

GLOSSARY OF TERMS

Expenditures - Fund advances to community projects (grantees) are considered expenditures by the Department when they are posted to the "allotment expenditure ledger."

Obligated Funds - Funds are considered obligated when the Department issues a "Notice of Grant Award" to a community project. The Department's obligation of Older Americans Act funds, however, does not represent actual expenditures.

Encumbered Funds - Funds are considered encumbered when the Department's accounting officer signs a contract (grant award) with a project indicating funds are available for the project. In an effort to make the term "obligated" equivalent to the term "encumbered", the encumbrance is not posted to the "Allotment Expenditure Ledger" until the contract has been approved by the Departments of Finance and General Services.

Unencumbered Balances - Balances are considered unencumbered when federal allotments made prior to the current year have not been expended by the project and have been released by the project to the Department.

Unexpended Funds - Funds are considered unexpended when federal allotments to the Department have not been advanced to or expended by the projects.

April 26, 1978

RESPONSE TO THE AUDITOR GENERAL'S REPORT

Under Joint Legislative Audit Committee rules agencies have three working days to respond in writing to draft reports of the Auditor General. The California Department of Aging did not respond to the report.