

Report To

The Mississippi Legislature



A REVIEW OF ADMINISTRATION AND FUNDING OF PROGRAMS FOR THE AGING IN THE SOUTHWEST AND SOUTHERN MISSISSIPPI PLANNING AND DEVELOPMENT DISTRICTS

June 26, 1989

PEER reviewed operations of the Southwest and Southern Mississippi Planning and Development Districts and determined that neither had violated federal Older Americans Act regulations relative to programs for the aging. PEER did identify areas of administrative and procedural weakness affecting service delivery to aged citizens in these districts.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**A REVIEW OF THE ADMINISTRATION AND FUNDING OF
PROGRAMS FOR THE AGING IN THE SOUTHWEST AND
SOUTHERN MISSISSIPPI PLANNING AND
DEVELOPMENT DISTRICTS**

July 26, 1989

Information Compiled and Prepared By:

Richard D. Clayton
Franklyn L. Tate

Edited By:

Ava L. Welborn

The Mississippi Legislature
Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee



SENATORS
CECIL E. MILLS
DOUG ANDERSON
BILL HARPOLE
ROBERT (BUNKY) HUGGINS
Vice Chairman
ROGER WICKER
Secretary

TELEPHONE:
(601) 359-1226

FAX:
(601) 359-1420

**P. O. Box 1204
Jackson, Mississippi 39215-1204**

JOHN W. TURCOTTE
Director

REPRESENTATIVES
J. P. COMPRETTE
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ASHLEY HINES
JERRY E. WILKERSON

OFFICES:
Central High Legislative
Service Building
259 North West
Jackson, Mississippi 39201

July 26, 1989

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MEMBERS OF THE MISSISSIPPI STATE LEGISLATURE

At its meeting of July 26, 1989, the PEER Committee authorized release of the report entitled A Review of the Administration and Funding of Programs for the Aging in the Southwest and Southern Mississippi Planning and Development Districts.


REPRESENTATIVE J. P. COMPRETTE, CHAIRMAN

This report does not recommend increased funding
or additional staff.

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A REVIEW OF THE ADMINISTRATION AND FUNDING OF PROGRAMS FOR THE AGING IN THE SOUTHWEST AND SOUTHERN MISSISSIPPI PLANNING AND DEVELOPMENT DISTRICTS

EXECUTIVE SUMMARY

Background

The Southwest and Southern Mississippi Planning and Development Districts, with headquarters in Natchez and Gulfport, respectively, are part of a service delivery network that provides senior citizens' programs under the federal Older Americans Act. The direction of funds and responsibilities begins at the federal level with the Administration on Aging and flows through the state level (Mississippi Council on Aging) down to the local area agencies on aging (operational divisions of the planning and development districts). PEER reviewed the operations of the Southwest and Southern Districts to determine their compliance with federal and state policies and regulations governing programs for the aging.

Overview

PEER determined that the Southwest Mississippi Planning and Development District (Southwest District), the Southern Mississippi Planning and Development District (Southern District), and Mississippi Council on Aging (MCOA) had not violated federal Older Americans Act laws or regulations. (Effective July 1, 1989, MCOA became the Division of Aging and Adult Services within the newly created Department of Human Services.) However, PEER did identify areas of administrative and procedural weakness affecting service delivery. The Southwest District has executed incomplete service provider contracts, employed an unsystematic methodology for distribution of funds, and monitored programs poorly. The Southern District has maintained non-executed service provider contracts and poor service provider bid files, and has communicated inadequately with supporting counties.

Review of Selected Areas of Operation of the Southwest District

In analyzing the Southwest District's programs for the aging, PEER reviewed a dispute between the Southwest District and the Natchez Senior Citizen

Multipurpose Center (Natchez Center), a service provider. In fiscal year 1988, the Southwest District began offering outreach services directly instead of contracting for them with service providers. The Southwest District obtained a waiver from MCOA for fiscal year 1988, and service providers, including the Natchez Center, lodged no formal objections. The Southwest District then chose to begin providing other services to the aged "in-house" rather than contracting for those services with providers such as the Natchez Center. Subsequent to this decision, the City of Natchez (which operates the Center) raised strong objections concerning the Southwest District's policies and procedures for allocating resources for Older Americans Act programs.

The Southwest District has acted within its authority regarding its funding of the Natchez Senior Citizen Multipurpose Center and its methods and procedures for awarding bids to service providers.

PEER reviewed areas of disagreement and concluded that the Southwest District had acted within its authority, and that the district had properly assumed direct provision of certain services to reduce per-unit costs and extend those services to additional counties. Major areas of disagreement between the Southwest District and the Natchez Center and PEER's conclusions were:

1. *Mission of the Area Agency*—The Natchez Center contends that area agencies are not needed, and should not control program funding at the local level. The center believes that the state should fund service providers directly because these providers know best the needs of the elderly population in their service areas.

Federal regulations clearly delineate levels of authority and responsibility, beginning with the state agency, then the area agency, and finally ending with the service providers. The primary responsibilities of the area agency are to provide program guidance for the planning and service area, fund service providers, and monitor service delivery.

2. *Funding of Services for the Aging*—The Natchez Center questions the Southwest District's distribution of funds to focal points and communities because the distribution is not based on a formula which takes into account population and economic factors.

Federal regulations give the area agency the responsibility of managing Older Americans Act programs within a given geographical region. The area agency has the authority, as granted by the state agency, to determine the levels at which focal points and communities will be funded. MCOA allows districts to determine their own funding distribution methods. While the area agencies' failure to use a funding formula does not violate either the Older Americans Act or other federal regulations, PEER concludes that this practice may not lead to distribution of funds within the planning and service area that is in proportion to local needs (see finding on page 9).

3. *Awarding of Bids to Service Providers*—The Natchez Center contends that the Southwest District, rather than providing direct services itself, should fund the center for the full range of services, including case management and outreach services.

The Older Americans Act assigns to the state agency on aging (MCOA) the responsibility of determining whether an area agency may engage in direct service provision. In addition, federal law allows area agencies to obtain waivers from state agencies to provide services directly. The Southwest District did obtain a waiver from MCOA to provide case management and outreach directly in fiscal years 1988 and 1989 to reduce unit costs and provide services to more communities.

The Southwest District distributes funds primarily on the basis of historic funding levels instead of on the proportion of eligible and needy population in a geographic area.

The Mississippi Council on Aging receives federal funding for its state aging programs based on the state's over-sixty population. The council in turn bases its allocations to area agencies on a funding formula which factors in an area's over-sixty population and the percentage of this population below the poverty level. Although the council can require area agencies to distribute funds and services using a population-based formula, it permits area agencies to either adopt its allocation method or develop their own formulas or distribute funds on the basis of historic funding practices.

The Southwest District currently bases county funding on federal and state priorities/initiatives and historical funding patterns. PEER analyzed the Southwest District's funding allocations for fiscal years 1988 and 1989 and determined that the district's system has resulted in some counties with greater population- and income-based needs receiving less funding than counties with lower population- and income-based needs. As a result, two persons with identical needs living in different counties might receive disparate services.

Some Southwest District service delivery contracts lack critical terms and have been improperly amended.

PEER reviewed all forty-four Southwest District service delivery contracts for fiscal years 1987, 1988, and 1989 and noted problems in fourteen of the forty-four, including:

- Three contracts did not specify the service area to be covered (i.e., did not explain which counties would be served).
- Seven contracts had been modified with the signature/initials of only one party or no signature/initials at all.
- Four contract cost summary support sheets did not agree with the contract; the unit cost times the number of units did not equal the amount on the contract signature sheet.

According to commonly accepted legal standards, enforceable contracts should specify type and quantity of service, the location of these services, and the total amount of the payment agreed upon. Any contract modifications should either be signed or initialed by both parties involved in the contractual agreement. Unless contracts contain these vital elements, misunderstandings may occur and such contracts may not be legally enforceable.

The Southwest District does not monitor the extent to which service provision in each county is consistent with the level specified in the district's request for proposal or area plan.

The Southwest District establishes target objectives for service delivery in its area plan. After awarding contracts for service delivery, the district requires the service providers to submit monthly performance reports but allows providers to submit re-

ports relating to the entire area of coverage rather than to individual counties. Because of this reporting practice, the Southwest District cannot track services delivered by county and has no practical way to compare actual services delivered in each county to area plan objectives.

Recommendations

1. The Southwest District should follow standard documentation procedures regarding contract modifications and maintain complete and accurate contract files.
2. The Department of Human Services ' Division of Aging and Adult Services should exercise its authority to require area agencies on aging to develop funding formulas based on each county's over-sixty population and the percentage of that population below poverty level. The division should provide assistance and guidance to ensure that funding for existing programs is not quickly and drastically reduced.
3. The Southwest District should require each service provider to submit monthly performance reports on services delivered for each county covered under the contract. Upon receipt of these reports, the district should compare actual services delivered to projected service levels/objectives and targets by county to ensure compliance with service contracts.

Review of Selected Areas of Operation of the Southern District

As of March 10, 1989, the Southern District had not obtained signed contracts for FY 1989 from seven of its fifteen service providers. However, the district paid \$542,623.47 to these contractors for services rendered.

The Southern District currently contracts with fifteen local service providers for Older Americans Act programs. PEER reviewed the Southern District's service provider contracts for fiscal years 1988 and 1989 and determined that twenty-five of these contracts had not been properly executed. PEER identified four contractual arrangements under which the contract had been drafted, but not signed by either party (the Southern District or the service provider). PEER located another twenty-one contractual arrangements under which payment was made to service providers but not supported by a contract docu-

ment at all. Payments for these twenty-five contractual arrangements represented \$542,623.47 for programs which were not supported by properly executed contracts. (District management stated to PEER that they based these payments on the previous year's contracts.)

Federal regulations require that area agencies award funds to service providers by grant or contract. The Southern District's failure to obtain service provider contracts directly conflicts with this requirement. Additionally, failure to enter into a formal contract reflects a management practice that diverges from basic principles of internal accounting and management control.

The Southern District maintains incomplete and poorly documented bid files.

PEER examined the service provider bid files maintained by the Southern District and could not locate formal bid sheets listing bids either by line item or unit cost. To defend contract award decisions, area agencies must maintain adequate bid files.

The Southern District does not fully inform counties of their required local match and the use of each county's contribution.

Even though the Southern District budgets by county and by service, it does not regularly report to counties how funds are expended and the quantity of services delivered in each county. Several counties have complained that the Southern District has not adequately informed them of the use of their local funds. Officials of one county stated that they were not informed of minimum match requirements and had contributed far more than minimum amounts. Some counties are concerned that local funds might be spent in other counties. PEER determined that no federal or state regulations prohibit the expenditure of one county's local contribution in another county.

Recommendations

1. The Southern District should encourage service providers to sign contracts contingent upon negotiations and the availability of final funding amounts. Once negotiations are completed, the district should use contract modification signature sheets to finalize the agreements.
2. The Southern District should maintain bid files that include the actual bid amount of each service pro-

vider (even in those instances where only one service provider submits bids). The Department of Human Services' Division of Aging and Adult Services should carefully monitor these bid files to ensure that the district maintains complete bid documentation.

3. The Department of Human Services' Division of Aging and Adult Services should research the establishment of policies and procedures governing area agencies' use of local funds in each of the ten planning and service areas.
4. The Southern District should clarify in writing such matters as minimum match contributions for each funding source and policies on utilization of local contributions (both current year and carry-over funds). The district should establish a system of reporting to counties the expenditures of funds and services delivered within each county.

Oversight of Planning and Development Districts

While conducting this review, PEER noted that the state's planning and development districts have limited or no state-level oversight regarding their administrative operations. Although planning and development districts are composed of units of government (counties and cities) and are governed by representatives of governmental entities (political appointees), they are not considered to be governmental entities themselves. This position was con-

firmed by an October 30, 1984, Attorney General's opinion which concluded that the Central Mississippi Planning and Development District was created as a private corporation in accordance with MISS. CODE ANN. Section 79-11-13 (1972) and was not a unit of state or local government.

As illustrated by the administrative and programmatic weaknesses identified in this report, there may be a need to establish state-level oversight with regard to planning and development districts. These districts are an integral part of local governments, yet there are no statutory standards to ensure administrative and procedural integrity. In the absence of state-level oversight, local entities must rely on planning and development districts to police themselves and operate in an acceptable and professional manner.

Recommendation

The Legislature may wish to consider establishing statutory standards for the administrative and programmatic operations of planning and development districts. Prior to enacting such legislation, the Legislature should request input and recommendations from each district concerning its particular operations and needs.

If the Legislature does not choose to establish statutory standards of operation, it could define planning and development districts as governing authorities subject to state purchasing laws and audit by the State Auditor or approved audit contractor.

For More Information or Clarification, Contact:

John W. Turcotte, Director
PEER Committee
Central High Legislative Services Building
Post Office Box 1204
Jackson, Mississippi 39215-1204
Telephone: (601) 359-1226

A REVIEW OF THE ADMINISTRATION AND FUNDING OF PROGRAMS FOR THE AGING IN THE SOUTHWEST AND SOUTHERN MISSISSIPPI PLANNING AND DEVELOPMENT DISTRICTS

INTRODUCTION

Authority

The Committee authorized this review at its October 25, 1988, meeting in response to a legislative request. The Committee conducted the review pursuant to MISS. CODE ANN. Section 5-3-51.

Scope

PEER reviewed whether, under the guidance of the Mississippi Council on Aging, the Southwest Mississippi Planning and Development District/Area Agency on Aging (Southwest District) and the Southern Mississippi Planning and Development District/Area Agency on Aging (Southern District) fund Older Americans Act programs in a manner that results in the most effective distribution of resources and delivery of services to elderly citizens.

Methodology

While conducting the review, PEER performed the following tasks:

1. Reviewed the Older Americans Act, federal regulations, amendments to the act, and applicable Mississippi statutes;
2. Reviewed the Mississippi Council on Aging (MCOA) state plans, MCOA policy and procedures manual, and MCOA area plan update instructions;
3. Reviewed the Southwest District area plan for 1988 through 1992 and service provider contracts for fiscal years 1987, 1988, and 1989;
4. Reviewed correspondence between the City of Natchez, the Southwest District, and the MCOA;
5. Interviewed personnel in both the Southwest and Southern districts; and,
6. Reviewed the Southern District area plan for 1988 through 1992 and service provider contracts for fiscal years 1988 and 1989.

Overview

The purpose of this report is to present information on the Southwest Mississippi Planning and Development District/Area Agency on Aging and Southern Mississippi Planning and Development District/Area Agency on Aging. PEER addressed questions regarding the districts' contracting for services or providing services directly to the state's sixty-plus population.

PEER determined that the Southwest District, the Southern District, and MCOA had not violated federal Older Americans Act laws or regulations. However, PEER did identify areas of administrative and procedural weakness affecting service delivery. The Southwest District has executed incomplete service provider contracts, employed an unsystematic methodology for distribution of funds, and monitored programs poorly. The Southern District has maintained non-executed service provider contracts and poor service provider bid files, and has communicated inadequately with supporting counties.

BACKGROUND

The Southern and Southwest Planning and Development Districts are part of a service delivery network that provides senior citizens' programs under the federal Older Americans Act. The direction of funds and responsibilities begins at the federal level and flows down to the local level. Following statutory mandate and congressional appropriation of funds, the flow of programs, funds, and policy for aging programs involves the federal Administration on Aging, the State Agency on Aging, and local area agencies on aging as illustrated in Exhibit 1, page 3.

The Older Americans Act

Congress enacted the Older Americans Act in 1965, which authorized funding under Title III to support state agencies on aging. Title III also funded state agency initiation of community projects to provide social services to older persons. In 1972, Congress amended the act by adding Title VII, which funded community projects to provide at least one hot meal five or more days per week to persons aged sixty and older. In 1973, Congress again amended this act by revising the Title III state grant program. The amendment required each state agency to: (1) divide the state into planning and service areas, (2) determine in which areas an area plan would be developed, and (3) designate an area agency on aging to develop and administer each area's plan.

Since its enactment in 1965, other amendments to the Older Americans Act include:

1973--A new Title V, making grants to local communities to establish senior citizen multipurpose centers;

1978--An amendment consolidating social services and nutrition programs under Title III and emphasizing focal points for service delivery; and,

1984--Amendments giving state agencies more flexibility in administrative, procedural, and program areas.

As a result of these amendments, the Older Americans Act gives the states a significant amount of flexibility to implement their programs for the aging within broad federal guidelines. Under the act, the state and area agencies have the latitude to implement programs in a manner that they determine would best fit local needs.










The Administration on Aging

The Administration on Aging is the federal agency that administers the Older Americans Act and establishes the overall policy and program goals in accordance with the act. It coordinates with other federal agencies, such as the U. S. Department of Agriculture and U. S. Department of Transportation, and establishes planning linkages in an effort to develop a system of service delivery that will benefit the elderly population in each state. In its role as the federal implementing agency, the Administration on Aging has the following functions: approval of state plans, awarding of state grants for service provision, and monitoring service delivery.

Each state must submit a plan to the Administration on Aging demonstrating how it intends to deliver senior citizens' services under the Older Americans Act. These plans must reflect services and service levels consistent with the administration's guidance. Approval of the state plan by the Administration on Aging qualifies a state to receive Older Americans Act funds. The Administration on Aging awards grants based on each state's percentage of the nation's over-sixty population.

EXHIBIT 1

RESPONSIBILITIES OF AGING AGENCIES BY LEVEL OF AUTHORITY

Level	Scope of Authority	Primary Responsibilities
 Older Americans Act 	Establishes : Administration on Aging; state agency on aging; area agencies on aging; and planning and service areas	-Authorizes funding for nutrition and social services programs
 Administration on Aging 	Primarily: State agency on aging; Indirectly: area agencies; service providers	-Administers the Act -Funds state agencies -Fiscal and program monitoring of state agencies -Overall program guidance and policy-making
 State Agency on Aging 	Area agencies on aging; service providers	-Overall program guidance for the state -Funds area agencies -Fiscal and program monitoring of area agencies
 Area Agency 	Planning and service area; service providers	-Program guidance for district -Fund service providers -Monitor service delivery
 Service Provider	Delivery of services to elderly	-Direct service delivery



SOURCE: Compiled by PEER staff from information provided by the Mississippi Council on Aging.

States must submit quarterly fiscal reports and annual program reports to the Administration on Aging. These fiscal and program reports contain information such as the total amount of funds spent to provide services, the number of individuals who received such services, the number of units of service provided, and the number of senior centers which received funds. Both the fiscal and program reports aid the Administration on Aging in measuring the extent to which the area agency and the administration satisfy the requirements of the act.

State Agency on Aging

The Older Americans Act requires each state to establish a single state agency on aging designated to develop and administer the state plan and to be the primary advocate on aging in the state. In Mississippi, the Council on Aging (MCOA) serves as the agency responsible for coordinating activities related to the Older Americans Act. (Effective July 1, 1989, MCOA became the Division of Aging and Adult Services within the newly created Department of Human Services.) The MCOA serves as the visible advocate for older persons in the state and assists area agencies in developing comprehensive and coordinated service delivery systems. Specifically, MCOA's tasks include: dividing the state into planning and service areas; developing a multi-year state plan; developing and utilizing an intra-state formula for funding area agencies to provide local services; reviewing and approving area plans, budgets, and budget revisions; assuring grantee/contractor accountability and compliance with applicable laws and regulations; monitoring and assessing area agencies for correction of deficiencies; and interpreting federal regulations and programs and developing state policies and plans of implementation.

Area Agency

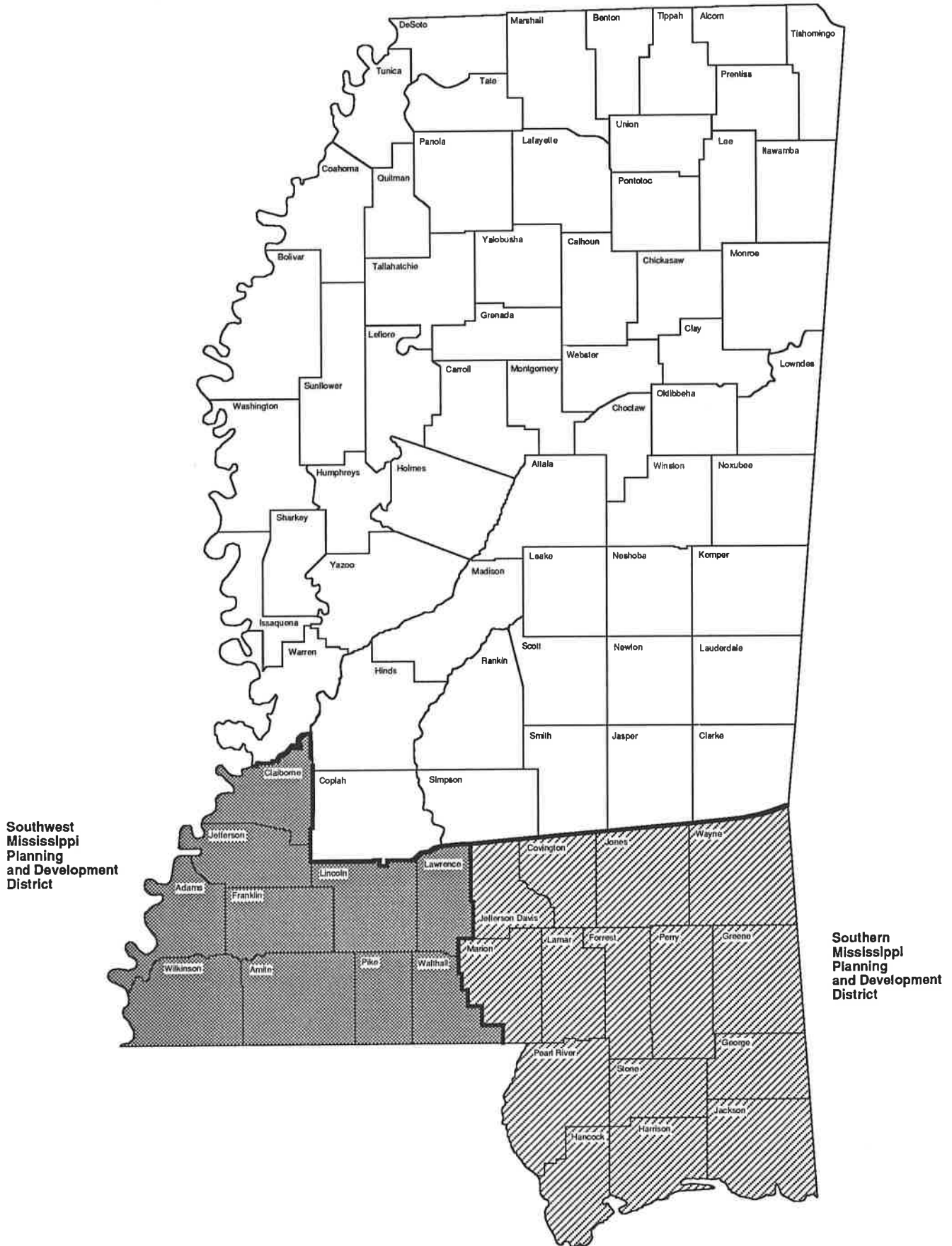
Area agencies are primarily responsible for developing plans for their planning and service areas that will lead to the development of a comprehensive, coordinated, community-based, long-term care system. (Organizationally, area agencies function as operational divisions of planning and development districts, subject to the control and governance of each planning and development district board.) In the Southwest and Southern districts, planning and service areas include ten and fifteen counties, respectively (see Exhibit 2, page 5). Area plans specifically detail how area agencies seek to deliver services in the planning and service areas. The plans also establish area policy and program emphasis as well as contain assurances regarding service delivery. Just as the Administration on Aging must approve each state plan, the state agency on aging must approve area plans. Approval of area plans qualifies area agencies to receive funding from the state agency on aging under the Older Americans Act.

Beyond developing area plans, other functions of the area agency include: designating focal points within the planning and service area to coordinate and distribute services, funding service providers, contracting with service providers or (upon the receipt of a waiver) providing services directly, and monitoring service delivery.

Service Providers

Service providers ultimately deliver Older Americans Act services to elderly clients in the community. Service providers are usually non-profit organizations (e.g., community action agencies, human resource agencies, church groups) set up solely to provide service to the community's elderly citizens, although some for-profit service providers contract with area agencies. In addition to service delivery, additional responsibilities of the service providers include maintaining statistics on service delivery and coordinating with other services in the community.

Exhibit 2 Southwest and Southern Mississippi Planning and Development Districts



SOURCE: Compiled by PEER Staff from Information Provided by the Mississippi Council on Aging

REVIEW OF SELECTED AREAS OF OPERATION OF THE SOUTHWEST DISTRICT

As illustrated in Exhibit 2, page 5, the Southwest Mississippi Planning and Development District consists of ten counties in the southwestern portion of the state. The district's area agency on aging, an operational division of the planning and development district, handles programs for the elderly. PEER reviewed the operations of the Southwest District to determine its compliance with federal and state policies and regulations governing programs for the aging. (PEER did not review all operations of the Southwest Mississippi Planning and Development District. This review is limited solely to the Southwest District's programs for the aging.)

Dispute Between the Southwest District and the Natchez Senior Citizen Multipurpose Center

The requesting legislator asked PEER to review a dispute between the Southwest District and the Natchez Senior Citizen Multipurpose Center (Natchez Center), a service provider. Much of the dispute concerned services being provided directly by the Southwest District rather than being contracted to the Natchez Center.

Background of the Southwest District

Prior to the present organizational structure, the Southwest Mississippi Area Agency on Aging operated independently to provide the same type of senior citizens' programs now offered by the Southwest Mississippi Planning and Development District. In early 1987, MCOA suspended funding to the area agency on aging. Subsequent to the suspension, the independent Southwest Area Agency on Aging's board of directors dissolved itself and the organization because of major fiscal audit exceptions noted by the Audit and Evaluation Division of Federal/State Programs. The audit had been conducted because MCOA's monitoring program had detected irregularities in fiscal affairs.

For several months after the area agency on aging dissolved itself, MCOA administered Older Americans Act programs in southwest Mississippi, dealing directly with service providers. In April 1987, MCOA recognized the present area agency on aging organized within the Southwest Mississippi Planning and Development District. The director of the Southwest District began contracting for services for the period April 1, 1987, to September 30, 1987. In June 1987, the Southwest District hired the current area agency on aging director. See page 4 for functions of this and other area agencies on aging.

Background of the Natchez Senior Citizen Multipurpose Center

The Natchez Senior Citizen Multipurpose Center is a facility owned by the City of Natchez, which pays the center director's salary and some other operating expenses. In recent years the Southwest District has contracted with the City of Natchez for services provided by the Natchez Center such as adult day care, congregate meals, home-delivered meals, transportation, homemaker services, center-based activities, information, referral, and outreach services. Funding for Natchez Center services is provided through the Older Americans Act, Social Services Block Grants, the U. S. Department of Agriculture and Department of Transportation, Adams County, the City of Natchez, the United Way, and program donations by elderly clients and others. The center also receives volunteer service donations. Service donations reduce program cash costs and count as an in-kind match for certain grants received.

Areas of Disagreement

In fiscal year 1988, the Southwest District began offering outreach services directly instead of contracting for them with service provider organizations. Although the Older Americans Act discourages area agencies from providing direct services, these agencies may do so if they receive a waiver from their state agency on aging. The Southwest District obtained a waiver from MCOA for fiscal year 1988, and service providers, including the Natchez Center, lodged no formal objections.

Beginning with the request for proposal process for fiscal year 1989, the Southwest District chose to begin providing other services to the aged "in-house" rather than contracting for those services. This meant that some previous service contracts between the Southwest District and the Natchez Center were no longer necessary. Subsequent to this decision, the City of Natchez raised strong objections concerning the Southwest District's policies and procedures for allocating resources for Older Americans Act programs. Exhibit 3, page 8, provides a brief chronology and synopsis of the disagreement.

The Southwest District has acted within its authority regarding its funding of the Natchez Senior Citizen Multipurpose Center and its methods and procedures for awarding bids to service providers.

Major areas of disagreement between the Southwest District and the Natchez Center involve the mission of the area agency on aging and the methods and procedures for funding services and awarding bids. PEER reviewed these areas of disagreement and concluded that the Southwest District had acted within its authority. PEER further concluded that the Southwest District properly assumed direct provision of certain services to reduce per-unit costs and extend those services to additional counties.

Mission of the Area Agency--The Natchez Center contends that area agencies are not needed, and should not control program funding at the local level. The center believes that the state should fund service providers directly because these providers know best the needs of the elderly population in their service areas.

Federal regulations 45 CFR Sections 1321.7, 1321.53, and 1321.65 (1987) establish the missions and responsibilities of the state agency, area agencies, and service providers, respectively. These regulations clearly delineate levels of authority and responsibility, beginning with the state agency, then the area agency, and finally ending with the service providers, as shown in Exhibit 1, page 3. The area agency has authority over the planning and service area and service providers. The federal establishment of area agencies places the program administration in or close to the communities actually being served. This structure was chosen to facilitate communication and to provide localities with a primary advocate on aging. The primary responsibilities of the area agency are to provide program guidance for the planning and service area, fund service providers, and monitor service delivery.

Funding of Services for the Aging--The Natchez Center questions the Southwest District's distribution of funds to focal points and communities within the planning and service area. According to the center, the distribution is not based on a formula which takes into account population and economic factors.

Federal Regulation 45 CFR Section 1321.53 (1987) gives the area agency such functions as advocacy, planning, and coordination of services within its planning and service area. Thus, it is the area agency's responsibility to manage Older Americans Act programs within a given geographical region. The area agency has the authority, as granted by the state agency, to determine the levels at which focal points and communities will be funded. (In the case of the Southwest District, a county represents a community.)

EXHIBIT 3
CHRONOLOGY OF THE DISPUTE BETWEEN THE
NATCHEZ CENTER AND THE SOUTHWEST DISTRICT

September 30, 1988:

The area agency director issues a memo to Natchez Center informing the center of its funding levels for FY 1989. These funding levels do not include funds for information, referral, outreach and case management services, although the center had been funded for information, referral, and outreach services prior to FY 1988. These services were not advertised for bids in the planning and service area because the area agency had begun providing these services directly in FY 1988.

October 10, 1988:

The Natchez Center director writes a letter to the Director of the Southwest District requesting a hearing with MCOA and Southwest District to discuss the following:

- a. the City of Natchez's (Natchez Center is owned by the city) successful bid for services in Adams County for the 1989 fiscal year (but with a reduction in the amount of federal funds that Natchez Center would receive);
- b. the denial of information referral, outreach, and case management services;
- c. the methods and procedures for awarding bids;
- d. methods used for funding services;
- e. the mission of the area agency on aging; and
- f. MCOA's responsibilities.

SOURCE: Information provided by the Natchez Senior Center, the Southwest Planning and Development District and the Mississippi Council on Aging.

October 12, 1988:

Southwest District director informs the City of Natchez that it will not be funded as a service provider in Adams County (noting that the City of Natchez refused to sign the contract under the Southwest District terms).

October 13, 1988:

Southwest District director writes the City of Natchez denying it a hearing.

October 18, 1988:

The Mayor of the City of Natchez writes the director of the Council on Aging requesting a hearing.

October 27, 1988:

Director of the Southwest District submits a revised funding proposal to the City of Natchez which leads to a subsequent contractual agreement. The contract does not fund the Natchez Center for information, referral, outreach or case management services.

December 1, 1988:

Director of the MCOA writes the City of Natchez suggesting that the petition for a hearing be withdrawn.

December 9, 1988:

City of Natchez writes the MCOA reaffirming its desire to have a hearing.

February 15, 1989:

MCOA director meets with the Southwest District and the City of Natchez to discuss problems and conflicts (not a formal hearing as requested).

There were no further communications in this dispute up to the point at which PEER began its review.

The Older Americans Act and its relevant federal regulations do not expressly state that the area agency shall determine funding levels for focal points and communities. However, the broad management function that the law gives the state and area agencies makes these agencies ultimately responsible for determining the funding levels. Federal law does not specifically mandate a formula-based fund distribution method for communities. As a result, MCOA allows districts to determine their own funding distribution methods. While the area agencies' failure to use a funding formula does not violate either the Older Americans Act or other federal regulations, PEER concludes that this practice may not lead to distribution of funds within the planning and service area that is in proportion to local needs. (See finding below.)

Awarding of Bids to Service Providers--The Natchez Center contends that the Southwest District should fund the center for the full range of services, including case management and outreach services now provided directly by the Southwest District. The center contends that an area agency should not provide direct services.

The Older Americans Act, U. S. Code Section 307(a) (10) (Supp. 1987) assigns to the state agency on aging the responsibility of determining whether an area agency may engage in direct service provision. In addition, 45 CFR Section 1321.63 (b) (1987) allows area agencies to obtain waivers from state agencies to provide services directly. The Southwest District did obtain a waiver from MCOA to provide case management and outreach directly in fiscal years 1988 and 1989. As previously mentioned, these services were provided in-house to reduce unit costs and provide services to more communities.

Distribution of Funds, Contracts and Service Delivery

The Southwest District distributes funds primarily on the basis of historic funding levels instead of on the proportion of eligible and needy population in a geographic area.

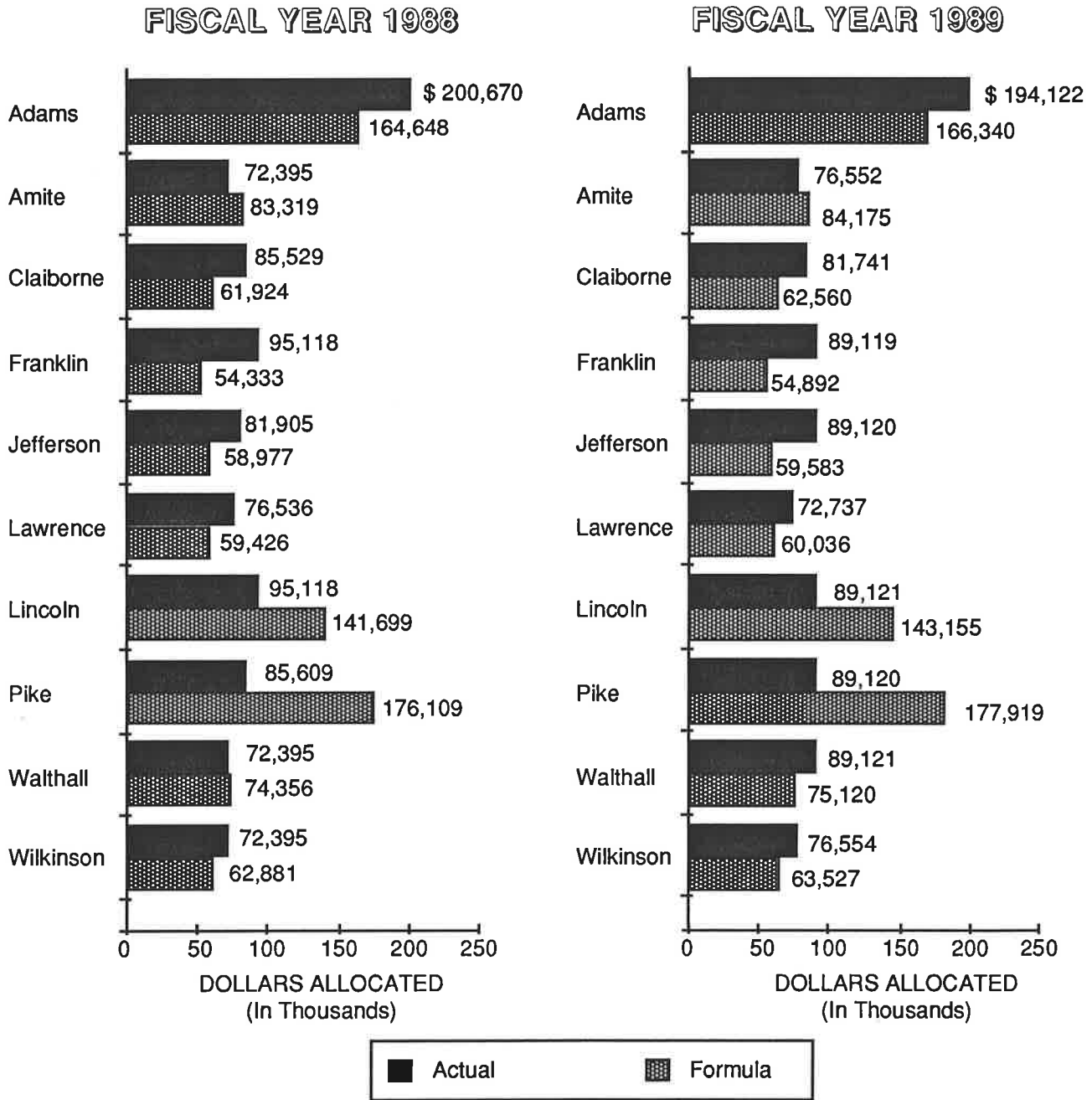
The intent of the Older Americans Act is to provide nutrition and social services to all older Americans while targeting certain groups such as low-income, minority, and the rural elderly. Recent amendments to the Older Americans Act place an even greater emphasis on targeting these groups. Additionally, these recent amendments redirect program emphases, targeting those frail elderly that are homebound or who are in danger of requiring institutional care. This places a greater demand on the area agencies on aging to ensure that those with the greatest need receive Older Americans Act services.

The MCOA receives federal funding for its state aging programs based on the state's over-sixty population. The council in turn bases its allocations to area agencies on a funding formula which factors in an area's over-sixty population and the percentage of this population below the poverty level. Although the council can require area agencies to distribute funds and services using a population-based formula, it has not exercised this authority. Instead, MCOA permits area agencies to voluntarily adopt its allocation method or develop their own formulas or distribute funds on the basis of historic funding practices.

The Southwest District currently bases county funding on federal and state priorities/initiatives and historical funding patterns. PEER analyzed the Southwest District's funding allocations for fiscal years 1988 and 1989 and determined that the district's system has resulted in some counties with greater population- and income-based needs receiving less funding than counties with lower population- and income-based needs. Exhibit 4, page 10, compares county allocations resulting from the district's current allocation system with those computed from a population- and income-based allocation system, such as the one utilized by MCOA. In using a formula similar to MCOA's, PEER first determined the county's sixty-plus population as a percentage of the entire planning and service area's sixty-plus population. Then PEER determined the county's sixty-plus population below the poverty level as a percentage of the service area's sixty-plus population below the poverty level. PEER then averaged these numbers and applied the resulting percentage to the allocable total. For example, if County A's sixty-plus population made up 20% of the service area's sixty-plus population and its sixty-plus population below poverty level made up 30% of the service area's sixty-plus population below poverty level, County A would receive 25% of the service area's total funding $[(20\% + 30\%)/2]$. As illustrated in Exhibit 4, Franklin County, in fiscal year 1989, received 62.35 percent more funds than it would have received if the Southwest District had

EXHIBIT 4

**COMPARISON OF DISTRICT'S DISTRIBUTION OF FUNDS TO COUNTIES TO DISTRIBUTION BASED ON MCOA'S POPULATION-BASED FORMULA
(For Fiscal Years 1988 and 1989)**



- Under the current method, a district's counties are funded based on historic funding levels.
- Under a population based formula, such as MCOA's, a county's percentage of the district's total population of 60+ individuals would be averaged with the percentage of the county's 60+ population that is below the poverty level in the district. That percentage would be applied to the funds available for distribution to determine each county's funding level.

NOTE: Includes Only Funds From State and Federal Sources

SOURCE: Compiled by PEER Staff from Information Provided by Southwest Mississippi PDD/AAA.

based its allocation on a population- and income- based formula similar to MCOA's. In the same fiscal year, Pike County received 49.91 percent less than it would have received under such a formula.

Under the current funding system, one county's programs may be adequately funded while another county may go without sufficient services. Some counties may not receive funding proportionate to the needs of their older citizens. As a result, two persons with identical needs living in different counties might receive disparate services.

If resources were adequate to provide all of the services needed by older Americans, there would be no need to use a formula in the distribution of program funding. Each community would simply receive the level of funding needed. However, given that federal and state resources are inadequate to fund all needed programs for older Americans, area agencies should employ a system of resource allocation that is fair to all communities served.

It would be almost impossible to develop a formula that perfectly matches resources. However, the use of a formula such as MCOA's results in funding that addresses need in a systematic way. Area agencies would at least be able to target certain groups by using a formula based on the number of people in the target group. Further, area agencies could come closer to serving the needs of their target groups by adding a below-poverty level factor in the funding formula.

Some Southwest District service delivery contracts lack critical terms and have been improperly amended.

The Southwest District awards contracts to service providers which submit the lowest and best bids. These contracts specify the service provider, the service to be provided, amount of funds by source, the units of service to be delivered, and in most cases the unit costs of delivering the service.

PEER reviewed all forty-four Southwest District contracts for fiscal years 1987, 1988, and 1989. PEER noted problems in fourteen of the forty-four, or 32%, of the contracts reviewed, including:

1. Three contracts did not specify the service area to be covered (i.e., did not explain which counties would be served).
2. Seven contracts had been modified with the signature/initials of only one party or no signature/initials at all.
3. Four contract cost summary support sheets did not agree with the contract; the unit cost times the number of units did not equal the amount on the contract signature sheet.

According to commonly accepted legal standards, enforceable contracts should specify type and quantity of service, the location of these services, and the total amount of the payment agreed upon. Any contract modifications should either be signed or initialed by both parties involved in the contractual agreement. Unless contracts contain these vital elements, misunderstandings may occur and such contracts may not be legally enforceable. For recordkeeping purposes, all elements of contracts should be kept in one document, except where lengthy documents are included by reference.

PEER determined that no federal regulations or guidelines prescribe specific details regarding service provider contract content and completeness. In addition, the Administration on Aging has no specific standards regarding the content or completeness of subgrants and contracts. The administration provides state agencies the discretion to develop specific contract standards, review procedures, and approval procedures. However, the Mississippi Council on Aging has not established a formal policy of contract review or approval. (Prior to August 1988, federal regulations prevented MCOA from approving contracts. MCOA currently is developing a contract review process.) Due to this limited oversight regarding contract content and completeness, the Southwest District had only partially drafted and improperly amended some contracts which may not be enforceable. Failure to have properly documented contracts could result in services not being delivered to elderly clients.

The Southwest District does not monitor the extent to which service provision in each county is consistent with the level specified in the district's request for proposal or area plan.

The Southwest District requests proposals for service delivery within its ten-county area, and gives potential service providers "request for proposal packets" which contain guidelines and specifications for developing proposals. These packets also contain schedules of county service levels for providers to use in making their proposals. These county service levels are target objectives the Southwest District establishes in its area plan.

Once the Southwest District awards contracts for service delivery, it requires the service providers to submit monthly performance reports which detail actual services delivered. The district awards contracts to some service providers for providing services to several counties. The district allows these providers to submit performance reports relating to the entire area of coverage rather than to individual counties. Because of this reporting practice, the Southwest District cannot take the information that it receives and track services delivered by county within the planning and service area. Thus the Southwest District has no practical way to compare actual services delivered in each county to objectives of its area plan.

Recommendations

1. The Southwest District should follow standard documentation procedures regarding contract modifications and maintain complete and accurate contract files.
2. The Department of Human Services' Division of Aging and Adult Services should exercise its authority to require area agencies on aging to develop funding formulas based on each county's over-sixty population and the percentage of that population below poverty level. The division should provide assistance and guidance to ensure that funding of existing programs is not quickly and drastically reduced.
3. The Southwest District should require each service provider to submit monthly performance reports on services delivered for each county covered under the contract. Upon receipt of these reports, the district should compare actual services delivered to projected service levels/objectives and targets by county to ensure compliance with service contracts.

REVIEW OF SELECTED AREAS OF OPERATION OF THE SOUTHERN DISTRICT

As illustrated in Exhibit 2, page 5, the Southern Mississippi Planning and Development District consists of fifteen counties in southern Mississippi. PEER limited its review solely to the Southern District's programs for the aging.

As of March 10, 1989, the Southern District had not obtained signed contracts for FY 1989 from seven of its fifteen service providers. However, the district paid \$542,623.47 to these contractors for services rendered.

As does the Southwest District, the Southern District contracts with local service providers for Older Americans Act programs. The Southern District has fifteen service providers.

PEER reviewed the Southern District's service provider contracts for fiscal years 1988 and 1989 and determined that twenty-five of these contracts had not been properly executed. PEER identified four contractual arrangements under which the contract had been drafted, but not signed by either party (the Southern District or the service provider). PEER located another twenty-one contractual arrangements under which payment was made to service providers but not supported by a contract document at all. Payments for these twenty-five contractual arrangements represented \$542,623.47 for programs which were not supported by properly executed contracts. (District management stated to PEER that they based these payments on the previous year's contracts.) According to Southern District personnel, the contract documents did not exist because the district had continued to negotiate contract terms with service providers. However, these negotiations were still taking place five months after the beginning date of the proposed contracts, October 1, 1988.

Federal Regulations 45 CFR Section 1321.63 (1987) requires that area agencies award funds to service providers by grant or contract. The Southern District's failure to obtain service provider contracts directly conflicts with this requirement. Additionally, failure to enter into a formal contract reflects a management practice that diverges from basic principles of internal accounting and management control.

The Southern District maintains incomplete and poorly documented bid files.

Like the Southwest District, the Southern District distributes request for proposal packets to potential service providers. PEER examined the service provider bid files maintained by the Southern District and could not locate formal bid sheets listing bids either by line item or unit cost. Instead of having proposals on file from each potential service provider, the district had no formal proposals at all.

To defend contract award decisions, area agencies must maintain adequate bid files. Bid files should contain actual amounts bid by each service provider. In some cases only one service provider submitted a bid; thus, in the absence of a highly competitive environment, the Southern District has neglected the practice of maintaining complete bid files.

The Southern District does not fully inform counties of their required local match and the use of each county's contribution.

The Older Americans Act requires in many cases that federal funds be matched with state and local funds. Usually area agencies appear before county boards of supervisors and request matching funds to fund senior citizens' programs. The boards of supervisors contribute county funds to satisfy match requirements or to increase local service levels.

In the interest of prudent management of local dollars, area agencies should provide information to counties regarding the contribution and expenditure of funds. Not only would such information justify the use of funds, but also would provide documentation to sources contributing to the area agencies.

Even though the Southern District budgets by county and by service, it does not regularly report to counties how funds are expended and the quantity of services delivered in each county. Several counties have complained that the Southern District has not adequately informed them of the use of their local funds. At least three Southern District counties (Hancock, Harrison, and Jackson) have formed human resources agencies. One function of these agencies is to monitor the expenditures of local match monies (county funds) within the respective county. Officials of one county stated that they were not informed of minimum match requirements and had contributed far more than minimum amounts. Some counties are concerned that local funds might be spent in other counties. PEER determined that no federal or state regulations prohibit the expenditure of one county's local contribution in another county.

The Mississippi Council on Aging has not developed a specific policy on area agencies' use of local funds. Consequently, each area agency has its own policy on the manner in which local funds are used. Further, most area agencies do not have written policies regarding this activity.

An inadequate system of reporting to area counties may result in some counties' reduced participation or even withdrawal from Older Americans Act programs.

Recommendations

1. The Southern District should encourage service providers to sign contracts contingent upon negotiations and the availability of final funding amounts. Once negotiations are completed, the district should use contract modification signature sheets to finalize the agreements.
2. The Southern District should maintain bid files that include the actual bid amount of each service provider (even in those instances where only one service provider submits bids). The Department of Human Services' Division of Aging and Adult Services should carefully monitor these bid files to ensure that the district maintains complete bid documentation.
3. The Department of Human Services' Division of Aging and Adult Services should research the establishment of policies and procedures governing area agencies' use of local funds in each of the ten planning and service areas.
4. The Southern District should clarify in writing such matters as minimum match contributions for each funding source and policies on utilization of local contributions (both current year and carry-over funds). The district should establish a system of reporting to counties the expenditures of funds and services delivered within each county.

OVERSIGHT OF PLANNING AND DEVELOPMENT DISTRICTS

While conducting this review, PEER noted that the state's planning and development districts have limited or no state-level oversight regarding their administrative operations. Although planning and development districts are composed of units of government (counties and cities) and are governed by representatives of governmental entities (political appointees), they are not considered to be governmental entities themselves. Therefore, the state Legislature has not established any accountability standards for these districts. (In instances where planning and development districts receive federal funds, the districts are ultimately accountable to the administering federal agency. However, this accountability primarily relates to program performance and does not address administrative operations.)

On October 30, 1984, the Attorney General issued an official opinion to a member of the Madison County Board of Supervisors who questioned whether it was a conflict of interest to serve both as a county supervisor and member of a planning and development district board. The opinion concluded that the planning and development district was created as a private corporation in accordance with MISS. CODE ANN. Section 79-11-13 (1972) and was not a unit of state or local government. The opinion made further comments regarding the district's non-profit, non-share corporation status.

The corporation does not enjoy or possess any of the attributes of a political subdivision. It does not have any immunity from tort liability which would be afforded a political subdivision; it is not subject to purchasing laws applicable to political subdivision [sic]; it has no obligation to publicly account for the expenditure of funds belonging to it and it is not subject to state audit, and it does not perform any governmental functions or activities which would be binding upon any other political unit or any citizen within its areas of operation.

As illustrated by the administrative and programmatic weaknesses identified in this report, there may be a need to establish state-level oversight with regard to planning and development districts. These districts are an integral part of local governments, yet there are no statutory standards to ensure administrative and procedural integrity. Since planning and development districts are composed of local government entities, no one unit of government can exercise needed control to make districts accountable for their actions. Local government entities which support planning and development districts financially have no right to require systems and procedures to identify failures or weaknesses and prompt corrective action on the part of each district's board. Other than the boards of directors, citizens who receive services from planning and development districts have no other avenues of recourse to resolve disputes. In the absence of state-level oversight, local entities must rely on planning and development districts to police themselves and operate in an acceptable and professional manner.

Recommendation

The Legislature may wish to consider establishing statutory standards for the administrative and programmatic operations of planning and development districts. Prior to enacting such legislation, the Legislature should request input and recommendations from each district concerning its particular operations and needs.

If the Legislature does not choose to establish statutory standards of operation, it could define planning and development districts as governing authorities subject to state purchasing laws and audit by the State Auditor or approved audit contractor.

AGENCY RESPONSES



Response of the Division of Aging and Adult Services

Department of Human Services

PEER Report

'A Review of the Administration and Funding of Programs
for the Aging in the Southwest and Southern Mississippi
Planning and Development Districts'

July 25, 1989
Dr. David K. Brown
Director

The focus of the comments of the Division of Aging and Adult Services (formerly the Mississippi Council on Aging) shall be upon recommendations contained in the Executive Summary of the report.

I. Although the Older Americans Act and corresponding Federal regulations are silent on specific content and time frames for effecting contracts between Area Agencies on Aging and service providers, the Division of Aging and Adult Services (DAAS) recognizes a need to streamline and standardize the bid proposal and contracting process. To this end, DAAS is currently preparing a draft package of standard bid and contract material to be reviewed by area agencies, and to be finalized upon review and comment of agencies and appropriate state offices. The package should be ready for implementation by fiscal 1991.

In addition, the DAAS is considering options such as preliminary and/or conditional contracts between area agencies and service providers as soon as a prospective bid for services is selected by the area agency. Such a procedure will alleviate the problem of funding providers without more formal contract documentation.

II. The DAAS will give serious consideration to the recommendation relative to establishing a funding formula to be used by area agencies in distributing their allocation of Older Americans Act funds. The law and regulations, as pointed out, do not require such a policy. Variables to consider include impacts on clients currently being served, the inability of some counties to match funds, county disparities in demographics, levels of provider infrastructure ie., service facilities available, urban - rural mix, and multi county provider structure.

Construction of the intrastate funding formula is currently a heated national issue and a matter of litigation in several states. There is every likelihood that future amendments to the Older Americans Act reauthorization scheduled for 1991 will address this issue. We shall call upon our regional and national offices for guidance and advice. (We seek the indulgence of all parties on this complex and far reaching issue of wide and direct impact particularly upon needy clients currently being served.)

III. The DAAS will urge All area agencies to have at their disposal county based monthly service and performance reports. This data should be easily extracted from the management information system. Such documents should be available for local consumption and should not interfere with the accurate and timely reporting which must flow to the DAAS to satisfy federal report requirements. On the other hand, such a file should meet the legitimate information needs of counties as to disposition of locally generated funds for aging programs.

IV. Until the August 1988 amendments to Federal regulations implementing the Older Americans Act, the State Office on Aging was prohibited from review approval of contracts between area agencies and non profit service providers. The framework of the Older Americans Act

envisions area agencies with the autonomy and flexibility, free from overbearing state authority, to enter into local contract agreements which best fill and meet local need. However, the monitoring of bid files to ensure complete documentation is clearly a state prerogative which will be exercised under a standardized bid and contract procedure.

V. The DAAS will study and consider ramifications of a policy governing the use of local funds by the area agencies. Though no expressed authority for policy in this area exists in the law, beyond required local match requirements, we clearly do insist on the faithful stewardship of local investments earmarked for aging programs. One option currently under consideration is a request for state allocations to cover the cash portion of local match. Such a plan is used in several states, and would free area agencies from this task. Local contributions beyond the state match would enrich the programs that much more.

Finally, the Division of Aging and Adult Services accepts the PEER report on issues raised by Natchez Senior Center as definitive resolution, particularly in regards to the existence, role and mission of the Area Agency which is clearly and firmly grounded in the Older Americans Act and regulations.

We thank the staff of PEER for the professional manner in which their task was handled and trust these comments will advance our capability in better service to deserving elderly clients.

Respectfully Submitted,



David K. Brown, Director
Division of Aging and Adult Services
Department of Human Services



SOUTHWEST MISSISSIPPI PLANNING & DEVELOPMENT DISTRICT, INC.

110 South Wall Street

Natchez, MS 39120

Phone (601) 446-6044

TO : The PEER Committee
FROM : Wirt L. Peterson, Executive Director, SWMPDD
SUBJECT: Response to Executive Summary of Report on SWMAAA
DATE : July 25, 1989



This responds to your findings and recommendations contained in the Executive Summary of your review of administration and funding of programs for the Aging in the Southwest Mississippi Planning and Development District.

This review was initiated largely because of a disagreement between this office and the Natchez Senior Citizens Multipurpose Center. I am pleased to note that the allegations made by the Center's Director were unfounded, as you report. I believe that the report's statement that "The Southwest District has acted within its authority regarding its funding of the Natchez Senior Citizens Multipurpose Center and its methods and procedures for awarding bids to service providers" should allow this office to move forward in providing services to the elderly, instead of constantly justifying the Area Agency's existence.

In response to the specific findings, I offer the following.

1. Finding:

Some Southwest District service delivery contracts lack critical terms and have been improperly amended.

PEER reviewed all forty-four Southwest District service delivery contracts for fiscal years 1987, 1988, and 1989 and noted problems in fourteen of the forty-four, including:

-Three contracts did not specify the service area to be covered (i.e., did not explain which counties would be served).

-Seven contracts had been modified with the signature/initials of only one party or no signature/initials at all.

-Four contract cost summary support sheets did not agree with the contract; the unit cost times the number of units did not equal the amount on the contract signature sheet.

According to commonly accepted legal standards, enforceable contracts should specify type and quantity of service, the location of these services, and the total amount for the payment agreed upon. Any contract modifications should either be signed or initialed by both parties involved in the contractual agreement.

Unless contracts contain these vital elements, misunderstandings may occur and such contracts may not be legally enforceable.

Response:

We are in the process of reviewing all contracts to ensure that all requirements are met. It is important to note that the errors your pointed out are administrative oversights and do not indicate weaknesses in the administrative procedures of this office.

2. Finding:

The Southwest District does not monitor the extent to which service provision in each county is consistent with the level specified in the district's request for proposal or area plan.

The Southwest District establishes target objectives for service delivery in its area plan. After awarding contracts for service delivery, the district requires the service providers to submit monthly performance reports but allows providers to submit reports relating to the entire area of coverage rather than to individual counties. Because of this reporting practice, the Southwest District cannot track services delivered by county and has no practical way to compare actual services delivered in each county to area plan objectives.

Response:

We will begin requiring service providers to report on a county basis. As you know, this information can be and has been collected from the service providers as we deem necessary. This information is presently maintained at the service providers level.

The report recommends that the MCOA require Area Agencies to develop funding formulas based on each county's over-sixty population and the percentage of population below poverty level. We will continue to gradually move toward this as we have in the past.

The recommendation that the MCOA establish policies and procedures governing Area Agencies' use of local funds raises concerns. Any surplus funds received from the counties (funds in excess of local match requirements) are used strictly for aging services, based on the discretion of the staff. Naturally, use of this money would generally follow the priorities established in the Area Plan. These funds, however, are provided to the SWMAAA by the counties and should not be controlled by any outside agency.

We appreciate the conduct of the PEER staff during this review. If we can be of additional assistance, please call.

Southern Mississippi Area Agency on Aging
Response to PEER Executive Summary Report



'Review of Selected Areas of Operation of Southern District'

I. Conditional and/or preliminary contract approach will remediate this situation. The point was made to the committee that proposals were in file for every service paid.

II. "Weak bid files" finding was based on lack of detailed bid sheets containing information relative to each bid received. The District will follow the proscription of the committee utilizing tentative contracts and the contract modification signature sheet to finalize any and all such agreements. We anticipate the closest monitoring from the state office on these files.

III. The report makes reference to "Human Resource Agencies" as entities whose function is to monitor the expenditures of local funds. If this be the case, is there not potential conflict between that function and the responsibility of AAA's to monitor providers if HRA's are providers as well? Does not the same reasoning apply to HRA's - reasoning which precludes AAA's providing direct services?