

**Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)**

Report to
the Mississippi Legislature



A Review of the Utilization of Selected Federal Funds Disbursed by the Mississippi Department of Human Services

Mississippi's planning and development districts (PDDs) and community action agencies (CAAs) are non-profit corporations created in the 1960s to assist their communities with planning and economic and community development efforts. The Mississippi Department of Human Services (MDHS) utilizes the PDDs and CAAs to administer the delivery of social services for selected federally funded programs primarily targeting low-income residents. MDHS disbursed approximately \$142.5 million in federal program funds to PDDs and CAAs in Federal Fiscal Year 2009, primarily through the divisions of Early Childhood Care and Development, Community Services, and Aging and Adult Services.

In response to legislative concerns, PEER reviewed the amounts and purposes of federal funds that MDHS disbursed to PDDs and CAAs in Federal Fiscal Year 2009 to determine whether safeguards are in place to ensure that maximum dollars are applied to meeting service needs, to what extent service needs are being met, and whether opportunities exist for PDDs and CAAs to improve their efficiency in providing services. PEER found the following:

- While safeguards are in place over the expenditure of federal funds received by PDDs and CAAs through MDHS, these safeguards have deficiencies and do not guarantee that these funds are used as efficiently as possible to maximize the delivery of services to needy populations.
- In Mississippi, as well as nationally, only a small percentage of the potentially eligible and priority service group populations receive services through the programs included in this review.
- Despite concerns over the accuracy of some of the data on which PEER's efficiency review is based, PEER identified the potential to increase the number of persons served and units of service provided in programs included in this review.

December 14, 2010

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 joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven 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 and three at-large members appointed from each house. 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 four Representatives and four 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.

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December 14, 2010

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On December 14, 2010, the PEER Committee authorized release of the report entitled **A Review of the Utilization of Selected Federal Funds Disbursed by the Mississippi Department of Human Services.**


Senator Nolan Mettetal, Chair

This report does not recommend increased funding or additional staff.

Table of Contents

Letter of Transmittal	i
List of Exhibits	v
Executive Summary	ix
Introduction	1
Authority	1
Scope and Purpose	1
Scope Limitations	2
Method	3
Chapter 1: Background	4
Establishment and Purpose of PDDs and CAAs.....	4
Federal Funds Disbursed to PDDs and CAAs by State Agencies in FFY 2009	5
Description of Programs Administered by PDDs and CAAs Utilizing Federal Funds Received from MDHS’s Divisions of Early Childhood Care and Development, Community Services, and Aging and Adult Services	6
How the Federal Government Allocates and Disburses Program Funds to MDHS	10
How MDHS Allocates and Disburses Federal Funds to the PDDs and CAAs	11
Chapter 2: Are safeguards over the expenditure of federal funds received by PDDs and CAAs through MDHS adequate to ensure that maximum dollars are applied to meeting service needs?	13
Independent Financial Audits of Providers	14
In-Depth Auditing of Service Providers by MDHS	15
Competitively Bid Statewide Contract for the Provision of Meal Services under Title III of the Older Americans Act	17
Deficiencies in Administrative Cost Caps	17
No Indirect Cost Caps or Clear Criteria for Approving Indirect Cost Rates	22
Lack of Consideration for Efficiency When Approving Annual Budgets	23
Cumbersome AAA Budget Request Process	24
Inaccurate Data in Electronic Databases of Program Expenditures, Units of Service, and Unit Costs Maintained by MDHS	25
Limitations Regarding MDHS Monitoring Reviews	30
PDDs’ Failure to Provide Adequate Financial Records	32
Chapter 3: To what extent are PDDs and CAAs meeting service needs within their service areas utilizing federal funds received from MDHS, including ensuring that the needs of those program-eligible individuals in the highest priority categories are being met?	34
What are the eligibility requirements and priority service recipients for programs included in this review?	34

Table of Contents (continued)

Are applicants property prioritized in the intake process?	38
What percentages of the eligible and priority populations are being served?	40
What are the demographic characteristics of individuals receiving services through these programs?.....	42
Is there evidence of unmet service needs through long program waiting lists?	46
 Chapter 4: Are there opportunities for PDDs and CAAs to improve their efficiency in the provision of services and thereby increase the number of persons served and units of service provided?	49
Federal Mandates for Efficiency in the Expenditure of Federal Funds	49
Opportunities for Improving Efficiency in Programs	50
 Recommendations	64
Improving Safeguards Over the Expenditure of Federal Program Funds	64
Improving the Degree to Which Priority Service Needs are Being Addressed	66
Improving Efficiency in the Delivery of Federally Funded Services	66
 Appendix A: Mississippi’s Planning and Development Districts.....	67
 Appendix B: Mississippi Community Action and Human Resource Agencies and Service Areas.....	70
 Appendix C: Summary of Legal Agreements between MDHS and PDDs and CAAs for the Administration of Federal Programs Included in this Review	72
 Appendix D: Amount of Federal Funds Disbursed to PDDs and CAAs by State Agency During FFY 2009.....	72
 Appendix E: Amount of Federal Funds Disbursed to PDDs and CAAs By MDHS Fund Name During FFY 2009	73
 Appendix F: Description of Programs Administered by PDDs and CAAs in FFY 2009 Using Federal Funds Received through MDHS’s Office of Children and Youth and Divisions of Community Services and Aging and Adult Services	74
 Appendix G: Detailed Description of How Federal Funds Included in This Review are Allocated and Disbursed at Both the Federal and State Levels.....	82
 Appendix H: Statewide Contract Meal Prices for FFY 2009.....	89

Table of Contents (continued)

Appendix I:	Administrative Cost Caps for Programs Included in This Review	90
Appendix J:	List of East Central AAA's FFY 2009 Budget Requests, by Program and Amount.....	92
Agency Response	94

List of Exhibits

1.	Percentage of Total Federal Funds Disbursed to Mississippi's PDDs and CAAs During FFY 2009, by State Agency	6
2.	Federal Matching Fund Requirements for Programs Included in PEER's Review, by Funding Source	12
3.	Priority Percentages of Households for Participation in the Weatherization Assistance Program in Mississippi	37
4.	Percentages of Eligible (Age 60+) and Priority (Age 60+: Below Poverty, Minority Below Poverty, and Rural) Aging and Adult Services Populations Served through Title III Programs Reporting Client Specific Data through the National Aging Program Information System under the Older Americans Act in FFY 2009, Statewide and by Area Agency on Aging	43
5.	Percentage of Children Served in the Child Care Development Fund Program by Reported Child Care Type for FFY 2009	44
6.	Percentage of Children Served in the Child Care Development Fund Program by Reported Age for FFY 2009	44
7.	Percentage of Children Served in the Child Care Development Fund Program by Reported Reason for Receiving Assistance for FFY 2009	44
8.	Percentage of Children Served in the Child Care Development Fund Program by Reported Race for FFY 2009	45
9.	Number and Characteristics of Unduplicated Number of Persons Served by the Older Americans Act Aging and Adult Services Programs in FFY 2009, by AAA and Statewide	46
10.	Statewide Number of Children Served by the Child Care Development Fund Program and Certificate Costs per Child by Designated Agent in FFY 2009	51
11.	Statewide Number of Children Served by the Child Care Development Fund Program and All Other Costs per Child by Designated Agent in FFY 2009	52
12.	Hypothetical Number of Additional Children Served by Applying South Delta's FFY 2009 "Other Cost" Rate to All Other Designated Agents	53

List of Exhibits (continued)

13.	Budgeted Administrative and Total Expenses for the Community Services Block Grant Program, by CAA, for Program Year 2009.....	56
14.	Community Services Block Grant Number of Households Served and Budgeted Expenses per Household Served Based on Expense Category for those CAAs Providing Community Services Block Grant Programs from January 2009 to December 2009	57
15.	Community Services Block Grant Actual Number of Households Served in Comparison to the Number of Households that Could be Served at the Average Total Budgeted Expenses Per Household of \$237.74	58
16.	FFY 2009 Total Expenditures Per Unit of Service, by Title III Program and AAA, Based on PEER Analysis of Data Reported in the National Aging Program Information Systems.....	61
17.	Federal Funds received by MDHS for Aging and Adult Services Programs in FFY 2009	85
18.	Percentage of Low-Income Home Energy Assistance Program Funding to be Utilized in Mississippi by Component.....	87
19.	How the Mississippi Intrastate Funding Formula Yields an AAA's Share of Funding, Using Southern AAA as an Example	88

A Review of the Utilization of Selected Federal Funds Disbursed by the Mississippi Department of Human Services

Executive Summary

Introduction

This review stemmed from legislative concern that Mississippi's planning and development districts and community action agencies (PDDs and CAAs) may not be utilizing federal funds disbursed by Mississippi state agencies in a manner that maximizes the provision of services to eligible service recipients. Legislative concern was prompted by knowledge that there are eligible individuals unable to obtain needed services through PDDs and CAAs and, by speculation, that this unmet need may be due, in part, to the entities responsible for delivering the services incurring unnecessarily high administrative, other indirect, and program expenses.

Pursuant to these concerns, PEER sought to determine the amounts and purposes of federal funds disbursed to PDDs and CAAs by the Mississippi Department of Human Services (MDHS) in FFY* 2009 and to answer the following questions relative to these disbursements:

- Are safeguards over the expenditure of federal funds received by PDDs and CAAs through MDHS adequate to ensure that maximum dollars are applied to meeting service needs?
- To what extent are PDDs and CAAs meeting service needs within their service areas utilizing federal funds received from MDHS, including ensuring that the needs of those program-eligible individuals in the highest priority categories are being met? and,
- Are there opportunities for PDDs and CAAs to improve their efficiency in the provision of services federally funded through MDHS and thereby

*The *Federal Fiscal Year* (FFY) is the accounting year of the federal government. It begins on October 1 and ends on September 30 of the next calendar year.

increase the number of persons served and units of service provided?

Background

Mississippi's ten PDDs and twenty-one CAAs are non-profit corporations that were created in the 1960s to assist their local member communities with planning and economic and community development efforts, as well as to provide social services to low-income residents. In accordance with federal statutory authority, MDHS utilizes the PDDs and CAAs to administer the delivery of services through selected federally funded programs.

Eleven Mississippi state agencies disbursed \$203,309,406 in federal funds to PDDs and CAAs during FFY 2009. MDHS disbursed 70% of these funds (approximately \$142.5 million), primarily through three of its divisions: Early Childhood Care and Development, Community Services, and Aging and Adult Services.

Utilizing federal funds received through MDHS, PDDs administer the Child Care Development Fund Program, which financially assists eligible low-income families to obtain child care services so that family members can remain employed or enrolled in school, as well as twenty-six aging and adult services programs (e. g., congregate meals, home-delivered meals, transportation, homemaker services). CAAs administer the Low-Income Home Energy Assistance Program, the Weatherization Assistance Program, and various programs established to address poverty at the community level funded through the federal Community Services Block Grant.

The federal government allocates program funds to the states according to population and needs-based funding formulas. Matching requirements for the receipt of federal funds vary by program and funding source. Also, the timing of the federal government's disbursement of a state's annual federal program funding allocations varies by program. Like the federal government, MDHS's divisions allocate program funds to the PDDs and CAAs according to population and needs-based funding formulas. The divisions disburse federal funds to the PDDs and CAAs monthly, based on monthly cash advance requests and reports of actual past month expenditures made by the PDDs and CAAs.

Conclusions

Are safeguards over the expenditure of federal funds received by PDDs and CAAs through MDHS adequate to ensure that maximum dollars are applied to meeting service needs?

While safeguards are in place over the expenditure of federal funds received by PDDs and CAAs through MDHS, these safeguards have deficiencies and therefore do not guarantee that these funds are used as efficiently as possible to maximize the delivery of services to needy populations.

PEER found no deficiencies in the following safeguards over the expenditure of federal funds received by PDDs and CAAs: independent financial audits of service providers, in-depth auditing of service providers by MDHS, and a competitively bid statewide contract for the provision of selected program services.

However, PEER found deficiencies in the following areas:

- *deficiencies in administrative cost caps*--Although there are administrative cost caps on most of the federal programs covered in this review, PEER found limited value in the caps because federal guidance on classifying costs as administrative versus indirect is ambiguous. Also, the types of costs defined as administrative (and therefore subject to the caps) have become more restricted over time, exceptions to the caps are regularly approved in certain programs by MDHS, and, in the case of the Child Care Development Fund, none of the designated agents' expenses are subject to the five percent administrative cost cap. Thus, the cost caps cannot be viewed as an adequate control for minimizing costs that are not directly related to services for needy populations.
- *no indirect cost caps or clear criteria for approving indirect cost rates*--While the U. S. Department of Commerce and MDHS Funding Divisions annually approve the indirect cost rates of PDDs and CAAs, they do not impose caps on indirect cost rates nor do they have clear criteria for approving indirect cost rates. Thus it is difficult to know whether the wide disparity in indirect cost rates is reasonable for the administration of the programs.
- *lack of consideration for efficiency when approving annual budgets*--Federal regulations require MDHS to approve PDDs' and CAAs' annual program budgets and budget plan revisions. However, MDHS Funding Divisions do not analyze the efficiency of providing services in the process of approving annual program budgets. Thus, the budget provides no assurance that services are delivered as efficiently as possible.

- *cumbersome AAA budget request process*--Federal regulations require PDDs to submit separate budgets for each subgrant. Because MDHS's Division of Aging and Adult Services makes separate subgrants for each program and funding source, its budget request process is cumbersome and potentially impedes the division's ability to focus on the efficiency of the programs.
- *inaccurate data in electronic databases of program expenditures, units of service, and unit costs maintained by MDHS*--MDHS utilizes various federally mandated electronic databases to track and report program expenditures and service data; however, inaccurate data compromises the utility of MDHS databases as a tool for program accountability.
- *limitations regarding MDHS monitoring reviews*--While federal regulations require the Division of Program Integrity to determine whether expenses are reasonable and necessary for the administration of the subgrant, the division generally does not question the reasonableness or necessity of disbursements, as long as they coincide with the budgeted amounts approved by the Funding Divisions. Thus monitoring reviews may not give assurances regarding the efficiency of PDDs or CAAs. Also, the Division of Program Integrity lacks sampling procedures to ensure an acceptable error rate by which to judge the accuracy of findings related to disbursements.
- *PDDs' failure to provide adequate financial records*--According to MDHS, during a monitoring review in April and May 2010, one PDD failed to provide the Division of Program Integrity monitors with adequate financial documentation to support financial claims. MDHS had not finalized this review as of November 2010.

To what extent are PDDs and CAAs meeting service needs within their service areas utilizing federal funds received from MDHS, including ensuring that the needs of those program-eligible individuals in the highest priority categories are being met?

In Mississippi, as well as nationally, only a small percentage of the potentially eligible and priority service group populations receive services through the various programs included in this review.

In general, service priority under the programs included in this review is given to lower-income individuals. Other priorities are built into specific programs, such as a priority in the Child Care Development Fund Program to serve children with special needs and a priority in the aging and adult services programs to serve low-income minorities, individuals living in rural areas, and the elderly at greatest risk for institutional placement.

While the prioritization of applicants for the Child Care Development Fund and Weatherization Assistance programs is in accordance with federal service priority mandates, flaws in the assignment of points on the Consumer Information Form that AAAs use to assess and prioritize applicants for programs receiving federal funds through MDHS's Division of Aging and Adult Services could result in certain federally mandated priorities not being met.

State and national data indicate a potentially large need for child care services through the Child Care Development Fund Program. The percentage of eligible and priority populations receiving federally funded aging and adult services in Mississippi is relatively small, with only 14.5% of residents age sixty or above with incomes below the poverty level statewide receiving services. While federal funding limitations prevent the delivery of services to all of those eligible and in need, it is possible that more people could be served with current funds if AAAs maximized their efficiency in the delivery of services.

The demographic characteristics of individuals receiving services vary by program. While 96% of clients served through aging and adult services programs are age sixty or older, only 40% of clients served through these programs statewide report incomes below the poverty level. This could be reflective of the program's primary objective of preventing the unnecessary institutional placement of the elderly, regardless of income level.

While the length of waiting lists varies by program and service provider, it is not clear that these lists are representative of true unmet demand, as some lists reportedly contain the names of individuals who have not been screened for eligibility while other lists do not contain the names of all individuals who are eligible for and requesting services.

Are there opportunities for PDDs and CAAs to improve their efficiency in the provision of services and thereby increase the number of persons served and units of service provided?

Despite concerns over the accuracy of some of the data on which PEER's efficiency review is based, PEER identified the potential to increase the number of persons served and units of service provided across all programs included in this review.

PEER's review of program costs among service providers indicates that some are providing services more efficiently than others. By analyzing provider costs and identifying opportunities for improved efficiency in service delivery, MDHS could assist the less efficient PDDs and CAAs to increase the number of clients served and units of service provided.

Recommendations

1. For all federal programs included in this review, the Mississippi Department of Human Services (MDHS) should seek clarification of definitions and classifications for administrative versus indirect costs from the U. S. Department of Health and Human Services. Further, MDHS should consult with the U. S. Department of Health and Human Services to develop explicit criteria for the consideration and approval of proposed indirect cost rates and guidance for setting indirect cost caps. Such clarification and guidance should provide needed uniformity in classifying and approving budgeted expenses and help ensure that maximum dollars are being applied to actual services as opposed to administrative or indirect costs.
2. As recommended by the State Auditor's Office in a March 2007 report on the Child Care Development Fund Program, MDHS should review its current contract in comparison to its 1998 contract to verify that there have been no changes to services that would be subject to the five percent administrative cost cap.
3. Before approving individual subgrantee budgets, MDHS should analyze relevant unit cost data available through federally mandated databases for all entities delivering the service (once this data has been validated as accurate [see recommendations 5 and 6]) to ensure that each proposed budget is based on the most efficient and effective delivery of services.
4. Based on the apparent success of its statewide contract for meals in reducing the cost per meal, MDHS should explore the feasibility of entering into other competitively bid statewide contracts (e. g., homemaker) as a means of reducing the unit costs of providing the services.
5. Given the significant data inaccuracy problems observed in MDHS's federally mandated Results Oriented Management and Accountability and National Aging Program Information Systems electronic databases, an electronic data processing audit should be conducted on the systems to determine why errors are occurring and how they could be prevented in the future.
6. MDHS should increase the accuracy of the data in its National Aging Program Information Systems State Program Performance Report by:

- validating the self-reported National Aging Program Information Systems data through available external data, such as the data maintained by the statewide contract meal service vendor, Valley Services, Inc., documenting the number of congregate and home-delivered meals purchased by each AAA;
 - supplementing federal National Aging Program Information Systems instructions with MDHS instructions designed to prevent common AAA reporting errors, such as failing to include all required data in the total expenditure and units of service columns (i. e., by specifying all types of expenditure and unit of service data to include in the “total” columns); and,
 - financially penalizing AAAs that refuse to provide federally required data, such as expenditure and units of service data for Medicaid Title XIX Waiver program meals (e. g., by withholding a portion of the AAA’s administrative funds).
7. MDHS’s Division of Program Integrity should establish more detailed sampling procedures for its monitors’ reviews of PDD/CAA disbursements to ensure an acceptable error rate by which to judge the accuracy of its findings related to disbursements. Specifically, monitors should be required to determine the desired confidence level, expected occurrence rate (i. e., the percentage of disbursements with findings of noncompliance), and the upper precision (i. e., the magnitude of deviation of a sample value from the population).*
 8. MDHS’s Division of Program Integrity should establish written criteria in its monitoring instrument for what constitutes a “reasonable and necessary” expenditure that is sufficient to allow a third-party reviewer to draw the same conclusion independently.
 9. In order to ensure the timely resolution of outstanding Program Integrity Division monitoring findings, MDHS should establish time standards for each step in the resolution process and ensure that these standards are adhered to by all parties.
 10. MDHS should revise its system for awarding points using the Consumer Information Form in order to ensure that targeted populations are being prioritized according to federal mandates. Specifically, MDHS should award three points to applicants who have

*Procedures for determining confidence levels, occurrence rates, and upper precision may be found in various accounting texts (e. g., *Barron’s 2010 Accounting Handbook* by Joel G. Siegel and Jae K. Shim.)

limited English proficiency and should only award the three additional points currently awarded to all minorities to those minorities who are also low-income.

11. MDHS should seek to increase the percentages of eligible populations being served through federally funded programs through better oversight of budgeted and actual program expenditures.
12. After verifying the validity of unit cost data through the steps contained in recommendations 5 and 6, MDHS should analyze the unit cost data available through federally mandated databases to identify the most efficient service providers. MDHS should analyze subgrant budget requests and actual program and expenditure data to determine how the most efficient service providers are able to provide the services at lower costs. By sharing this information with other providers and encouraging reductions in the costs of service delivery where warranted, MDHS could drive down unit costs to the level of the most efficient provider and thereby increase the number of clients served and units of service provided through these federally funded programs.

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A Review of the Utilization of Selected Federal Funds Disbursed by the Mississippi Department of Human Services

Introduction

Authority

The PEER Committee reviewed the utilization of federal funds disbursed by the Mississippi Department of Human Services (MDHS) to planning and development districts (PDDs), community action agencies, and human resource agencies¹ (generically referred to in this report as CAAs). PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972).

Scope and Purpose

This review stemmed from legislative concern that PDDs and CAAs may not be utilizing federal funds disbursed by Mississippi state agencies in a manner that maximizes the provision of services to eligible service recipients. (Refer to “Scope Limitations” section on page 2 for a discussion of why PEER narrowed the scope of this review from all federal funds disbursed by all state agencies to selected federal funds disbursed by MDHS).

Legislative concern was prompted by knowledge that there are eligible individuals unable to obtain needed services through PDDs and CAAs and, by speculation, that this unmet need may be due, in part, to the entities responsible for delivering the services incurring unnecessarily high administrative, other indirect, and program expenses.

Pursuant to these concerns, PEER sought to determine the amounts and purposes of federal funds disbursed to PDDs

¹ MISS. CODE ANN. Section 17-15-1 et seq. (1972) authorizes the governing boards of counties and cities to create and control human resource agencies for the purpose of administering human resource programs heretofore administered by community action agencies and limited purpose agencies.

and CAAs by MDHS in FFY² 2009 and to answer the following questions relative to these disbursements:

- Are safeguards over the expenditure of federal funds received by PDDs and CAAs through MDHS adequate to ensure that maximum dollars are applied to meeting service needs?
- To what extent are PDDs and CAAs meeting service needs within their service areas utilizing federal funds received from MDHS, including ensuring that the needs of those program-eligible individuals in the highest priority categories are being met? and,
- Are there opportunities for PDDs and CAAs to improve their efficiency in the provision of services federally funded through MDHS and thereby increase the number of persons served and units of service provided?

Scope Limitations

Through a review of data in Mississippi's Statewide Automated Accounting System (SAAS),³ PEER determined that ten state agencies disbursed \$141,006,447 in federal funds to PDDs and six state agencies disbursed \$62,302,959 in federal funds to CAAs in FFY 2009, for a total of \$203,309,406. Because of the large number of programs and entities involved in this disbursement of federal funds statewide, PEER focused its review on selected federal funds disbursed by MDHS, as total federal funds disbursed by MDHS accounted for 70% (\$142,501,252) of the total disbursement of federal funds to PDDs and CAAs through state agencies in FFY 2009. More specifically, PEER focused its review of federal funds disbursed by MDHS on funds disbursed by the following three divisions of the department: Early Childhood Care and Development (formerly the Office of Children and Youth), Community Services, and Aging and Adult Services, as these three divisions accounted for 99% (\$140,752,373) of the total federal funds disbursed by MDHS to PDDs and CAAs in FFY 2009.

PEER based its review on the extensive federal program data for each PDD and CAA maintained by MDHS, rather than obtaining the data from each PDD and CAA. Also, as both independent auditors and staff of MDHS's Program Integrity Division perform steps in their annual audits designed to detect program fraud and abuse, PEER's review did not include the steps necessary to identify

² The *Federal Fiscal Year* (FFY) is the accounting year of the federal government. It begins on October 1 and ends on September 30 of the next calendar year.

³ The *Statewide Automated Accounting System* (SAAS) is a centrally controlled automated financial management system for state agencies that includes both accounting and budgeting functions.

fraud and abuse in the expenditure of federal program funds.

Method

In conducting this review, PEER:

- reviewed relevant sections of federal and state laws, rules, regulations, policies, and procedures;
- interviewed staff from MDHS;
- analyzed extensive federal program records maintained by MDHS, including area plans, budget narratives, client intake forms, computer databases, and audit reports produced by federal and state auditors and independent public accounting firms;
- obtained census data for PDD and CAA service areas; and,
- reviewed literature on the federal programs included in this review.

Chapter 1: Background

Establishment and Purpose of PDDs and CAAs

Mississippi's ten PDDs and twenty-one CAAs are non-profit corporations that were created in the 1960s to assist their local member communities with planning and economic and community development efforts, as well as to provide social services to low-income residents. In accordance with federal statutory authority, MDHS utilizes the PDDs and CAAs to administer the delivery of services through selected federally funded programs that are discussed in detail later in this chapter.

In the late 1960s, local governments and community leadership created Mississippi's ten PDDs as non-profit corporations to address planning and development problems and issues on a multi-jurisdictional basis. Their creation was prompted by The Intergovernmental Cooperation Act of 1968 (P. L. 90-577) and Part IV of U.S. OMB Circular A-95, Revised, which encouraged the states "to exercise leadership in delineating and establishing a system of planning and development districts or regions in each State, which can provide a consistent geographic base for the coordination of Federal, State, and local development programs."

In 1971, Governor John Bell Williams issued Executive Order No. 81, designating Mississippi's ten PDDs as the state's official sub-state regions. Primary functions of the state's PDDs include economic development, community development, planning and technical assistance, and "human resource development," which includes planning and providing services to the state's elderly population, job training, and administration of the federally funded child care assistance program. (See Appendix A on page 67 for a map of the service areas of Mississippi's ten PDDs.)

CAAs are locally based, private or public non-profit corporations that fight poverty by empowering communities to help themselves and by administering programs to help low-income residents achieve economic security. CAAs developed in the mid-1960s as part of President Johnson's "War on Poverty in America," which included passage of the Economic Opportunity Act of 1964 (P.L.88-452). Title II of the act established "community action programs" as a mechanism for urban and rural communities to mobilize their resources to combat poverty. The act authorized funding for public or private nonprofit agencies to carry out community action programs focused on the needs of low-income families and individuals. Examples of programs currently operated by

CAAs include Head Start, weatherization, energy assistance, job training, and food banks. As of September 2010, there were twenty-one CAAs in Mississippi. (See Appendix B on page 68 for a list of Mississippi's twenty-one CAAs and their service areas.)

MDHS utilizes PDDs and CAAs through formal legal agreements (see discussion in Appendix C on page 70) to administer the federal programs included in this review. The authorizing federal legislation allows the use of public or private nonprofit agencies or organizations such as PDDs and CAAs to carry out these programs.

Federal Funds Disbursed to PDDs and CAAs by State Agencies in FFY 2009

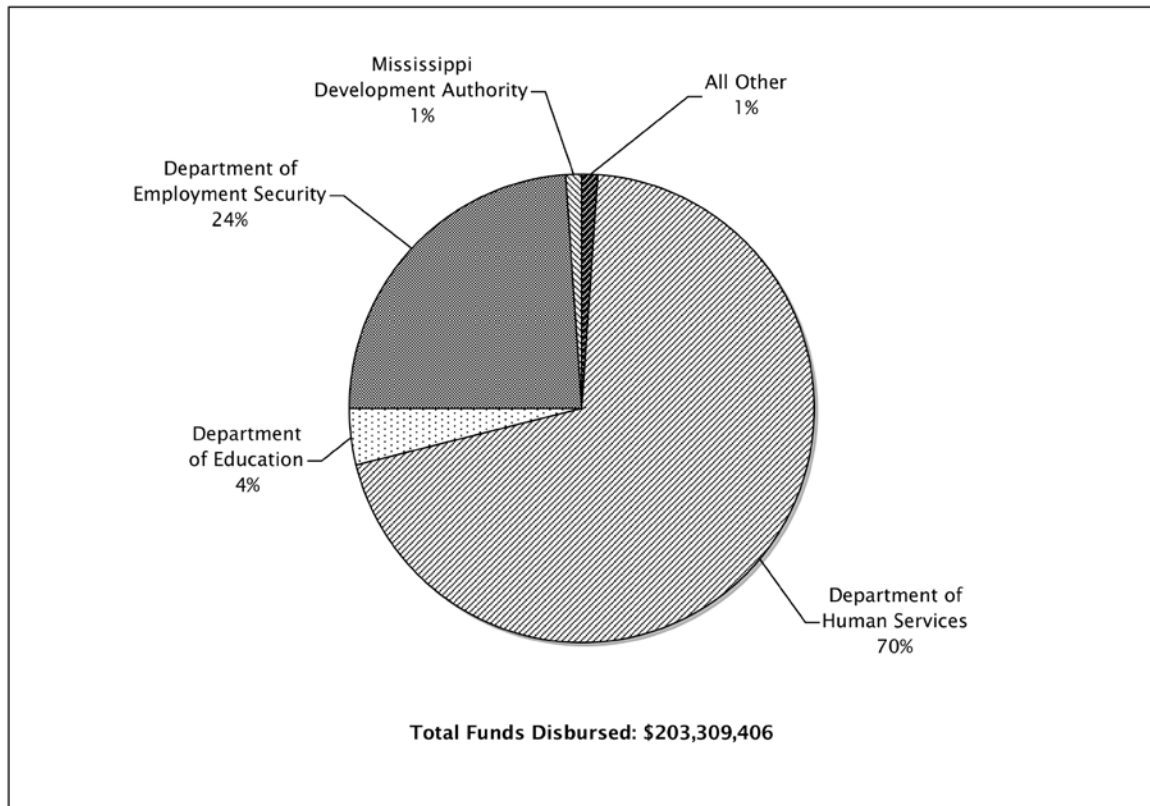
Eleven Mississippi state agencies disbursed \$203,309,406 in federal funds to PDDs and CAAs during FFY 2009. MDHS disbursed 70% of these funds (approximately \$142.5 million), primarily through three of its divisions: Early Childhood Care and Development, Community Services, and Aging and Adult Services.

According to Mississippi's Statewide Automated Accounting System (SAAS), eleven Mississippi state agencies disbursed \$203,309,406 in federal funds to PDDs and CAAs during FFY 2009 (refer to Appendix D on page 72 for a breakdown of the disbursements, by state agency). As shown in Exhibit 1, page 6, MDHS disbursed 70% of these funds (\$142,501,252), followed by the Department of Employment Security, which disbursed 24% (\$49,678,284).

Appendix E, on page 73, shows the amount of federal funds disbursed to PDDs and CAAs by MDHS fund name during FFY 2009. As the appendix shows, the department disbursed a total of \$142,501,252 to PDDs and CAAs in FFY 2009 (\$89,277,734 to PDDs and \$53,223,518 to CAAs).

MDHS's Division of Early Childhood Care and Development disbursed the largest percentage of total federal funds disbursed to PDDs and CAAs by MDHS in FFY 2009 (approximately 47%), followed by MDHS's Division of Community Services (approximately 36%) and MDHS's Division of Aging and Adult Services (approximately 15.5%). Due to the small percentage of federal funds (approximately 1% total) that MDHS disbursed through its other three named funds (MDHS Administration, Youth Services, and Human Services Social Services), PEER focused its review on federal funds disbursed through its divisions of Early Childhood Care and Development, Community Services and Aging and Adult Services.

Exhibit 1: Percentage of Total Federal Funds Disbursed to Mississippi's PDDs and CAAs during FFY 2009, by State Agency



SOURCE: PEER analysis of FFY 2009 data from SAAS.

Description of Programs Administered by PDDs and CAAs Utilizing Federal Funds Received from MDHS's Divisions of Early Childhood Care and Development, Community Services, and Aging and Adult Services

Utilizing federal funds received through MDHS, PDDs administer the Child Care Development Fund Program, which financially assists eligible low-income families to obtain child care services so that family members can remain employed or enrolled in school, as well as twenty-six aging and adult services programs (e. g., congregate meals, home-delivered meals, transportation, homemaker services). CAAs administer the Low-Income Home Energy Assistance Program, the Weatherization Assistance Program, and various programs established to address poverty at the community level funded through the federal Community Services Block Grant.

Appendix F on page 74 lists the thirty federally funded programs administered by PDDs and CAAs through the three divisions of MDHS included in this review. This

appendix includes a brief description of the types of services provided through each program, the sources of federal funding, and the following program data for FFY 2009: total federal dollars expended, unduplicated number of people served, and units of service provided. A brief discussion of the programs provided through these three MDHS divisions follows. A discussion of eligibility requirements for the programs is included in Chapter 3, beginning on page 34.

Division of Early Childhood Care and Development

As shown in Appendix F on page 74, PDDs expended the largest amount in federal funds received through MDHS on the Child Care Development Fund Program in FFY 2009, representing approximately 44% of total FFY 2009 federal program expenditures made by PDDs and CAAs using federal funds received through MDHS. As discussed in Appendix C on page 70, MDHS's Division of Early Childhood Care and Development's Child Care and Development Fund Plan designates eight of the state's ten PDDs⁴ and the Institute of Community Services, Inc., Head Start⁵ as agents for the Child Care Development Fund Program.

The Child Care and Development Block Grant Act and Section 418 of the Social Security Act authorize this program to assist low-income families, families receiving temporary public assistance, and individuals transitioning from public assistance to obtain child care services so that family members can remain employed or enrolled in school or training programs. The program issues child care certificates to eligible program participants that can be taken to the participant's child care provider of choice.

Division of Community Services

MDHS's Division of Community Services is the agency designated to receive federal funds for the following three programs: Low-Income Home Energy Assistance Program, Community Services Block Grant, and Weatherization Assistance Program. As discussed in the following sections, the division designates specific CAAs to carry out each of these programs.

⁴ North Delta and Three Rivers PDDs are not designated agents for this program because of problems with their administration of the program. MDHS staff had concerns over the veracity of North Delta PDD's administration of child care services and Three Rivers PDD refused to negotiate an administrative cost cap to control administrative costs that the Division of Early Childhood Care and Development deemed excessive.

⁵ The Institute of Community Services, Inc., Head Start is a "private, nonprofit corporation" that provides "quality comprehensive child development and Head Start services to preschool children and their families" in twenty Head Start centers located in thirteen counties of northwest Mississippi.

Low-Income Home Energy Assistance Program

The second highest FFY 2009 program expenditure reported in Appendix F, on page 74, was for the Low Income Home Energy Assistance Program (approximately \$30.2 million, representing approximately 18% of total FFY 2009 federal program expenditures made by PDDs and CAAs using federal funds received through MDHS). The Division of Community Services allocated Low-Income Home Energy Assistance Program funds to twenty CAAs in the 2010 program year, which runs from January through December.

The Low-Income Home Energy Assistance Program provides financial assistance to eligible households (in the form of financial payments made directly to energy suppliers on behalf of participating households) to help pay the costs of home energy bills and other energy-related services. CAAs use a portion of their Low-Income Home Energy Assistance Program funds to conduct outreach activities designed to assure that eligible households are made aware of the assistance available through the program.

Community Services Block Grant

In addition to providing funds for the Low-Income Home Energy Assistance Program, MDHS's Division of Community Services provided funding to eighteen CAAs in the 2010 program year for administration of the federal Community Services Block Grant (approximately \$22.5 million in FFY 2009 CAA expenditures). The Community Services Block Grant program seeks to ensure that a household's basic needs are met and to move people from poverty to self-reliance by providing support (including emergency financial assistance), education, advocacy, information, and referrals.

Weatherization Assistance Program

MDHS's Division of Community Services also provided funding to nine CAAs in the 2009 program year for the federal Weatherization Assistance Program (approximately \$18 million in FFY 2009 CAA expenditures). The program enables low-income families to reduce their energy bills permanently by making their homes more energy efficient. According to the U. S. Department of Energy's official website for the program:

Funds are used to improve the energy performance of dwellings of needy families using the most advanced technologies and testing protocols available in the housing

industry. . . . Families receiving weatherization services see their annual energy bills reduced by an average of about \$437, depending on fuel prices.

The adjusted expenditure limit is \$6,500 per household served by the Weatherization Assistance Program.

Division of Aging and Adult Services

As shown in Appendix F on page 74, PDD/AAAs administer twenty-six federal programs funded through MDHS's Division of Aging and Adult Services. Twenty-three of these programs are authorized by the federal Older Americans Act, with additional funding provided through Title XX of the federal Social Security Act (Social Services Block Grant) and three of the programs are established through other federal authority. In FFY 2009, AAAs expended approximately \$21 million in federal funds (approximately 13% of total federal funds expended by PDDs and CAAs) on Aging and Adult Services programs. Approximately half of these expenditures was for meal programs for the elderly.

Older Americans Act Programs

In 1965, Congress enacted the Older Americans Act, which established the Administration on Aging within the U. S. Department of Health and Human Services as the chief federal agency advocate for older persons. Among the act's stated objectives are to help ensure that the nation's elderly are as physically and mentally healthy as possible, sustained in their communities and homes as long as possible, and protected from abuse, neglect, and exploitation. The Older Americans Act authorizes seven titles that are administered by the U. S. Administration on Aging, and one Title, Title V (establishing the older American community service employment program) that is administered by the U. S. Department of Labor. As shown in Appendix F, the grants for state and community programs on aging (e. g., congregate and home-delivered meals, homemaker services, transportation) are primarily found in Title III of the act. Title VII of the act governs allotments for vulnerable elder rights protection activities such as the Ombudsman and Elder Abuse Prevention programs.

To be eligible for federal grant funds under Title III of the Older Americans Act, each state must designate a state agency as the sole state agency to develop a state plan, administer the plan, and be primarily responsible for "the planning, policy development, administration, coordination, priority setting, and evaluation of all State activities related to the objectives of this Act." The

Department of Human Services, Division of Aging and Adult Services, is Mississippi's designated state agency on aging. The act further directs the state agency on aging to divide the state into distinct planning and service areas and designate for each such area a public or private nonprofit agency or organization as the area agency on aging for such area. In accordance with this mandate, MDHS has designated the state's ten PDDs as its area agencies on aging (AAAs) (see Appendix C on page 70 for a discussion of MDHS's legal agreements with the AAAs). As discussed in Chapter 4 on page 49, some AAAs do not offer all services authorized by the Older Americans Act.

Additional Funds for Older Americans Act Programs Provided through Title XX of the Social Security Act (Social Services Block Grant)

Title XX of the Social Security Act authorizes the Social Services Block Grant (SSBG), which provides flexible federal funds to states for a broad range of social services, including home-based services for the elderly. As shown in Appendix F on page 74, these funds are often used to provide additional units of services under programs established by the Older Americans Act.

Social Service Programs for the Elderly Funded through Other Federal Agencies

The Centers for Medicare and Medicaid Services (CMS) of the U. S. Department of Health and Human Services and the U. S. Department of Agriculture fund other health and nutrition programs for the elderly as described in Appendix F on page 74.

How the Federal Government Allocates and Disburses Program Funds to MDHS

The federal government allocates program funds to the states according to population and needs-based funding formulas. Matching requirements for the receipt of federal funds vary by program and funding source. Also, the timing of the federal government's disbursement of a state's annual federal program funding allocations varies by program.

As discussed in Appendix G on page 82, the federal government allocates funds to the programs included in this review according to population and needs-based funding formulas.

While the federal government disburses Child Care Development Fund, Community Services Block Grant, and Social Services Block Grant funds to MDHS in equal quarterly allotments, it disburses grant funds for the Weatherization Assistance Program and many of the smaller programs (e. g., Senior Medicare Patrol, State

Health Insurance Assistance Program, Child and Adult Care Food Program) in annual lump sums. Also, the federal government disburses 90% of the state's annual allocation under the Low-Income Home Energy Assistance Program in the first quarter of each federal fiscal year. The federal government disburses funds for programs funded through the Older Americans Act in accordance with continuing congressional resolutions, the number of which varies from year to year. There were three federal grant allocations made under the act in FFY 2009.

As shown in Exhibit 2 on page 12, while several of the programs included in this review are 100% federally funded, several programs funded under the Older Americans Act [Title III: B- Supplemental Services (multiple programs, as listed in Appendix F on page 74), C1 - Congregate Meals, C2 - Home-delivered Meals, and Title V - Senior Community Service Employment Program] require a 5% state match. In addition, a 25% combined state and local match is required for Title III: A- Administration and E - Services to Caregivers under the Older Americans Act and Title XX of the Social Security Act requires a 25% local match for all programs funded through the Social Services Block Grant.

How MDHS Allocates and Disburses Federal Funds to the PDDs and CAAs

Like the federal government, MDHS's divisions allocate program funds to the PDDs and CAAs according to population and needs-based funding formulas. The divisions disburse federal funds to the PDDs and CAAs monthly, based on monthly cash advance requests and reports of actual past month expenditures made by the PDDs and CAAs.

While MDHS's Divisions of Aging and Adult Services and Community Services allocate federal program funds based on census data (see Appendix G on page 82), the Division of Early Childhood Care and Development allocates Child Care Development Funds based on each district's history of need, number of clients served, and number of eligible applicants on waiting lists.

All divisions of MDHS included in this review disburse federal funds to the PDDs and CAAs monthly, based on each subgrantee's monthly request for projected cash needs and its monthly reporting worksheets detailing program costs incurred for the most recently completed month.

Exhibit 2: Federal Matching Fund Requirements for Programs Included in PEER’s Review, by Funding Source

Federal Funding Source	Federal Share	State Share	Local Share
<i>Division of Early Childhood Care and Development Programs</i>			
Discretionary Funds authorized by the Child Care and Development Block Grant Act	100%	0%	0%
Mandatory Funds available under the Social Security Act	100%	0%	0%
Matching Funds available under the Social Security Act	Current FMAP Rate*	FMAP Rate Difference*	0%
<i>Division of Community Services Programs</i>			
Community Services Block Grant	100%	0%	0%
Low-Income Home Energy Assistance Program	100%	0%	0%
Weatherization Assistance Program	100%	0%	0%
<i>Aging and Adult Services Programs</i>			
Older Americans Act: Title III: D and Title VII	100%	0%	0%
Centers for Medicare and Medicaid Services	100%	0%	0%
Corporation for National and Community Services	100%	0%	0%
USDA Food and Nutrition Service	100%	0%	0%
Older Americans Act: Title V	90%	5%	5%
Older Americans Act: Title III: B, C1, and C2	85%	5%	10%
Older Americans Act: Title III: A and E	75%	25%**	
Social Services Block Grant	75%	0%	25%***

*The Federal Medical Assistance Percentage (FMAP) rate is used in determining the amount of federal matching funds for state expenditures for assistance payments for certain social services and state medical and medical insurance expenditures. The Social Security Act requires the Secretary of Health and Human Services to calculate and publish the FMAP rates each year. The FFY 2009 FMAP rate for Mississippi was 75.84%.

** State funds provide the match for Division of Aging and Adult Services Title III A expenditures, while local funds provide the match for AAA Title III A expenditures. The 25% match requirement under Title III E is borne entirely by local funds. See footnote on page 81 for an explanation of Title III A.

***10% cash, 15% payments in-kind

SOURCE: MDHS.

Chapter 2: Are safeguards over the expenditure of federal funds received by PDDs and CAAs through MDHS adequate to ensure that maximum dollars are applied to meeting service needs?

While safeguards are in place over the expenditure of federal funds received by PDDs and CAAs through MDHS, these safeguards have deficiencies and therefore do not guarantee that these funds are used as efficiently as possible to maximize the delivery of services to needy populations. Examples of deficiencies in safeguards include inconsistencies in classifying administrative costs across programs, lack of consideration for efficiency when approving annual program budgets, and inaccurate data in MDHS's electronic databases of program expenditures and units of service.

Federal regulations cite the importance of efficiency and cost effectiveness in federal programs; accordingly, the federal government has established safeguards over federal program expenditures. However, they are inadequate to ensure that maximum dollars are being applied to meeting service needs.

As discussed on page 49, passage of the Government Performance and Accountability Act of 1993 has resulted in an increased focus on the efficient use of public resources to achieve desired results. While federal oversight of grant programs has traditionally been focused on preventing fraud and abuse in the expenditure of public funds, the current focus also includes an emphasis on maximizing the productivity of public funds to achieve more effective results with fewer dollars.

PEER identified the following primary safeguards in place over federal program expenditures:

- caps on administrative expenditures;
- approved indirect cost rates;
- approved annual program budgets;
- reporting of expenditure and service data through electronic databases;
- monitoring reviews of service providers by MDHS;
- independent financial audits of service providers;
- in-depth auditing of service providers by MDHS; and,
- a competitively bid statewide contract for the provision of selected program services.

After identifying the various safeguards over program expenditures, PEER analyzed them, paying particular attention to whether the safeguards ensure that maximum dollars are being applied to meeting service needs.

PEER did not find deficiencies in the following areas:

- independent financial audits of service providers;
- in-depth auditing of service providers by MDHS; or,
- a competitively bid statewide contract for the provision of selected program services.

However, PEER found deficiencies in the following areas:

- deficiencies in administrative cost caps;
- no indirect cost caps or clear criteria for approving indirect cost rates;
- lack of consideration for efficiency when approving annual budgets;
- a cumbersome budget request process;
- inaccurate data in MDHS's electronic databases of program expenditures and units of service;
- limitations regarding MDHS monitoring reviews; and,
- PDDs' failure to provide adequate financial records.

The following discussions first address the safeguards in which PEER did not find deficiencies, followed by a discussion of those areas in which PEER found deficiencies in safeguards.

Independent Financial Audits of Providers

The Single Audit Act requires a certified public accountant to conduct an annual independent financial audit of each PDD and CAA that expends \$500,000 or more in federal funds during a fiscal year. The act also authorizes the U. S. Department of Commerce to conduct non-routine audits of PDDs and CAAs. Such a safeguard helps to ensure that PDDs' financial statements are accurate.

According to federal guidelines and the MDHS Subgrantee/Contract Manual, PDDs and CAAs that expend \$500,000 or more in federal funds are required to submit financial audit reports from independent certified public accountants each year in accordance with *Government Auditing Standards* and the Office of Management and Budget Circular A-133. The purposes of an independent financial audit are to assure that financial statements are free of material misstatement, to provide evidence supporting the amounts and disclosures in the financial statements, and to assess the overall financial statement presentations. While such audits are one safeguard over

expenditures, they are not designed to audit individual programs or to evaluate the efficiency of programs administered by PDDs.

The United States Department of Commerce, as cognizant⁶ federal agency over all PDDs, is authorized by the Single Audit Act of 1984 to monitor all non-federal entities that expend \$500,000 or more of federal awards in a year. The Department of Commerce assigned oversight of PDD and CAA expenditures for all federal programs to its Office of Inspector General and the Economic Development Administration. The Inspector General is responsible for conducting non-routine audits, approving indirect cost allocation plans, and overseeing financial, internal control, and compliance audits as required by the Office of Management and Budget.

In-Depth Auditing of Service Providers by MDHS

The MDHS Division of Program Integrity's Office of Investigative Audit has the authority to conduct in-depth audits of service providers when there are indications of potential fraud, misuse of funds, or program abuse.

MDHS, as the lead agency for administering the federal programs included in this review, is responsible for providing sufficient internal controls and monitoring capabilities to safeguard federal funds against loss or misuse.

The MDHS Subgrantee/Contract Manual states that the MDHS Executive Director is responsible for determining which course of action to take when there are indications of possible fraud, mismanagement, or program abuse found during monitoring of subgrantees. When authorized by the Executive Director, the Department of Program Integrity's Office of Investigative Audit may conduct an in-depth program audit.

⁶To simplify relations between federal grantees and awarding agencies, the U. S. Office of Management and Budget established the *cognizant agency* concept, under which a single agency represents all others in dealing with grantees in common areas. The federal cognizant agency approves (or disapproves) such an entity's indirect cost rate(s) on behalf of all federal agencies that provide funds to that organization. Once the federal cognizant agency approves the rate, it is accepted by other agencies when determining the amount of indirect costs applicable to their contracts and programs.

Reduced Contracting and Corrective Action Plan Between North Delta PDD and MDHS

In 1996, MDHS reduced contracting services with North Delta PDD after a monitoring review and investigative audit revealed major deficiencies. In November 2010, MDHS and North Delta PDD entered into a Corrective Action Plan after a hearing to de-designate North Delta PDD as an area agency on aging.

The MDHS Subgrantee/Contract Manual states that it is the policy of MDHS to conduct business only with responsible subgrantees. Thus, MDHS may debar, suspend, or terminate its contract with a subgrantee when the subgrantee's conduct "creates a reasonable belief that a particular act or omission has occurred."

In 1996, the Division of Program Integrity identified major fiscal and programmatic deficiencies during a monitoring review of North Delta PDD. A 1996 Investigative Audit report of North Delta PDD addresses fiscal and compliance issues of programs contracted with the North Delta PDD. The audit identified more than \$1.4 million in "questioned costs" and asked that the amount be refunded to the state by the PDD. The report cited major weaknesses in internal control procedures and violation of accounting principles in several major program areas (e. g., Area Agency on Aging, Child Care). MDHS referred the case to the Attorney General. After requesting an administrative hearing, the North Delta PDD filed an injunction in Hinds County Chancery Court against MDHS's efforts to collect the questioned costs. As a result of the audit, MDHS reduced contracting for services with North Delta.

MDHS is currently handling a case of fraud and mismanagement involving North Delta PDD. MDHS discovered problems during its annual monitoring review of North Delta AAA's administration of aging and adult services programs, which led to an in-depth audit of the AAA. After completing its in-depth audit of North Delta AAA on August 26, 2009, MDHS requested a refund of \$153,771.19 in aging and adult services subgrant funds. Also, the director and a senior case manager at North Delta AAA were arrested and charged with fraud.

In September 2010, a hearing was held to de-designate the North Delta Area Agency on Aging. Allegations against North Delta AAA included charging meals for people who were deceased and delivering meals to people who were not eligible for the meals. Further, MDHS claims that North Delta had consistently received negative audit findings, many of which were unresolved.

In November 2010, the MDHS Executive Director and the President of the Board of Directors for North Delta PDD signed a Corrective Action Plan between the North Delta PDD/AAA and MDHS Division of Aging and Adult Services. The Corrective Action Plan states that North Delta PDD is

allowed to continue as the Area Agency on Aging under certain conditions (e. g., North Delta PDD must appoint a management committee to meet twice monthly to review North Delta AAA's financial transactions). The Corrective Action Plan instructs the MDHS Division of Aging and Adult Services to appoint a monitor to provide consistent oversight, training, and technical assistance to North Delta AAA. The division is also responsible for executing a 2011 Area Plan to provide for the return of all aging programs to North Delta PDD. MDHS has the right to proceed with the de-designation process if North Delta does not comply with the terms of the plan.

Competitively Bid Statewide Contract for the Provision of Meal Services under Title III of the Older Americans Act

According to MDHS, for several decades MDHS has entered into a statewide contract for meal services under its congregate and home-delivered meal programs for the elderly that provides meals meeting program nutritional requirements at competitive prices.

In an effort to maximize efficiency in the provision of federally funded services, MDHS has entered into a statewide contract for meals under the Congregate and Home Delivered Meal Programs (authorized by Title III of the Older Americans Act) at least since the 1970s. In 2007, MDHS issued a Request for Proposals for the Elderly Nutrition Program for the period October 1, 2007, through September 30, 2008, with an annual renewal option. Valley Services, Inc., won the competitive bid and completed on September 30, 2010, the second of two one-year terms of the contract. The contract requires Valley Services, Inc., to provide five days per week approximately 10,000 meals per day meeting MDHS's nutritional and quality standards at the prices listed in Appendix H on page 89.

According to MDHS staff, Mississippi is the only state with a sole vendor statewide contract for meals that all AAAs must utilize. According to MDHS staff, the statewide contract ensures the provision of meals meeting program nutritional requirements at competitive prices.

Deficiencies in Administrative Cost Caps

Although there are administrative cost caps on most of the federal programs covered in this review, PEER found limited value in the caps because federal guidance on classifying costs as administrative versus indirect is ambiguous. Also, the types of costs defined as administrative (and therefore subject to the caps) have become more restricted over time, exceptions to the caps are regularly approved in certain programs by MDHS,

and, in the case of the Child Care Development Fund, none of the designated agents' expenses are subject to the five percent administrative cost cap. Thus, the cost caps cannot be viewed as an adequate control for minimizing costs that are not directly related to services for needy populations.

Federal law permits both state recipients and subrecipients of federal funds to withhold a portion of the funds to cover administrative and other indirect costs associated with operation of the federally funded programs. Appendix I, page 90, summarizes the statutory and/or regulatory caps on administrative costs for each of the programs in this review. A review of the acts authorizing the programs included in this review shows that while some acts include explicit administrative cost caps (ranging from 5% to 20% of federal grant awards), other acts do not include explicit administrative cost caps. For example, while Title XX of the Social Security Act defines and requires the reporting of administrative costs, it sets no caps on these expenditures. In the absence of federal caps, MDHS's Division of Aging and Adult Services has set administrative cost caps for Social Services Block Grant awards at 5% for the Division of Aging and Adult Services and 7% for the AAAs.

OMB Circular A-122 defines administration as "general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under facilities." Other acts included in this review contain specific language defining what constitutes an administrative cost as well as what types of costs are not allowable under the terms of the grant program.

If entities exceed these caps, the federal government has the authority to reduce or withhold federal funding for the next fiscal year.

Ambiguous Definitions for Administrative and Indirect Costs

OMB Circular A-122 provides the following guidance for states in classifying costs:

- *Direct costs* are "those that can be identified specifically with a particular final cost objective, i.e. a particular award, project, service, or other direct activity of an organization."
- *Indirect costs* are "those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective."

OMB Circular 122 further directs entities to classify indirect costs into two broad categories: facilities and administration.

- *Facilities* is defined as “depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.”
- *Administration* is defined as “general administration and general expenses such as the director’s office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under facilities.”

A May 2010 report by the U. S. Government Accountability Office (GAO) entitled “Treatment and Reimbursement of Indirect Costs Vary Among Grants, and Depend Significantly on Federal, State, and Local Government Practices” illustrates the ambiguity of federal guidance related to administrative and direct/indirect costs in the following two ways:

- On one hand, OMB Circular A-122 indicates that administrative costs are usually but not always indirect costs; however, that same guidance lists “administration” costs as one of two categories of indirect costs.
- OMB Circular A-87 uses the terms indirect and administrative interchangeably in certain places.

When prompted by GAO, OMB officials stated that it would be helpful to clarify how these costs should be treated. The report claims that by classifying similar costs differently, it is difficult to determine how much money grantees receive for cost activities typically thought of as indirect and at what rate. Also, different classifications could result in the same cost activity being covered for some entities but not others and could increase the complexity of administering the grants.

GAO found that legal definitions for administrative costs varied for seven federal grant programs reviewed, even though many of the same activities were performed to administer the programs. They also found that while indirect costs and administrative costs are not the same, many entities use the terms interchangeably. These kinds of inconsistencies in guidance across programs add to the challenge of administering federal grants.

Fewer Types of Costs Defined as “Administrative” Over Time

In 1992, the following three activities were listed as administrative costs under federal regulations governing implementation of the Child Care and Development Block Grant Act and therefore subject to the federal cap on administrative expenses: determining eligibility, establishing and operating a certificate program, and

developing systems. In 1998, the regulations were changed to omit these three activities from the definition of administrative costs. The effect of this omission was to make fewer types of costs subject to the administrative cap, thereby allowing designated agents under the program to increase their expenditures on other administrative costs such as expenses of the director's office. Restricting the definition of "administrative expenses" over time has weakened the power of the cap to control expenses not directly linked to the provision of program services.

Child Care Development Funds Not Subject to Administrative Cost Cap

Since a 1998 federal clarification on the Final Rule defining administrative costs under the Child Care Development Fund Program, none of the PDDs' expenses under the program have been subject to the five percent administrative cost cap.

While the state is held to the five percent administrative cap on Child Care Development Funds, expenditures of designated agents are not subject to the five percent administrative cost cap. Section 658E (c) (3) (c) of the Child Care and Development Block Grant Act (CCDBG) of 1990 states "the term 'administrative costs' shall not include the costs of providing direct services." A Child Care Development Fund Final Rule, published July 24, 1998, with an effective date of August 24, 1998, notes that while the statute does not define administrative costs, it does preclude "the costs of providing direct services" from any definition of administrative costs.

Responding to a 1998 MDHS request for clarification on the Final Rule regarding administrative costs, the Regional Hub Director of the Administration for Children and Families, U. S. Department of Health and Human Services concluded that all of the subgrantee services could be either directly or indirectly related to the activities of determining eligibility, issuing child care certificates, or operating and maintaining automated systems (activities defined as non-administrative [see discussion on page 62]); therefore, the entire cost of the subgrants could be considered exempt from the five percent administrative cost cap. The Regional Hub Director cautioned that if any future subgrant agreements include true administrative costs that cannot be directly or indirectly related to one of the above three services, then those costs would have to be reported as administrative costs and would be subject to the five percent administrative cost cap.

MDHS provided no documentation to show that it has conducted a comparison of contracts to verify that there have not been changes to include additional services that would be subject to the five percent administrative cost cap, as recommended by the State Auditor's Office in 2007.

In March 2007, the State Auditor's Office, in its review of Mississippi's Child Care Development Fund, recommended that MDHS review contracts since 1998 to verify that there had not been changes to include additional services that would be subject to the five percent administrative cost cap. MDHS is unaware as to whether this review has been conducted and therefore was unable to furnish any supporting documentation.

If there are additional services that would be subject to the cap, there is an opportunity to have spent a disproportionate amount of expenditures on these services rather than on direct services to children.

Despite the fact that the expenditure of federal Child Care Development Fund Program funds by PDDs has not been subject to the 5% administrative cost cap since 1998, all but two of the PDDs participating in the program spent less than 5% on non-direct costs in FFY 2009.

As noted on page 20, none of the PDDs' expenses under the Child Care Development Fund Program are subject to the five percent administrative cost cap. However, MDHS does track the amount of direct versus non-direct service expenditures. According to the Director of the Division of Early Childhood Care and Development, non-direct service expenditures are all costs incurred to run the certificate program (e. g., eligibility determination).

In an effort to monitor expenditures to determine whether states are overspending for activities that are not direct services to children, the federal government requires states to report separate expenditures for determining eligibility, establishing and operating a certificate program, and developing systems. States report these expenditures to the U. S. Department of Health and Human Services on the required Child Care Development Fund financial reporting form (ACF-696).

MDHS also collects direct versus non-direct expenditure information. Based on this information, PEER found that in FFY 2009, six of the eight PDDs participating in the Child Care Development Fund Program expended less than 5% of their grant funds on non-direct services--i. e., all costs excluding certificate costs.⁷ Only two PDDs, Golden

⁷ *Certificate costs* include money paid to child care providers for services to children through the CCDF program.

Triangle and Northeast Mississippi, expended more than 5% of their Child Care Development Fund Program grant funds on non-direct services in FFY 2009 (5.14% and 5.6%, respectively). If these expenses were subject to the 5 percent administrative cost cap, these two PDDs would have exceeded the cap.

No Indirect Cost Caps or Clear Criteria for Approving Indirect Cost Rates

While the U. S. Department of Commerce and MDHS Funding Divisions annually approve the indirect cost rates of PDDs and CAAs, they do not impose caps on indirect cost rates nor do they have clear criteria for approving indirect cost rates. Thus it is difficult to know whether the wide disparity in indirect cost rates is reasonable for the administration of the programs.

OMB Circular A-122 defines indirect costs as “those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.” Typical indirect costs include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting. However, as discussed on page 18, there is ambiguity in federal guidance related to indirect costs.

OMB Circular A-122 and the MDHS Subgrantee/Contract Manual require subgrantees to develop cost allocation plans and/or indirect cost rate agreements that cover the subgrantee’s entire operations. According to MDHS’s Subgrantee/Contract Manual, Section 5, page 6, the plan or agreement must be approved by the federal cognizant agency and the appropriate MDHS funding division.⁸ The Department of Commerce is the federal cognizant agency that approves indirect cost rates for the PDDs and CAAs. It should be noted, however, that MDHS claims that the Department of Commerce does not approve but only acknowledges the indirect cost rate. MDHS Funding Divisions further claim that they are not responsible for approving indirect cost rates, even though the department’s Subgrantee/Contract Manual states that they are.

Although the PDDs and CAAs must submit indirect cost rate proposals to the U. S. Department of Commerce and the MDHS Funding Division, neither has established an indirect cost cap that would restrict the amounts expended by PDDs and CAAs for such indirect costs as fringe benefits, rent, or utilities.

⁸ According to OMB Circular A-122, the federal *cognizant agency* is the agency responsible for negotiating and approving indirect cost rates for entities on behalf of all federal agencies.

Staff of the U. S. Department of Commerce stated that they base their approval of indirect cost rates on professional judgment as to whether rates are reasonable. In discussing indirect cost rates with PEER, MDHS staff noted that indirect costs can be justifiably high, particularly for small entities. For example, health insurance costs on a per employee basis for a small entity can be higher than for a larger entity. Thus indirect cost rates are judged on a case-by-case basis.

PEER notes that there is wide disparity among indirect cost rates of PDDs and CAAs. In the following paragraphs, PEER notes the ranges for indirect cost rates by funding division. Because of the lack of clear criteria for approving these rates, it is difficult to know whether the wide disparity in rates is reasonable.

Division of Early Childhood Care and Development

In FFY 2009, the Department of Commerce and the Division of Early Childhood Care and Development approved high indirect cost rates of 53.23% for North Central Mississippi, 50.59% for Northeast Mississippi and 42.61% for Southwest Mississippi. Other PDDs had indirect cost rates as low as 11.85% and 25.25%.

Division of Aging and Adult Services Programs

According to staff of MDHS's Division of Aging and Adult Services, indirect cost rates have ranged as high as 50% for some federally funded aging and adult services programs.

Lack of Consideration for Efficiency When Approving Annual Budgets

Federal regulations require MDHS to approve PDDs' and CAAs' annual program budgets and budget plan revisions. However, MDHS Funding Divisions do not analyze the efficiency of providing services in the process of approving annual program budgets. Thus, the budget provides no assurance that services are delivered as efficiently as possible.

Annually, PDDs and CAAs must enter into a subgrant agreement with MDHS, which is a contract that sets forth specific programs, activities, and guidelines for the use of subgrant funds. This agreement includes such documents as budget narratives and summaries, certifications, standard assurances, and indirect cost rate documents.

OMB Circular A-110 states "the budget plan is the financial expression of the project or program as approved during the award process." According to MDHS's Subgrantee/Contract Manual, each subgrant is to be organized and budgeted by activities according to the major functions necessary to accomplish the goals of the

subgrant. The manual further requires that funds be separated into nine budget categories (e. g., salaries and wages, contractual services) and also identified by the source of funds. Also, MDHS requires subgrantees to report deviations from budget and program plans and request prior approvals for budget and program plan revisions (as required in OMB Circular A-110).

MDHS Funding Divisions are responsible for ensuring that subgrantees have not exceeded the amounts approved in the budgets, while the Division of Program Integrity conducts comparisons of actual expenditures with reported costs and budgeted costs for each cost category and work activity at least once each subgrant period.

MDHS staff related to PEER that there are no standards for approval of a PDD's budget, except with regard to the amount of administrative costs that may be charged to each subgrant in compliance with applicable federal laws, rules, and regulations governing the program (see discussion on page 18 and Appendix I, page 90).

Ultimately, MDHS uses discretion in approving annual budgets. Thus, there is no assurance that services are delivered as efficiently as possible through analyses and questioning of potential over-budgeting and overspending in certain budget categories. Therefore, PDDs and CAAs could be providing services inefficiently (e. g., with more staff than needed) without MDHS questioning the necessity of certain expenditures.

Cumbersome AAA Budget Request Process

Federal regulations require PDDs to submit separate budgets for each subgrant. Because MDHS's Division of Aging and Adult Services makes separate subgrants for each program and funding source, its budget request process is cumbersome and potentially impedes the division's ability to focus on the efficiency of the programs.

The AAA budget request process is unwieldy, given that MDHS's Division of Aging and Adult Services requires each AAA to submit a separate annual budget narrative for each AAA program and funding source. For example, if an AAA provides its home-delivered meals with Title III funds, Title XX Social Services Block Grant funds, and American Reinvestment and Recovery Act funds, it must submit three separate home-delivered meal budget narratives, one for each funding source. Further, when the federal government takes multiple federal funding actions during a fiscal year, the AAA must submit a budget modification for each budget affected by each action. According to staff of MDHS's Division of Aging and Adult Services, these factors resulted in the submission of approximately 370 separate budget narratives by AAAs in FFY 2009.

As an example of the cumbersome budget requirements, Appendix J on page 92 lists the separate budget requests submitted by East Central AAA in FFY 2009 (twenty-five total). Not only do the AAAs have to account for their expenditures and service units by all of these separate budgets, but because they have three years to expend the funds, they also have to account for the funds by year in a three-year cycle.

According to MDHS staff, only one individual in the central office reviews the AAA budget requests and the entire focus of the review is to ensure that each budget does not exceed its expenditure authority for that program, fiscal year, and funding source. No attempt is made to analyze the components of each request as described in the budget narrative in order to identify possible areas where greater efficiency in the costs of operating the program could be achieved, thereby allowing for the shifting of budgeted dollars to fund more units of service (see discussion beginning on page 50).

PEER also notes that it is very difficult to hold the AAAs accountable for delivering the number of units of service budgeted for each subgrant, as the National Aging Program Information Systems reports units of service by program, which can include multiple subgrants.

Inaccurate Data in Electronic Databases of Program Expenditures, Units of Service, and Unit Costs Maintained by MDHS

MDHS utilizes various federally mandated electronic databases to track and report program expenditures and service data; however, inaccurate data compromises the utility of MDHS databases as a tool for program accountability.

In the 1990s, the federal government began mandating program performance reports, including electronic databases, in an effort to increase the efficiency and effectiveness of federally funded programs.

Data Inconsistencies in the Results Oriented Management and Accountability Electronic Database Covering Division of Community Services Programs

PEER encountered numerous problems regarding the reporting of expenditure and number of service units data in the Results Oriented Management and Accountability (ROMA) electronic database system.

In the 1990s, the U. S. Department of Health and Human Services' Office of Community Services initiated its Results Oriented Management and Accountability (ROMA) system in response to requirements contained in the Government Performance and Results Act of 1993 for federal agencies

to adopt a results-oriented program management approach to their operations. The office mandates CAAs to utilize the Results Oriented Management and Accountability electronic database for programs funded through the federal Community Services Block Grant program.

According to the Mississippi Results Oriented Management and Accountability website, the Mississippi ROMA is a comprehensive computerized system “intended to be a single, consistent, meaningful, client intake, tracking, service delivery and accountability system designed to help CAAs effectively address and track ROMA goals.”

CAAs are required to utilize the Results Oriented Management and Accountability electronic database only for programs funded by the Community Services Block Grant; however, CAAs have been encouraged to utilize the Results Oriented Management and Accountability electronic database as a tool for results-oriented management and accountability for their other programs as well.

Examples of the types of reports generated through the Mississippi Results Oriented Management and Accountability system include: client demographics (e. g., ethnicity, gender, age, income); energy assistance management (households and persons served); energy bill payment summaries, by service provider; list of denied applicants; and Community Services Block Grant budgeted services (dollars and units).

The federal Office of Community Services has provided training and technical assistance funding to all aspects of the Results Oriented Management and Accountability electronic database implementation throughout the history of the initiative. Examples of the types of grants provided by this office include: developing model ROMA measures, strategies, and information systems; creating training and technical assistance materials for use by the network; implementing statewide strategic planning and program renewal, performance measurement, and reporting; and, establishing and maintaining national ROMA technical assistance resources and a ROMA Clearinghouse.

MDHS's Division of Community Services provided PEER with information generated by the Results Oriented Management and Accountability electronic database regarding the expenditures and units of service provided by CAAs for FFY 2009; however, the information contained numerous inaccuracies and typographical errors, which compromised PEER's analysis. For example, as a result of data entry problems, the database contained numerous erroneous duplications of expenditures (i. e., the same reported expenditures for different CAAs and different programs that actually incurred different expenses) as well as other obviously incorrect data (e. g., CAA administrative

expenditures incorrectly reported as significantly higher than expenditures on services for multiple CAAs).

Also, there were inconsistencies in the Results Oriented Management and Accountability system data for the number of households served through the Community Services Block Grant program from January 1, 2009, through December 31, 2009. Specifically, the statewide total of households served reported in the database (45,105 households) did not match the sum of the number of households served by each CAA as reported in the database (47,818--2,713 more than the reported statewide total).

Without correct and complete expenditure and service unit data, MDHS and external reviewers such as PEER are unable to use Mississippi's Results Oriented Management and Accountability system for its intended purposes of assessing and improving program efficiency and effectiveness.

Data Inconsistencies in the National Aging Program Information Systems State Program Performance Report covering Division of Aging and Adult Services Programs

The 1992 reauthorization of the Older Americans Act directed the U. S. Department of Health and Human Services' Administration on Aging to improve performance reporting on programs and services funded by the act. In response, the Administration on Aging developed an electronic database called the National Aging Program Information Systems State Program Performance Report and requires states receiving federal funds under the Older Americans Act to submit program data to the National Aging Program Information Systems State Program Performance Report through an online reporting application. Three principal types of data included in the system are:

- performance data on programs and services funded by the Older Americans Act (including data on service unit costs);
- demographic/descriptive data on the elderly population; and,
- descriptive data on the infrastructure of home- and community-based services in place to assist older persons.

The intent of the National Aging Program Information Systems State Program Performance Report is to make it possible for the U. S. Department of Health and Human Services' Administration on Aging to develop and disseminate information to Congress, states, and other

stakeholders regarding the performance of programs funded through the Older Americans Act.

According to staff of MDHS's Division of Aging and Adult Services, Mississippi implemented the National Aging Program Information Systems State Program Performance Report in FFY 2006. In FFY 2008, AAAs began reporting their National Aging Program Information Systems data online for the first time.

A combination of the following factors has resulted in inaccurate data in the National Aging Program Information Systems electronic database:

- unexplained problems causing random unintended changes to entered data;
- confusion among AAAs about what data to report;
- refusal by some AAAs to submit certain required data; and,
- absence of steps to validate the self-reported National Aging Program Information Systems State Program Performance Report data through available external data sources.

Each of these problems is discussed in more detail in the following sections.

Random Unintended Changes to Entered Data

According to MDHS staff, after reviewing Mississippi's FFY 2008 National Aging Program Information Systems State Program Performance Report, staff from the U. S. Department of Health and Human Services' Administration on Aging directed MDHS staff to go back into the system and add certain homemaker services program data that had been mistakenly omitted from some of the numbers reported by AAAs. According to MDHS staff, when they "unlocked" the system to add the FFY 2008 data electronically, FFY 2009 data that was already in the system was randomly altered. It took numerous corrections to restore the FFY 2009 data to its reportedly original form. PEER was trying to access and analyze FFY 2009 AAA data during this time and the "correct" FFY 2009 data kept changing. PEER was informed that the problems causing the unintentional alterations to data in the system have since been corrected; however, PEER notes that the FFY 2009 National Aging Program Information Systems data continued to change after the reported final correction.

Confusion Among AAAs about What Data to Report

A review of FFY 2009 National Aging Program Information Systems State Program Performance Report data indicates that some AAAs are confused about what data to report, especially in the categories of “service units” and “total service expenditures.” Because the National Aging Program Information Systems State Program Performance Report was developed as a performance accountability tool for Title III and Title VII of the Older Americans Act, it is somewhat surprising to note that according to the federal reporting requirements, AAAs are supposed to include service unit and expenditure data from all funding sources, including Title XX Social Services Block Grant and Medicaid Title XIX Waiver. Some of the AAAs only included Title III funding and unit of service data in their FFY 2009 National Aging Program Information Systems reports for “total service expenditures” and “service units,” making their data incomparable with AAAs that included service units and expenditures from all funding sources.

Insufficient Reporting of Certain Required National Aging Program Information Systems State Program Performance Report Data

MDHS staff told PEER that four of the ten AAAs do not report data for Medicaid Title XIX Waiver meals in their National Aging Program Information Systems State Program Performance Report, even though the federal reporting requirements instruct them to do so. According to MDHS staff, their argument against providing the data is that the Mississippi Division of Medicaid, not MDHS, controls this federal funding source and therefore they should not have to report the data to MDHS.

No Validation of the Self-Reported National Aging Program Information Systems State Program Performance Report Data through Available External Data Sources

Some large discrepancies between budgeted program data and self-reported actual program data in the National Aging Program Information Systems State Program Performance Report led PEER to question the reliability of the self-reported data. When asked whether MDHS staff performs any cross-checks of the self-reported National Aging Program Information Systems State Program Performance Report data through available external sources (e. g., verifying the number and cost of meals purchased by AAAs during FFY 2009 through the accounting records of the statewide contract meal provider, Valley Services, Inc.), MDHS staff said that they had not performed any such checks in the past. However, MDHS staff said that it plans to perform such checks in the future.

PEER notes that until MDHS addresses these National Aging Program Information Systems State Program Performance Report reporting problems, the system cannot be used to its full capacity as a tool for evaluating the performance of AAAs in providing services efficiently and effectively to the state's elderly population.

Limitations Regarding MDHS Monitoring Reviews

While federal regulations require the Division of Program Integrity to determine whether expenses are reasonable and necessary for the administration of the subgrant, the division generally does not question the reasonableness or necessity of disbursements, as long as they coincide with the budgeted amounts approved by the Funding Divisions. Thus monitoring reviews may not give assurances regarding the efficiency of PDDs or CAAs.

According to federal regulations, states must ensure that subgrantees comply with fiscal and program requirements through monitoring. Specifically, federal program and fiscal monitoring requirements for states are to:

- “monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.” (OMB Circular A-133, Subpart D, Section.400(d)(3))
- “manage and monitor each project, program, subaward, function or activity supported by the award.” (45 CFR 74.51(a))
- “monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.” (45 CFR 92.40(a))

MDHS's Division of Program Integrity conducts monitoring reviews of all PDDs and CAAs once every subgrant period. In its monitoring reviews of subgrantees, the Department of Program Integrity conducts a non-payroll cash disbursements test. According to the monitoring manual, part of this test helps to determine that “the expense was allowable in that it . . . was reasonable and necessary for the administration of the subgrant/activity charged.”

Monitors use a checklist for the disbursements test, which consists of a series of steps. One column in the spreadsheet is labeled “Allowable? Yes No” and monitors are to place a check mark in the appropriate column. An expense is allowable if it is obligated within the effective dates of the subgrant period, classified to the appropriate budget category, and reasonable and necessary to administer the subgrant/activity charged, among other criteria.

MDHS staff refer to OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, for criteria for reasonableness of a given cost. OMB Circular A-122 states:

In determining the reasonableness of a given cost, consideration shall be given to:

- *Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.*
- *The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.*
- *Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.*
- *Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.*

However, staff do not document the thought process to show that they actually conducted checks on efficiency. It is difficult for a third-party reviewer to draw the same conclusions of reasonableness independently based only on the limited documentation included in the monitoring review (e. g., a check for allowable expense). PEER further questions the reasonableness of disbursements based on an analyses of program and other costs, which shows high variance across PDDs and CAAs. (See Chapter 4, pages 49 through 63, for a discussion of opportunities for improved efficiencies for the programs included in this review.)

According to interviews with staff from the Department of Program Integrity, the staff use professional judgment when determining reasonableness or necessity of disbursements. A violation regarding reasonableness or necessity would have to be blatant in order for the Department of Program Integrity to write a negative finding. Generally, if the disbursement coincides with the budgeted amounts approved by the Funding Divisions, it is considered allowable in terms of reasonableness or necessity.

The Division of Program Integrity lacks sampling procedures to ensure an acceptable error rate by which to judge the accuracy of findings related to disbursements.

In accordance with Section H of the MDHS Fiscal Monitoring Tool Procedures, the Division of Program Integrity selects twenty disbursements from the latest cost reporting worksheet, which covers one month of disbursements. Monitors select disbursements from each cost category (e. g., travel, contractual, commodities, indirect). PDDs' expenditures cannot exceed the amounts for which they were approved; therefore, the Division of Program Integrity reports any PDD that exceeds its budget category. Also, monitors are responsible for establishing that each subgrantee has expended funds as required by law in a prudent manner.

The Division of Program Integrity claims that if there are findings of noncompliance, it conducts additional tests on disbursements. However, the division does not indicate a method for determining how many disbursements to test in order to ensure an acceptable error rate. Sample sizes should be based on the desired confidence level, upper precision limit (i. e., the magnitude of deviation of a sample value from the population), and the expected rate of occurrence (i. e., the percentage of disbursements with findings of noncompliance).

Although ensuring an acceptable error rate might require more time, particularly for larger entities, conducting tests without an acceptable rate could place into question the accuracy and thoroughness of the monitoring reviews.

PDDs' Failure to Provide Adequate Financial Records

According to MDHS, during a monitoring review in April and May 2010, one PDD failed to provide MDHS Division of Program Integrity monitors with adequate financial documentation to support financial claims. MDHS had not finalized this review as of November 2010.

MDHS's Division of Program Integrity has recently encountered problems completing monitoring reports and visits with one PDD. Division of Program Integrity staff informed PEER that during a recent monitoring review in April and May 2010, a PDD refused to provide monitors with adequate, original documentation to support its financial claims. This resulted in MDHS questioning all reported costs related to the FFY 2009 and 2010 MDHS Division of Early Childhood Care and Development (a total of \$2.9 million) and Division of Aging and Adult Services (a total of \$623,393) subgrants. This review has not been finalized, as the PDD had not furnished sufficient

documentation as of November 2010. Among the seventeen findings of this review were:

- wages paid to three employees were at a rate above that which was approved in the subgrant;
- the subgrantee accounting system cannot identify which subgrant a specific child care certificate was paid from and the accounting system does not separate expenses charged to these subgrants; and,
- costs were improperly classified as commodities instead of contractual services.

Because the review has not been finalized after six months, PEER reviewed the corrective action process for MDHS found in its Subgrantee/Contract Manual. The process includes the following stages and time frames:

- MDHS provides a Report of Findings and Recommendations to subgrantee.
- The subgrantee has fifteen working days to submit a written response to MDHS.
- MDHS staff assesses the response for adequacy.
- If the response is adequate, MDHS accepts the response and issues a letter to the subgrantee clearing all findings.
- If the response is inadequate, MDHS notifies the subgrantee in writing by issuance of a Status Report.
- The subgrantee has ten working days to respond with additional information.
- If the subgrantee fails to resolve the findings, the Bureau of Audit and Evaluation issues a Final Notice Letter to the subgrantee demanding refund of any questioned costs. Also, MDHS advises the subgrantee of the procedures to follow if it wishes to request an administrative hearing.
- If the subgrantee does not respond to the Final Notice letter, MDHS refers the subgrantee to the State of Mississippi Office of the Attorney General to recover the unresolved questioned costs. Also, MDHS begins procedures for debarment and suspension against the subgrantee.

While MDHS's Subgrantee/Contract Manual limits the subgrantee's total possible response time to twenty-five working days, the manual sets no time limit for MDHS's actions. It is unclear as to why this particular review is ongoing after six months; however, it is a clear example of the lack of timely resolution of a monitoring review. Time frames and dates for each step in the process would need to be included in MDHS's Subgrantee/Contract Manual in order to determine the reason for the delay in resolution.

Chapter 3: To what extent are PDDs and CAAs meeting service needs within their service areas utilizing federal funds received from MDHS, including ensuring that the needs of those program-eligible individuals in the highest priority categories are being met?

In Mississippi, as well as nationally, only a small percentage of the potentially eligible and priority service group populations receive services through the various programs included in this review.

Both legislators and PEER have received complaints of individuals in need of services who are unable to receive the needed services due to limited service availability. Data for child care development fund and aging and adult services programs indicates that in FFY 2009, less than 20% of individuals eligible for these services were served, even with the availability of additional federal funding during FFY 2009 through the American Reinvestment and Recovery Act.

What are the eligibility requirements and priority service recipients for programs included in this review?

In general, service priority under the programs included in this review is given to lower-income individuals. Other priorities are built into specific programs, such as a priority in the Child Care Development Fund Program to serve children with special needs and a priority in the aging and adult services programs to serve low-income minorities, individuals living in rural areas, and the elderly at greatest risk for institutional placement.

Eligibility Requirements and Priority Service Recipients for the Child Care Development Fund Program

Eligibility for the Child Care Development Fund Program requires that the:

- child is under the age of thirteen, or under the age of nineteen if physically or mentally incapable of self-care, or under court supervision;

- family income is no more than 85% of the State Median Income (SMI)⁹;
- parent works twenty-five hours or more per week in a single-parent family or in the case of a two-parent family, each parent must work at least twenty-five hours per week, or one parent must work at least twenty-five hours per week and the other parent must be enrolled in an approved full-time educational or training program.

Also, eligible parents must cooperate with MDHS Child Support Enforcement regulations in order to be eligible for child care services unless the parent is already receiving child support by court order. According to the MDHS State Child Care and Development Fund Plan, “MDHS may provide exemptions” in certain cases (e. g., when “the noncustodial parent has caused physical and/or emotional harm to the child”).

Priority Populations

MDHS is responsible for determining priority populations for those eligible for child care certificates. At a minimum, the Child Care Development Fund Program requires MDHS to give priority for child care services to children with special needs or in families with very low incomes. MDHS has established the following priority populations:

Guaranteed Subsidy Eligibility

- 1st Child Care for recipients of Temporary Assistance for Needy Families (TANF)
- 2nd Child Care for Temporary Assistance for Needy Families Transitional Child Care (TCC) recipients¹⁰

Subsidy Eligibility Dependent on Funding

- 3rd Children of very low income working parent(s) whose income is at or below fifty percent of the State Median Income who are at risk of going on Temporary Assistance for Needy Families in the following order:
 - A. Children in protective services or foster care;
 - B. Children with special needs (up to 85% of the State Median Income)

⁹State Median Income (SMI) is established by the U. S. Department of Health and Human Services. These guidelines are used to determine income eligibility for various local, state, and federal programs. The U. S. Department of Health and Human Services determined the State Median Income for a family of four in Mississippi in FY 2009 as \$52,992.

¹⁰ TANF Transitional Child Care is for families who continue to receive child care benefits for up to twelve months once the family’s TANF case is closed because of increased earnings.

- C. Children of parent(s) deployed in the Mississippi National Guard or Reserve (up to 85% of the State Median Income)
 - D. Children of teen parent(s) currently enrolled in high school full-time
 - E. Children of all other eligible parent(s) at this income level
- 4th Children of parent(s) working the required twenty-five hours per week whose income falls above fifty percent of the State Median Income and at or below 85% of the State Median Income
 - 5th Children of parent(s) in an approved full-time educational or training program and working less than twenty-five hours per week regardless of where the family income falls up to 85% of the State Median Income
 - 6th Children of parent(s) in an approved full-time educational or training program and not working

Eligibility Requirements and Priority Service Recipients for the Division of Community Services Programs

Eligibility Requirements and Priority Service Recipients for the Low-Income Home Energy Assistance Program

The state's Low-Income Home Energy Assistance Program eligibility requirement is 150% of the federal poverty guidelines¹¹ for heating, cooling, and crisis assistance. According to the Low-Income Home Energy Assistance Program State Plan, preference for receiving heating, cooling, and crisis assistance is given to those households with elderly residents, disabled residents, or children.

Eligibility Requirements and Priority Service Recipients for the Weatherization Assistance Program

The state's Weatherization Assistance Program eligibility requirement is 200% of the federal poverty guidelines. In addition, the Weatherization Assistance Program gives priority to households as shown in Exhibit 3, page 37.

In addition to the priority types listed in Exhibit 3, the Weatherization Assistance Program Selection Tool that is

¹¹ Each year, the U. S. Department of Health and Human Services issues the *federal poverty guidelines*, published in the *Federal Register*. The guidelines are a simplification of the federal poverty thresholds (updated each year by the U. S. Census Bureau) for use for administrative purposes, such as determining financial eligibility for certain federal programs. The U. S. Department of Health and Human Services' federal poverty guideline for a family of four was \$22,050 in 2009.

utilized for all applicants to the program also gives preference to homeowners over renters in regard to residency status and single-family dwellings preference over multi-family dwellings.

Exhibit 3: Priority Percentages of Households for Participation in the Weatherization Assistance Program in Mississippi

Priority Type	Percentage
Elderly	60%
Disabled	20%
Households with children (<19 years old)	10%
High energy user	5%
High energy burden	5%
Total	100%

SOURCE: Weatherization Assistance Program State Plan.

Eligibility Requirements and Priority Service Recipients for the Community Services Block Grant Program

To be eligible for services funded through the Community Services Block Grant Program, a family’s annual income must be less than or equal to 200% of federal poverty guidelines.

Eligibility Requirements and Priority Service Recipients for the Division of Aging and Adult Services Programs

While all individuals age sixty and over are eligible to apply for the federally funded aging and adult services programs listed in Appendix F on page 74, the programs target those older individuals with the greatest economic needs, the greatest social needs, and those residing in rural areas. According to 42 USC 3025 (2)(E), which governs federal programs for older Americans, MDHS’S Division of Aging and Adult Services must:

. . . provide assurances that preference will be given to providing services to older individuals with greatest economic need and older individuals with greatest social need (with particular attention to low-income older individuals, including low-income minority older individuals, older individuals with limited English proficiency, and older individuals residing in rural areas), and include proposed methods of carrying out the preference in the State plan.

Subsequent amendments to the act included the following additional priority service population categories: older individuals at risk for institutional placement, older

individuals with severe disabilities, and older individuals with Alzheimer's disease and related disorders.

Spouses, regardless of age, of eligible persons may also participate in the meals programs, as well as persons under age sixty with disabilities who reside in housing facilities occupied primarily by the elderly where congregate meals are served; persons with disabilities who reside at home with, and accompany, older persons to meals; and nutrition service volunteers.

Are applicants properly prioritized in the intake process?

While the prioritization of applicants for the Child Care Development Fund and Weatherization Assistance programs is in accordance with federal service priority mandates, flaws in the assignment of points on the Consumer Information Form that AAAs use to assess and prioritize applicants for programs receiving federal funds through MDHS's Division of Aging and Adult Services could result in certain federally mandated priorities not being met.

Prioritization of Applicants for the Child Care Development Fund Program

Designated agents serve children on a first-come, first served basis in the order of priority established by the Division of Early Childhood Care and Development. (See page 35 for a description of the six priority groups.) Designated agent staff date-stamp applications as they are received and enter the information into the Child Care Information System (CCIS). As described in the Division of Early Childhood Care and Development Policy Manual, families receiving Temporary Assistance for Needy Families (TANF) and families transitioning off of this assistance are guaranteed child care services, while services for the other priority groups depend on funding.

Prioritization of Applicants for the Weatherization Assistance Program

The Weatherization Assistance Program Selection Tool that is utilized for all applicants to the program does give preference to the priority categories discussed on pages 36-37. The intake tool also gives preference to homeowners over renters in regard to residency status and single-family dwellings have preference over multi-family dwellings.

Prioritization of Applicants for Programs Receiving Federal Funds through MDHS's Division of Aging and Adult Services

AAA program specialists assess the priority status of each applicant for AAA services using the Division of Aging and Adult Services' Consumer Information Form. Applicants are prioritized according to the total number of points scored on the intake form, ranging from 0 to 77. The instrument is weighted heavily toward those applicants at highest risk for institutional placement due to their inability to function independently. There are thirty possible points in the section called Activities of Daily Living (i. e., bathing, dressing, toilet use, transfer mobility, eating, walking in home) with the highest number of points awarded to those applicants who are totally dependent on a caregiver for performing these activities. Similarly, there are thirty-two possible points in the section called Instrumental Activities of Daily Living (i. e., meal preparation, managing money, light housework, transportation, managing medicines, heavy housework, shopping, and telephone), with the highest number of points awarded to those applicants who cannot perform the function at all without help. There are an additional six points possible in a category called "nutrition risk," which is based on the applicant's eating habits, ability to eat, and specific health status indicators (e. g., applicants who take three or more drugs per day, applicants who are diabetic, applicants who have recently experienced unplanned significant changes in weight). Finally, three points are awarded for each of the following status indicators: minority status, rural status, and income status (i. e., income below the poverty level).

An applicant's score on the Consumer Information Form determines the level of AAA services that he or she is eligible to receive. A score of 0-21 points entitles any applicant sixty years or older to be eligible to receive Level I services such as congregate meals, legal assistance, and transportation. A minimum score of 22 is required for an applicant to be eligible to receive Level II services such as homemaker, respite, chore, and home delivered meals, which service also requires that the applicant be home-bound.

With respect to priority service populations, PEER notes that the Consumer Information Form awards no points for limited English proficiency, even though this is a priority service population category mandated by the Older Americans Act. While the form includes a question addressing the applicant's primary language, with check boxes for "English fluent," "English literate," "needs translation," "limited English," and "illiterate," no points are awarded for those responses indicating limited English proficiency. As a result, this population is not receiving the priority status mandated by the act.

PEER also notes that while the Consumer Information Form correctly awards additional points for rural status and low-income status, as these are priority population categories under the Older Americans Act, the form also awards additional points for minority status, which taken alone is not a specified priority population category under the act. The Older Americans Act mandates preferential status to “low-income older individuals, including low-income minority older individuals.” By awarding additional points to all minorities, regardless of income, there is a three-point bias built into the client intake instrument against non-minority applicants with incomes above the poverty level.

What percentages of the eligible and priority populations are being served?

Percentages of eligible and priority populations receiving federally funded child care services

State and national data indicate a potentially large need for child care services through the Child Care Development Fund Program.

The U. S. Department of Health and Human Services uses data from the Current Population Survey (CPS) conducted by the U. S. Census Bureau to generate estimates of children and families eligible for Child Care Development Fund Program child care subsidies.

Federally eligible children include all children who are potentially eligible to receive subsidized care based on the federal eligibility parameters of the Child Care Development Fund Program (i. e., children under age thirteen or special needs up to age eighteen; family income less than eighty-five percent of the State Median Income; and parent[s] must be employed or in an educational or training program).

Within the federal parameters, states have flexibility in setting eligibility standards for income. As a result, the number of eligible children under federal parameters differs from the number of eligible children under state parameters. According to a 2010 report from the U. S. Department of Health and Human Services, the number of children eligible under state parameters is less than the number of children eligible under federal parameters in every state. In Mississippi, an estimated eighty percent of federally eligible children are eligible under state parameters.

A 2010 report by the U. S. Department of Health and Human Services showed that nationally, an estimated 17% of children who were eligible for the Child Care Development Fund Program received services in FFY

2006. In Mississippi, an estimated 26% of children who were potentially eligible were served in FFY 2006.

In April 2010, the U. S. Department of Health and Human Services' Office of the Assistant Secretary for Planning and Evaluation (ASPE) released a brief entitled "Estimates of Child Care Eligibility and Receipt for Fiscal Year 2006." The Office of the Assistant Secretary found that, in FFY 2006, approximately seventeen percent of federally eligible children received subsidized care through the Child Care Development Fund Program in an average month. The reader should note that the eligible population includes an unknown number of families who did not apply for Child Care Development Fund Program services. Eligible children from the lowest-income families were most likely to receive services; thirty-nine percent of eligible children were from families with incomes below one hundred percent of poverty.

As a result of states having more restrictive standards for income, only fifty-five percent of federally eligible children were eligible for subsidies under state-defined rules in FFY 2006. For Mississippi, the Office of the Assistant Secretary for Planning and Evaluation estimated that 149,560 children were potentially eligible under federal parameters, while an estimated 118,970 children (80%) were eligible under state-defined rules. Data from the U. S. Department of Health and Human Services' Administration for Children and Families showed the estimated monthly average of children served in Mississippi for FFY 2006 was 39,100. Thus, an estimated twenty-six percent of children who were eligible under federal parameters received services through the Child Care Development Fund Program in Mississippi in FFY 2006. An estimated thirty-three percent of children who were eligible under state-defined rules received services.

According to MDHS data, the percentage of eligible families in Mississippi who received child care services through the Child Care Development Fund Program in FFY 2009 is relatively small, with only 14.4% of potentially eligible families receiving services.

One of the Administration for Children and Families' performance outcomes for the Child Care Development Fund Program is to increase and maintain accessibility of child care for served families. In the September 2009 MDHS Child Care Development Fund Program Submission Summary, MDHS provided the following measurement for this outcome: 14.4 percent of potentially eligible families received subsidies. As mentioned previously, the eligible population includes an unknown number of families who did not apply for Child Care Development Fund Program services.

Percentages of eligible and priority populations receiving federally funded aging and adult services

The percentage of eligible and priority populations receiving federally funded aging and adult services in Mississippi is relatively small, with only 14.5% of residents age sixty or above with incomes below the poverty level statewide receiving services. While federal funding limitations prevent the delivery of services to all of those eligible and in need, it is possible that more people could be served with current funds if AAAs maximized their efficiency in the delivery of services, as discussed in the next chapter.

As shown in Exhibit 4, page 43, the percentages of eligible (age sixty or above) and priority populations (age sixty+ below poverty, age sixty+ minority below poverty, and age sixty+ rural) served through Title III programs statewide are relatively small. While only roughly six percent of the eligible population age sixty or older and the rural population age sixty or older is served by these programs, a better indicator of need for services is reflected in the “below poverty” data. This data shows that roughly 15% of these populations are being served by Title III programs. These percentages indicate the possibility of a fairly large unmet demand for services.

Exhibit 4 also indicates a fairly wide range of percentages of service area populations served, by AAA. For example, the data shows Three Rivers AAA serving 4.99% of its elderly population with incomes below poverty while Golden Triangle AAA reports serving 31.27% of this population in its service area. With respect to elderly minority populations below poverty, Three Rivers AAA reports serving 4.91% of this population in its service area while Northeast AAA reports serving 27.85%.

What are the demographic characteristics of individuals receiving services through these programs?

The demographic characteristics of individuals receiving services vary by program.

Demographic Characteristics of Individuals Receiving Services through the Child Care Development Fund Program

In FFY 2009, 65.5% of Child Care Development Fund Program clients reported that subsidies were for children under the age of six, 90% reported monthly incomes of \$2,000 and below, 90% reported families headed by a single parent, 86% reported family size of two to four people, and 89% reported their race as black.

Generally, parents who receive subsidies under the Child Care Development Fund Program place their children in a

day care center while they maintain employment. (See Exhibit 5, page 44.) Client-specific data available for the Child Care Development Fund Program show that the majority (approximately 65.5%) of children served are under the age of six (although children are eligible under age thirteen or under the age of nineteen if disabled or under court supervision). (See Exhibit 6, page 44.) Further, data shows that approximately 76% receive subsidies because of employment requiring the parent or parents to work twenty-five hours or more per week (refer to discussion of program eligibility requirements on page 34). (See Exhibit 7, page 44.)

Exhibit 4: Percentages of Eligible (Age 60+) and Priority (Age 60+: Below Poverty, Minority Below Poverty, and Rural) Aging and Adult Services Populations Served through Title III Programs Reporting Client Specific Data* through the National Aging Program Information System under the Older Americans Act in FFY 2009, Statewide and by Area Agency on Aging

AAA	Age 60+	Priority Populations		
		Age 60+ Below Poverty	Age 60+ Minority Below Poverty	Age 60+ Rural
Central	3.12%	18.18%	18.14%	4.61%
East Central	4.66%	9.74%	8.54%	4.91%
Golden Triangle	8.98%	31.27%	27.76%	9.95%
North Central	9.10%	17.07%	16.83%	14.44%
North Delta	6.18%	22.89%	23.71%	9.53%
Northeast	6.83%	22.29%	27.85%	8.40%
South Delta	25.53%	16.94%	8.28%	5.54%
Southern	4.01%	8.07%	19.48%	5.17%
Southwest	3.25%	10.43%	10.52%	4.94%
Three Rivers	5.30%	4.99%	4.91%	5.21%
Statewide	5.96%	14.48%	15.94%	6.52%

*While the National Aging Program Information Systems collects client-specific data for the following Title III services--Personal Care, Homemaker, Chore, Home Delivered Meals, Adult Day Care/Health, Case Management, Transportation, Congregate Meals and Nutrition Counseling--it does not require the collection of client-specific data for unregistered services, which include Legal Assistance, Nutrition Education, Information and Assistance, Outreach, and Other Services. Differences in reporting between the National Aging Program Information Systems and the Census could make the reported percentages slightly inaccurate (e. g., the Census reports race data for all residents, while 89% of National Aging Program Information Systems clients statewide reported race in FFY 2009 [ranging from 70% of clients reporting race in Southern Mississippi AAA to 100% reporting race in Southwest Mississippi AAA]).

SOURCE: 2000 U. S. Census data as reported by MDHS's Division of Aging and Adult Services and service data as collected by MDHS's Division of Aging and Adult Services through the National Aging Program Information Systems.

Exhibit 5: Percentage of Children Served in the Child Care Development Fund Program by Reported Child Care Type for FFY 2009

Reported Child Care Type	In-home	Family Home	Group Home	Day Care Center
Percentage	2.93%	20.75%	0.51%	75.81%

SOURCE: PEER analysis of CCDF Submission Summary for September 2009.

Exhibit 6: Percentage of Children Served in the Child Care Development Fund Program by Reported Age for FFY 2009

Reported Age	0-11 months	12-23 months	24-35 months	36-47 months	48-59 months	60-71 months	72-154 months
Percentage	5.2%	12.0%	14.9%	13.9%	11.1%	8.9%	34.0%

SOURCE: PEER analysis of CCDF Submission Summary for September 2009

Exhibit 7: Percentage of Children Served in the Child Care Development Fund Program by Reported Reason for Receiving Assistance for FFY 2009

Reported Reason for Receiving Assistance	Employment	Training/Education	Both Training/Education and Employment	Protective Services	Other
Percentage	75.8%	19.4%	2.36%	1.48%	.96%

SOURCE: PEER analysis of CCDF Submission Summary for September 2009

Client-specific data available for the Child Care Development Fund Program in FFY 2009 show that over 89.4% of children served were black, while 8.7% were white. (See Exhibit 8, page 45.) This data correlates with a January 2010 report by Columbia University's National Center for Children in Poverty, which states that black and Hispanic children disproportionately live in households with incomes below \$22,050 a year for a family of four.

Exhibit 8: Percentage of Children Served in the Child Care Development Fund Program by Reported Race for FFY 2009

Reported Race	Black	White	Other*	Not Reported
Percentage	89.4%	8.7%	1.8%	0.1%

*Other reporting races include Native American or Alaskan Native, Asian, Native Hawaiian or Pacific Islander, or multi-race.

SOURCE: PEER analysis of CCDF Submission Summary for September 2009

Demographic Characteristics of Individuals Receiving Services through Division of Aging and Adult Services Programs

While 96% of clients served through aging and adult services programs are age sixty or older, only 40% of clients served through these programs statewide report incomes below the poverty level. This could be reflective of the program's primary objective of preventing the unnecessary institutional placement of the elderly, regardless of income level.

As shown in Exhibit 9 on page 46, according to the client-specific program data collected through the National Aging Program Information Systems, Mississippi AAAs served 29,169 clients during FFY 2009. Of these clients statewide, 96% reported that they were age sixty or older and 57% reported living in a rural area, with even higher percentages reported at the individual AAA level--e. g., 100% rural clients in Southwest Mississippi AAA and 95% rural clients in Northeast Mississippi AAA. These particularly high percentages of rural clients reported by Southwest and Northeast Mississippi AAAs are reflective of the fact that only approximately 1% of the service areas of these two AAAs were classified as urban areas according to the 2000 U. S. Census.

With respect to the income levels and race of clients served in FFY 2009 statewide, only 40% reported income below poverty and 22% reported that they were a minority with an income below poverty even though these are federally mandated priority service groups. However, at the level of the individual AAA, some of these reported percentages were significantly higher. For example, Central Mississippi AAA reported 83% of clients with incomes below poverty and 53% of clients who are a minority with an income below the poverty level.

Exhibit 9: Number and Characteristics of Unduplicated Number of Persons Served by the Older Americans Act Aging and Adult Services Programs in FFY 2009, by AAA and Statewide

AAA	Unduplicated Number of Persons Served	% With Income Below Poverty	% Minorities with Income Below Poverty	% Rural
Central	2,596	83%	53%	50%
East Central	2,470	35%	14%	68%
Golden Triangle	2,909	53%	27%	63%
North Central	2,449	41%	26%	87%
North Delta	2,258	62%	39%	77%
Northeast	2,006	61%	17%	95%
South Delta	5,877	16%	6%	8%
Southern	4,962	26%	20%	54%
Southwest	1,140	65%	41%	100%
Three Rivers	2,502	16%	5%	64%
Total Unduplicated Number of Clients Served Statewide	29,169	40%	22%	57%

SOURCE: National Aging Program Information Systems documents and PEER analysis

Is there evidence of unmet service needs through long program waiting lists?

While the length of waiting lists varies by program and service provider, it is not clear that these lists are representative of true unmet demand, as some lists reportedly contain the names of individuals who have not been screened for eligibility while other lists do not contain the names of all individuals who are eligible for and requesting services.

Unmet Service Needs: Division of Early Childhood Care and Development

At the beginning of FFY 2009, all of the designated agents had waiting lists that included a total of 4,983 eligible

children. By the end of FFY 2009, only two of the designated agents had waiting lists for a total of fourteen eligible children. MDHS stated that these fourteen children were on waiting lists because their applications were being processed.

Between March and April 2009, the waiting list decreased by 82% (from 6,645 to 1,212) due to the disbursement from MDHS of American Reinvestment and Recovery Act money to the designated agents. (In FFY 2009, MDHS disbursed \$9 million of the \$31 million in one-time American Reinvestment and Recovery Act funding.)

The Division of Early Childhood Care and Development waiting list policy states that eligible parents are placed on a waiting list when they apply for child care services when funds are not available. A waiting list for families in certain priority populations¹² is maintained on a first-come, first-served basis by priority.

Unmet Service Needs: Division of Aging and Adult Services

According to staff of MDHS's Division of Aging and Adult Services, through FFY 2010, the waiting lists maintained by AAAs contained some individuals who had applied for the services but had not yet been evaluated for eligibility due to the heavy workload among staff responsible for eligibility determination. Effective October 1, 2010, MDHS's Division of Aging and Adult Services directed AAAs to only include those applicants on their waiting lists who had been deemed eligible through completion of the Consumer Information Form (see discussion on page 39).

A countervailing force affecting the reliability of AAA waiting lists as accurate indicators of unmet need is anecdotal evidence that some intake workers discourage elderly individuals who would be eligible for AAA services from making a formal application due to already long waiting lists for the desired services, especially home-delivered meals.

Also, PEER notes that a review of the AAAs' area plans for FFY 2011 indicates fairly widespread reported unmet demand for home-delivered meals, homemaker services, and transportation services. For example, North Central AAA reported a waiting list of 671 individuals that qualify

¹² The following are the priority populations served on a first-come, first-served basis: (1) children of very low-income working parents whose income is at or below 50 percent of the State Median Income (SMI) who are at risk of going on Temporary Assistance For Needy Families; (2) children of parents working the required 25 hours per week whose income falls above 50 percent of the State Median Income and at or below 85 percent of the State Median Income; (3) children of parents in an approved full-time educational or training program and working less than 25 hours per week regardless of where the family income falls up to percent of State Median Income; and (4) children of parents in an approved full-time educational or training program and not working.

for home-delivered meals but cannot receive them. East Central AAA reported that waiting lists for homemaker services and home-delivered meals consistently range from 100-400 people. In its report released on September 7, 2010, entitled “Older Americans Act: Preliminary Observations on Services Requested by Seniors and Challenges in Providing Assistance” (GAO-10-1024T), the U. S. Government Accountability Office observed that unmet demand for services such as home-delivered meals and transportation assistance is only expected to increase in the current economic environment.

Chapter 4: Are there opportunities for PDDs and CAAs to improve their efficiency in the provision of services and thereby increase the number of persons served and units of service provided?

Despite concerns over the accuracy of some of the data on which PEER's efficiency review is based, PEER identified the potential to increase the number of persons served and units of service provided across all programs included in this review.

As established in the previous chapter, the large number of potentially qualified individuals not being served by the programs included in this review creates the obligation for service providers to provide the services as efficiently as possible. The efficient provision of services is the focus of this chapter.

Because MDHS's budget narratives and electronic databases contain data showing program expenditures and units of service by service provider (i. e., by PDD and CAA), it is possible to identify the most efficient providers of each service. An oversight agency such as MDHS could determine how the most efficient providers are able to provide the services at lower costs and share this information with other providers in order to drive down all costs to the level of the most efficient provider and thereby increase the number of clients served and units of service provided.

Federal Mandates for Efficiency in the Expenditure of Federal Funds

Federal mandates for efficiency in the operation of federally funded programs are found in general statutes as well as in program-specific statutes.

In defining "efficiency measures" in the context of the Government Performance and Accountability Act of 1993,¹³ OMB Circular A-11, Part 6, issued in June 2008, states:

Effective programs not only accomplish their outcome performance goals, they strive to improve their efficiency by achieving or accomplishing more benefits for a given amount of resources. Efficiency measures reflect the economical and effective acquisition, utilization, and management of

¹³ According to OMB Circular A-11, Part 6, issued in June 2008, "Strategic plans, annual performance plans, and annual program performance reports comprise the main elements of the Government Performance and Results Act (GPRA, or the Results Act). (See, 31 U.S.C. §1115.)"

resources to achieve program outcomes or produce program outputs.

Also, OMB Circular A-110 (Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations) states in its standards for financial management systems: “Federal awarding agencies shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.”

Likewise, efficiency requirements are built into specific federal acts such as the Older Americans Act. Title I, Section 101 of this act states that one of the objectives for Congress in passing the act was to provide “efficient community services, including access to low cost transportation. . . .” Also, Title III, Section 302(1) of the act defines a “comprehensive and coordinated system” as “a system for providing all necessary supportive services, including nutrition services, in a manner designed to: . . . develop and make the most efficient use of supportive services and nutrition services in meeting the needs of older individuals” and “use available resources efficiently and with a minimum of duplication.”

MDHS subgrantees acknowledge the federal emphasis on program efficiency in the following language taken from a AAA’s direct service provision waiver request:

[xx] PDD has efficiently provided these services on a direct basis, at a low cost for many years. . . [xx] PDD employs an adequate number of qualified program staff to ensure that the compliance with federal and state guidelines is achieved, especially those that pertain to cost effectiveness, program effectiveness, efficiency and quality assurance.

Opportunities for Improving Efficiency in Programs

PEER's review of program costs among service providers indicates that some are providing services more efficiently than others. By analyzing provider costs and identifying opportunities for improved efficiency in service delivery, MDHS could assist the less efficient PDDs and CAAs to increase the number of clients served and units of service provided.

In an effort to determine whether there are opportunities for improving the efficiency of programs included in this review and thereby increasing the number of units of service and people served, PEER analyzed both budgeted and actual reported program expenditure data. This analysis suggests that there are opportunities for improving efficiency in all service areas reviewed.

Opportunities for Improving Efficiency: Child Care Development Fund Program

Cost comparisons in the Child Care Development Fund Program are difficult in that costs are reported per child served rather than per hour of child care provided. To further complicate cost comparisons in this program, reimbursement rates to child care providers vary depending on the type of provider and age of the child. The Child Care Development Fund Program works by issuing eligible parents a child care certificate, which allows the parent to select a provider of their choice in the following categories: a child care center, group home, family day care home, relative provider (in-home or out-of-home), or non-relative provider (in-home or out-of-home).

While costs per child may be compared as shown in Exhibit 10, below, more information would have to be known to identify inefficiencies--i. e., whether the higher costs per child served through Golden Triangle Planning and Development District were due to types of service providers and/or a greater number of hours of child care provided or due to unnecessarily high program costs.

Exhibit 10: Statewide Number of Children Served by the Child Care Development Fund Program and Certificate Costs per Child by Designated Agent in FFY 2009

	Number of Children served	Certificate Costs per child
Golden Triangle	1,814	\$2,250.68
Southwest	2,898	1,966.71
Central	13,005	1,801.66
Institute of Community Services	6,039	1,799.72
North Central	2,894	1,759.02
South Delta	6,176	1,563.99
Northeast	803	1,517.87
East Central	3,581	1,348.12
Southern	5,659	1,276.75

SOURCE: PEER analysis of FFY 2009 Compilation Report of Certificate Obligations and Expenditures by Priority Population.

Hypothetically, if all designated agents reduced costs other than certificate costs to the same amount as the South Delta Planning and Development District in FFY 2009, an additional 1,452 children could have been served.

In order to compare efficiency in the delivery of services among designated agents, PEER analyzed FFY 2009 Child

Care Development Fund Program expenditures per child served for each designated agent. Specifically, PEER excluded the amounts expended for certificates to providers (direct services) and calculated all other costs per child, including costs associated with operation and maintenance of the program, eligibility determination, and automated systems. See Exhibit 11, below, for “other costs” per child calculations.

Exhibit 11: Statewide Number of Children Served by the Child Care Development Fund Program and All Other Costs per Child by Designated Agent in FFY 2009

	Number of Children Served	Other Costs Per Child*
Golden Triangle	1,814	\$272.32
Northeast	803	244.13
North Central	2,894	204.57
Institute of Community Services	6,039	185.59
Central	13,005	185.58
Southwest	2,898	174.80
Southern	5,659	164.23
East Central	3,581	134.44
South Delta	6,176	110.49

*Other costs include operation and maintenance of the program, eligibility determination, and automated systems

SOURCE: PEER analysis of FFY 2009 Compilation Report of Certificate Obligations and Expenditures by Priority Population.

As shown in Exhibit 11, Golden Triangle had the highest “other costs” per child at \$272.32. South Delta had the lowest “other costs” per child at \$110.49. (41% of Golden Triangle’s “other costs”). Such variability suggests that there is room to improve efficiency in service delivery. One might argue that the variability stems from the number of children served (the more children, the lower the other cost per child); however, it should be noted that the number of children is not always correlated with “other costs” per child. For example, North Central served a similar number of children to Southwest Mississippi, but North Central expended \$30 more per child on “other costs.”

PEER used the “other costs” of \$110.49 from South Delta to form hypothetical scenarios with the other designated agents. Exhibit 12, page 53, shows the hypothetical number of additional children that could be served if the designated agents were to expend South Delta’s rate of \$110.49 in “other costs.” As Exhibit 12 shows, if all

designated agents could reduce their “other costs” to the same amount as South Delta, an additional 1,452 children could have potentially been served. Children in the Northeast Mississippi area would have benefited the most, as an additional 8 percent of children could have been served.

Exhibit 12: Hypothetical Number of Additional Children Served By Applying South Delta’s FFY 2009 “Other Cost” Rate to All Other Designated Agents

	Actual Number of Children Served	Hypothetical Number of Children Served	Hypothetical Number of Additional Children Served	Hypothetical Number of Additional Children Served (%)
Northeast	803	869	66	8%
Golden Triangle	1,814	1,938	124	7%
North Central	2,894	3,040	146	5%
Central	13,005	13,516	511	4%
Southern	5,659	5,878	219	4%
Institute of Community Services	6,039	6,276	237	4%
Southwest	2,898	2,988	90	3%
East Central	3,581	3,640	59	2%
South Delta	6,176	6,176	0	0%
Total	42,869	44,321	1,452	3%

SOURCE: PEER analysis; FFY 2009 Compilation Report of Certificate Obligations and Expenditures by Priority Population.

A closer look at what constitutes “other costs” showed that, when reviewing costs by child served, there are potentially excessive expenditures in certain cost categories (e. g., salaries and indirect costs). For example:

- Golden Triangle Planning and Development District had the highest expenditures in salaries per child served at \$86.33/child, whereas South Delta expended the lowest at \$32.44/child.
- Northeast Mississippi Planning and Development District had the highest indirect costs at \$74.45/child, whereas the other PDDs ranged from \$15.66/child to \$27.16/child.

Also, PEER analyses of the number of full-time equivalents (FTEs) approved in the subgrant budgets in relation to the number of children served indicates potential inefficiencies. In FFY 2009, South Delta served 1,029 children per FTE, while Golden Triangle served 390 children per FTE. The other designated agents served a number of children between those two numbers. This variability calls into question the number of staff needed to administer the program. For example, South Delta and

East Central had a similar number of FTEs in FFY 2009; however, East Central served 2,595 (42 percent) fewer children than South Delta. Further, South Delta served a similar number of children as Southern Mississippi, but Southern Mississippi employed two additional FTEs.

Opportunities for Improving Efficiency: Division of Community Services

Due to the data inconsistencies for expenditures as noted on page 25 from the Mississippi Results Oriented Management and Accountability system, PEER limited its review of the Low-Income Home Energy Assistance Program, Weatherization Assistance Program, and Community Services Block Grant program to the budget narratives provided by CAAs to the Division of Community Services.

In addition, even though MDHS's Division of Community Services is also the designated state entity to administer American Reinvestment and Recovery Act funds appropriated to the Community Services Block Grant Program, Low-Income Home Energy Assistance Program, and Weatherization Assistance Program, PEER limited its review to the budget narratives for programs funded through regular federal allocations, since the American Reinvestment and Recovery Act is considered to be short-term funding.

It should also be noted that PEER limited its efficiency review for the Low-Income Home Energy Assistance Program and Weatherization Assistance Program to a review of administrative expenses budgeted by CAA, since no units of service data were available for either program. Based on budgeted expenses for program administration, both of these programs were at or below federal administrative cost caps. In regard to the Low-Income Home Energy Assistance Program, by not budgeting the maximum allowable for administrative expenses, MDHS's Division of Community Services was able to redirect over one million dollars in federal grant funds to direct program costs. In regard to the Weatherization Assistance Program, the state adhered to the ten percent administrative cap.

In regard to the Community Services Block Grant program, PEER was able to analyze budgeted administrative expenses and households served. PEER noted that with the Community Services Block Grant program, additional households could potentially have been served by redirecting administrative expenses to direct program costs.

Opportunities for Improving Efficiency: Community Services Block Grant Program

As discussed on page 91, the Community Services Block Grant administrative cost cap is 5% for the state based on the total state allocation and 15% for the CAAs based on their respective allocations. Exhibit 13, page 56, shows budgeted administrative expenses by CAA for January 2009 through December 2009 in relation to their respective total Weatherization Assistance Program allocation and as a percentage of this allocation.

As shown in Exhibit 13, page 56, budgeted program year 2009 administrative expenses as a percent of total budgeted expenses under the Community Services Block Grant program ranged from 2.51% (Bolivar County CAA) to 15% (Adams-Jefferson-Franklin-Claiborne CAA, Lift Inc., and Mid-State CAA). Based on their respective budget narratives, none of the CAAs exceeded the federal administrative cost cap of 15%.

PEER calculated an average administrative expense percentage of 10.63% by dividing total budgeted program expenses (\$11,042,524) by total budgeted administrative expenses (\$1,173,742). By applying the 10.63% average budgeted administrative expense to the twelve CAAs that reported higher budgeted administrative expenses, PEER determined that the CAAs could redirect a total of \$169,105 to direct program expenditures.

Opportunities for Improving Efficiency: Households Served through the Community Services Block Grant Program by CAA

MDHS's Division of Community Services provided PEER with the number of households served through the Community Services Block Grant program during program year 2009 as reported in the Mississippi Results Oriented Management and Accountability system (see description of this federally mandated electronic database on page 25).

As shown in Exhibit 14 on page 57, the number of households served through the Community Services Block Grant Program in program year 2009, by CAA, ranged from seventy-five households served by United CAA to 7,720 households served by Pearl River Valley Opportunity CAA. It should be noted that these two CAAs received the lowest and highest amount of Community Services Block Grant funding in program year 2009 (\$95,622 and \$1,168,771, respectively).

PEER also calculated the average total budgeted Community Services Block Grant Program expenses per household served (\$237.74) by dividing total budgeted expenses for all CAAs (\$11,042,524) by the total households served for all CAAs (46,447). PEER then applied this average total budgeted expense to total

budgeted Community Services Block Grant expenses for each CAA above this average (ten) to calculate the difference in households that could be served at the lower budgeted expense per household. This analysis can be seen in Exhibit 15, page 58.

Based on this approach, the amount of Community Services Block Grant as noted in the CAA budget narratives could have served 10,831 additional households from January 2009 through December 2009 based on the average cost per household of \$237.74. However, because of the previously discussed problems with the number of households served data reported in Mississippi's Results Oriented Management and Accountability system (refer to discussion on page 25), PEER uses the exhibit as merely an estimate of the potential savings or increase in services provided by establishing more consistent administrative and per household expenditures and does not acknowledge the validity of the reported number of total households served.

Exhibit 13: Budgeted Administrative and Total Expenses for the Community Services Block Grant Program, by CAA, for Program Year 2009

Community Action Agency	Administration	Total	% Administration
Adams-Jefferson-Franklin-Claiborne	\$ 90,243	601,620	15.00
Bolivar County	5,861	233,078	2.51
Central MS, Inc.	76,039	677,320	11.23
Coahoma Opportunities, Inc.	29,370	204,232	14.38
Gulf Coast	55,746	732,103	7.61
Hinds County Human Resources	85,120	1,081,936	7.87
Jackson County	21,586	305,814	7.06
Lift, Inc.	109,367	729,115	15.00
Mid-State	83,071	553,809	15.00
Multi-County	136,391	1,058,390	12.89
Northeast MS Community Service	49,984	356,589	14.02
Pearl River Valley Opportunity	83,796	1,168,771	7.17
Prairie Opportunity, Inc.	125,221	1,097,906	11.41
South Central	62,393	482,503	12.93
Southwest MS Opportunity	12,756	561,538	2.27
Sunflower-Humphreys	33,730	235,070	14.35
United	14,123	95,622	14.77
Warren-Washington-Issaquena-Sharkey	98,945	867,108	11.41
TOTAL	\$1,173,742	\$11,042,524	10.63

SOURCE: MDHS, Division of Community Services; Community Services Block Grant CAA Budget Narratives January 2009 to December 2009.

Exhibit 14: Community Services Block Grant Number of Households Served and Budgeted Expenses per Household Served Based on Expense Category for those CAAs Providing Community Services Block Grant Programs from January 2009 to December 2009

Community Action Agency	Households Served	Total Budgeted Expenses per Household	Budgeted Administrative Expenses per Household	Budgeted Case Management* Expenses per Household	Budgeted Supportive Services** Expenses per Household
Adams-Jefferson-Franklin-Claiborne	667	\$ 901.98	\$ 135.30	\$ 631.39	\$ 135.30
Bolivar County	1,129	206.45	5.19	156.00	45.25
Central MS, Inc.	4,837	140.03	15.72	90.56	33.75
Coahoma Opportunities, Inc.	362	564.18	81.13	340.30	142.75
Gulf Coast	2,624	279.00	21.24	188.99	68.77
Hinds County Human Resources	3,124	346.33	27.25	231.68	87.40
Jackson County	2,476	123.51	8.72	74.21	40.59
Lift, Inc.	4,610	158.16	23.72	96.30	38.14
Mid-State	372	1,488.73	223.31	957.41	308.02
Multi-County	5,902	179.33	23.11	119.39	36.83
Northeast MS Community Service	2,316	153.97	21.58	72.79	59.60
Pearl River Valley Opportunity	7,720	151.40	10.85	95.87	44.67
Prairie Opportunity, Inc.	5,511	\$199.22	22.72	135.65	40.85
South Central	704	685.37	88.63	349.14	247.61
Southwest MS Opportunity	1,524	368.46	8.37	129.38	230.71
Sunflower-Humphreys	833	282.20	40.49	191.50	50.21
United	75	1,274.96	188.31	854.21	232.44
Washington-Warren-Issaquena-Sharkey	1,661	522.04	59.57	345.19	117.28

*Case Management expenses include salaries and fringe benefits of case managers and case workers, as well as associated expenses (e. g., commodities, travel, equipment, contractual services).

**Supportive Services include assistance services provided on behalf of clients (e. g., employment, education, income management, housing, emergency services, transportation).

SOURCE: MDHS, Division of Community Services; PEER analysis of Community Services Block Grant Households Served from MS ROMA.

Exhibit 15: Community Services Block Grant Actual Number of Households Served in Comparison to the Number of Households that Could be Served at the Average Total Budgeted Expenses per Household of \$237.74

Community Action Agency	Actual Households Served	Households Served at \$237.74	Households Served Difference*
Adams-Jefferson-Franklin-Claiborne	667	2,530	1,863
Bolivar County	1,129	1,129	0
Central MS, Inc.	4,837	4,837	0
Coahoma Opportunities, Inc.	362	859	497
Gulf Coast	2,624	3,079	455
Hinds County Human Resources	3,124	4,551	1,427
Jackson County	2,476	2,476	0
Lift, Inc.	4,610	4,610	0
Mid-State	372	2,329	1,957
Multi-County	5,902	5,902	0
Northeast MS Community Service	2,316	2,316	0
Pearl River Valley Opportunity	7,720	7,720	0
Prairie Opportunity, Inc.	5,511	5,511	0
South Central	704	2,029	1,325
Southwest MS Opportunity	1,524	2,362	838
Sunflower Humphreys Progress	833	989	156
United	75	402	327
Washington-Warren-Issaquena-Sharkey	1,661	3,647	1,986
Total	46,447	57,278	10,831

*A difference of zero indicates that the CAA's average total budgeted expenses per household served was less than the statewide average of \$237.74.

SOURCE: PEER analysis of Community Services Block Grant Budget Narratives and Households Served.

Opportunities for Improving Efficiency: Aging and Adult Services Programs

While there are serious concerns over the accuracy of the FFY 2009 data reported in the National Aging Program Information Systems State Program Reports (see discussion on page 27), a review of the high degree of unit cost variability in this data combined with a review of the individual components of budgeted program expenses indicates the opportunity for improving efficiency in the delivery of aging and adult services programs. It should be noted that due to the significant nature of MDHS Program

Integrity Division audit findings relative to North Delta AAA, including allegations of charging meals for people who were deceased and delivering meals to people who were not eligible for the meal (see discussion on page 16), PEER excluded this AAA from its program cost analysis.

Analysis of Reported FFY 2009 Expenditures per Unit of Service

As discussed on page 27, the U. S. Administration on Aging created the National Aging Program Information Systems State Program Reports as a tool for analyzing the efficiency and effectiveness (in terms of the unduplicated number and characteristics of the population served) of aging and adult services programs. While the database is driven by Title III programs established in the Older Americans Act, the database is intended to be broader than Title III, as it captures funding for each Title III program from all sources (e. g., Title III of the Older Americans Act, Social Services Block Grant, Medicaid Title XIX [SSA] Waiver, American Reinvestment and Recovery Act). However, it should be noted that because administrative expenses (which total 10% of each AAA's annual allocation of Title III funds and 7% of each AAA's annual allocation of SSBG funds) are paid out of separate administrative budgets, these expenses are not included in the service-specific National Aging Program Information Systems State Program Reports.

The National Aging Program Information Systems database includes expenditure and service data for the following sixteen programs administered under Title III of the Older Americans Act: Personal Care¹⁴, Homemaker, Chore, Information and Assistance, Legal Assistance, Outreach, Adult Day Care, Case Management, Transportation, Congregate Meals, Nutrition Services Incentive Program (NSIP) Congregate Meals, Home-Delivered Meals, Nutrition Services Incentive Program (NSIP) Home-Delivered Meals, Nutrition Counseling¹⁵, Nutrition Education as well as program data for other optional services such as Respite Care.

Because of the FFY 2009 problems with the data reported in the National Aging Program Information Systems (refer to discussion on page 27), PEER cannot provide assurance that the following analysis presents an accurate picture of unit costs. Obviously, an entity reporting more units of service than it actually delivered and/or lower total expenditures than actually incurred would appear more efficient in the analysis than warranted. Despite these misgivings, the following analysis is presented because it

¹⁴ In FFY 2009, no expenditures or units of service were reported in the National Aging Program Information System for this program.

¹⁵ In FFY 2009, no expenditures or units of service were reported in the National Aging Program Information System for this program.

is the type of analysis that MDHS should be conducting using reliable unit of service data, verified through an external source (e. g., Valley Services, Inc. for congregate and home-delivered meals) whenever possible, in order to drive efficiency in the delivery of these services. Because of PEER's concerns over the accuracy of the FFY 2009 National Aging Program Information Systems data, PEER has omitted the names of the AAAs from the following analysis.

As shown in Exhibit 16 on page 61, all AAAs do not offer the same Title III B supportive services, as each AAA has discretion to utilize its Title III B Supportive Services allocation as it sees fit. For example, several of the AAAs reported no FFY 2009 expenditures on legal assistance, information and assistance, and outreach services. Only four of the Title III services reported in the National Aging Program Information Systems database were reportedly offered by all AAAs in FFY 2009: homemaker, home-delivered meals, congregate meals, and transportation.

As shown in the exhibit, reported expenditures per unit of service vary significantly among AAAs. For example, unit costs reported for home-delivered meals ranged from \$1.20 to \$3.93. Unit costs reported for transportation services ranged from \$2.71 to \$6.66 per one-way trip. Unit costs reported for homemaker services ranged from \$1.01 to \$20.48 per hour. This variation could be due to actual differences in costs or to incorrect data resulting from the types of database problems described on page 27. It should be noted that some cost variation (e. g., in transportation services) could be justified based on the geographical distribution of the AAA's service population. Also, some AAAs reportedly have greater access to volunteer services than others, which enables them to reduce unit costs.

Because the National Aging Program Information Systems database only reports total expenditures by program (i.e., the system does not include a breakout of program expenditures that differentiates between categories of expenditures within a program [e. g., food costs versus indirect and direct costs associated with providing the meals]), in order to further analyze the possible reasons behind the unit cost variations reported in Exhibit 16, PEER examined AAA budget narratives for two aging and adult services programs: congregate meals and respite services.

Exhibit 16: FFY 2009 Total Expenditures Per Unit of Service, by Title III Program and AAA, Based on PEER Analysis of Data Reported in the National Aging Program Information Systems*

Title III Program	Cost per	AAA 1	AAA 2	AAA 3	AAA 4	AAA 5	AAA 6	AAA 7	AAA 8	AAA 9
Personal Care	hour	NA	NA	NA	NA	NA	NA	NA	NA	NA
Homemaker	hour	2.96	1.01	15.77	15.06	20.48	17.71	13.14	5.02	13.93
Home-Delivered Meals	meal	2.65	1.20	3.93	1.65	2.23	3.65	2.80	3.24	2.50
Adult Day Care	hour	NA	11.93	NA	6.08	25.03	9.96	3.09	102.42	12.27
Case Management	active month	37.64	2.50	NA	NA	NA	55.65	49.48	NA	51.43
Congregate Meals	meal	5.07	2.57	3.03	3.11	3.06	4.47	4.73	3.70	2.95
Nutrition Counseling	session	NA	NA	NA	NA	NA	NA	NA	NA	NA
Transportation	1 way trip	4.40	4.18	6.23	3.76	6.66	2.71	4.41	4.62	5.02
Legal Assistance	hour	UNR	NA	UNR	18.72	UNR	NA	UNR	UNR	UNR
Information and Assistance	contact	NA	NA	NA	23.58	UNR	71.98	UNR	3.78	UNR
Outreach	contact	NA	NA	NA	26.28	UNR	209.00	UNR	UNR	168.96
Respite	hour	35.44	64.04	UNR	31.11	32.71	10.24	5.24	NA	UNR

* Due to the significant nature of MDHS Program Integrity Division’s audit findings relative to North Delta AAA, including allegations of charging meals for people who were deceased and delivering meals to people who were not eligible for the meal, PEER excluded this AAA from its program cost analysis.

NOTES:

1. UNR indicates that the AAA did not report the service units provided.
2. NA indicates that the AAA did not provide the service.
3. Because of PEER’s concerns over the accuracy of the FFY 2009 National Aging Program Information Systems data, PEER has omitted the names of the AAAs from this exhibit.

SOURCE: PEER analysis of National Aging Program Information Systems data.

Comparative Analysis of Costs of Congregate Meals

PEER focused its initial analysis of costs per unit on the congregate meal program because the unit of service is standard--i. e., a meal provided in a congregate setting.

MDHS has further standardized the meals served in this program by entering into a statewide contract with Valley Services, Inc., to provide congregate and home-delivered meals meeting required nutritional and quality standards to all AAAs according to a statewide cost schedule (refer to Appendix H on page 89).

Because of the relative uniformity in the cost of the congregate meals (there is a slight variation in the food costs due to the categories of meals served--e. g., frozen, bulk, pre-plated), PEER could focus its analysis on the variability among PDDs in the costs of providing the meals in a congregate setting (e. g., qualifying and enrolling

individuals in the program, providing and staffing the congregate sites where the meals are served). Examples of typical “non-administrative” expenses associated with the congregate meal program are the costs of program staff (e.g., nutrition coordinators, program coordinators, site managers) including their salaries, fringe benefits, indirect costs, commodities, equipment, travel, office space, and utilities.

As shown in Exhibit 16 on page 61, reported FFY 2009 total expenditures per congregate meal ranged from \$2.57 to \$5.07. If all AAAs had been able to provide this service in FFY 2009 at the lowest unit cost, an additional 191,651 meals could have been served during FFY 2009 to an estimated 767 additional service recipients, assuming each of these recipients received a full year of the service. This amount represents a 33% increase in the number of congregate meals that could have been served in FFY 2009.

In an attempt to explain the high variability in the reported unit costs for congregate meals, PEER reviewed the FFY 2009 budget narratives submitted by each AAA for this program. From this data, PEER determined that budgeted program expenses other than meals ranged from \$1.10 to \$2.91. According to the FFY 2009 budget narrative for the AAA with the lowest budgeted “other expenses” for congregate meals, that AAA intended to achieve its lower program cost per meal by contracting with local CAAs to provide all project management associated with the program at a fixed cost of \$1.0965 per meal. The AAA with the highest FFY 2009 budgeted “other expenses” for congregate meals included partial salaries and fringe benefits of a nutrition coordinator, a program coordinator, site managers, travel, commodities, and training. The cost of these budgeted “other expenses” for congregate meals is \$1.81 higher per meal than for the AAA with the lowest budgeted “other expenses.”

Comparative Analysis of Costs of Respite Care

Respite care is an optional In-home Service provided under Title III E of the Older Americans Act. While eight of the nine AAAs included in this review (i. e., excluding North Delta AAA; see footnote to Exhibit 16, page 61) reported providing respite care services in the FFY 2009 National Aging Program Information Systems report, two of the eight did not include units of service data in their National Aging Program Information Systems report and therefore could not be used in the comparison. Also, one AAA had to be removed from the comparison because it combined reporting of respite services with homemaker services.

According to the limited data reported in the National Aging Program Information Systems, costs per hour of respite service for the five AAAs included in this

comparison ranged from \$5.24 to \$35.44. If the National Aging Program Information Systems data for this service is correct, the AAAs could have more than doubled the number of hours of respite care provided in FFY 2009 had they all delivered the service at the lowest reported unit cost.

A review of the AAA's FFY 2009 budget narratives for respite care indicates high variability in the hourly pay for respite care workers, ranging from a budgeted \$6.95 per hour at South Delta AAA to \$20 per hour at East Central AAA.

Recommendations

Improving Safeguards Over the Expenditure of Federal Program Funds

1. For all federal programs included in this review, the Mississippi Department of Human Services (MDHS) should seek clarification of definitions and classifications for administrative versus indirect costs from the U. S. Department of Health and Human Services. Further, MDHS should consult with the U. S. Department of Health and Human Services to develop explicit criteria for the consideration and approval of proposed indirect cost rates and guidance for setting indirect cost caps. Such clarification and guidance should provide needed uniformity in classifying and approving budgeted expenses and help ensure that maximum dollars are being applied to actual services as opposed to administrative or indirect costs.
2. As recommended by the State Auditor's Office in a March 2007 report on the Child Care Development Fund Program, MDHS should review its current contract in comparison to its 1998 contract to verify that there have been no changes to services that would be subject to the five percent administrative cost cap.
3. Before approving individual subgrantee budgets, MDHS should analyze relevant unit cost data available through federally mandated databases for all entities delivering the service (once this data has been validated as accurate [see recommendations 5 and 6]) to ensure that each proposed budget is based on the most efficient and effective delivery of services.
4. Based on the apparent success of its statewide contract for meals in reducing the cost per meal, MDHS should explore the feasibility of entering into other competitively bid statewide contracts (e. g., homemaker) as a means of reducing the unit costs of providing the services.
5. Given the significant data inaccuracy problems observed in MDHS's federally mandated Results Oriented Management and Accountability and National Aging Program Information Systems electronic databases, an electronic data processing audit should be conducted on the systems to determine why errors are occurring and how they could be prevented in the future.

6. MDHS should increase the accuracy of the data in its National Aging Program Information Systems State Program Performance Report by:
 - validating the self-reported National Aging Program Information Systems data through available external data, such as the data maintained by the statewide contract meal service vendor, Valley Services, Inc., documenting the number of congregate and home-delivered meals purchased by each AAA;
 - supplementing federal National Aging Program Information Systems instructions with MDHS instructions designed to prevent common AAA reporting errors, such as failing to include all required data in the total expenditure and units of service columns (i. e., by specifying all types of expenditure and unit of service data to include in the “total” columns); and,
 - financially penalizing AAAs that refuse to provide federally required data, such as expenditure and units of service data for Medicaid Title XIX Waiver program meals (e. g., by withholding a portion of the AAA’s administrative funds).
7. MDHS’s Division of Program Integrity should establish more detailed sampling procedures for its monitors’ reviews of PDD/CAA disbursements to ensure an acceptable error rate by which to judge the accuracy of its findings related to disbursements. Specifically, monitors should be required to determine the desired confidence level, expected occurrence rate (i. e., the percentage of disbursements with findings of noncompliance), and the upper precision (i. e., the magnitude of deviation of a sample value from the population).¹⁶
8. MDHS’s Division of Program Integrity should establish written criteria in its monitoring instrument for what constitutes a “reasonable and necessary” expenditure that is sufficient to allow a third-party reviewer to draw the same conclusion independently.
9. In order to ensure the timely resolution of outstanding Program Integrity Division monitoring findings, MDHS should establish time standards for each step in the resolution process and ensure that these standards are adhered to by all parties.

¹⁶ Procedures for determining confidence levels, occurrence rates, and upper precision may be found in various accounting texts (e. g., *Barron’s 2010 Accounting Handbook* by Joel G. Siegel and Jae K. Shim.)

Improving the Degree to Which Priority Service Needs are Being Addressed

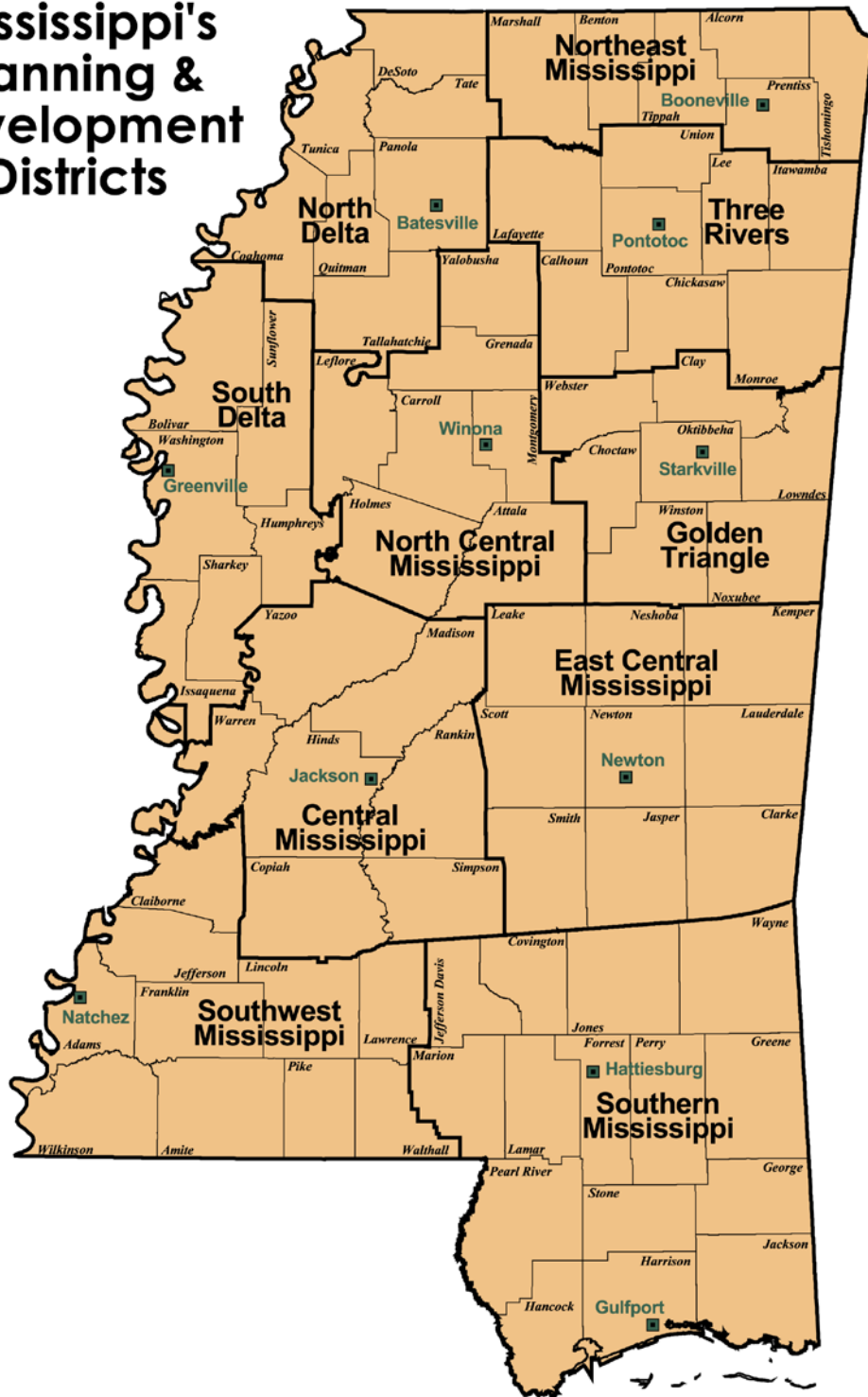
10. MDHS should revise its system for awarding points using the Consumer Information Form in order to ensure that targeted populations are being prioritized according to federal mandates. Specifically, MDHS should award three points to applicants who have limited English proficiency and should only award the three additional points currently awarded to all minorities to those minorities who are also low-income.
11. MDHS should seek to increase the percentages of eligible populations being served through federally funded programs through better oversight of budgeted and actual program expenditures.

Improving Efficiency in the Delivery of Federally Funded Services

12. After verifying the validity of unit cost data through the steps contained in recommendations 5 and 6, MDHS should analyze the unit cost data available through federally mandated databases to identify the most efficient service providers. MDHS should analyze subgrant budget requests and actual program and expenditure data to determine how the most efficient service providers are able to provide the services at lower costs. By sharing this information with other providers and encouraging reductions in the costs of service delivery where warranted, MDHS could drive down unit costs to the level of the most efficient provider and thereby increase the number of clients served and units of service provided through these federally funded programs.

Appendix A:

Mississippi's Planning & Development Districts



01/08/05

SOURCE: MDHS Website

Appendix B: Mississippi Community Action and Human Resource Agencies and Service Areas

Central Office	Service Areas
Adams-Jefferson-Franklin-Claiborne (AJFC) CAA P.O. Box L 101 Clifton Avenue Natchez, MS 39120	Adams, Claiborne, Copiah, Franklin, Jefferson, Lawrence, Lincoln
Bolivar County CAA P.O. Drawer 180 321 South Shark Street Cleveland, MS 38732	Bolivar (Benoit, Duncan, Cleveland, Gunnison, Mound Bayou, Pace, Rosedale, Shaw, Shelby, Winstonville)
Central Mississippi, Inc. P.O. Box 749 101 South Central Avenue Winona, MS 38967	Attala, Carroll, Grenada, Holmes, Leflore, Montgomery, Yalobusha
Coahoma Opportunities, Inc. P.O. Box 1445 615 Desoto Avenue Clarksdale, MS 38614	Coahoma (Clarksdale)
Gulf Coast P.O. Box 519 500 24th Street Gulfport, MS 39501	George, Greene, Hancock, Harrison, Stone
Hinds County HRA P.O. Box 22657 258 Maddox Road Jackson, MS 39312	Hinds (Bolton, Edwards, Utica, Jackson, Terry, Raymond)
Jackson County CAA P.O. Box 8723 5343 Jefferson Street Moss Point, MS 39562	Jackson (Moss Point, Ocean Springs)
Lift, Incorporated 5329 Cliff Gookin Blvd. Box 2399 Tupelo, MS 38803	Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc, Union
Madison County Citizens Service Agency P.O. Box 1358 152 Parkway Drive Canton, MS 39046	Madison (Canton)
Mid-State CAA P.O. Box 270 204 North Church Street Charleston, MS 38921	Panola, Quitman, Tunica, Tallahatchie, Tate, DeSoto
Multi-County CSA P.O. Box 905 2900 St. Paul Street Meridian, MS 39301	Clarke, Jasper, Kemper, Lauderdale, Newton, Wayne

Northeast MS CS P.O. Box 930 801 Hatchie Street Booneville, MS 38829	Alcorn, Marshall, Prentiss, Tishomingo
Pearl River Valley Opportunity (PRVO) P.O. Box 188 756 Hwy 98 By Pass Columbia, MS 39429	Covington, Forrest, Jefferson Davis, Lamar, Marion, Pearl River, Jones, Perry
Prairie Opportunity, Inc. 501 Hwy 12 West, Suite 110 Starkville, MS 39759	Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, Winston
Rankin Co. HRA 1545 W. Government Street, Suite C Brandon, MS 39042	Rankin (Brandon)
Simpson Co. HRA 406 North Main Street Mendenhall, MS 39114	Simpson (Mendenhall)
South Central CAA P.O. Box 129 110 Fourth St. D'Lo, MS 39062	Simpson (D'Lo)
Southwest MS Opportunity P.O. Box 1667 223 3rd St. McComb, MS 39648	Amite, Pike, Walthall, Wilkinson
Sunflower-Humphreys P.O. Box 908 414 Martin Luther King Dr. Indianola, MS 38751	Humphreys (Louise, Midnight, Isola, Silver City) Sunflower (Ruleville, Drew, Inverness, Indianola, Moorhead)
United CAA P.O. Box 338 380 Ripley Ave. Ashland, MS 38603	Benton, Tippah
Washington-Warren-Issaquena-Sharkey (WWIS) CAA P.O. Box 1813 1165 South Raceway Road Greenville, MS 38702	Washington, Warren, Issaquena, Sharkey

SOURCE: MDHS website.

Appendix C: Summary of Legal Agreements between MDHS and PDDs and CAAs for the Administration of Federal Programs Included in This Review

Designation of PDDs as Designated Agents for Purposes of the Child Care Development Fund Program

The Mississippi Department of Human Services' Office of Children and Youth (renamed the Division of Early Childhood Care and Development) entered into a subgrant agreement with eight of the state's ten PDDs, authorizing them to serve as designated agents for the implementation of the Child Care Development Fund Program. The Institute of Community Services, Inc., Head Start is the only other designated agent for the Child Care Development Fund Program in the state. Implementation of the program includes determining eligibility, issuing certificates for services, paying child care providers, and monitoring child care centers.

Creation of Area Agencies on Aging as Separate Organizational Units within PDDs

The Mississippi Department of Human Services' Division of Aging and Adult Services has entered into a legal agreement with each of the state's ten PDDs to establish an Area Agency on Aging (AAA) as a separate organizational unit within each PDD. Each agreement stipulates that the Board of Directors of the PDD assign signatory authority, fiscal management responsibility, and general management duties to the PDD's Executive Director, along with the legal authority to accept Older Americans Act, Social Services Block Grant and other funds from MDHS's Division of Aging and Adult Services. The agreement further stipulates that the Board of Directors of each PDD guarantee that the AAA will have a separate presence, clearly identifiable to the public, as well as adequate staff (including a full-time AAA Director) to carry out all functions and responsibilities of the AAA. The agreement directs the AAA Director and a designee of the PDD Board of Directors to work together in assuring that the AAA engage in the planning and provision of a broad range of services.

Legal Agreements Between MDHS's Division of Community Services and CAAs

MDHS's Division of Community Services enters into an annual agreement with each CAA (as an eligible entity under MISS. CODE ANN. Section 43-1-2 [1972]) for the federally funded programs that it carries out for the division in its service area (i. e., Community Services Block Grant, Low-Income Home Energy Assistance Program, Weatherization Assistance Program). The agreements include a description of the services and activities that the CAA is to perform, payment and budget limitations, records maintenance and access requirements, conditions under which the agreement may be terminated or suspended, and numerous other sections typical of a formal contract. The agreements also establish that the relationship of the CAA to the division is that of independent contractor.

SOURCE: PEER analysis.

Appendix D: Amount of Federal Funds Disbursed to PDDs and CAAs by State Agency during FFY 2009

State Agency	Federal Funds Disbursed to PDDs	Federal Funds Disbursed to CAAs	Total Federal Funds Disbursed to PDDs and CAAs	% of Total Federal Funds Disbursed to PDDs and CAAs
Education	\$ -	\$ 7,423,863	\$ 7,423,863	3.652%
Human Services	89,277,734	53,223,518	142,501,252	70.091%
Health	77,697	19,464	97,161	0.048%
Rehabilitation Services	20,550	1,568	22,118	0.011%
MS Development Authority	1,658,443	566,174	2,224,617	1.094%
Transportation	8,938	1,068,372	1,077,310	0.530%
Arts Commission	3,188	-	3,188	0.002%
Mental Health	89,287	-	89,287	0.044%
Employment Security	49,678,284	-	49,678,284	24.435%
Forestry Commission	50,043	-	50,043	0.025%
Emergency Management	142,283	-	142,283	0.070%
Total	\$141,006,447	\$62,302,959	\$203,309,406	100%

SOURCE: PEER analysis of data in Mississippi's Statewide Automated Accounting System.

Appendix E: Amount of Federal Funds Disbursed to PDDs and CAAs by MDHS Fund Name during FFY 2009

MDHS Fund Name	Federal Funds Disbursed to PDDs	Federal Funds Disbursed to CAAs	Total Federal Funds Disbursed to PDDs and CAAs	% of Federal Funds Disbursed
MDHS Administration	\$ 0	\$ 1,059,512	\$ 1,059,512	0.744%
Aging and Adult Services	22,082,097	0	22,082,097	15.496%
Children and Youth*	67,195,637	0	67,195,637	47.154%
Community Services	0	51,474,639	51,474,639	36.122%
Youth Services	0	609,025	609,025	0.427%
Human Services Social Services	<u>0</u>	<u>80,342</u>	<u>80,342</u>	<u>0.056%</u>
Total	\$89,277,734	\$53,223,518	\$142,501,252	100.000%

* Renamed the Division of Early Childhood Care and Development

SOURCE: PEER analysis of data in Mississippi's Statewide Automated Accounting System

Appendix F: Description of Programs Administered by PDDs and CAAs in FFY 2009 using Federal Funds received through MDHS's Divisions of Early Childhood Care and Development, Community Services and Aging and Adult Services

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Division of Early Childhood Care and Development					
Child Care Development Fund Program	assists low-income families, families receiving temporary public assistance, and those transitioning from public assistance in obtaining child care so they can remain employed or enrolled in school.	Child Care Development Fund	\$72,102,766	42,869	NA
Subtotal: Division of Early Childhood Care and Development					
Division of Community Services					
Community Services Block Grants	seeks to address poverty at the community level in various forms, such as: employment and job skills training; food and nutrition assistance; fuel and energy assistance	U.S. Department of Health and Human Services	\$10,396,592 ARRA Funds: \$12,082,190	104,441	19,170

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
The Weatherization Assistance Program	assists income-eligible families and individuals by reducing their heating/cooling costs and improving the safety of their homes through energy efficiency measures, such as air sealing; wall and ceiling insulation; heating system improvements or replacement; efficiency improvements in lighting; etc.	U.S. Department of Energy	\$3,015,465 ARRA Funds: \$15,005,790	4,317	NA
The Low-Income Home Energy Assistance Program	provides financial assistance to eligible households to help pay the cost of home-energy bills and other energy related services	U.S. Department of Health and Human Services	\$30,241,840	307,077	NA
Subtotal: Division of Community Services Programs			\$70,741,877		
Division of Aging and Adult Services					
Title III Administration**	to foster the development and implementation of comprehensive and coordinated systems to serve older individuals	Title III A (OAA, Section 301)	\$1,088,243	not applicable	not applicable
Program Development and Coordination	establishment of a new service(s), or the improvement, expansion, or integration of existing service(s); includes identification of problems in the community, handling of problems between agencies, monitoring services for quality improvement	Title III B (OAA)	\$193,156	NA	NA

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Homemaker and Home Health	Homemaker services include routine household tasks such as cooking, feeding, cleaning, laundry, grocery shopping as well as assisting client with bathing, dressing, bathroom, and general hygiene activities. Home Health provides health services by a trained health care provider such as a Certified Nursing Assistant.	Title III B (OAA); SSBG	\$3,237,266	5,443	443,972 hours
Chore	includes assistance such as heavy housework or yard work	Title III B (OAA)	NA	29	30 hours
Information and referral/assistance	a service that provides individuals with information on available services in their community and links individuals to the services	Title III B (OAA, Section 321), SSBG	\$781,534	not reported	7,701 contacts
Emergency Services	social, financial and supportive assistance (e.g., food, clothing, medical supplies) to help elderly through a crisis, life-threatening or unexpected emergency situation that requires immediate action	Title III B (OAA)	\$4,958	NA	NA
Legal Assistance	legal advice, counseling and representation by an attorney or other person acting under the supervision of an attorney	Title III B (OAA, Section 321)	\$104,328	NA	1,757 hours

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Outreach	an intervention with individuals initiated by an agency or organization for the purpose of identifying potential clients or their caregivers and encouraging their use of existing services and benefits	Title III B (OAA), SSBG	\$421,378	NA	5,179 contacts
Adult day care	exercise, therapeutic, socialization, recreational activities, and hot nutritious meals to meet the specialized needs of the chronically ill, Alzheimer's patients, frail elderly, or functionally impaired participants	Title III B (OAA), SSBG	\$505,776	806	59,956 hours
Senior Center	Community focal point where older persons come together for services and activities (e.g., education, creative arts, recreation, supportive services) that enhance socialization, support their independence, and encourage community involvement. The centers function as "safe havens" for seniors during emergency situations.	Title III B (OAA), SSBG	\$220,889	NA	NA
Recreation	includes activities and events such as sports, games (physical or mental), field trips, physical fitness, and other social activities in which an elderly person participates or attends as a spectator.	Title III B (OAA), SSBG	\$3,223	NA	NA
Arts & Crafts	Arts and crafts activities provided in a congregate setting.	Title III B (OAA), SSBG	\$2,751	NA	NA

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Case management	assistance in the form of access or care coordination in which the qualified individual is experiencing diminished functioning that requires provision of services by formal providers or family	Title III B (OAA, Section 321), SSBG	\$405,042	1,849	57,454 hours
Transportation	provided to a person who has physical or cognitive difficulties using regular vehicular transportation	Title III B (OAA, Section 321), SSBG	\$1,318,288	NA	397,315 one-way trips
Congregate meals	meals provided to qualified individuals in a congregate or group setting	Title III C1 (OAA, Section 331), ARRA, NSIP	\$6,281,856	5,498	766,309 meals
Home delivered meals	low-cost, nutritious meals provided to a qualified individual in his/her residence	Title III C2 (OAA, Section 336), SSBG, ARRA, NSIP	\$4,127,847	15,098	2,571,099 meals
Nutrition education	program to promote better health by providing accurate and culturally sensitive nutrition, physical fitness, or health information and instruction to participants and/or caregivers in a group or individual setting overseen by a dietitian or individual of comparable expertise	Title III C1 & C2 (OAA)	Expenditures included with expenditures for congregate and home-delivered meals	NA	1 session per participant
Preventive Health Services	disease prevention and health promotion services--e. g., health risk assessments; routine health screening; nutrition screening; health promotion; physical fitness; screening for the prevention of depression; education on medication management	Title III D (OAA), SSBG	\$173,306	NA	NA
Medication Management	one of the preventive health services funded under Title III D of the Older Americans Act	Title III D (OAA)	\$10,263	NA	NA

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Emergency Response Center	Installment of a personal emergency response system in a frail elderly client's residence for 24-hour access to emergency assistance at the push of a button. The emergency response center can be at a hospital medical center, police department, or any other base station where twenty-four-hour coverage is available seven days per week.	Title III D (OAA)	\$12,847	NA	NA (unit=one twenty-four-hour day of service to a client)
Respite Care	Provides temporary relief time (from a few hours to a week) for the regular or primary caregiver of an ill, frail, functionally impaired older individual requiring constant in-home care. Respite care can be provided by placing personnel in the client's home, by bringing the client to a day care facility, or through short-term institutional placement--e. g. nursing home, hospital. The intent of the service is to give the primary caregiver a break from regular care responsibilities and thereby reduce stress, the risk of elder abuse, and burnout.	Title III E (OAA), ARRA	\$155,694	300	38,500 hours of respite care
Senior Community Service Employment Program	provides part-time jobs for unemployed low-income people age 55 and older who have poor employment prospects	Title V (OAA), ARRA	\$795,565	213 participants	117,290 training hours
Legal assistance, Elder Abuse Prevention	legal advice, counseling and representation by an attorney or other person acting under the supervision of an attorney	Title VII (OAA)	\$30,859	not reported	1,757 hours

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Ombudsman	through the establishment and operation of an Office of the State Long-Term Care Ombudsman, identify, investigate, and resolve complaints made by, or on behalf of older individuals residing in long-term care facilities	Title III and Title VII (OAA), SSBG	\$682,421	NA	NA
Senior Medicare Patrol	recruits and trains retired professionals and other senior citizens about how to recognize and report instances or patterns of health care fraud	U.S. Centers for Medicare and Medicaid Services	\$89,251	Outreach Events - 58; Client Contacts - 38,032	11,861 hours
State Health Insurance Assistance Program	helps states provide information, counseling, and assistance to Medicare beneficiaries and their families on Medicare and other health insurance issues	U.S. Centers for Medicare and Medicaid Services	\$301,626	Outreach Events: 269; Outreach Enrolled - 11,700	NA

Program	Types of Services Provided	FFY 2009 Sources of Federal Funds*	Federal Funds Expended in FFY 2009	Undup. # People/ Households Served	Service Units
Child and Adult Care Food Program	source of support for serving nutritious meals and snacks in child care centers, family child care homes, Head Start, after-school programs, shelters and adult day care centers.	United States Department of Agriculture (USDA) Food and Nutrition Service (FNS), received by MDHS through the Mississippi Department of Education	\$112,587	2,451	66,549 meals/snacks
Subtotal: Aging and Adult Services Programs			\$21,060,954		
Grand Total: All Divisions			\$163,905,596		

*Programs listed under the Division of Aging and Adult Services are funded through: the U. S. Department of Health and Human Services under Titles III and VII of the Older Americans Act (OAA) and Title XX of the Social Security Act (referred to as the Social Services Block Grant or SSBG); the U. S. Department of Labor under Title V of the OAA; the U. S. Center for Medicare and Medicaid Services (CMS); and, the U. S. Department of Agriculture (USDA).

** MDHS's Division of Aging and Adult Services subtracts funds from the following Title III federal program grants equal to the federal administrative caps for Title III: B, C1, C2 and E and places them into a separate Title III A fund, which it then allocates among the AAAs using the intrastate funding formula. The division does this in order to ensure that the state stays within the federal administrative caps set for Title III.

NA=not available

NSIP=The Nutrition Services Incentive Program, a meal subsidy program administered by the United States Department of Health and Human Services for meals served in compliance with all requirements of the Older Americans Act-e. g., compliant with nutrition requirements, served to an individual who has an opportunity to contribute. In FFY 2009, AAAs expended \$901,182 in NSIP funds on congregate and home-delivered meals.

SOURCE: Program descriptions from MDHS, the U.S. Department of Health and Human Services' Administration on Aging "Reporting Requirements for Title III and VII of the Older Americans Act" dated August 2008 and program websites; MDHS (including NAPIS, where applicable) for expenditure, people served, and units of service data.

Appendix G: Detailed Description of How Federal Funds Included in this Review are Allocated and Disbursed at Both the Federal and State Levels

How the Federal Government Allocates and Disburses Program Funds to MDHS

Division of Early Childhood Care and Development

For FFY 2009, the Child Care Development Fund (CCDF) federal funding streams included: Discretionary Funds, Mandatory Funds, Matching Funds, American Reinvestment and Recovery Act Funds, and Temporary Assistance to Needy Families Funds. The basis for federal funding allocations for each funding stream are as follows:

- The Discretionary Fund has a formula that consists of three factors:
 - Young child factor - the ratio of the number of children under age five in the state to the number of children under age five in the country;
 - School lunch factor - the ratio of the number of children in the state who receive free or reduced price school lunches under the National School Lunch Act to the number of such children in the country;
 - Allotment proportion factor - a weighting factor determined by dividing the three-year average national per capita income by the three-year average state per capita income (as calculated every two years).
- The Mandatory Fund allocates the greater amount of the following:
 - Federal share of expenditures in the now-repealed State IV-A child care programs (Aid to Families with Dependent Children, JOBS, Transitional, At-Risk) in 1994 or 1995 (whichever is greater); or,
 - Average federal share of expenditures in the now-repealed State IV-A child care programs (Aid to Families with Dependent Children, JOBS, Transitional, At-Risk) for 1992 through 1994.
- Matching Funds are based on the number of children under age thirteen in the state compared

with the national total of children under age thirteen. The Matching Funds must be matched by a state based on its Federal Medical Assistance Percentage (FMAP) rate--i. e., 100% minus the state's FMAP rate equals the state's match rate.

- American Reinvestment and Recovery Act Funds are one-time FFY 2009 funds allocated according to the FFY 2009 allocation formula for the Child Care Development Fund Discretionary fund.
- Temporary Assistance to Needy Families Funds are funds states can transfer from federal Temporary Assistance for Needy Families to the Child Care Development Fund. States can transfer up to 30 percent of Temporary Assistance to Needy Families funds; transferred Temporary Assistance to Needy Families funds are considered Discretionary Funds.

MDHS's Division of Early Childhood Care and Development receives its annual allocation from the U.S. Department of Health and Human Services' Administration for Children and Families in equal quarterly installments.

Division of Community Services

The federal government uses population- and needs-based formulas to determine state allocations for the programs administered by MDHS's Office of Community Services. For example, federal funding for the Weatherization Assistance Program is based on three factors for each state: low-income population; climatic conditions; and residential energy expenditures by low-income households.

The U. S. Department of Health and Human Services disburses the state's:

- annual Community Services Block Grant allocation in equal quarterly installments;
- annual Weatherization program allocation in a lump sum; and,
- 90% of the state's Low-Income Home Energy Assistance Program allocation in the first quarter of the federal fiscal year.

Division of Aging and Adult Services

Basis and Timing of Federal Funding Allocations

The federal government bases its grant allocations to the states under the Older Americans Act and Title XX of the

Social Security Act on each state's proportional share of the total U. S. population being targeted by the act.

The timing of federal grant awards from the Administration on Aging of the U. S. Department of Health and Human Services under Titles III and VII of the Older Americans Act is based on the timing of Congressional Continuing Appropriations Resolutions. In recent years, the number of resolutions and subsequent federal grant awards under the Older Americans Act has ranged from one to five per fiscal year. The federal grant awards for Titles III and VII of the Older Americans Act are broken down by subtitle (e. g., Title III B - Supportive Services, Title III C1 - Congregate Meals, Title III C2 - Home-delivered Meals, Title III D - Preventive Health Services, Title III D - Medication Management, Title III E - Respite Care; Title VII - Elder Abuse Prevention and Title VII - Ombudsman). In cases in which the federal grant award is for a Title that establishes multiple programs (e.g., Title III-B Supportive Services), the AAAs, as subgrantees, have discretion to choose which specific services they will spend the grant funds on (e. g., Adult Day Care, Outreach, Case Management).

The U. S. Department of Health and Human Services makes an annual Title XX Social Services Block Grant award to MDHS (paid in quarterly allotments), a portion of which is internally allocated by MDHS's Division of Social Services Block Grant to the Division of Aging and Adult Services. The Division of Aging and Adult Services receives Title XX funds from MDHS's Division of Social Services Block Grant in equal quarterly allotments.

MDHS's Division of Aging and Adult Services receives its federal grant awards from the following sources in an annual lump sum: Centers for Medicare and Medicaid Services, Corporation for National and Community Service, U. S. Department of Labor, and Mississippi Department of Education [U. S. Department of Agriculture (Child and Adult Care Food Program)]. The division receives Nutrition Services Incentive Program funds from the U. S. Department of Health and Human Services in installments.

Federal Funds Allocated to Mississippi for Aging and Adult Services Programs in FFY 2009

As shown in Exhibit 17 on page 85, MDHS's Division of Aging and Adult Services received a total of approximately \$23.3 million in federal funds for aging and adult services programs in FFY 2009. Grant awards received under Title III of the Older Americans Act and under Title XX of the Social Security Act (Social Services Block Grant) accounted for 74% of the total federal funds received by MDHS's Division of Aging and Adult Services in FFY 2009.

Exhibit 17: Federal Funds received by MDHS for Aging and Adult Services Programs in FFY 2009

Federal Agency and Funding Source	Federal Dollars Received
<i>U. S. Department of Health and Human Services, Administration on Aging</i>	
Title III:	
B - Supportive Services	\$3,282,007
C1 - Congregate Meals	\$3,939,582
C2 - Home-Delivered Meals	\$1,957,399
D - Preventive Health Services	\$196,251
E -National Family Caregiver Support Program (Respite Care)	\$1,390,319
Total Title III	\$10,765,558
Title VII:	\$195,646
Elder Abuse Prevention	\$46,053
Ombudsman	\$149,593
Total Title VII	\$195, 646
ARRA Home-delivered Meals	\$293,833
ARRA Congregate Meals	\$596,849
<i>U. S. Department of Labor</i>	
Title V Senior Community Service Employment Program	\$1,409,407
ARRA Senior Community Service Employment Program	\$294,321
<i>U. S. Centers for Medicare and Medicaid Services</i>	
Senior Medicare Patrol	\$233,333
State Health Insurance Assistance Program	\$625,333
<i>U. S. Department of Health and Human Services, Administration for Children and Families</i>	
Social Services Block Grant	\$6,520,413
<i>Corporation for National and Community Services</i>	
VISTA (formerly named Volunteers in Service to America)	\$50,000

Senior Companion Program	\$225,629
<i>U. S. Department of Agriculture</i>	
Nutrition Services Incentive Program	\$1,901,968
Child and Adult Care Food Program*	\$164,836
TOTAL	\$23,277,126

* Funds received by MDHS from Mississippi Department of Education

SOURCE: Mississippi Department of Human Services, Division of Aging and Adult Services.

How MDHS Allocates and Disburses Federal Funds to the PDDs and CAAs

Division of Early Childhood Care and Development

According to staff of MDHS's Division of Early Childhood Care and Development, the office allocates funds to individual PDDs based on each district's history of need, number of clients served, and number of eligible applicants on waiting lists from the previous year.

MDHS's Division of Early Childhood Care and Development disburses federal funds to the PDDs each month based on their monthly request for projected cash needs and their monthly reporting worksheets detailing program costs incurred for the most recently completed month.

The office uses a Funding Comparison Worksheet to determine whether a designated agent's funding should be modified. This worksheet tracks obligations and expenditures, units served, and amount awarded, among other fiscal measures. The office also prepares a Three-Year Child Care Development Fund Funding Analysis to analyze the long-term needs for the Child Care Development Fund Program.

According to a 2007 performance audit conducted by the Office of the State Auditor, based on the required reporting of designated agents to MDHS, the Division of Early Childhood Care and Development "has the ability to project a fairly accurate picture of upcoming needs as well as monitor current activities by subgrantees."

Division of Community Services

MDHS's Division of Community Services allocates funding to CAAs based on the number of low-income persons in each CAA's service area compared to the total number of low-income persons in the state based on U.S. Census data.

(The amount defined as *low-income* varies depending on the specific program's eligibility requirements.)

CAAs receive funding from the Division of Community Services monthly, based on their monthly requests for projected cash needs and their monthly reporting worksheets detailing program costs incurred for the most recently completed month.

According to the Low-Income Home Energy Assistance Program State Plan, Mississippi will utilize its funding in the areas based on the total state allocation as shown in Exhibit 18, below.

Exhibit 18: Percentage of Low-Income Home Energy Assistance Program Funding to be Utilized in Mississippi by Component

Program Component	Percentage of Funding to be Utilized
Heating assistance	63%
Cooling assistance	16%
Crisis assistance	5%
Weatherization assistance	0%
Carryover to following fiscal year	1%
Administrative and planning	10%
Home energy reduction services	5%
Total	100%

SOURCE: Low-Income Home Energy Assistance Program State Plan.

Division of Aging and Adult Services

MDHS's Division of Aging and Adult Services distributes federal funds received through the Older Americans Act and Title XX of the Social Security Act (Social Services Block Grant) according to the Mississippi Intrastate Funding Formula. The Division of Aging and Adult Services developed this formula in consultation with the AAAs and PDDs and published and disseminated the formula through public hearings. The share of federal funds that each AAA receives is based on the population of the AAA's service area, as reported in the 2000 census. The weights used in the FFY 2007-2010 formula for each population are noted in parentheses:

- Age 60 and over (30%);
- Age 60 and over Living Below the Poverty Level (25%);
- Age 60 and over Minority Living Below the Poverty Level (30%);
- Age 60 and over Living in Rural Areas (15%).

To cite an example, the formula yielded a result of .19613009 for Southern AAA (i. e., Southern AAA's share

of the funds for FFY 2007-2010 is 19.613009%), calculated as shown in Exhibit 19, below.

Exhibit 19: How the Mississippi Intrastate Funding Formula Yields an AAA's Share of Funding, Using Southern AAA as an Example

Population Category	Southern AAA's Service Area Population	Statewide Total Population	Southern AAA's Share of Total Population	Weight (percentages converted to decimals)	Pro Rata Share = AAA's Share of Total Population x Weight
60+	114,750	457,260	0.250951319	0.30	7.5290%
60+ Below Poverty	16,125	79,840	0.201966433	0.25	5.0490%
60+ Minority Below Poverty	5,045	39,691	0.127106901	0.30	3.8130%
60+ Rural	51,240	238,540	0.214806741	0.15	3.2220%
Funding Share*					19.6130%

*Southern AAA's funding share is equal to the sum of its pro rata shares by population category. Southern AAA's total funding share as calculated in the chart differs from its actual funding share by .000009% due to rounding.

SOURCE: PEER analysis of MDHS data.

While the federal government allocates grant funds distributed under the Older Americans Act by Title (e. g., III), Part (e. g., C) and Subpart (e. g., 1), there is programmatic discretion within some of the allocations; e. g., Title III, Part B - Supportive Services. Also, the programmatic allocation of the Division of Aging and Adult Services' share of Social Services Block Grant Funds is left to the discretion of the division. The division makes this determination by allocating to each AAA its share of Social Services Block Grant funds using the intrastate funding formula and then asking each AAA how it wishes to utilize its share of the funds, by program, to address unmet service needs. The sum of each AAA's programmatic requests then becomes the statewide program allocation for that year.

As is the case with federal programs funded through the Division of Community Services and the Office of Children and Youth, AAAs receive federal funds from MDHS monthly, based on their monthly requests for projected cash needs and their monthly reporting worksheets detailing program costs incurred for the most recently completed month.

SOURCE: MDHS staff.

Appendix H: Statewide Contract Meal Prices for FFY 2009

MDHS's FFY 2010 contract with Valley Services, Inc., specifies the following meal prices, by type of meal:

<u>Type of Meal</u>	<u>Price</u>
Congregate meal - Bulk ¹⁷	\$2.282
Home Delivered Meals - Bulk	\$2.282
Congregate Meals - Pre-plated ¹⁸	\$2.606
Home Delivered Meals - Pre-plated	\$2.606
Upgrade ¹⁹ - Congregate Meals - Bulk	\$2.553
Upgrade - Home Delivered Meals - Bulk	\$2.553
Frozen ²⁰ - Traditions - Powdered Milk	\$2.513
Frozen - Traditions - Fluid Milk	\$2.614
Shelf/Stable Meal ²¹	\$2.606
Box/Picnic Lunch	\$2.282
Delivery Charge ²²	\$1.012

SOURCE: MDHS's FFY 2010 contract with Valley Services, Inc.

¹⁷ *Bulk/Congregate/Picnic* is defined as 1 meat, 2 vegetables/or one vegetable and one fruit, 1 bread, 1 milk, 1 dessert, and margarine or other condiment.

¹⁸ *Pre-plated* is defined as 3 hot items to include 1 meat and 2 vegetables (or 1 vegetable and 1 fruit); 1 bread, 1 milk, 1 dessert, and margarine or other condiment.

¹⁹ *Upgraded* consists of the bulk/congregate menu; however, once each week, an upgraded entrée in the form of a solid piece of meat, not ground, chopped, or casserole style and 1 upgraded dessert, such as a piece of pie or cake will be served.

²⁰ *Frozen* is defined as 1 meat; 2 vegetables/fruits; 1 bread (individually wrapped); non-fat dry milk or liquid milk or a frozen milk alternative meal ; 1 dessert (juice, pudding, etc. in individual containers or cookies/cake individually wrapped); margarine or other condiment (in a single serving container).

²¹ Shelf-stable meals are provided to homebound for days when the sites may be closed for designated holidays, weather or other emergencies, elections, and various community events. *Shelf-stable* is defined as a canned entrée, shelf-stable fruit juice, 4 crackers, shelf -stable dessert and dry milk. All items must be easy to open and clearly labeled.

²² *Delivery charge* is charged per frozen meal delivered directly to participant homes by the vendor.

Appendix I: Administrative Cost Caps for Programs Included in This Review

Division of Early Childhood Care and Development

45 CFR Section 98.52(a) limits the amount of federal funds available for the administrative costs of the Child Care Development Fund (CCDF) program to not more than five percent of the aggregate funds expended by MDHS. 45 CFR Section 98.52 further lists some of the activities considered administrative, including salaries and related costs of the staff engaged in the administration and implementation of the program.

At the state level, MDHS Division of Early Childhood Care and Development requires designated agents to report expenditure information for two categories: direct services and non-direct. Direct services include certificate costs only (i. e., actual payments for child care services), whereas non-direct expenditures include administrative costs of the program (e. g., eligibility determination). The Division of Early Childhood Care and Development captures this information by PDD and creates a compilation report at the end of the federal fiscal year that shows what percentages of the awarded amounts were expended on direct services and non-direct activities.

According to 45 CFR 98.66 and 45 CFR 98.92, if a state fails to comply with Child Care Development Fund regulations, the U. S. Department of Human Services can take a disallowance of the improperly expended funds or take a deduction of an amount of up to the improperly expended funds from the administrative portion of the state allotment for the following year. In addition, the U. S. Department of Human Services can impose sanctions to disqualify the state from the receipt of further Child Care Development Fund funding or assess a penalty for up to 4 percent of the state's Discretionary Fund allotment for a fiscal year, according to 45 CFR 98.92(b).

Division of Community Services

Federal enabling statutes establish administrative cost caps for the Community Services Block Grant program, Low-Income Home Energy Assistance Program, and Weatherization Assistance Program.

According to Community Services Block Grant guidelines, 90% of the state's allotment must be allocated to eligible entities to provide a range of services and activities, while 5% will be utilized to provide training and technical assistance. The remaining 5% will be retained by MDHS, Division of Community Services for administrative and monitoring purposes. Furthermore, no more than 15% of the Community Services Block Grant allocation distributed to the subgrantees may be used by eligible entities for administrative costs.

In regard to Weatherization Assistance Program administrative expenses, the state may utilize five percent of the total federal Weatherization Assistance Program allotment for administrative purposes, while the remaining allocation goes to the nine CAAs. The CAAs also have a five percent cap on administrative and monitoring costs based on the total state allocation.

In regard to the Low-Income Home Energy Assistance Program administrative expenses, 10% of the state's total federal grant award for the program can be used for administrative and monitoring purposes. MDHS retains up to 7.5% of the total state grant award for its administrative expenses, allowing the CAAs 2.5% of the total state grant award for its administrative expenses.

Aging and Adult Services

The cap on administrative expenses under Title III and Title VII of the Older Americans Act is 15 percent. MDHS takes 5% of the federal Title III and Title VII grant award to cover its administrative costs, allowing the AAAs 10% of their Title III and Title VII allocation for administration, which is budgeted and accounted for in Title III-A Administration (administration of the area plan). The cap on administrative expenses under Title V of the Older Americans Act is 13.5% (which may be increased to 15% if necessary).

While there is no federal cap on SSBG administrative expenses, MDHS has set a cap of 12% on SSBG administrative expenses (5% for MDHS and 7% for the AAAs).

SOURCE: MDHS and PEER analysis of federal acts.

Appendix J: List of East Central AAA's FFY 2009 Budget Requests,* by Program and Amount

Program	Amount of Request
Title IIIA - Administration	\$140,161
Title IIIB - Homemaker	30,810
Title IIIB - Information & Referral	18,122
Title IIIB - Legal Assistance	11,550
Title IIIB - Ombudsman	110,637
Title IIIB - Outreach	81,535
Title IIIB - Program Development/Coordination	12,146
Title IIIB - Transportation	217,666
Title IIIC1 - Congregate Meals	228,169
<i>Title IIIC2 - Home Delivered Meals</i>	<i>315,298</i>
Nutrition Services Incentive Program (NSIP) Meals (a per-meal reimbursement)	159,685
Title IIID - Emergency Response Center	1,200
<i>Title IIID - Medication Management</i>	<i>5,543</i>
<i>Title IIID - Preventive Health Services</i>	<i>14,446</i>
Title IIIE - In Home Services - Administration	8,101
<i>Title IIIE - In Home Services - Information & Assistance</i>	<i>6,240</i>
<i>Title IIIE - In Home Services - Respite Care</i>	<i>140,800</i>
Title IIIE - In Home Services - Supplemental Services	7,129
<i>Title VII - Elder Abuse Prevention</i>	<i>4,972</i>
<i>Title VII - Ombudsman</i>	<i>14,531</i>
SSBG Title XX - Administration	19,241

*Budgets that were modified during the year are noted in italics.

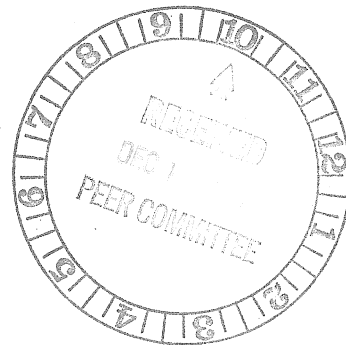
SSBG Title XX - Home Delivered Meals	419,043
SSBG Title XX - Homemaker Services	373, 695
SSBG Title XX - Information and Assistance - Prescription Assistance Program	13,333
SSBG Title XX - Transportation	34,206
TOTAL	\$2,014,564

*Budgets that were modified during the year are noted in italics.

SOURCE: FFY 2009 budget narratives submitted by East Central AAA to MDHS.

Agency Response

STATE OF MISSISSIPPI
HALEY REEVES BARBOUR, GOVERNOR
DEPARTMENT OF HUMAN SERVICES
DON THOMPSON
EXECUTIVE DIRECTOR



December 8, 2010

Max K. Arinder, Ph.D.
Executive Director
Joint Committee on Performance Evaluation and Expenditure Review
P.O. Box 1204
Jackson, Mississippi 39215

Dear Dr. Arinder:

The Mississippi Department of Human Services (MDHS) appreciates this opportunity to respond to the Peer Committee's recent draft report. Thank you for your recommendations regarding federal program funds. Please see our attached responses and improvement plans currently in progress to address the state's monitoring and implementation abilities.

MDHS appreciates this opportunity to provide input to your report. Please be assured that the goal of this agency is to improve the quality of life for children and families in need of the services we administer. Please contact my office if you have questions or need additional information.

Sincerely,

Don Thompson

DT:lb

1. For all federal programs included in this review, the Mississippi Department of Human Services (MDHS) should seek clarification of definitions and classifications for administrative versus indirect costs from the U. S. Department of Health and Human Services. Further, MDHS should consult with the U. S. Department of Health and Human Services to develop explicit criteria for the consideration and approval of proposed indirect cost rates and guidance for setting indirect cost caps. Such clarification and guidance should provide needed uniformity in classifying and approving budgeted expenses and help ensure that maximum dollars are being applied to actual services as opposed to administrative or indirect costs.

Response: MDHS concurs and will consult with the U.S. Department of Health and Human Services to seek clarification and guidance on administrative and indirect costs, to include the classifications, approval of indirect cost plans, and setting indirect cost caps.

2. As recommended by the State Auditor's Office in its March 2007 report on the Child Care Development Fund program, MDHS should review its current contract in comparison to its 1998 contract to verify that there have been no changes to services that would be subject to the five percent administrative cost cap.

Response: The Division of Early Childhood Care and Development (ECCD) concurs that MDHS will evaluate services within a 1998 contract compared to the current contract to ensure that there have been no changes in services. MDHS does not set the indirect cost rate for the Designated Agents (DAs) since it is not the cognizant agency. There are no administrative costs in the Child Care Development Fund program (CCDF) for the DAs since their work is issuing certificates and they are considered service costs. The only administrative costs associated with CCDF is the MDHS administrative cost which ranges from 2-2.5 percent, and the remaining of the total of five percent is applied to services.

3. Before approving individual sub-grantee budgets, MDHS should analyze relevant unit cost data available through federally mandated databases for all entities delivering the service (once this data has been validated as accurate [see recommendations 5 and 6]) to ensure that each proposed budget is based upon the most efficient and effective delivery of services.

Response: The Division of Aging and Adult Services (DAAS), concurs with this recommendation and will implement a process for analyzing the subgrant agreements prior to approving to identify potential areas to reduce service delivery costs. The DAAS program managers will be involved in the budget approval process to assist in identifying potential areas of cost reduction to increase the number of eligible participants served.

4. Based upon the apparent success of its statewide contract for meals in reducing the cost per meal, MDHS should explore the feasibility of entering into other competitively bid statewide contracts (e. g., homemaker services, personal care) as a means of reducing the unit costs of providing the services.

Response: DAAS concurs with this recommendation and feels that exploring this option could decrease costs associated with providing services and thereby increasing the number of eligible participants receiving services and reducing waiting lists. There are certain services that would be appropriate to explore for a statewide contract such as homemaker and respite while some services would not be appropriate such as transportation and adult day care. Reasons services would not be appropriate to bid out on a statewide contract include the lack of service provision statewide and the rural nature of some planning and services areas.

5. Given the significant data inaccuracy problems observed in MDHS's federally mandated Results Oriented Management and Accountability and National Aging Program Information Systems electronic databases, an electronic data processing audit should be conducted on the systems to determine why errors are occurring and how they could be prevented in the future.

Response: The Division of Community Services (DCS) will implement a new system (Virtual ROMA) for program year 2011 (January 2011) which replaces the MS ROMA system, and allows DCS to track the efficiency and effectiveness of services. Reports generated through Virtual ROMA will:

- a. **Determine the efficiency of services through the allocation of time, dollars and production.**
 - i. **Total Unit Cost/Client**
 - ii. **Staff Cost/Client**
 - iii. **County Cost/Staff**
 - iv. **Average time between ROMA levels**
 - v. **Average time to process client applications**
 - vi. **Average Payment**
- b. **Evaluate the quality of services provided to clients both administrative and programmatic.**
- c. **Collect Information Survey (IS) Report specific information and create a preliminary report throughout the year.**
 - i. **Duplicated Household Information**
 - ii. **Unduplicated Household Information**
 - iii. **Other Key Demographic Information**
- d. **Compare reporting worksheet data with client data.**

6. MDHS should increase the accuracy of the data in its National Aging Program Information Systems State Program Performance Report by:

- validating the self-reported National Aging Program Information Systems data through available external data, such as the data maintained by the statewide contract meal service vendor, Valley Services, Inc., documenting the number of congregate and home-delivered meals purchased by each AAA;

Response: DAAS program administrators responsible for the data in the National Aging Program Information System (NAPIS) started December 1, 2010, using the subgrantee monthly expenditure reports to validate the information entered by the subgrantees into the NAPIS. Program Administrators started receiving reports from the statewide meals contract vendor in November 2010 that is used to verify the data entered into NAPIS. Additionally, program administrators are using subgrantee submitted client service logs to verify data entered into NAPIS matches actual service provision. The aforementioned measures ensure that the AAA understands what data is to be entered into NAPIS and errors are caught before the data is published.

- supplementing federal National Aging Program Information Systems instructions with MDHS instructions designed to prevent common AAA reporting errors, such as failing to include all required data in the total expenditure and units of service columns (i. e., by specifying all types of expenditure and unit of service data to include in the “total” columns); and,

Response: Starting October 1, 2009, DAAS implemented a required quarterly NAPIS report. The quarterly report allows the NAPIS program administrator to perform data verification throughout the year providing additional guidance to the AAAs.

- financially penalizing AAAs that refuse to provide federally required data, such as expenditure and units of service data for Medicaid Title XIX Waiver program meals (e. g., by withholding a portion of the AAA’s administrative funds).

Response: DAAS concurs with this recommendation and will work with the Division of Program Integrity to develop a protocol for penalizing the AAAs that refuse to submit required data. Once developed, the policy will be issued to the AAAs.

7. MDHS’s Division of Program Integrity should establish more detailed sampling procedures for its monitors’ reviews of PDD/CAA disbursements to ensure an acceptable error rate by which to judge the accuracy of its findings related to disbursements. Specifically, monitors should be required to determine the desired confidence level, expected occurrence rate (i. e., the percentage of disbursements with findings of noncompliance) and the upper precision (i. e., the magnitude of deviation of a sample value from the population).¹

Response: The Division of Program Integrity (DPI) will develop a sampling method for determining the number of expenditures to be tested during monitoring reviews and investigative audits. DPI will also develop a risk assessment tool for assessing each subgrant/subgrantee and utilize the tool as a basis for the sampling method.

8. MDHS’s Division of Program Integrity should establish written criteria in its monitoring instrument for what constitutes a “reasonable and necessary” expenditure that is sufficient to allow a third-party reviewer to draw the same conclusion independently.

Response: Establishing written criteria in the monitoring tools does not appear feasible in that the criteria could not be all-inclusive due to the different variables that can be associated with a reasonable and necessary expense, which appears to be why the OMB Circular A-122 carries a very general definition of a reasonable and necessary expense.

Due to the varied programs that MDHS awards and the number of situations that are associated with each, professional judgment on the part of the monitor and/or auditor is critical in determining a reasonable and necessary expense.

9. In order to ensure the timely resolution of unresolved Program Integrity Division monitoring findings, MDHS should establish time standards for each step in the resolution process and ensure that these standards are adhered to by all parties.

Response: DPI's Office of Monitoring has established time standards for each step in the resolution process; however, due to the time utilized in training because of turnover in personnel, the time standards are not always met timely. The Office of Monitoring is diligent, however, to ensure that every subgrant awarded by MDHS is monitored within the period of the subgrant, as required by federal regulations.

10. MDHS should revise its system for awarding points using the Consumer Intake Form in order to ensure that targeted populations are being prioritized according to federal mandates. Specifically, MDHS should award three points to applicants who have limited English proficiency and should only award the three additional points currently awarded to all minorities to those minorities who are also low-income.

Response: DAAS concurs with this recommendation and the Consumer Information Form and Consumer Information Form Instruction Guide are currently under revision. Once the form and instruction guide are revised they will be disseminated to all AAAs and service providers.

11. MDHS should seek to increase the percentages of eligible populations being served through federally funded programs through better oversight of budgeted and actual program expenditures.

DCS Response: DCS has increased the percentage of Community Services Block grant funds allocated to community action agencies by 10% in the client service category for the 2011 program year, in an effort to serve more of the eligible population. We currently monitor budgeted versus actual expenditures on a monthly basis. DCS will continue evaluating the Low-Income Home Energy Assistance and Weatherization programs to identify ways to provide services more efficiently, which will allow more dollars to be allocated to client services.

DAAS Response: DAAS concurs with this recommendation. DAAS is currently reviewing the eligibility scoring system against national standards to ensure that service eligibility is awarded to those clients most in need; this review was recommended by the AAAs. Revising the eligibility determination scoring system will reduce waiting lists and ensure that those most in need of services are served.

12. After verifying the validity of unit cost data through the steps contained in recommendations 5 and 6, MDHS should analyze the unit cost data available through federally mandated databases to identify the most efficient service providers. MDHS should analyze sub-grant budget requests and actual program and expenditure data to determine how

the most efficient service providers are able to provide the services at lower costs. By sharing this information with other providers and encouraging reductions in the costs of service delivery where warranted, MDHS could drive down unit costs to the level of the most efficient provider and thereby increase the number of clients served and units of service provided through these federally funded programs.

Response: DAAS concurs with this recommendation and will begin developing a policy of sharing best practices among AAAs and Service Providers. The availability of best practices will encourage more efficient use of limited services available.

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