

**ATTESTATION REPORT
OF THE
AGING OFFICE OF
WESTERN NEBRASKA –
STATE AGING PROGRAM**

JULY 1, 2016, THROUGH DECEMBER 31, 2016

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BACKGROUND

The State of Nebraska has eight designated Area Agencies on Aging (AAA) that work with the State to provide services to older adults, family caregivers, and grandparents raising grandchildren in each of the State's 93 counties, in accordance with the Older Americans Act (Act). The Aging Office of Western Nebraska (AOWN) is one of the eight AAAs and receives State and Federal funding from the Nebraska Department of Health and Human Services (DHHS), State Unit on Aging (SUA), to provide services to the residents of its designated counties.

AOWN was created under the Nebraska Interlocal Cooperation Act by the following 11 counties: Banner, Kimball, Box Butte, Morrill, Cheyenne, Scotts Bluff, Dawes, Sheridan, Deuel, Sioux, and Garden. Each county provides one member to the AOWN governing board.

Neb. Rev. Stat. § 13-802 (Reissue 2012) sets out the following purpose for the Interlocal Cooperation Act:

It is the purpose of the Interlocal Cooperation Act to permit local governmental units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities.

The State Aging Program services provided by AOWN include the following: 1) supportive services, such as homemaker, chore, and access; 2) nutrition services, including congregate and home-delivered meals; 3) preventative health services, such as blood pressure screening and health education services; 4) family caregiver support, including counseling and respite services; 5) case management; and 6) services related to companionship and advocacy.

AOWN also provides funding for Handyman Programs for the City of Kimball, Scotts Bluff County, Box Butte County, and Morrill County. These entities are subrecipients and determine eligibility of clients and provide services for reimbursement from AOWN.

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KEY OFFICIALS AND ENTITY CONTACT INFORMATION

Board Members

Name	Title
Sherry Blaha	Board Chair
Robert Radke	Board Vice Chair
Robert Post	Board Member
Doug Hashman	Board Member
Phil Sanders	Board Member
Webb Johnson	Board Member
William Klingman	Board Member
Larry Engstrom	Board Member
Steve Erdman	Board Member
Dan Kling	Board Member
Allerton Hal Downer	Board Member

Executive Management

Name	Title
Cheryl Brunz	Executive Director

Aging Office of Western Nebraska
1517 Broadway, Suite 122
Scottsbluff, Nebraska 69361
AOWN.org

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SUMMARY OF COMMENTS

During our examination of the Aging Office of Western Nebraska (AOWN), State Aging Program (Program), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #2, #3, #4, #5, and #6, which are considered to be significant deficiencies and Comment #1, which is considered to be a material weakness.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Lack of Adequate Controls Over Expenditures and Revenue Transactions:*** During testing, we noted there was a lack of adequate segregation of duties or compensating procedures over payroll, expenditures, and revenues collected.
2. ***Payroll Issues:*** During testing, we noted a \$730 overpayment, excessive Federal taxes withheld, improper wages reported on W-2s, tax withholdings not properly applied per W-4 instructions, and 403b contributions withheld improperly.
3. ***Lack of Subrecipient Monitoring:*** AOWN has four subrecipients for the Handyman Program. There was no supporting documentation on file for reimbursements made to the subrecipients and a lack of adequate monitoring to ensure expenditures were in accordance with Federal regulations. Subrecipients were paid \$68,533 during the period tested.
4. ***Lack of Supporting Documentation:*** We noted 7 of 20 expenditures tested and two in-kind transactions lacked adequate supporting documentation to ensure the expenditures were reasonable, necessary and in accordance with Federal regulations. The transactions totaled \$56,082.
5. ***Lack of Support for Allocations:*** AOWN allocated several transactions between different funding sources for the Program; however, there was not adequate supporting documentation to ensure the allocations were reasonable and in accordance with Federal regulations.
6. ***Miscoded Transactions:*** During testing, we noted five errors within the accounting system, some of which required adjustments to the financial schedule to ensure the financial activity was properly reflected. Miscodings totaled \$203,477.
7. ***Donations:*** AOWN collected \$1,720 in donations related to the Program that were not reported as program income.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of AOWN.

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SUMMARY OF COMMENTS
(Concluded)

Draft copies of this report were furnished to AOWN to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

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COMMENTS AND RECOMMENDATIONS

1. Lack of Adequate Controls Over Expenditure and Revenue Transactions

Good internal controls and sound accounting practice require an adequate segregation of duties or compensating procedures to ensure no one individual is able to perpetrate and conceal errors or irregularities.

During testing, we noted a lack of adequate segregation of duties over payroll, expenditures, and revenues for the Aging Office of Western Nebraska (AOWN). The accounting system used by AOWN, QuickBooks, does not permit a segregation of duties between employees; therefore, access other than inquiry allows an individual to perform all processes of a transaction.

Payroll

Four individuals were able to add employees, make changes to existing employees' wages, including their own, enter time worked, prepare payroll warrants, and reconcile the accounting system. Furthermore, one of the individuals was also a signer on the bank account. There was no documented secondary review performed by an individual without access to the accounting system to ensure payments and changes made to employees' records were reasonable and proper. In October 2016, AOWN signed an agreement with an independent CPA to process its payroll warrants through QuickBooks. Other employee records were still maintained by AOWN.

During the period tested, there was \$609,486 in payroll expenditures.

Expenditures

In addition to reconciling the bank accounts, four individuals were able to perform all procedures related to the processing of a warrant. As noted above, one individual was also a signer on the bank account. The Board did receive a listing of warrants paid each month for review; however, no further supporting documentation was provided, and AOWN's accounting system does not prohibit the changing of payee names after a warrant is written. Therefore, the listing provided to the Board could be manipulated.

Expenditures incurred during the period tested totaled \$373,344.

Revenues

Four individuals were able to record receipts, process deposits, and reconcile the bank accounts. Monies were receipted at the main office, 18 nutrition sites, and in the field by staff delivering meals to participants. The main office kept a log of monies received for the day, and the Director reviewed it to ensure the log agreed to the final deposit. However, the Director had access to make changes to the accounting system and could change daily deposit amounts.

The nutrition sites each had a separate bank account. Daily, two volunteers counted participant contributions collected at the senior centers where congregate and home-delivered meals were prepared. The volunteers logged the daily monies received and signed the log. The site manager then reviewed the log, counted the monies, and prepared the deposit document. There was a risk the site managers could change the daily logs and not deposit all collections for the day without detection.

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COMMENTS AND RECOMMENDATIONS
(Continued)

1. Lack of Adequate Controls Over Expenditure and Revenue Transactions (Concluded)

At-risk receipts recorded to the accounting system during the period tested consisted of participant contributions, client payments, donations, and other income totaling \$222,927.

Without an adequate segregation of duties, there is an increased risk that errors or misappropriation of funds could occur and go undetected.

We recommend AOWN ensure an adequate segregation of duties is established, or adequate compensating procedures are performed, such as documented reviews by individuals unable to perform transactions in the accounting system, to ensure errors and irregularities are identified and corrected.

AOWN Response: To segregate duties and compensating procedures, as of March 1, 2017, the Executive Director no longer has access to the accounting system and will review transactions regularly to ensure any errors and irregularities are identified and corrected. On or about October 14, 2016, AOWN entered into a service agreement with a third-party payroll service provider, which was approved by the Department of Health and Human Services.

2. Payroll Issues

We tested eight current and two terminated employees' payroll expenditures from the State Aging Program (Program) during the year. Current employees' payroll was tested for September 2016 and November 2016. During testing, we noted the following issues:

- For one of two terminated employees tested, two final paychecks were paid by AOWN. The individual was overpaid a total of \$730, of which \$392 was charged to the Program:
 - One payment was for vacation and sick leave, totaling 94 hours, through the employee's termination date. The employee was paid at an improper hourly rate of \$27.82, instead of \$25.68, causing a total overpayment of \$201, of which \$108 was charged to the Program.
 - The second payment was for 8 hours of regular pay and 12 hours of vacation. There was no documentation of the actual hours worked. According to discussions with AOWN, the employee came into the office for "about an hour." AOWN staff explained that she was originally a salaried employee and, therefore, had to be paid for the full day. It appears the employee was overpaid seven hours for time not worked. AOWN also paid a full month's vacation accrual. According to AOWN's policy regarding accruals during leave of absences, "If an employee is on unpaid leave for part of a pay period, the amount of vacation normally awarded for that month will be pro-rated based on the amount of the

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COMMENTS AND RECOMMENDATIONS
(Continued)

2. Payroll Issues (Continued)

employee's paid time that pay period." Therefore, prorated vacation earnings would be 0.069 hours. Total hours overpaid were 18.931. AOWN also paid the incorrect hourly wage of \$27.82, instead of \$25.68. Total overpayment was \$529, of which \$284 was charged to the Program.

- Six employees' 403b retirement plan contributions were included in their Federal income taxable wages for the pay periods tested. According to the Internal Revenue Service, 403b plans are a tax-sheltered annuity plan; therefore, taxes are deferred at the time of contribution. The taxation of the contributions caused an overpayment of taxes and an underpayment of wages, totaling \$157, for the employees tested, of this amount \$43 was allocated to the Program. The APA was able to determine the final taxable wages on the employees' 2016 Form W-2 properly excluded the 403b contributions. Therefore, the overall effect was that employees were taxed higher than required during the period tested, but the 403b contributions appear to have been properly tax sheltered for purposes of the plan. Total 403b contributions made by employees during the period tested were \$10,871, for all programs administered by AOWN.
- During our review of the eight employees' 2016 Form W-2, we determined social security and Medicare wages were improperly reported for two employees. The employees' wages were over-reported by \$252 and \$245, which could cause the employees to remit higher taxes than necessary for the year.
- Four employees tested had unsupported or inconsistent withholdings from their Form W-4.
 - One employee's paycheck included an additional withholding of State income tax for \$55, and there was no support that the employee requested the additional withholdings for each paycheck.
 - According to the Nebraska Department of Revenue, 2013 Circular EN: "The marital status and number of allowances must be the same for Nebraska as for federal." However, two employees' marital statuses were inconsistent, and one employee's allowance for State income tax was different than what the Form W-4 indicated, causing wages to be overpaid by \$6 and underpaid by \$1 and \$5, allocated to the Program.
- Two employees' 403b contributions did not agree to their elections. One employee requested 5% to be withheld from each paycheck; however, only 3% was withheld, causing an under-contribution of \$28, or \$9 allocated to the Program, which would be approximately \$625, or \$206 allocated to the Program, for the period tested. The other employee requested 3% to be withheld from each paycheck; however, on her final paycheck, AOWN withheld \$133, instead of the 3% contribution of \$78, due to the contribution amount being "hard-coded" into the payroll system.

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COMMENTS AND RECOMMENDATIONS
(Continued)

2. Payroll Issues (Concluded)

Good internal controls require adequate policies and procedures to ensure employees are paid properly, and taxes are in accordance with State and Federal regulations. Without adequate policies and procedures, there is an increased risk of adverse tax consequences for AOWN and/or employees when taxes are not withheld in accordance with State and Federal regulations. There is also an increased risk of improper payments to employees.

We recommend AOWN ensure taxes are withheld in accordance with State and Federal regulations, the employees' 2016 Form W-2s are corrected, 403b contributions are withheld according to employees elections, and termination payments are properly paid and in accordance with current policies and procedures.

AOWN Response: As of October 14, 2016, AOWN's payroll is processed by an independent CPA. Additionally, the Fiscal Department employees that were responsible for setting up the automated operations in the accounting system, which led to some of these payroll issues, are no longer employed by AOWN. AOWN will implement policies and procedures regarding tax withholdings to ensure compliance with State and Federal Regulations.

3. Lack of Subrecipient Monitoring

AOWN had four subrecipients, Box Butte County, City of Kimball, Morrill County, and Scotts Bluff County, that ran Handyman Programs. Those programs provide services to the elderly, such as homemaker and chore services.

The subrecipients remitted monthly reports to AOWN that summarized the expenditures and income during the period. AOWN reimbursed the net of the expenditures less program income, but no invoices or detailed supporting documentation accompanied the monthly reports. AOWN did not have adequate supporting documentation to substantiate that the expenditures were in accordance with State and Federal requirements. Subrecipient payments totaled \$68,533 during the period tested.

Furthermore, we noted the subawards to the subrecipients did not contain all of the information required by 45 CFR § 75.352 (October 1, 2016), including the subrecipient's unique entity identifier, the Federal award identification number (FAIN), the Federal award date, the total amount of Federal funds obligated to the subrecipient, including the current obligation, the Federal award project description, the name of the awarding agency, and the CFDA number and name.

We selected one handyman revenue and two handyman expenditures to test the supporting documentation. The following was noted:

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COMMENTS AND RECOMMENDATIONS
(Continued)

3. Lack of Subrecipient Monitoring (Continued)

- The Scotts Bluff Handyman Program reported \$1,872 in client contributions for the month of July 2016. The contributions reported to AOWN are reduced from the monthly reimbursement for program expenditures reported. However, the support for the contributions was a calculation of total expenditures, less matching funds, multiplied by 22%. It is unknown why the contributions reported were a calculated figure instead of the actual client contributions or if the calculation was reasonable. The APA requested further documentation regarding the calculation, but no further supporting documentation was provided by AOWN.
- The Scotts Bluff Handyman Program reported \$8,804 in expenditures for July 2016. We selected other expenditures of \$3,751, which consisted of handyman provider payments for work performed and mileage incurred. We selected two providers' expenses, which agreed to their job expense records. We also recalculated the mileage for one provider, which appeared to have excessive or unsupported mileage reimbursed. The APA calculated 70 miles less than that claimed for a total of \$39. Furthermore, the IRS mileage rate was \$0.54, but the provider was paid \$0.55 per mile. It is unknown why the rate did not agree to the IRS rate.
- The Box Butte Handyman Program reported \$3,471 in expenditures for November 2016. We selected personnel expenditures of \$1,733 and requested supporting documentation. AOWN requested support from the program and was provided a spreadsheet with employee names and amounts; no further support, such as timesheets, was provided. In-kind volunteer hours were also included; however the support included only 12 hours at \$11.84; there was no further support for the hours recorded.

Per 45 CFR § 75.303 (October 1, 2016), an Agency has the responsibility to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires the pass-through entity to establish controls to ensure subrecipients use Federal awards in accordance with Federal compliance requirements, including procedures for the monitoring of subrecipients' fiscal activities related to Federal and non-Federal (matching) expenditures.

45 CFR § 75.403 (October 1, 2016) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

45 CFR § 75.352 (October 1, 2016) states, as is relevant, the following:

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward . . . (1)(ii) Subrecipient's unique entity identifier; (iii) Federal Award Identification Number (FAIN); . . . (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation; . . . (ix) Federal award project description; . . . (x) Name of HHS awarding agency; . . . (xi) CFDA Number and Name; [and] (xii) Identification of whether the award is R&D . . .

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COMMENTS AND RECOMMENDATIONS
(Continued)

3. Lack of Subrecipient Monitoring (Concluded)

* * * *

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

Without adequate monitoring procedures and required information contained in subawards, there is an increased risk grant awards could be used for improper/unallowable costs.

We recommend AOWN improve procedures to monitor subrecipients. Monitoring should include a written plan with procedures to ensure monthly reports are accurate and agree to support, expenditures are in accordance with Federal requirements, and adequate documentation is retained. Furthermore, subawards should contain all information required by 45 CFR § 75.352.

AOWN Response: AOWN will develop written policies and procedures to monitor subrecipients and to strengthen AOWN's oversight for subrecipients. This will include acquiring the proper documentation needed for retention purposes from the subject of any future monitoring visits; for example, in the event that there is no access to electronic equipment to make copies of supporting documentation, the AOWN staff that are performing the monitoring visit will have available to them a laptop and document scanner so that sufficient documentation as to the monitoring is retained at central office. AOWN will revise its subaward form to ensure it contains all information required by 45 CFR § 75.352.

4. Lack of Supporting Documentation

During testing of expenditure and revenue activity for the Program, we noted several transactions that lacked adequate documentation to allow for a determination that the transactions were reasonable, necessary, and in accordance with Federal regulations.

Expenditure Transactions

Seven of 20 documents tested did not have adequate supporting documentation, as follows:

- AOWN contracted with senior centers to perform services related to the Senior Companion Program. We tested the Dalton senior center report, which noted the number of volunteers, number of people served, and number of hours spent. According to the contract, the senior centers are paid a flat rate of \$298 monthly for their services. However, there was no documentation that AOWN monitored the contract to ensure the services reported were actually being provided. Total contractual services for the Senior Companion Program were \$10,415 for the period tested.

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COMMENTS AND RECOMMENDATIONS
(Continued)

4. Lack of Supporting Documentation (Continued)

- A law firm was hired by AOWN to assist with findings related to the Department of Health and Human Services, State Unit on Aging, monitoring visit. The billing totaled \$3,334, of which \$2,209 was charged to the State Aging Program. The billing was for 18.40 hours during the month of November 2016, and rates charged varied between \$175 and \$270 per hour. There was no contract on file for the agreed-upon services and rates to be charged. Furthermore, there was no documentation that the Board approved the legal services.
- AOWN recorded vehicle depreciation expense for its six vehicles. Depreciation was calculated at \$0.25 per mile driven. There was no documentation for the rate charged or documentation that AOWN monitored the depreciation expense compared to the vehicle cost to ensure depreciation expense did not exceed the vehicle value. The total vehicle depreciation expense for the period tested was \$2,554.
- One employee was reimbursed for mileage incurred while traveling to and from her place of employment. Because the individual was permanently assigned to the location, the travel should have been considered a personal commuting expense. When commuting expenses are reimbursed, they should be treated as taxable wages in accordance with IRS Publication 463 (2016). AOWN did not include the commuting expenses as taxable wages. We tested one reimbursement from November 1-21, 2016, and noted 602 miles were commuting expenses and were reimbursed at \$0.54 for a total of \$325.
- We tested two credit card statements, one for August 2016 and the second for October 2016, and noted a lack of detailed receipts, as follows:
 - There was a \$500 charge with no supporting documentation. A handwritten note said the purchase was for 20 caregiver books.
 - There was a \$374 charge to the Program with no supporting documentation. Handwritten on the statement was “annual fee.” Per discussion with AOWN staff, the fee was for an annual QuickBooks update.
 - There were 10 restaurant or food-related purchases, totaling \$204, that had no detailed receipts to substantiate the items purchased. There was \$62 for five receipts to a bakery, \$92 for a group meal at Perkins, and four miscellaneous meal receipts totaling \$50.
- We tested a mileage reimbursement to a staff person for October 2016. The individual traveled in the area performing client reassessments and visitations. The APA was unable to recalculate the mileage claimed for four days within a reasonable range. The individual claimed 295 miles, but the APA was able to recalculate only 264, for a variance of 31 miles or \$17, of which \$8 was charged to the Program.

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COMMENTS AND RECOMMENDATIONS
(Continued)

4. Lack of Supporting Documentation (Continued)

In-Kind Transactions

AOWN accounts for in-kind contributions related to volunteer hours and donated building space. We noted a lack of supporting documentation to substantiate the amounts recorded.

AOWN recorded donated building space for the 18 senior centers for the use of the kitchen and space for congregate meals provided to clients. The four Handyman Programs and the Ombudsman Program also had donated space. Building space for the period tested totaled \$38,147. AOWN did not have support that the amounts recorded were supported by fair market values in accordance with 45 CFR § 75.306 (October 1, 2016).

AOWN also held health clinics where nurses volunteered time for blood pressure checks. The value of the donated time was recorded at \$15 per hour. However, there was no documentation to substantiate that the rate was consistent with those paid for similar work in the labor market. AOWN recorded \$1,346 for volunteer hours for health clinics during the period tested.

45 CFR § 75.306, Cost Sharing or Matching, states, in part, the following:

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

* * * *

(e) Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved.

* * * *

(i) The value of donated property must be determined in accordance with the usual accounting policies of the non-Federal entity, with the following qualifications:

* * * *

(3) The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

* * * *

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.

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COMMENTS AND RECOMMENDATIONS
(Continued)

4. Lack of Supporting Documentation (Concluded)

45 CFR § 75.403 (October 1, 2016), requires costs charged to Federal programs to be reasonable, necessary, and adequately documented. Furthermore, good internal controls require adequate policies and procedures to ensure transactions are adequately supported.

When transactions lack adequate supporting documentation, it is unknown if charges are reasonable, complete, or in accordance with Federal regulations.

We recommend AOWN ensure compliance with Federal regulations by establishing adequate policies and procedures to ensure transactions are supported and allowable.

AOWN Response: AOWN will develop written policies and procedures to ensure it consistently collects adequate supporting documentation to substantiate its activities. As noted in its response to Item No. 3 above, AOWN will develop written policies and procedures to monitor subrecipients and to strengthen AOWN's oversight of subrecipients.

AOWN is working with their independent CPA to implement a correct vehicle depreciation schedule. AOWN will ensure that all automatic and/or reoccurring charges that are paid via VISA credit card will have a receipt on record. AOWN will also ensure that no expenditures are paid without proper documentation to support that the expense was reasonable, necessary, and allowable. AOWN will contact all county assessor offices to obtain the most recent valuation for the property being used as In-Kind. AOWN will take an average of salaries paid to CNA's, LPN's, and RN's from several entities in our PSA to determine an In-Kind contribution related to Health Clinic volunteer hours.

AOWN has already addressed certain issues by: executing a separate engagement letter relating to their legal representation (in addition to being a member of NIRMA and NACO); no longer paying mileage to the relevant employee for schedule travel hours; requiring that all restaurant or food related purchases to be accompanied by an itemized receipt and credit card receipt; requiring all mileage sheets to contain the names of clients and the order of visits to ensure proper mileage is paid.

5. Lack of Support for Allocations

AOWN allocated several transactions between the different funding sources of the Program. Many of the allocations were based on budgeted amounts that lacked adequate underlying supporting documentation to ensure they were reasonable and in accordance with Federal regulations. We noted the following:

- During testing of payroll expenditures, we noted that all 10 employees tested had their payroll expenditures allocated between the different funding sources based on budgeted amounts. The employees did not record actual time worked by program or establish other procedures to ensure the allocations were reasonable in accordance with 45 CFR § 75.430 (October 1, 2016).

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COMMENTS AND RECOMMENDATIONS
(Continued)

5. Lack of Support for Allocations (Continued)

- For 10 of 23 expenditure documents tested, the allocations used did not have adequate supporting documentation. The expenditures totaled \$24,938 and consisted of phone charges, supplies, rent, vehicle depreciation, and legal expenses.

According to discussions with AOWN staff, the budget was based on estimated expenditures using six months of actual expenditures projected to annual amounts, prior knowledge of past expenditures, knowledge of future expenditures, and discussions with staff responsible for the programs. However, adequate supporting documentation was not on file to support the amounts used to allocate actual expenditures.

45 CFR 75.303 (October 1, 2016) requires an Agency to ensure compliance with Federal requirements through the use of sound internal controls. A good internal control plan requires policies and procedures to ensure adequate documentation is on file to support allocations used to record transactions.

45 CFR § 96.30(a) (October 1, 2016) requires fiscal control and accounting procedures sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

45 CFR 75.403 (October 1, 2016) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

45 CFR 75.430(i)(1) (October 1, 2016) states, in relevant part, the following:

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

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non- Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

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COMMENTS AND RECOMMENDATIONS
(Continued)

5. Lack of Support for Allocations (Concluded)

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

When allocations are not adequately supported, there is an increased risk that programs will not be charged equitably or in accordance with Federal regulations.

We recommend AOWN establish policies and procedures to ensure allocations are adequately supported and in accordance with Federal regulations.

AOWN Response: AOWN will conduct a time study to begin on April 1, 2017, for a period of 30 days to identify proper allocation for payroll monies. AOWN will complete a time study annually. AOWN is working with its independent CPA to create a cost allocation plan. AOWN will defer to the State Unit on Aging in the Nebraska Department of Health and Human Services for further guidance on how to comply with this directive.

6. Miscoded Transactions

During testing, we noted several miscodings within the accounting system for the Program, as follows:

- AOWN has four subrecipients for the Handyman Program. The subrecipients remit monthly reports to summarize their expenditures and income. AOWN remits payment to the subrecipients for the netted total expenditures less income. Instead of recording these payments as aid to subrecipients, AOWN recorded expenditures for personnel, travel, etc., and income in its accounting system. Therefore, an adjustment was made to decrease the improper income for \$22,251 and expenditures for \$90,784 and record aid for the actual netted payment remitted to the subrecipients during the period totaling \$68,533.
- Funds received from the State for contractual work and Program related reimbursements were improperly shown as Federal revenues instead of State revenues, totaling \$87,660. The financial schedule was adjusted.
- AOWN reversed several outstanding checks dating back to 2010 through 2015 that had not yet cleared the bank. The journal entry decreased the various expenditure accounts and increased cash. However, expenditures should not have been decreased, as the original transactions were outside of the period tested and AOWN's fiscal year. Instead, a fund balance adjustment should have been performed. The total for the State Aging Program totaled \$2,483.

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Miscoded Transactions (Concluded)

- AOWN purchased shirts for several staff members and recorded the expenditures in the accounting system as supplies for \$299. The staff members later reimbursed AOWN, which it recorded as other income. The reimbursements should have decreased the expenditure, as these were not actual income.

Good internal controls require adequate policies and procedures to ensure transactions are accurately recorded in the accounting system. Without such policies and procedures, there is an increased risk of material misstatement of the financial schedule.

We recommend AOWN ensure it implements adequate policies and procedures to ensure transactions are properly recorded in the accounting system for accurate financial reporting.

AOWN Response: AOWN is working with its independent CPA and Fiscal Coordinator to ensure that all expenditures and/or revenues are recorded properly in the accounting system.

7. Donations

For the period tested, AOWN reported cash donations of \$1,480 to the Department of Health and Human Services, State Unit on Aging. However, according to the general ledger, AOWN collected \$3,204. Additional donations of \$1,724 were not reported as program income. Of this amount, \$1,720 was collected from a campaign called “Help Feed A Hungry Senior.” (See **Attachment A** for the flier provided by AOWN.) The campaign advertised using the donations to purchase meals at senior centers that provide congregate and home-delivered meals for the Program. The APA asked why the donations were not reported for the Program, and AOWN staff explained that donations are not recorded until they are used. The donations are then recorded as participant contributions for the Program.

However, program income is required to be used to reduce the amount of allowable costs for reimbursement in accordance with 45 CFR 75.307(e)(1) (October 1, 2016), which states the following:

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

Good internal controls require adequate policies and procedures to ensure donations are properly reported as program income. Without such policies and procedures, the reimbursement requests will be excessive and not in accordance with Federal regulations.

AGING OFFICE OF WESTERN NEBRASKA

COMMENTS AND RECOMMENDATIONS
(Concluded)

7. **Donations** (Concluded)

We recommend AOWN implement adequate policies and procedures to ensure donations related to the Program are properly reported as program income.

AOWN Response: AOWN has ensured that proper fund allocation has been recorded into the accounting system for the above referenced monies. Going forward, AOWN will adopt written policies and procedures to ensure donations are properly reported as program income.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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AGING OFFICE OF WESTERN NEBRASKA – STATE AGING PROGRAM

INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors
Aging Office of Western Nebraska
Scottsbluff, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Aging Office of Western Nebraska (AOWN), State Aging Program (Program) for the period July 1, 2016, through December 31, 2016. AOWN's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, revenues, expenditures, and changes in fund balances of the AOWN Program for the period July 1, 2016, through December 31, 2016, based on the accounting system and procedures prescribed by the AOWN Board of Directors, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject

matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Board, others within AOWN, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'C. J. Janssen', with a long horizontal flourish extending to the right.

Charlie Janssen
Auditor of Public Accounts

April 7, 2017

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2016, through December 31, 2016

	Title III-B Supportive Services Fund	Title III-C1 Congregate Meals Fund	Title III-C2 Home- Delivered Meals Fund	Title III-D Preventive Health Fund	Title III-E National Family Caregiver Support Program (NFCSP) Fund	Case Management Fund	Senior Companion Fund	Totals (Memorandum Only)
REVENUES:								
Federal Revenues	\$ 73,677	\$ 54,756	\$ 96,098	\$ 3,131	\$ 22,961	\$ -	\$ -	\$ 250,623
State Revenues	36,183	139,626	169,146	6,341	16,631	96,104	17,692	481,723
Local Revenues	4,656	154,015	136,218	1,346	2,098	658	-	298,991
Other Revenues	-	746	454	-	-	312	-	1,512
TOTAL REVENUES	<u>114,516</u>	<u>349,143</u>	<u>401,916</u>	<u>10,818</u>	<u>41,690</u>	<u>97,074</u>	<u>17,692</u>	<u>1,032,849</u>
EXPENDITURES:								
Personal Services	14,036	248,579	241,626	4,873	23,297	75,044	2,031	609,486
Operating	22,428	116,459	110,361	1,647	12,928	6,788	10,606	281,217
Travel	1,583	2,582	11,666	1,265	527	3,921	-	21,544
Capital Outlay	-	1,128	922	-	-	-	-	2,050
Aid to Subrecipients	68,533	-	-	-	-	-	-	68,533
TOTAL EXPENDITURES	<u>106,580</u>	<u>368,748</u>	<u>364,575</u>	<u>7,785</u>	<u>36,752</u>	<u>85,753</u>	<u>12,637</u>	<u>982,830</u>
Net Change in Fund Balances	<u>\$ 7,936</u>	<u>\$ (19,605)</u>	<u>\$ 37,341</u>	<u>\$ 3,033</u>	<u>\$ 4,938</u>	<u>\$ 11,321</u>	<u>\$ 5,055</u>	<u>\$ 50,019</u>

The accompanying notes are an integral part of the schedule.

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM

NOTES TO THE SCHEDULE

For the Period July 1, 2016, through December 31, 2016

1. Criteria

The accounting records of the Aging Office of Western Nebraska (AOWN) are maintained, and the Schedule of Revenues, Expenditures, and Changes in Fund Balances has been prepared, based on the accounting system and procedures prescribed by the AOWN Board of Directors for the State Aging Program (Program).

The prescribed accounting system utilized by AOWN was QuickBooks, an accounting software, to maintain the general ledger and all detailed accounting records. As revenue and expenditure transactions were recorded, there was a related increase or decrease in the cash accounts.

AOWN has established the following fund types for the Program:

Title III-B – Supportive Services Fund – accounts for Federal and State grant activity related to the Special Programs for Aging, Title III, Part B, Grants for Supportive Services and Senior Centers, CFDA Number 93.044. Activity includes services to provide long-term care in home and community-based settings, such as homemaker, chore, and access services.

Title III-C1 – Congregate Meals Fund – accounts for Federal and State grant activity related to the Special Programs for the Aging, Title III, Part C, Nutrition Services, CFDA Number 93.045, and also Nutrition Services Incentive Program, CFDA 93.053. Activity includes services for congregate meals and nutrition education.

Title III-C2 – Home-Delivered Meals Fund – accounts for Federal and State grant activity related to the Special Programs for the Aging, Title III, Part C, Nutrition Services, CFDA Number 93.045, and also Nutrition Services Incentive Program, CFDA 93.053. Activity includes services for home-delivered meals for eligible individuals.

Title III-D – Preventive Health Fund – accounts for Federal and State grant activity related to the Special Programs for Aging, Title III, Part D, Disease Prevention and Health Promotion Services, CFDA Number 93.043. Activity includes health clinics, medication management, and health education.

Title III-E – National Family Caregiver Support Program Fund (NFCSP) – accounts for Federal and State grant activity related to the National Family Caregiver Support, Title III, Part E, CFDA Number 93.052. Activity relates to family caregiver support, including counseling, assistance, and respite services.

Case Management Fund – is a State-funded program and accounts for activity designated for individual assessments and coordination of community based services for clients.

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Senior Companion Fund – is a State-funded program, which includes activity for services related to companionship, advocacy, escort, or other services needed by an individual. AOWN contracts with senior centers to utilize volunteers from their organizations to be matched with individuals to provide the services.

AOWN uses the following major revenue account classifications:

Federal – Federal revenues passed through from the State in the form of grants or reimbursements. The Federal revenues consisted of Older Americans Act, Title III – Grants for State and Community Programs on Aging (Title III-B, C, D, and E) and Older Americans Act, Section 311 – Nutrition Services Incentive Program.

State – Revenue from the State of Nebraska in the form of grants, reimbursements, or contractual services.

Local – Revenues collected from counties, donations, volunteers, and participant contributions to programs.

Other – Revenue from sources not covered by other major categories.

AOWN uses the following major expenditure account classifications:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by AOWN.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any officer, employee, or member of the board.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the entity.

Aid to Subrecipients – AOWN has four subrecipients that run the handyman programs. The subrecipients are City of Kimball, Scotts Bluff County, Box Butte County, and Morrill County. Services provided are through the Title III-B Supportive Services funding.

2. Reporting Entity

AOWN was created under the Nebraska Interlocal Cooperation Act by the following 11 counties: Banner, Kimball, Box Butte, Morrill, Cheyenne, Scotts Bluff, Dawes, Sheridan, Deuel, Sioux, and Garden. Each county provides one member to the AOWN governing board. AOWN is exempt from State and Federal income taxes. The schedule includes all funds of AOWN's State Aging Program, included in the general ledger. AOWN has no reportable component units.

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM

NOTES TO THE SCHEDULE
(Concluded)

3. Totals

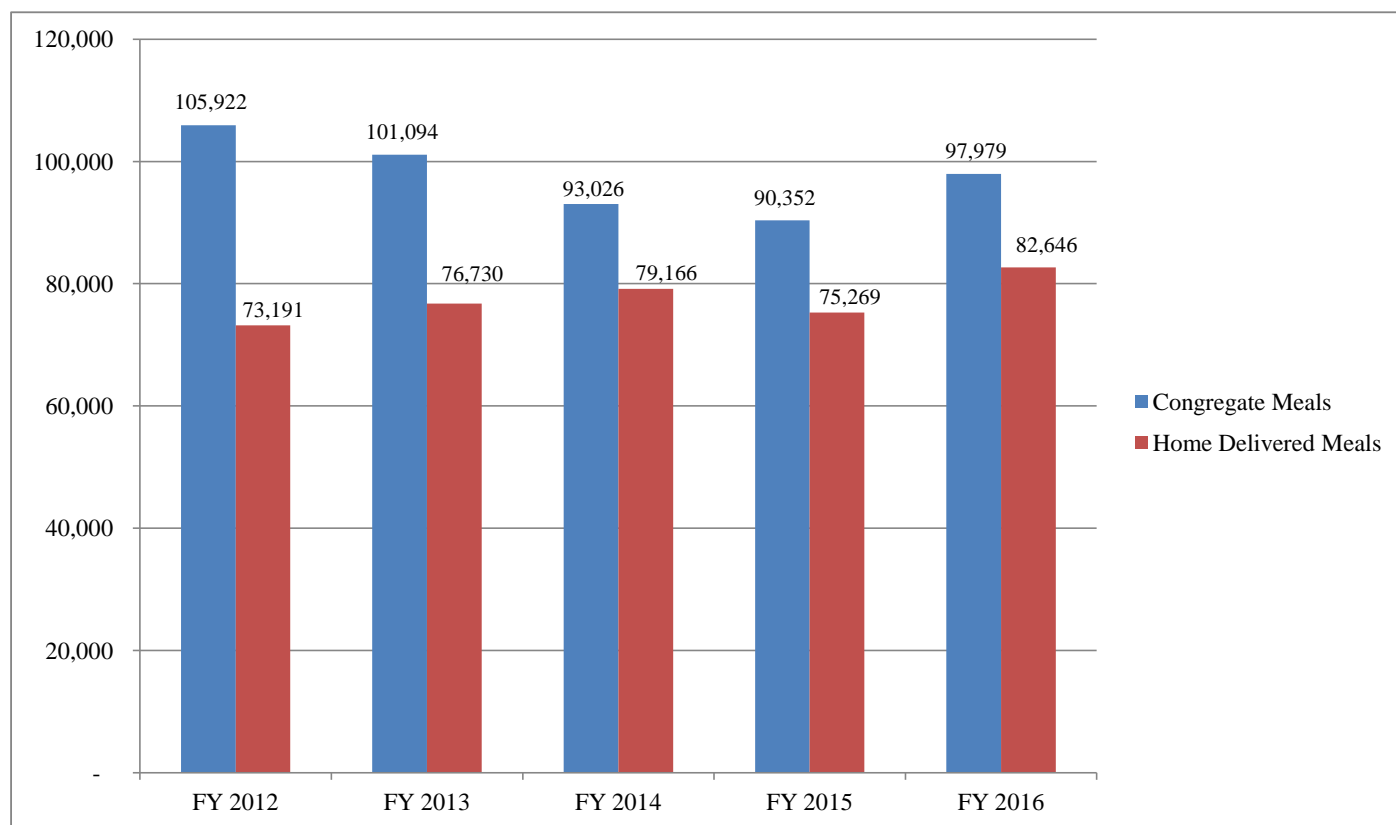
The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM

SUPPLEMENTARY INFORMATION

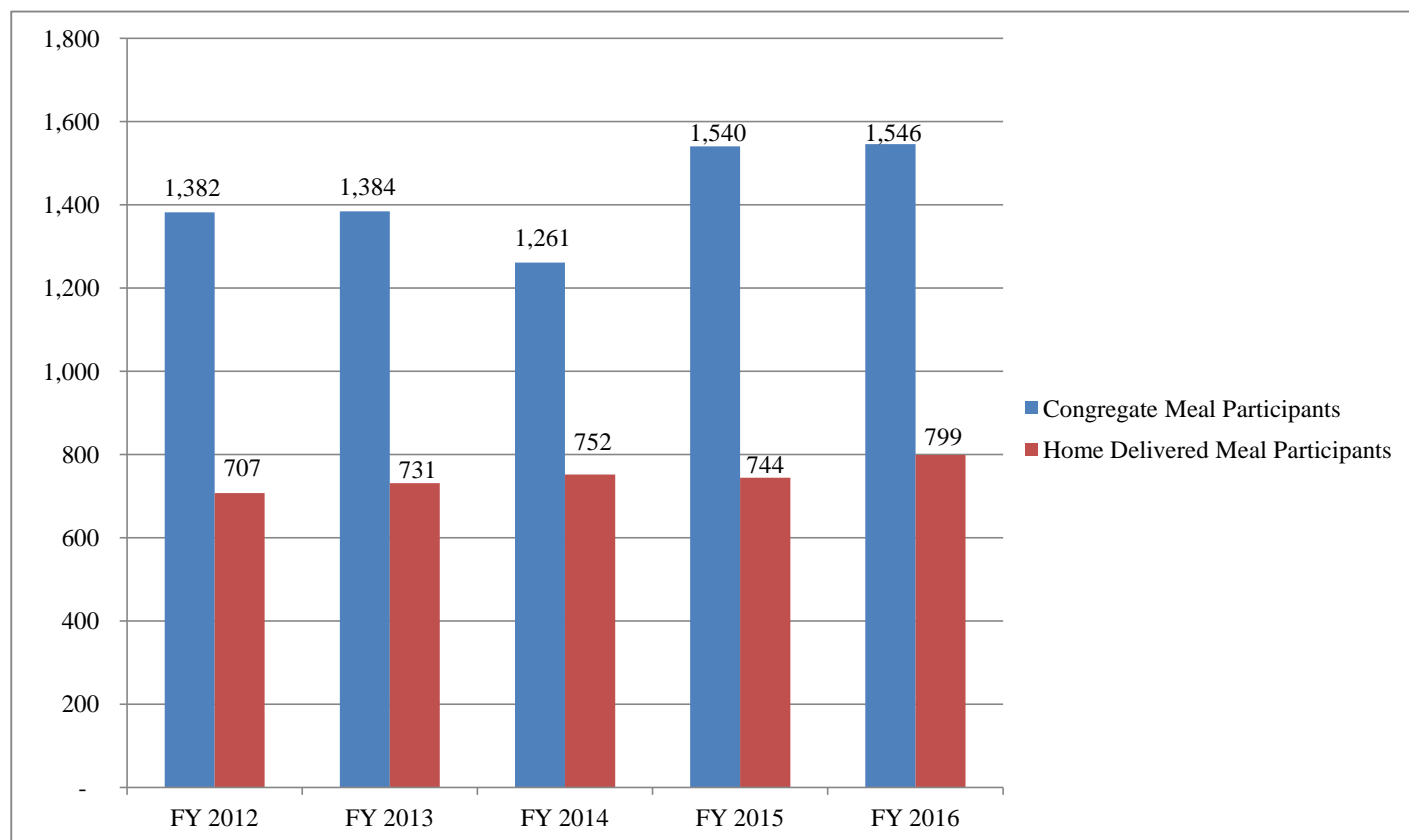
Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM
CONGREGATE AND HOME-DELIVERED MEALS SERVED
For Fiscal Years Ended June 30, 2012, through June 30, 2016



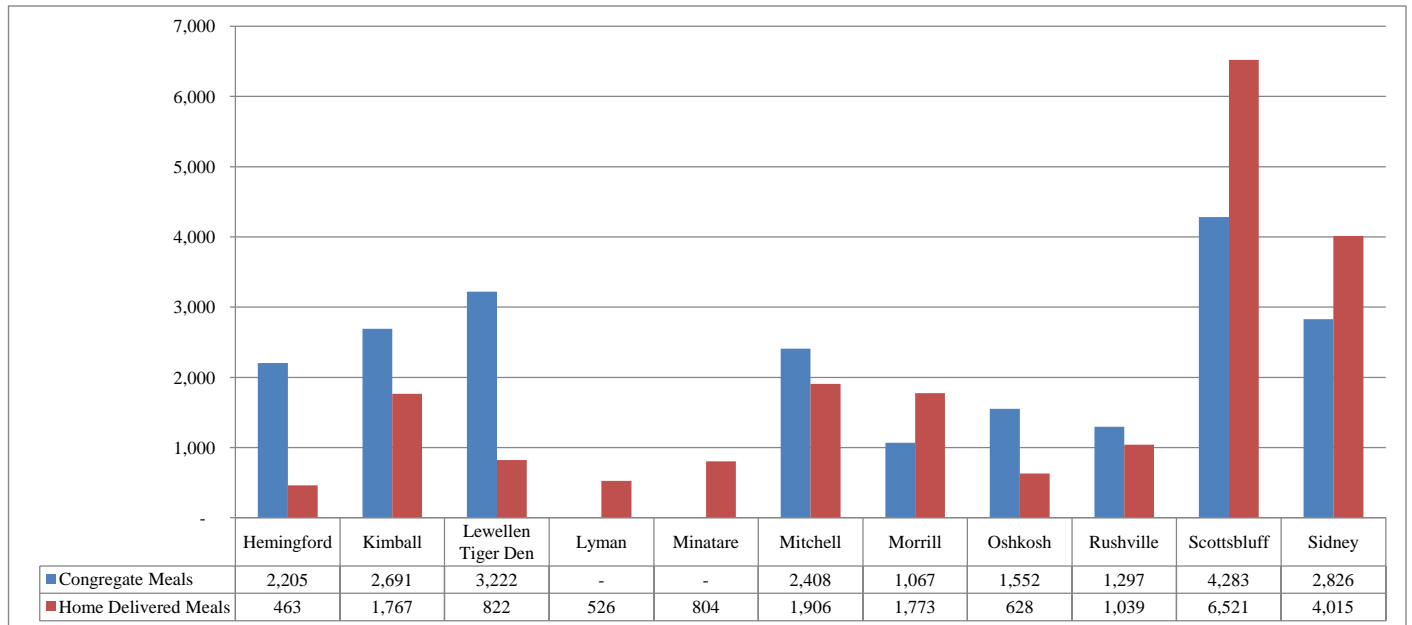
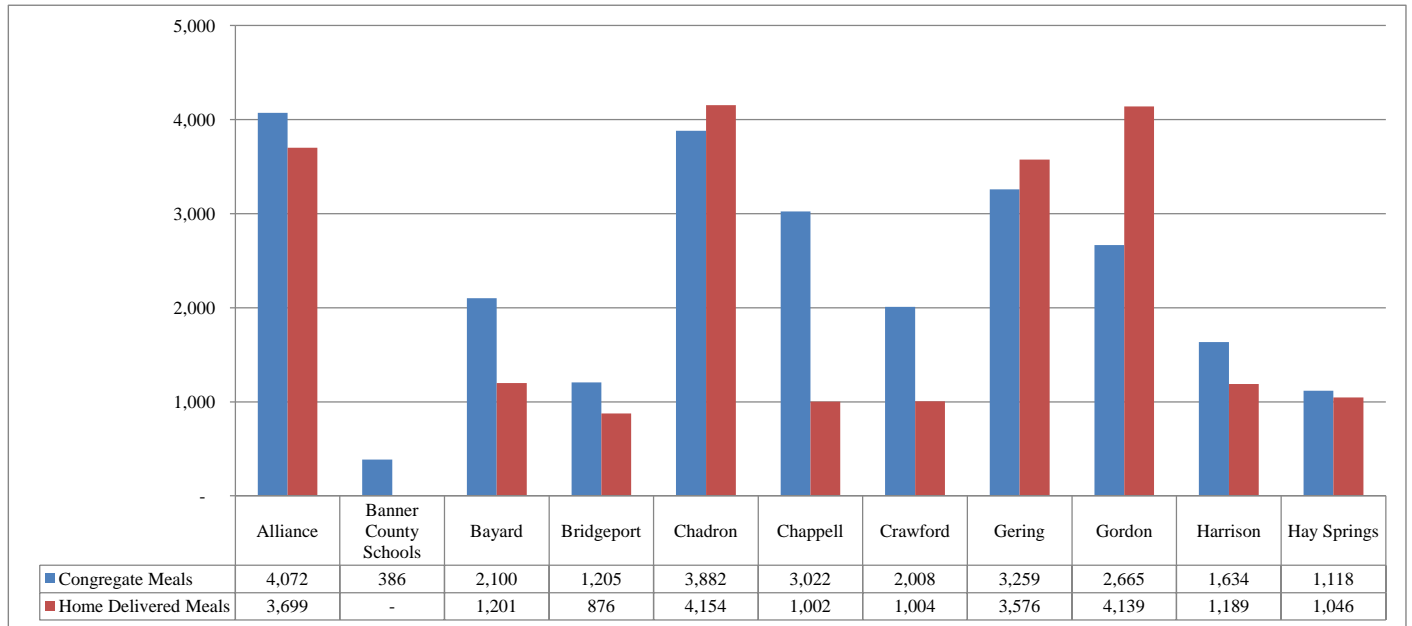
Source: Nebraska Aging Management Information System (NAMIS)

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM
CONGREGATE AND HOME-DELIVERED MEALS
TOTAL PARTICIPANTS
For Fiscal Year Ended June 30, 2012, through June 30, 2016



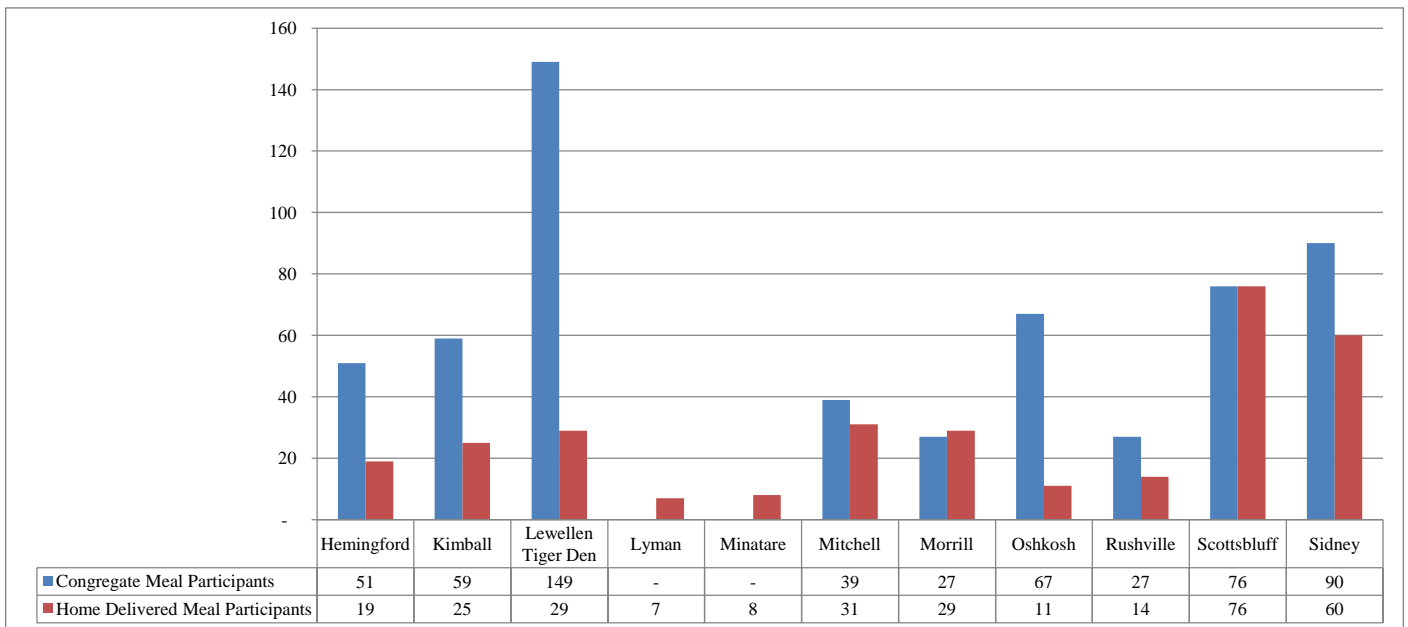
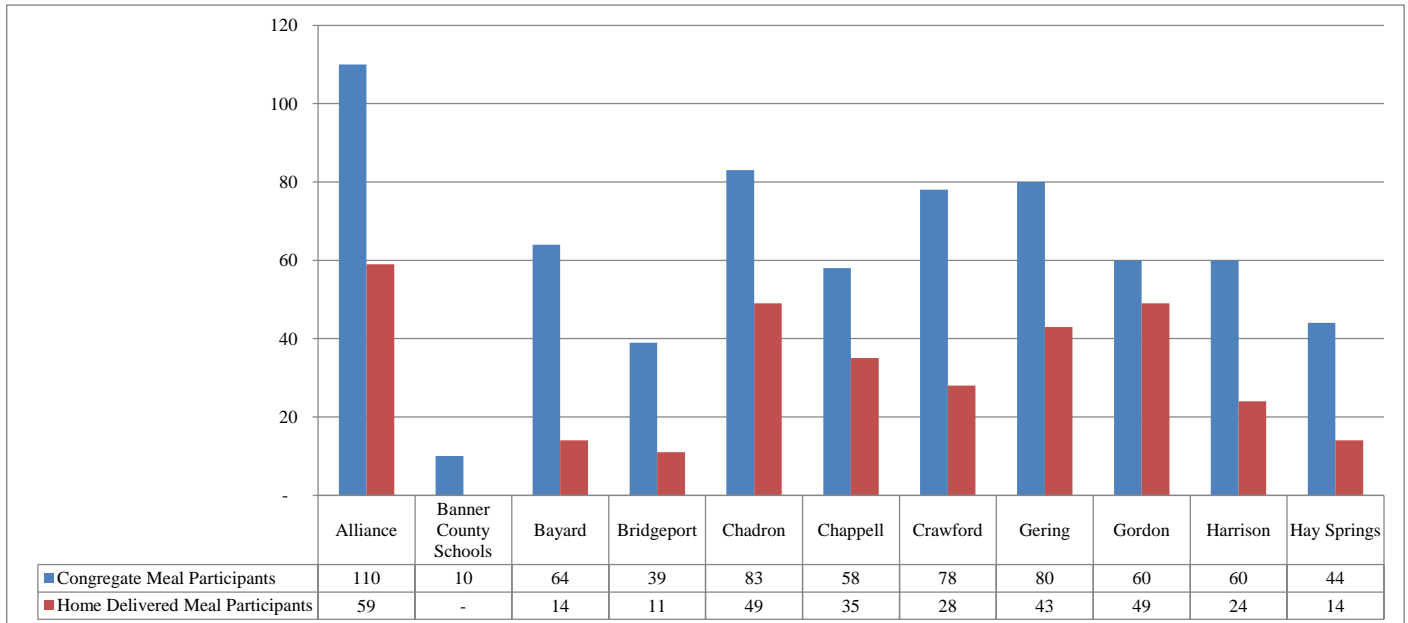
Source: NAMIS

**AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM
CONGREGATE AND HOME-DELIVERED MEALS SERVED BY LOCATION
For the Period July 1, 2016, through December 31, 2016**



Source: NAMIS

AGING OFFICE OF WESTERN NEBRASKA –
STATE AGING PROGRAM
CONGREGATE AND HOME-DELIVERED MEALS
PARTICIPANTS SERVED BY LOCATION
For the Period July 1, 2016, through December 31, 2016



Source: NAMIS

HELP FEED A HUNGRY SENIOR!



We are beginning our campaign to STAMP OUT hunger for our senior population! Many seniors today do not have the means to buy nutritious food to help them be healthy and able to stay in their own homes. Sometimes it is a choice whether to purchase their medications or to buy food to eat. Usually buying the medications is the answer and they go hungry. We are starting the campaign in our Senior Citizen Centers across the Panhandle of Nebraska to “Feed a Hungry Senior”. You can purchase 1 meal up to any number of meals that you wish to donate to a senior, or simply a cash donation of any size would be appreciated. Each Senior Citizen Center will use the money they raise for a senior in that community. We need to dig deep in our communities to help one another and we can all start today by helping our grandparents, parents, senior friends, and neighbors get a much needed hot, nutritious meal. Let’s not make them

make a choice between medications and food! Please stop by your local senior center to help feed a Hungry Senior.



You can also make a donation at the Aging Office of Western Nebraska. If you have any further questions please feel free to call 308-635-0851.