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Auditor-Controller

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MEMORANDUM

To:	Minh Tran, County Executive Officer Mary Booher, Assistant CEO Mary Butler, Interim HHSA Director Susie Altman, County Counsel	From:	Tracy A. Schulze Auditor-Controller
Date:	August 2, 2018	Re:	Area Agency on Aging (AAA) Analysis and Options

Due to the recent events with the failure of the current AAA, there have been multiple discussions on where we go from here. However, the main solution seems to center around Napa County taking full responsibility of the federal funding as the Administrative Agency and as the Fiscal Agent, which is a concern for me as I do not have the staffing resources required to do this.

I think we all agree that our number one goal is to provide adequate services to our residents. This memo is to provide a better understanding of what our options are and the pros and cons to each option. The unanswered question is: What is the best way to accomplish this?

Being the Administrative Agency and Fiscal Agent for a federally funded program comes with high risk, great responsibility, and dedication of both labor and monetary resources. In order for our Board of Supervisors to make an educated and confident decision, it is imperative they understand all the requirements and consequences of the award, as well as commit to the on-going support from the County to make the program successful. Napa County has historically been highly sensitive and smart when it comes to federal funding by understanding the true costs and staying out of federal claw-backs, or worse, for misusing or misappropriating federal funds.

The information on the following pages are results of discussions with both Mary Booher and Mary Butler, listening to the AAA Director from Sonoma County, past experience with multi-county service agreements where Napa was the fiscal agent, reading through the current AAA State Contract, and years of experience with federal funding and sub-recipient monitoring under federal regulations. The one piece of information I have not been able to find is just how much of the current funding is benefitting the residents of Napa County. We may have a population breakdown, but I have not been able to get information on what that means as far as dollars going back into our community for our residents. I feel this is an important point for the Board to understand the true impact.

Area Agency on Aging (AAA)

With the failure of the non-profit overseeing the AAA for Solano and Napa County, we are faced with determining the best way for the two Counties to manage approximately $2.5 million of annual federal funds for providing essential services to senior residents. A majority of these funds are passed to sub-recipients which entails a great deal of monitoring from the Administrating Agency. (See the Sub-recipient Monitoring Policy in place for Federal Awards, which has been adopted but not fully implemented). Currently, Napa County does not even have all the policies and procedures in place required by the State contract.

Key Points:

- Benefit spread based on current population: 76% Solano/24% Napa
- Based on above spread, funding breakdown: approximately $1,830,000 Solano/$600,000 Napa (True monetary benefits received by each County are not known at this time)
- There are 10 different matching requirements based on each type of services, with required matching funds from local public agencies (the Counties).
- Administration cost of distributing funds, monitoring programs and services, collecting and managing data, and reporting back to the Federal Authority was the responsibility of the non-profit Area Agency on Aging [AAOA], who has struggled (failed) monetarily.
- AAOA consisted of 15 full time staff and 16 Board of Directors
- There will be initial set up costs and then on-going maintenance on those set up items, including establishing a database system for all service providers to report on and project plans between the two counties.
- Costs for administrative functions, based on an estimate from HHSA would be approximately $560,000 the initial year, and approximately $466,000 the following year with annual inflationary costs for COLA's, pension and health contributions for 2-3 new employees.
- Costs for fiscal agent, based on an estimate from ACO, would be approximately $60,000 annually with annual inflationary costs for COLA's, pension and health contributions for 0.5 employees
- The funding allocation is not projected to fluctuate or decrease each year. However, this funding source is known to be monitored very closely and agencies are often subject to "claw-backs" for insufficient or inaccurate data and reporting during audits.
- Both counties have discussed the services provided have not been sufficient to meet the needs of their residents.
- The amount of funding provided is relatively small compared to the amount of overall costs of the services provided as well as the costs to ensure sub-recipient monitoring is completed. In all cases, both Counties will be contributing other funding on top of the federal funding for administrative costs, not direct services.

Option 1: Status Quo – State deals directly with a non-profit

Pros – The services and programs continue as before, the Counties can provide additional services if they want without any reporting or monitoring requirements. The Counties would essentially be out of the Federal Requirements and can focus on local needs.

Cons – This model has not been successful

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Option 2A: Napa County as the Fiscal Agent and Administrative Lead – the funds would come to Napa County, and Napa County would be responsible for disbursing, monitoring and reporting on such funds.

Pros – if Napa became the Fiscal Agent and Administrative Lead

- Napa has identified staffing that would provide the administration and monitoring of the funds and programs.
- Napa would be partially reimbursed for administration through the Federal allocation and possibly through additional contribution from Solano.
- Napa would be in control with the services provided to Napa residents.
- Ideally, the two Counties would work together to establish solid processes to ensure the funds are being spent according to plan with the proper requirements outlined from the beginning with each of their contractors.

Cons - if Napa was the Fiscal Agent and Administrative Lead

- There is extensive reporting and auditing requirements attached to the funding source, with past history from successful Counties (i.e.: Sonoma County) having to pay money back to the Federal Agency due to incorrect or insufficient documentation. According to Sonoma, the costs of the services are greater to the sub-recipients than the funding reimburses them for, resulting in a lack of meeting reporting requirements (there is no incentive). The responsibility will fall 100% on the County to meet these requirements.
- The Administration allocation would not be sufficient to offset the administrative costs. This would require Solano County to possibly contribute, but nonetheless, there will be significant non-reimbursed administrative costs. Administrative costs will include the following:
  - Initial set up costs with establishing the collaborative database and program plan for the two counties.
  - Napa would have to hire 3-5 additional staff, and restructuring of current staff, to be successful in monitoring the program and providing the required fiscal support to both Napa and Solano Counties (estimated cost for first fiscal year approximately $600,000, with increased growth due to new positions for cost of living increases, health and pension benefits).
  - Napa County will be responsible for all the contracts and services (documentation and monitoring of each program) for all Solano activities provided to Solano residents. Providing sufficient tools and travel will increase the administration cost.
- Due to the benefit spread based on current population, it is not yet known if the senior residents of Napa County are actually receiving the services needed, or if the funding allocation would be sufficient to do so.
- There is a matching requirement, which can possibly be met with non-profits. However, non-profits may not have the resources or motivation to commit.
- We have not historically had success with monitoring non-profit organizations outside of Napa County for other similar joint ventures.
- The contract requires a great deal of specific requirements from both the County policies and the non-profits that we currently do not have the resources to comply with.

Area Agency on Aging (AAA)

Option 2B: Solano County as the Fiscal Agent and Administrative Lead – the funds would come to Solano County, and Solano County would be responsible for disbursing, monitoring and reporting on such funds.

The same pros and cons hold true as listed in Option 1A. However, Solano has the following additional advantages:

- Due to current population and census of those receiving the services, Solano is providing greater benefits to more residents, which would imply they would be in a better position to take on the administration and monitoring of the funds
- Solano County would have less travel for Napa non-profits as Napa County is not as large of a County
- Napa County would still be responsible for monitoring their sub-recipients and collecting data in collaboration with Solano to be allowable for match requirements. Napa would be able to complete this through current staffing, which would not require Solano to share a portion of the administration allocation.

Note:
For both Option 2A and 2B, the total administrative funds available, through the funding, is approximately $221,891. All costs incurred by either county over that amount would be from other funding sources. There is also a match requirement to the Federal/State funding source of 25% that can be borne by the Counties or the Providers, but must be documented.

**In addition, per our Policy, every added dollar to HHSA’s budget (even as a pass through) increases our HHSA reserve requirement by 10% and our General Fund reserve Requirement by 10%.

Option 3: One of the Two Counties as Fiscal Agent and Administrative Lead – and pass everything to a non-profit to manage.

Pros – The services and programs continue as before.

Cons - One of the Counties would still be required to do all the monitoring because the new design of the program would require the Admin County to pass on the funds to the non-profit as a sub-recipient, which kicks in all the federal rules/risks involved.

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Option 4: Solano receives all the State/Federal Funding, Napa provides eligible match requirement through providing services within Napa County. Solano is Admin and Fiscal Agent. This is still a collaborative dual-county AAA, with Solano receiving all the Federal funding, and therefore all the Administrative funding, and Napa using other funding to assist with the match requirement of the combined Agency.

Pros –

- Solano can focus on needs of their residents; Napa can focus on needs of their residents.
- Solano would receive 100% of the administrative funding to offset their costs of distributing the funds to its contracted and internal providers, monitoring Solano County contractors and internal services provided, data collections and reporting.
- Solano would not have to travel outside of Solano borders to monitor Napa County service providers, unless there was an extreme high risk that Napa is in non-compliance (assuming the services provided will be much greater than the match requirement, allowing for minor errors in reporting)
- Solano and Napa would still work together and create a plan together.
- Napa could designate $500,000 - $700,000 General Fund contribution to non-profit partners within the Napa Community that provide direct services and programs to its residents, not administration costs. This would ensure Napa BOS has the control of what services are provided to Napa residents specifically and the funding stays within our community.
- The Board of Supervisors will have more flexibility to direct program funding where needed during the budget process, not necessarily in accordance with any approved plan. The flexibility comes from the fact that the funds are all Napa County funds and can be used to provide services that Napa County determines are priorities. Much of the federal funding is categorical funding, meaning that the money must go to specific services regardless of needs or priorities.
- Napa would still collect data and monitor its service providers to ensure qualified services would be eligible match for the joint AAA.
- Napa would save approximately $650,000 by not hiring additional staff (on-going long term costs) that are required mainly because of the data collection, reporting and monitoring and oversight of all providers including Solano County.
- The current staffing levels in both HHSA and ACO would allow for managing and monitoring the Napa County contracts and working with Solano County on creating the plan and providing the matching requirements (data gathering/reporting).
- Napa would not require all the costly/labor intensive monitoring and reporting requirements, providing the ability to have very low administrative costs.
- Since this is GF contribution, it does not affect the reserve requirements for both HHSA and GF (for every $1.00 of HHSA expense, $.10 increase to HHSA reserve + $.10 increase to GF reserve).

Cons –

- Although Napa would be part of the Solano/Napa AAA, Napa would not receive federal funding for its senior programs.