

COMMONWEALTH OF PENNSYLVANIA
Department of Aging

DATE: July 21, 2005

TO: Area Agency on Aging Directors

FROM: Dennis Hopkins, Director
Bureau of Program Integrity

SUBJECT: Updates to APD #97-01-02, Accounting Manual for Area Agency on Aging Programs

The purpose of this memorandum is to notify the AAAs that the Department is in the process of revising APD #97-01-02, "Accounting Manual for Area Agency on Aging Programs." Summarized below are the changes that will immediately impact on the AAA's local data collection and budgeting process. Please be advised that although these requirements have a retroactive effective date of July 1, 2005, the AAAs will not be required to address the budgetary changes until the time of the Block Grant Amendment which will occur in early 2006.

- The Socialization/Recreation/Education/Health Promotion Cost Center has been renamed as "Senior Community Center Services" and no longer includes Health Promotion events and activities that do not occur at an AAA funded senior center or satellite center. Attachment #1 includes the draft language for the updated accounting manual. The AAAs are advised that this is a draft document and minor changes may be required.
- In December 2004, the AAA network was advised that beginning on January 1, 2005, all AAAs were required to enroll all senior center participants in SAMS and to maintain a daily record of all senior center attendees by individual consumer. The Department will utilize the SAMS data to advocate for additional resources and to report to the appropriate authorities.
- The Senior Community Center Services cost center must not be used for expenses of activities, programs or services, which are provided through such areas as Primetime Health or other similar programs which do not occur through a senior community center or satellite center. For the purposes of these activities, the participants in these off site activities do not need to be

registered at the senior community center or in SAMS to participate in these events.

- Until further notice, the AAAs are instructed to budget and expend resources for activities that are **NOT** organized through, on behalf of, or occur at the senior community center or satellite center in the information and referral cost center. In the forthcoming APD, the information and referral cost center will be updated to include information and assistance type activities and costs. This cost center may also be renamed to reflect the additional activities to be captured.

If you have any questions regarding these requirements prior to the issuance of the revised APD, please contact Stephanie Capkovic, Division of Data Collection and Service Appeals, at (717) 783-6207 or by e-mail at scapkovic@state.pa.us. Questions regarding SAMS data entry must be directed to the AAAs contact person in the Division of Data Collection and Service Appeals. Concerns related to senior center programming should be directed to Amy Schweitzer at amschweitz@state.pa.us.

COST CENTER

SENIOR COMMUNITY CENTER SERVICES

Suggested Codes 504

Unit of Service

Participant Day

Definition:

Senior community centers are facilities that offer individuals age 60 and over, and their spouses, opportunities for socialization, access to nutritious meals, recreation, involvement in creative arts, health and wellness programs, educational programs, information, individual and group counseling, and special events related to local interests and priorities. Activities may take place within the center facility, in a satellite center, and occasionally, in an off site location. Services in senior community centers are designed to support continued growth and development of older individuals, nurture creativity, promote good health and provide access to other Area Agency on Aging and community resources.

Special Note:

Charges appropriate for Senior Community Center Services are for activities which are organized through, on behalf of, or occur at the senior community or satellite center and are provided to eligible people who are registered at the center for the activities. Appropriate charges may be made for the following activities:

- **Recreation and Socialization**

Includes activities in a socially interactive environment including, but not limited to: arts, crafts, sports, tours, dancing, drama, trips, nature walks, parties, celebrations, discussion groups and special events.

- **Wellness and Health Promotion**

Includes all activities and programs that have a primary purpose of promoting health and wellness. Examples include exercise classes, flu shots, health screenings, and educational presentations on food preparation, nutrition, disease prevention, management of chronic illness, information about assistive devices, and other health related subjects. Individual nutrition counseling and individual health counseling are included.

- **Education and Counseling**

Includes provision of formal and informal education, training, and counseling to individuals and groups. Activities may include, but are not limited to, computer classes, music instruction, presentations on fire safety, financial management, insurance, benefits and rights, home safety, crime prevention, electric choice, home maintenance, income tax assistance and safe driving.

Unit of Service Concerns:

Senior Community Center Services - The participant day represents eligible individuals served on a given day, regardless of the amount of time or number of activities that the older person participates in. The number cannot be greater than the total number of people served in the Senior Community Center Services cost center.

Special Concerns for the Senior Community Services Cost Center:

- All allowable activities and expenses related to activities held at the senior community center are to be charged to the senior community center services cost center.
- The Participant Day unit of service for the Senior Community Center Services cost center represents service to an eligible individual on a given day regardless of the amount of time or number of activities involved.
- Eligible persons attending a senior community center or satellite center for the purpose of participating in a congregate meal must also be counted as receiving Senior Community Center Services.
- Administrative and overhead costs are allowable. Such expenses as personnel and costs accrued through planning, development and management of senior centers programs as well as intake and registration at the senior community center are included.
- Costs may incorporate portions of multiple funding streams (e.g., Aging Services Block Grant, Senior Community Center Capital Assistance Grants), as appropriate.

Costs for services in a senior community center that are chargeable to another cost center (e.g., Congregate Meals, Home Delivered Meals, Employment, Passenger Transportation, or Care Management) should be charged to the applicable cost center, and should not be charged to the Senior Community Services Cost Center.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF AGING
Harrisburg, Pa. 17101

PENNSYLVANIA DEPARTMENT OF AGING

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AGING PROGRAM DIRECTIVE

SUBJECT: ACCOUNTING MANUAL FOR AREA AGENCY ON AGING PROGRAMS

TO: COUNTY COMMISSIONERS
CHAIRPERSONS, NON-PROFIT AAA GOVERNING
BOARDS

COPIES FOR: EXECUTIVE STAFF
AREA AGENCIES ON AGING
ADMINISTRATION ON AGING (AoA)
PA ASSOCIATION OF AREA
AGENCIES ON AGING
PA COUNCIL ON AGING
DPW, OFFICE OF PROGRAM DEVELOPMENT
AND SUPPORT
PA STATE ASSOC. OF CO. COMMISSIONERS
COMPTROLLER

FROM: *Richard Browdie*
RICHARD BROWDIE
SECRETARY
DEPARTMENT OF AGING

PURPOSE: The purpose of this Directive is to transmit the Accounting Manual for Area Agency on Aging programs.

CONTENT: The attached Accounting Manual sets forth the required financial management control structure and Departmental policies for the design and administration of Area Agency on Aging programs.

Area Agencies must review and implement the attached Manual and retain it on file for reference.

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Preface

The immediate past decades have been a period of growth in terms of size and sophistication for Pennsylvania's aging network. What had begun as a congregate nutrition program has, by the 1990s, become a sophisticated statewide network of 52 Area Agencies on Aging (AAAs) offering many discrete services and placing heavy emphasis on serving the homebound elderly.

The early 1980s presented a challenge. Gone were the days of constantly expanding budgets which allowed AAA Directors to focus their primary attention on growth and development. Because of budgetary constraints, the primary challenge for the network was in the area of management efficiency and for some -- cutback management. Proper targeting of resources and accountability for funds had to be achieved while simultaneously minimizing diversion of resources from direct service to administration.

The Department of Aging, therefore, took major steps to assist AAAs in meeting this difficult challenge from an accounting standpoint. One was the creation of the Aging Services Block Grant beginning with Fiscal Year 1982-83. The practical effect of this initiative was the state-level consolidation of all state and federal funding streams flowing from the Department of Aging to AAAs into one funding stream with a single set of regulations and reporting requirements. This relieved AAAs of the time-consuming responsibility for completing fiscal worksheets and apportioning their program costs across five separate funding streams utilizing five different sets of ground rules.

Another medium by which the Department has endeavored to bring about accounting and reporting efficiencies is the continual updating of the Accounting Manual for Area Agency on Aging Programs which was originally issued in 1979. Throughout the period, established service cost center definitions have been thoroughly evaluated by Department staff, and appropriate revisions to the Accounting Manual were issued in 1982, 1985 and 1988. The major feature of these revisions has been the reduction of the number of discrete service cost centers. Changes were made to the established service cost center definitions whereby particular functions were consolidated into amended account presentations. The purpose of these changes was not to restrict the options of AAAs as to what services to provide. The instituted changes were intended to simplify the classification of expenditures for various activities, eliminating the need to generate minute and detailed data strictly for accounting and reporting purposes.

The late 1980s and the early 1990s have been marked with the efforts of the aging network to increase the delivery of long term care services throughout the Commonwealth. For Fiscal Year 1984-85 the Pennsylvania Legislature appropriated increased State Lottery funds for expansion of long term care service programs. Funding has increased each year for in-home supportive services, the OPTIONS II Program, Attendant Care and the provision of Protective Services as required by the Older Adults Protective Services Act. In addition, Commonwealth Budgets now include special appropriations from the State General Fund to carry out a Family Caregiver Support Program in Pennsylvania. Available federal Title III funds under the Older Americans Act now include monies for the provision of in-home services for frail

elderly individuals. Examples of other new programs are the PrimeTime Health and Apprise Programs.

During the 1990s with additional state and federal resources being made available to AAAs expressly for increased long term care service activities, the aging network is presented with new demands. The network is required to develop and institute appropriate long term care programs and to ensure that effective services are provided adequately to eligible clients. Experience has offered improved methods for categorizing, collecting and analyzing data concerning these programs. New service cost centers have been established and units of service have been redefined to measure productivity more efficiently. This revision of the Accounting Manual for Area Agency on Aging Programs represents the Department's best efforts to keep abreast of the demands placed upon the aging network.

The Accounting Manual for Area Agency on Aging Programs sets forth the required financial management control structure to be followed by AAAs. It is intended to provide technical assistance and guidance relative to procedures for financial and programmatic information gathering, controlling and reporting to meet the established requirements. It is not to be considered a textbook covering the details of technical tasks involved in proper financial management and control.

Although this Accounting Manual furnishes the structure of the accounting system and the requirements, several decisions have to be made by the AAA. These decisions include, but are not limited to, support for indirect costs (indirect cost allocation plans), numerical codification for classification of accounts (chart of accounts), manual or automated accounting systems, the establishment of controlling and subsidiary accounts and/or ledgers, etc. Most of the information necessary for sound decisions for proper management of the AAA's financial affairs has been included in this Accounting Manual. The Accounting Manual has been developed with the intention that a statewide computerized management system will be implemented within the aging network.

I. ACCOUNT STRUCTURE

Introduction

Area Agencies on Aging throughout Pennsylvania vary widely in size, organizational structure and type and availability of financial resources. Therefore, no single fiscal system will fit every organization. The account structure presented here adequately identifies and classifies the financial transactions of all Area Agencies so that AAAs can comply with established federal and state reporting requirements. This account structure has been designed to permit reduction or expansion to meet the specific needs of individual Area Agencies while retaining a basic uniformity in the manner of recording and reporting financial information.

The recommended account structure presented here may be modified and/or expanded by adding to the basic elements or by changing the detailed account titles, provided that the adopted fiscal system meets the established reporting data requirements.

The account structure explanations and definitions were developed to enable Area Agencies to report appropriately and consistently all financial transactions concerning the aging programs.

This part is divided into four major sections. Section A, Chart of Accounts, identifies accounts needed in the general ledger. The following three sections divide the general ledger accounts according to financial statement/function. Section B, Assets, Liabilities and Fund Balances, includes accounts that appear on the Balance Sheet Statement. Section C, Expenditures and Revenues, includes accounts that appear in the Statement of Revenues and Expenditures. Section D, Cumulative Expenditures by Service Cost Center, covers accounts needed to accumulate data needed to meet federal/state reporting requirements.

A. Chart of Accounts

The chart of accounts may be described as the table of contents of the general ledger. The following chart of accounts is the basis for developing general ledger accounts in Area Agencies on Aging.

The account code numbers shown in this chart of accounts are suggested. A systematic coding of accounts is required. The system of account codification adopted by the Area Agency should provide flexibility for expansion.

100 Series - Assets

- 110 Cash
 - 111 Cash on Hand
 - 112 Cash in Bank - Checking
 - 113 Cash in Bank - Savings
 - 114 Other Cash

- 120 Investments
- 130 Receivables
 - 131 Accounts Receivable
 - 132 Interest Receivable
 - 133 Other Receivables
- 140 Outstanding Advances
- 150 Inventory of Consumable Supplies
- 160 Prepaid Expenses

200 Series - Liabilities and Fund Equity

- 210 Accounts Payable
- 220 Accrued Liabilities
- 230 Deferred Revenues
 - 231 Unapplied PDA
 - 232 Other Unapplied Federal/State Funds
 - 233 Unapplied In-Kind
- 240 Fund Balances
 - 241 Restricted Local Cash
 - 242 Restricted Program Income - Nutrition
 - 243 Restricted Program Income - Other
 - 244 Unrestricted Private Donations

300 Series - Expenditure Accounts (Major/Minor Object)

- 310 Personnel
 - 311 Program Director's Salary
 - 312 Professional Staff Salaries
 - 313 Clerical and Other Salaries
 - 314 Wages
 - 315 Other Personnel Costs
- 320 Occupancy
 - 321 Utilities
 - 322 Maintenance and Repairs
 - 323 Leases and Rentals
 - 324 Other Occupancy Costs
- 330 Communications
 - 331 Telephone and Telegraph
 - 332 Postage
- 340 Supplies and Equipment Expenses
 - 341 Equipment Maintenance and Repairs
 - 342 Rented Equipment
 - 343 EDP Software Rental and Maintenance
 - 344 Supplies and Minor Equipment

- 350 Transportation
 - 351 Staff Travel Expenses
 - 352 Motor Vehicle Maintenance and Repairs
 - 353 Rented Motor Vehicles
 - 354 Motor Vehicles Operating Costs
- 360 Contracted Services
 - 361 Consultant Fees
 - 362 Legal Fees
 - 363 Conference Expenses
 - 364 EDP Contractual Services
 - 365 Janitorial Services
 - 366 Other Contracted Services
- 370 Other Operating Expenses
 - 371 Advertising/Public Relations
 - 372 Fidelity and Surety Bonds
 - 373 Association Dues and Memberships
 - 374 Books and Subscriptions
 - 375 Printing
 - 376 Miscellaneous Operating Expenses
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- 390 Purchase of Fixed Assets
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 - 392 Purchased Fixed Assets - Buildings
 - 393 Purchased Fixed Assets - Furniture and Fixtures
 - 394 Purchased Fixed Assets - Office Equipment
 - 395 Purchased Fixed Assets - Program Equipment
 - 396 Purchased Fixed Assets - Motor Vehicles
 - 397 Purchased Fixed Assets - EDP Equipment
 - 398 Purchased Fixed Assets - EDP Software

400 Series - Revenues

- 401 Earned PDA Funds
- 402 Earned USDA Funds
- 403 Applied Local Funds
- 404 Certified Public Expenditures
- 405 In-kind Revenues
- 406 Program Income - Nutrition
- 407 Program Income - Other
- 408 Other Revenues

Accumulated Expenditures by Cost Centers (Memoranda Accounts - 500 Series)

The Department of Aging requires the submission of financial budgets and reports based on service cost center functions. Memoranda accounts provide a convenient source of the information necessary to meet most of the reporting requirements. Memoranda accounts - not part of the General Ledger - are used to identify and accumulate the line item expenditures associated with each service cost center.

To accumulate the expenditures related to the individual service cost centers, a separate memorandum account is maintained for each of the established Department of Aging service cost centers. The following accounts in the 500 Series correspond to the established Department of Aging service cost centers and are adequate to meet most of the reporting requirements of existing PDA grants or contracts. However, the Department reserves the right to require the submission of additional pertinent information.

- 501 Administration
- 502 Home Delivered Meals
- 503 Congregate Meals
- 504 Socialization/Recreation/Education/Health Promotion
- 505 Employment Services
- 506 Volunteer Services
- 507 Passenger Transportation Services
- 508 Outreach
- 509 Legal Assistance
- 510 Ombudsman
- 511 Information and Referral
- 512 Home Health
- 513 Personal Care
- 514 Personal Assistance Service
- 515 Attendant Care
- 516 Overnight Shelter/Supervision
- 517 Environmental Modifications
- 518 Medical Equipment, Supplies and Adaptive Devices
- 519 Home Support
- 520 Adult Day Care
- 521 Counseling
- 522 Assessments
- 523 Care Management
- 524 Protective Services -- Intake/Investigation
- 525 Domiciliary Care
- 526 Guardianship
- 527 Consumer Reimbursement
- 528 Provider Certification
- 529 Other

When an expenditure is incurred and recorded in a journal or book of original entry, it should be charged to the appropriate memorandum service cost center account (500 Series) at the same time it is charged to the specific general ledger expenditure account (300 Series).

Fixed Assets Account Group (Self-Balancing Set of Accounts)

Fixed assets should be recorded in a self-balancing group of accounts separate and distinct from the regular General Ledger accounts.

Fixed assets are items that will continue to be held or used over an extended period of time. Fixed assets include buildings and improvements, furniture and fixtures, office equipment, program equipment and motor vehicles.

To be classified as a fixed asset, a specific purchase of property must possess three attributes: (1) tangible nature, (2) a useful life of more than one year or more and (3) an acquisition cost of more than \$500.

Since fixed assets are expected to have a useful life of more than one year, items that are likely to wear out, be broken or be lost in less time should be charged to an appropriate supplies account. A fixed asset can be used repeatedly without materially changing or impairing its physical condition. It can be kept in service by normal repair, maintenance or replacement of its components.

All fixed assets should be recorded in the Fixed Assets Account Group upon acquisition. Fixed assets may be purchased from funds provided by the Pennsylvania Department of Aging, program income collections or cash donations from local resources. Fixed assets may also be donated to the Area Agency on Aging. Purchased fixed assets are valued at cost. Donated fixed assets are recorded at their estimated fair market value when received by the Area Agency.

Acquisitions of furniture and equipment from funds provided by the Pennsylvania Department of Aging are treated as project expenditures in the project period they are acquired. They are considered to be owned by the Area Agency while used in projects financed by grant funds. However, the federal government and the Commonwealth of Pennsylvania have reversionary interest in the property; its disposition as well as the ownership of any proceeds therefrom is subject to federal and state regulations. Since the entire cost of the fixed assets purchased with grant funds is expensed in the accounting period the assets are purchased, no depreciation on these fixed assets may be charged to the grant.

The cost valuation of purchased fixed assets includes not only the purchase price but also necessary ancillary charges. These charges include freight and delivery charges, installation and set-up costs and the costs of related accessory parts.

An adequate and reliable fixed asset control system must be established by the Area Agency. An effective fixed asset control system includes the (1) tagging of individual items of furniture and equipment with appropriate Area Agency identification numbers; (2) maintaining accurate records of all fixed assets reflecting item description, valuation, acquisition date, location and use; (3) conducting physical inventories of all fixed assets at least every two years; and (4) carrying sufficient insurance to cover the replacement costs of lost or damaged assets.

Balance in the separate Fixed Assets Account Group is provided by the various asset accounts with their debit balances, offset by equity accounts with credit balances which show by their respective titles the sources from which the assets were acquired.

An example of the Fixed Assets Account Group is as follows:

- 1001 Land
- 1002 Buildings
- 1003 Equipment
- 2001 Investment in Fixed Assets - Federal
- 2002 Investment in Fixed Assets - State
- 2003 Investment in Fixed Assets - Local

B. Assets, Liabilities and Fund Balance

1. Assets

Assets are all physical items (tangible) and rights (intangible) held by an agency which have monetary value. Assets are primarily divided into two distinct groups. These two groups are current assets and fixed assets.

Current assets represent cash and other assets that may reasonably be expected to be realized in cash or consumed usually within a year or less.

In addition to cash, assets in this grouping are accounts receivable, prepaid expenses, supplies, etc. (Supplies are considered as an expense when acquired. If at the end of the accounting period the value of the supplies on hand is significant, an inventory asset account is set up and debited with the expense account being correspondingly credited by the same amount.) These assets are recorded in the general ledger set of accounts.

Fixed assets do not represent financial resources available for expenditure, but are items of a long-term character for which financial resources have been used and for which accountability must be maintained. This group of assets is a self-balancing set of accounts, the Fixed Assets Account Group (See Section A).

2. Liabilities and Fund Balance

Liabilities are obligations arising from past actions or transactions to pay sums of money, to convey certain assets or to perform certain services. For the purposes of the aging program, liabilities are divided into two primary groups: (1) payables and (2) deferred revenues.

Payables are amounts owed by an agency to its creditors (vendors, subcontractors, etc.) for goods or services received.

Deferred revenues represent advances or cash received for the delivery of services in future periods. All federal and state dollars received via payment requisition processing are recorded in deferred revenue (advance, unearned) accounts. At year-end close out, any unobligated balances will be transferred to accounts payable as a closing entry. Local cash will be posted similarly depending upon restrictions imposed at the local level.

Fund balance accounts are divided into two primary categories: (1) restricted fund balances and (2) unrestricted fund balances. Restricted fund balance accounts are limited to accounts which are segregated for a specific future use. In most cases fund balances used in the aging program will fall into this category.

C. Expenditures and Revenues

1. Expenditures

Expenditures (300 Series) are decreases in available financial resources and are classified according to the types of items purchased or services obtained. Please note that the suggested chart of accounts for expenditures includes detailed account classifications (minor objects) and summary account classifications (major objects). Major objects identify the purpose of the expenditure, and minor objects provide the specific character of the expenditure. Major object classifications are broken down into such minor object classifications as are deemed necessary. Excessively detailed object classifications should be avoided since they complicate the accounting procedure and are of limited use in financial management.

A list of expenditure accounts and their definitions that will be needed by most Area Agencies follows. This list of accounts may be modified or expanded by Area Agencies to meet their individual needs. If less detail is desired in the system, the minor object classifications may be omitted and the major object classifications used as account titles since budget preparation and control emphasis is based on service cost center functions.

Major/Minor Object Definitions:

a. Personnel

- (1) Program Director's Salary - Annual salary of the individual(s) who has primary executive responsibility for program activities.
- (2) Professional Staff Salaries
 - Administrative/General - Salaries for full-time and part-time personnel whose principal duties are in the areas of administration, supervision and direction of the overall operation rather than in specific program areas.
 - Program Staff - Salaries for full-time and part-time personnel who are principally concerned with the delivery of program services.
 - Accounting/Bookkeeping - Salaries for full-time and part-time personnel whose principal functions are in

the accounting, fiscal or bookkeeping aspects of the operation.

(3) Clerical and Other Salaries

- Clerical and Other - Salaries for full-time and part-time personnel who primarily perform duties of a clerical nature such as stenography, typing, filing, data processing and other related office functions excluding duties in the accounting/bookkeeping area. Also included are salaries of personnel not otherwise classified.
- Custodial/Janitorial - Salaries and wages for full-time and part-time personnel who are principally engaged in custodial or janitorial services.

(4) Wages (All Categories) - Compensation of full-time, part-time and substitute personnel paid on a basis of an hourly rate.

(5) Other Personnel Costs

- Payroll Taxes (Social Security) - Employer's share of Social Security contributions at the current rate and within statutory income limits.
- Payroll Taxes (Unemployment Compensation) - Premiums paid for both state and federal unemployment compensation coverage.
- Payroll Taxes (Other) - Other payroll taxes imposed on the employer by governmental bodies.
- Employee Benefits (Health Coverage) - Employer-paid premiums for health care coverage.
- Employee Benefits (Life Insurance) - Employer-paid premiums for life insurance coverage.
- Employee Benefits (Workmen's Compensation) - Premiums paid for workmen's compensation insurance.
- Employee Benefits (Disability Coverage) - Employer-paid premiums for disability insurance coverage.
- Employee Benefits (Retirement) - Contributions by the employer to employee retirement plans.
- Employee Benefits (Other) - Other employee benefits.

b. Occupancy

- (1) Utilities - Costs of electricity, gas, water, sewerage, heat and other items of similar nature other than telephone and telegraph.
- (2) Maintenance and Repairs - Costs of maintenance and repairs of buildings and grounds.
- (3) Leases and Rentals - Costs of the use of rented or leased land and buildings.
- (4) Other Occupancy Costs
 - General Expenses - Operating expenses not elsewhere specified.
 - Insurance (Fire & Liability) - Premiums for fire and liability coverage.

c. Communications

- (1) Telephone and Telegraph - Costs of telecommunications (telephone, telegraph and facsimile services and equipment).
- (2) Postage - Costs of stamps, metered mail, registration, certification, post office boxes, stamped envelopes and other items of like nature.

d. Supplies and Equipment Expenses

- (1) Equipment Maintenance and Repairs
 - Furniture and Fixtures - Costs of maintaining and repairing furniture and fixtures.
 - Office Equipment - Costs of maintaining and repairing office equipment.
 - EDP Equipment - Costs of maintaining and repairing data processing equipment.
 - Other Equipment - Cost of maintaining and repairing equipment used in program service areas.
- (2) Rented Equipment
 - Furniture and Fixtures - Costs of the use of rented or leased furniture and fixtures.
 - Office Equipment - Costs of the use of rented or leased office equipment.
 - Other Equipment - Costs of the use of rented or leased equipment used in program service areas.

(3) EDP Software Rental and Maintenance - Rental costs and annual upgrade/maintenance fees for proprietary software, i.e., operating systems, language processors, data base management, communication handlers and other specialized software products.

(4) Supplies and Minor Equipment

- Supplies (Clothing) - Costs of clothing items provided to service consumers.
- Supplies and Minor Equipment (Janitorial) - Costs of janitorial supplies and minor items of equipment not used in the direct delivery of services.
- Supplies (Food) - Costs of food purchased for service consumers regardless of its state of preparation and excluding costs of preparation and delivery by the Area Agency.
- Supplies and Minor Equipment (Medical) - Costs of medical supplies, drugs and minor medical equipment.
- Supplies and Minor Equipment (Office) - Costs of stationery, pens, pencils, staples and other items of like nature.
- Supplies and Minor Equipment (Program) - Costs of supplies and minor equipment used in program service areas.

e. Transportation

(1) Travel Expenses

- Consumer Transportation - Costs of transportation for service consumers.
- Staff Travel - Expenses of job-related transportation other than consumer transportation incurred by staff.

(2) Motor Vehicle Maintenance and Repairs - Costs of maintaining and repairing motor vehicles exclusive of items of operating expense.

(3) Rented Motor Vehicles - Costs of the use of rented or leased motor vehicles.

(4) Motor Vehicle Operating Costs - Costs of motor vehicle operation (gasoline, oil, insurance and other expenses) directly related to a vehicle owned or operated by the Area Agency when such costs are not included as part of a rental or lease charge.

f. Contracted Services

- (1) Consultant Fees - Costs of a contract with an outside agency, institution, organization, specialist or expert where the result anticipated from the service meets one of the following criteria: (a) advice or recommendations on a course of action the AAA should follow; (b) review or evaluation of an existing or proposed program, project or procedure; (c) guidance on how to reach a desired goal; (d) development of a plan of action.
- (2) Legal Fees - Costs of legal services incurred in the administrative function (attorney fees, notary fees, court costs, witness fees, recording services, transcripts of testimony, stenographic services, recording of deeds, prothonotary services, etc.), but not legal services procured for the Legal Assistance Program.
- (3) Conference Expenses - Contracted costs involved in conferences or meetings to include space rental, contracted meals and related expenses that are a part of the conference.
- (4) EDP Contractual Services - Costs of vendor provided electronic data processing services (computer services, data entry services, feasibility studies, system design and development, software development and back-up facilities), but not rentals or maintenance of EDP equipment.
- (5) Janitorial Services - Costs of janitorial/custodial services for buildings and grounds performed by outside vendors.
- (6) Other Contracted Services
 - Accounting/Bookkeeping - Costs of accounting and bookkeeping services performed by outside individuals or firms.
 - Auditing - Costs of audits performed by outside firms as distinguished from the cost of purchased bookkeeping or accounting services.
 - Other - Costs of other services purchased from agencies or individuals exclusive of consulting services or services otherwise classified.

g. Other Operating Expenses

- (1) Advertising/Public Relations - Costs incurred in providing information concerning the Area Agency's activities to the general public through various media.
- (2) Fidelity and Surety Bonds - Costs associated with the fidelity and surety bonding of employees.

- (3) Association Dues and Memberships - Costs of dues and membership fees for individuals or for the Area Agency when such costs are related directly to the delivery of service function or activity.
- (4) Books and Subscriptions - Costs of books and subscriptions for periodicals such as technical and professional journals, magazines, newspapers, etc. and similar services procured on a subscription basis.
- (5) Printing and Duplicating - Costs of printing, engraving, duplicating binding, blueprinting, photostating and similar services performed by contractors, other agencies or the county, including the cost of paper or other supplies necessary to and billed as part of the service.
- (6) Miscellaneous Operating Expenses
- Advisory/Governing Board Expense - Allowable expenses including authorized travel relating to the performance of prescribed duties by members of the advisory or governing board of the Area Agency.
 - Conferences - Expenses attributable to attendance at authorized conferences.
 - Staff Development - Costs of in-service and other training related to the administration and delivery of services, including related travel expense, etc.
 - Staff Recruitment - Expenses, including advertising, in connection with the recruitment of staff.
 - Freight and Delivery Charges - Freight out and charges for delivery. (Delivery charges on the purchase of fixed assets should be charged to the respective fixed asset account.)
 - Printing and Duplicating - Costs of printing and duplicating services.

h. Indirect Costs

Indirect costs are of such a nature that the amount applicable to a specific program, activity or organizational unit cannot be accurately or readily determined. These costs must be prorated among various services and units, differing from those costs that can be charged directly to a particular program or activity or organizational unit (see Part II, Section C, Cost Allocation Procedures).

Indirect costs are those costs that have been incurred for common or joint objectives or projects and cannot be readily identified with a specific final cost objective or project (i.e., function, organizational subdivision, contract, grant or

other work unit). Indirect costs are costs of support services provided to the Area Agency by other departments of the local government or administering organization. Examples of such costs are personnel costs, occupancy and maintenance costs, materials and supplies costs, professional services costs, accounting costs, data processing costs, etc. Joint costs must be prorated to individual objectives or projects benefiting therefrom. ALL INDIRECT COSTS CHARGED TO PDA CONTRACTS MUST BE IN ACCORDANCE WITH THE CURRENT APD (APD #94-01-02) ON INDIRECT COSTS. THE APD STIPULATES THAT INDIRECT COSTS CHARGED TO THE CONTRACT SHALL NOT BE GREATER THAN 8% OF THE AGENCY'S DIRECT SERVICE COSTS IN EACH CONTRACT BUDGET. DIRECT SERVICE COSTS ARE THOSE COSTS WHICH ARE DIRECTLY ATTRIBUTABLE TO SPECIFIC PROGRAMS OR ACTIVITIES (FUNCTIONAL SERVICE COST CENTERS) AS DISTINGUISHED FROM ADMINISTRATIVE COSTS. INDIRECT COSTS ARE TO BE CONSIDERED AS PART OF THE "ADMINISTRATION" COST CENTER IN ANY CALCULATION FOR DETERMINING ADMINISTRATIVE COST LIMITS. IN ADDITION, A COST ALLOCATION PLAN OR OTHER SUPPORTING DOCUMENT MUST BE AVAILABLE TO SUPPORT THE INDIRECT COST CHARGE.

The cost allocation plan documents the costs of general supportive activities provided to each unit of organization included in the indirect cost allocation process. The cost allocation process should distribute the indirect costs of the supportive services to the various cost objectives or organization units in reasonable proportion to the benefits provided to those cost objectives or organization units.

AAAs are advised to review federal publication OASC-10 which covers the principles and procedures for establishing cost allocation plans and indirect cost rates.

i. Purchase of Fixed Assets

(1) Purchased Fixed Assets - Land:

- The purchase of land.

(2) Purchased Fixed Assets - Buildings:

- Buildings - The purchase, construction or renovation of buildings.
- Leasehold Improvements - Permanent improvements to leased buildings costing more than \$500.

(3) Purchased Fixed Assets - Furniture and Fixtures:

- The purchase of furniture and fixtures with unit costs of \$500 or more.

(4) Purchased Fixed Assets - Office Equipment:

- The purchase of office equipment with unit costs of \$500 or more.

(5) Purchased Fixed Assets - Program Equipment:

- The purchase of program equipment with unit costs of \$500 or more.

(6) Purchased Fixed Assets - Motor Vehicles:

- The purchase of motor vehicles and/or major repairs thereto costing \$500 or more that extends the useful life of the motor vehicle.

(7) Purchased Fixed Assets - EDP Equipment:

- The purchase of mainframe computers, minicomputers, micro/personal computers, auxiliary and peripheral equipment, private data transmission lines and modems with unit costs of \$500 or more.

(8) Purchased Fixed Assets - EDP Software:

- The purchase of operating systems, language processors, data base management communication handlers and other specialized software products with unit costs of \$500 or more.

2. Revenues

Revenues are not necessarily earned immediately upon receipt by the Area Agency. The earning of revenues is dependent upon the intent and requirements of the provider. According to the contractual arrangements with PDA, the earning of Aging Services Block Grant and USDA funds advanced to or due to the AAA is based upon the delivery of aging program services and the incurrence of allowable costs and expenses (applied revenue method). Funds received from other sources and in-kind contributions may be considered earned when they become available to the AAA. For example, program income receipts may be recognized as soon as they are received by the AAA or reported by subcontractors, or they may be treated as deferred revenues until expended.

Under the applied revenue method, revenue is deferred (unapplied) when received. The deferral is decreased as expenses are incurred and revenue is applied by funding source. Contract underexpenditures are treated as unapplied or unearned revenue (assuming all contract proceeds have been received), and contract overexpenditures are recorded against other funding sources.

Funds received from PDA must not be recognized as earned revenues until actual aging program services have been rendered and related costs have been incurred. If at the end of the contract period the AAA has not expended the funds received during the period, the unearned funds must be returned to the Department of Aging.

According to the payment provisions of the Aging Services Block Grant contracts with AAAs, the Department of Aging through the

Comptroller's Office makes monthly payments to AAAs. Each monthly payment represents 1/12th or 8.33% of the total funds allocated to the AAA in its Aging Services Block Grant.

Advance contract payments received by the AAA should be immediately recorded in deferred revenue accounts (230 Series). When the revenues have been earned (i.e., services delivered and costs incurred), transfer should be made to applied revenue accounts (400 Series).

USDA cash payments to AAAs are based on the number of USDA-eligible meals reported on the Program and Financial Reports submitted to the Department by the AAA. Under the applied revenue method, the anticipated total USDA reimbursement should be recognized as earned revenues when the meals have been served and the related costs incurred. It is recommended that a receivable account be established to record USDA revenue earned. Debit entries to the account should represent the USDA reimbursement due from the Department of Aging based on the established total USDA reimbursement rate per meal provided. The account should be credited for the amount of funds actually received. Reimbursement to AAAs is limited to the amount of funds received by the Department from USDA. The Department will notify AAAs of any changes in the reimbursement rate.

D. Cumulative Expenditures by Service Cost Center

1. Explanation

The primary financial management control required by the Department of Aging is the line item (minor object) expenditure by service cost center. This means that each expenditure must be classified or accounted for in two dimensions: (1) minor object and (2) service cost center.

Individual expenditure items should be immediately recorded according to the adopted major/minor object classification system (300 Series). However, since the established contractual financial budget and reporting requirements are based on service cost center functions, expenditures must then be allocated to appropriate service cost center memoranda accounts (500 Series).

The summarization of costs according to cost center function is particularly significant because it facilitates evaluation of the AAA's operations by providing cost data which can be compared to units of service in order to determine a standardized unit cost for each cost center. The availability of accurate information on unit costs is essential for effective planning, monitoring and evaluation of AAA programs and activities.

The definitions which follow are extremely important in providing a basis for the appropriate assignment and allocation of costs to service cost centers. Past experience with the Department's Management Information System (MIS) has clearly demonstrated that most large deviations among AAAs in data reported on service costs, unit costs and service units delivered can be attributed to incon-

sistent interpretations of service definitions and allowable service activities chargeable to specific cost centers.

Since some inconsistencies in data reported on selected cost centers have been due to a lack of clarity in previously stated definitions, special efforts have been made in this Manual to provide greater clarity. Both program and fiscal personnel of AAAs should refer frequently to these definitions. Fiscal personnel must base all decisions on the assignment and allocation of costs upon clear, written policies, not on verbal suggestions of program personnel. In instances where service costs incurred by the Area Agency do not appear to be specifically covered by these definitions and AAA staff are unable to determine an appropriate cost center, technical assistance may be obtained from PDA.

AAAs which have indicated and defined "Other" services in their approved Aging Block Grant Agreements (services which are not covered by cost centers defined here) are advised to request permission from the Department to insert additional cost center definitions. Efforts to follow the same format and approach used here may contribute to restating such definitions with greater specificity and clarity.

2. Units of Service

The Accounting Manual is the document through which the Department of Aging organizes the management data that it wishes to receive from AAAs for statewide purposes. To the extent that the Manual is useful to AAAs for their own intra-PSA management purposes, so much the better, but this is not the primary purpose of the document. It is expected that AAAs will require considerably more detailed data than what is required in the Accounting Manual for local management purposes. As long as they meet the minimum statewide data submission standards contained in the Accounting Manual, AAAs are free to structure their local systems and management techniques as they see fit. In no way, are PDA-established units of service intended to rigidly govern the way in which AAAs supervise their staff and/or manage their contracts.

In each definition that follows, the prescribed unit of service (e.g., consumer hour, meal, one-way passenger trip) is indicated in the upper right-hand corner. Since past data reporting has indicated the existence of some confusion about what constitutes a particular unit, in some cases, and what costs are associated with the delivery of particular units, in other cases, it is appropriate here to discuss some of the general concerns related to both. Unit concerns of specific cost centers will be further discussed under each cost center definition. Frequent reference should be made to these discussions to determine appropriateness of units to be reported.

It is important to stress that, regardless of the particular unit involved, the unit of service is a measurement of a readily identifiable output (in terms of time, effort or product) on behalf of a particular consumer. Time and effort spent in travel, general

staff and Area Agency meetings, data collection and general administrative duties are not included in the output measure (i.e., are not reported in the units of service delivered), even though the costs of such activities may be assignable or allocable to the cost center in order to document the full unit cost of delivering the service.

Since many of the costs associated with delivering a particular service represent activities which support more than one particular cost center, the AAA should give special consideration to the explanations in Part II, Section C relative to cost allocation methodology. Unless these costs are accurately distributed according to benefits received, data reported on costs and units delivered will produce distorted unit costs.

Cost centers utilizing consumer hours as the basis for the unit of service must log such units as expended in whole or in part hours with 15-minute segments being the smallest part, rounded to the nearest quarter (.25) hour.

3. Cost Center Definitions

Definitions begin on the next page. Careful note should be taken of the specific language used in this section. Use of verbs such as "shall," "must" or "may not" means that the policy must be complied with, unless prior Departmental approval is obtained. The verb "should" means that, although the Department strongly prefers that the policy be complied with, AAAs have the discretion not to comply if so doing would result in inefficiencies. Use of the term "may" in its positive sense indicates a free option for the AAA.

AAAs are advised that cost center definitions included here embrace the program rules for aging program services. Regulations governing the various aging program services are found in the specific Aging Program Directives (APDs) issued by the Pennsylvania Department of Aging.

Suggested Code
501

Cost Center
AAA Administration

Unit of Service
N/A

Definition:

AAA Administration consists of the activities related to the fiscal and general programmatic management of the overall agency operation which are necessary to implement the area plan including planning and coordination functions. Costs incurred which are not traceable to any specific service and not directly assignable or allocable to another cost center must be included. Specific activities or expenses include:

- The personnel expenses of administrative secretarial staff, the agency director and fiscal and planning staff to the extent they are involved in activities of a general nature related to the overall operation of the AAA. Such activities include personnel management or supervision of administrative staff which is not traceable to any specific service.
- Staff time devoted to planning activities which are of a general nature and not assignable or allocable to a service such as: preparing testimony; addressing public hearings; conducting public hearings, overall agency program performance reviews and analysis of program effectiveness; and revision of agency objectives and plans as necessary.
- Staff time assigned to coordination activities which are not assignable or allocable to a specific service (which may include joint planning with other agencies, assisting in the development of other agency programs to better serve the elderly and involvement in jointly funded activities and information sharing).
- Staff time spent in investigating and acquiring other resources to be used for the development and expansion of services provided through the area plan.
- Travel expenses, meal allowances, etc. necessary in support of Advisory Council activities.
- Staff travel expenses for personnel activities charged to the AAA Administration cost center.
- General agency personnel management and related recordkeeping practices as well as the development and implementation of agency personnel policies and activities such as staff orientation and training of a general nature.
- Financial management of the entire agency operation including maintenance of accounting records, budget development and monitoring, cash management, bank deposits and withdrawals, payroll processing and preparing periodic financial reports.
- Legal services rendered to or on behalf of the agency and/or its staff, i.e. fees paid to the agency legal representative, counsel or solicitor.
- Advocacy activities which cannot be assigned or allocated to specific program cost centers.

- Costs of office furniture, supplies and equipment designated specifically for administrative staff.
- Costs of agency-wide financial audits.
- The costs of general liability insurance, fidelity bonds, etc., which are not directly traceable to a specific service.

Special Concerns:

- Costs of AAA Administration covered by each PDA contract shall not exceed 10% of the total contract funds available.
- Indirect costs charged to the contract may not exceed 8% of the AAA's total direct service costs in each contract budget. Direct service costs are those costs which are directly attributable to specific programs or activities (functional service cost centers) as distinguished from administrative costs. Direct service costs of a contract would be the total amount of the contract less administrative costs. Indirect costs are to be considered as part of the AAA Administration cost center in any calculation for determining administrative cost center limits. APD #94-01-02, provides the Department policies for indirect costs charged to contracts with PDA. (See Part I, Section C, h, of this Manual).
- Expenses which can be justifiably traced to a specific service cost center must be charged to that cost center and not to AAA Administration.
- To allocate shared personnel costs proportionately among various cost centers, appropriate documentation is required. (See Part II, Section C.) The required documentation must be gathered through at least semiannual time study analyses of staff activities. Each time study analysis should consist of a period of no more than two weeks.
- Expenditure for items such as general clerical support staff, rent, utilities, communication, etc. which can be charged to specific service cost centers must be charged to the service cost centers based on a reasonable cost allocation method which distributes expenses proportionately and equitably to each cost center. (See Part II, Section C.)

Reporting Concerns:

- There is no reportable unit of service for the AAA Administration cost center. However, it is recommended that all traceable service expenses to be allocated to the appropriate service cost center to ensure that the true cost of service is reflected in the cost per unit of service.

Suggested Code
502

Cost Center
Home Delivered Meals

Unit of Service
Meal

Definition:

Home Delivered Meals Service provides meals to eligible consumers in their homes. Home Delivered Meals Service may also include the provision of nutrition education activities and/or materials or diet instruction to consumers who are receiving home delivered meals.

Special Concerns:

- Only those foods or combinations of foods served which meet the 1/3 RDA requirements may be counted as a meal. For example, extra foods sent to the eligible person, such as a sandwich and fruit, may be provided and charged to this cost center but must not be considered a meal. Shelf-stable products sent to eligible consumers for use in emergency situations can be counted as a meal if they are combined in such a way as to meet the nutritional requirements.
- Comprehensive assessment for need for home delivered meals must consider the consumer's ability to perform requested services independently, purchase them privately or receive them through informal supports prior to considering introduction of formal services.

Reporting Concerns:

In determining the cost of meals the following must be included:

- Raw Food Costs (i.e., costs of food products including condiments and beverages as purchased by the AAA or food service provider(s))
- Value of USDA commodities or cash received in lieu of commodities
- Labor Costs
 - salaries of personnel involved in the preparation, packaging and delivery of meals and management of the meal program
 - employee benefits and/or reimbursable expenses
 - training expenses
 - costs of project management time involved in planning and supervision
 - dietitian expenses (either as AAA staff members or on a consulting basis to the AAA)
 - other consulting fees
- Operating Expenses
 - utilities

- cost and/or rental of kitchen space and/or storage
 - insurance
 - purchase or rental of equipment (kitchen equipment, utensils and meal carriers)
 - equipment maintenance
 - proportion of center management and space costs attributable to Home Delivered Meal Service (See "Cost Allocation Procedures", Part II, Section C).
- Cost of Packaging Materials
 - costs of disposable plates, cups, paper products, etc.
 - Costs of Transportation and Storage
 - costs of transportation and/or storage of USDA commodities (both prior to being obtained by the AAA from the central storage and distribution site and after receipt by the AAA or AAA food services provider(s))
 - costs of delivery of food in bulk to senior centers, meal distribution sites, etc.
 - costs of delivery to individual homes
 - If home delivered meals and/or passengers are being transported by the same transportation systems, the cost of transporting each must be charged proportionately to the appropriate cost centers. Cost of delivering meals or bulk food shall not be charged to the Passenger Transportation Services cost center.
 - Cost of In-Home Food Warming Equipment
 - If the AAA elects to include in-home food warming equipment (e.g., food warmer, toaster oven, microwave) in its Home Delivered Meal program or on an as needed basis, such costs are chargeable to this cost center.
 - Educational Activities
 - personnel time involved in preparing educational materials
 - educational materials and supplies
 - miscellaneous expenses
 - nutrition counseling

Suggested Code
503

Cost Center
Congregate Meals

Unit of Service
Meal

Definition:

Congregate Meals are those meals provided in a group setting to eligible persons including center, satellite center and older adult daily living center consumers. (Occasionally these meals will be served at alternative locations, such as picnics, etc.)

Special Concerns:

- Only those foods or combinations of foods served which meet 1/3 RDA requirements may be counted as a meal. Distribution of food which does not meet 1/3 RDA may be charged to this cost centers but must not be considered a meal. Nutrition education activities are part of "Health Promotion" and must not be charged to the "Congregate Meals" cost center.

Reporting Concerns:

In determining the costs of meals, the following must be included:

- Raw Food Costs (i.e. costs of food products including condiments and beverages as purchased by the AAA or food service provider(s))
- Value of USDA commodities or cash received in lieu of commodities
- Labor Costs
 - salaries of personnel involved in the preparation, packaging and delivery of meals and management of the meal program
 - employee benefits and/or reimbursable expenses
 - training expenses
 - costs of project management time involved in planning and supervision
 - dietitian expenses (either as AAA staff members or on a consulting basis to the AAA)
 - other consulting fees
- Operating Expenses
 - utilities
 - cost and/or rental of kitchen space and/or storage
 - insurance
 - purchase or rental of equipment (kitchen equipment, utensils and meal carriers)

- equipment maintenance
- proportion of center management and space costs attributable to Congregate Meal Service (See "Cost Allocation Procedures," Part II, Section C).
- Cost of Meal Service Supplies
 - paper products, disposable plates, cups and utensils
 - cleaning supplies
- Costs of Transportation and Storage
 - costs of transportation and/or storage of USDA commodities (both prior to being obtained by the AAA from the central storage and distribution site and after receipt by the AAA or AAA food services provider(s)).
 - costs associated with the delivery of prepared meals (individual or bulk) from the point of preparation to the centers where the meals are consumed (Where meals are delivered by vehicles which are also used in transporting passengers, costs must be charged proportionately to the appropriate cost centers.) Costs of delivering meals or bulk food shall not be charged to the Passenger Transportation Services cost center. (See discussion of "Cost Allocation Procedures," Part II, Section C).

Suggested Code

504

Cost Center

Socialization/Recreation/
Education/Health Promotion

Unit of Service

Events

Definition:

Socialization/Recreation/Education/Health Promotion services include any organized socialization, educational, enrichment, recreation or entertainment activities. These activities may take place within the senior center environment or outside of it.

Special Concerns:

- Overhead costs (rentals, utilities, maintenance, etc.) of senior center facilities that are related to and can be directly assignable or allocable to other cost centers (Home Delivered Meals, Congregate Meals, etc.) must be charged to the specific cost center. See "Cost Allocation Procedures", Part II, Section C).
- This cost center includes costs incurred in the provision of appropriate instruction or training for participants to acquire knowledge and skills in formal or informal settings.
- Socialization/Recreation/Education/Health Promotion is not limited to activities within senior centers, nor is it restricted to registered senior center participants.

Reporting Concerns:

- In reporting the units of service for this cost center (events), one event is counted for each organized activity provided (bingo, excursion, etc.).
- No unduplicated persons served count will be collected for this cost center. Persons served will be total duplicated participants, i.e. a total head count for all events. A person is counted as a participant every time he or she participates.

Suggested Code
505

Cost Center
Employment Services

Unit of Service
Unsubsidized
Placements

Definition:

Employment Services are designed to encourage the employment of persons who are 55 years of age or older. They consist of all activities developed to promote the employment of older job seekers in unsubsidized jobs, including employment counseling, job development, referral to training and job opportunities, placements and follow-up and other activities which enable an older person to gain or retain paid employment. Consumers of these services include: persons eligible for enrollment in the Senior Community Services Employment Program (SCSEP) and the Section 502(e) project funded through the U.S. Department of Labor under the Older Americans Act, as amended; persons eligible for the Older Workers Job Training Partnership Act (OWJTPA) program who are referred to the Service and Delivery Area (SDA) whether or not the AAA receives OWJTPA funds through a subcontract with the SDA (Coordination between the two agencies is mandated by the U.S. Department of Labor); and also non-enrollees of the SCSEP and OWJTPA program and Section 502(e) project who are in need of assistance in locating appropriate paid employment in either the public or private sector. This section of the comprehensive Employment Services has been named the unaffiliated Brokerage System. Employment Services may, at the AAA's discretion, be supplemented with funds from the Aging Block Grant.

Service activities include:

- exploration with the enrollee of his/her educational and work history, skills, vocational interests, life experiences and physical and psychological capabilities;
- development of an employability plan for the enrollee that sets specific goals and timetables regarding the search for unsubsidized employment;
- employment counseling and assistance in preparing for a job or job interviews through orientation or training in the development of interpersonal skills, work attitudes and habits and other behavioral patterns necessary for personal/social/vocational functioning;
- referral to sources of relevant training, vocational education and/or basic education;
- provision of information on job openings or referral to sources of such information;
- contacting community service agencies to make them aware of the SCSEP, Section 502(e), OWJTPA and other job development services and seek their assistance in developing job opportunities;
- contacting and providing information to industries, businesses and other places of employment to advocate for the hiring of older workers;

- assisting and advising the employer community to adjust work schedules, evaluations, benefits, etc. for an older work force;
- working with other community employment agencies, public and private, to promote coordination of efforts, develop understanding of older workers as a valuable resource and stimulate greater responsiveness in the hiring of older workers;
- placing eligible older workers in SCSEP and Section 502(e) subsidized employment for a limited time to provide job experience and training toward unsubsidized placement (Must be charged to Title V only);
- placement in unsubsidized employment suited to the skills, ability and limitations of the enrollee;
- referring older job seekers to the OWJTPA (SDA) for job training experience;
- provision of follow-up services, including ongoing supportive contacts and services to the enrollee and the employer, as needed, to ensure the enrollee's continued employment;
- payment for special equipment of clothing needed by SCSEP eligible enrollees in the performance of their assigned job duties. (Must be charged to SCSEP only.)

Special Concerns:

- The SCSEP and Section 502(e) are regulated by the U.S. Department of Labor through 200 CFR, Part 674. All of these regulations and the reporting requirements of the U.S. Department of Labor must be complied with for activities charged to the two Title V programs. The SDA will provide guidelines for the OWJTPA program. All expenditures of Title V and OWJTPA funds must be charged to this cost center. Additional Aging Block Grant funds may also be charged to this cost center at the discretion of the AAA, subject to limitations noted above.

Reporting Concerns:

- All applicants who seek assistance and receive any of the service activities described in the Definition section of this cost center should be counted as Unduplicated Persons Served (UPS).
- The unit of service for this cost center is number of persons placed in unsubsidized jobs, which is the ultimate goal of Employment Services. For purposes of unit of service determination, the person placed in unsubsidized employment need not be Title V and OWJTPA eligible.
- For a unit of service to be claimed, the AAA or its agent must have, at a minimum, referred the successful job seeker to the employer or vice versa. Provision of training which helps an older worker find his/her own job is an allowable expenditure under this cost center but shall not be claimed as a placement.

- The intention of the Employment Services program is to place persons 55 years of age or older in unsubsidized employment which is expected to be of a permanent nature. In those cases where an Area Agency may knowingly place a person in several different short-term temporary positions, the Area Agency should only count this type of unsubsidized placement as one unit.
- AAAs should be aware that the "placement" definition being established by the U.S. Department of Labor differs from that followed by PDA. The PDA definition and the unit of service to be reported by AAAs is any person 55 years of age or older who gets placed into an unsubsidized job.

Suggested Code
506

Cost Center
Volunteer Services

Unit of Service
N/A

Definition:

The Volunteer Services program provides a varied array of opportunities for seniors to serve other seniors and their community at large. It also provides meaningful opportunities for people of all ages to participate in providing services to older persons. The Volunteer Services program provides for the placement of persons in a variety of volunteer roles. It can provide short and long-term projects that involve persons of all ages who can assist the Area Agency in the delivery of services to older persons.

The Volunteer Services program should be coordinated with existing volunteer agencies whenever possible.

Service activities chargeable to this cost center include:

- volunteer systems planning
- skills bank development
- volunteer opportunity development
- recruitment
- orientation
- interview and placement
- training
- supervision
- recordkeeping
- evaluation
- recognition

In addition, the costs of any volunteer activity related to the operation of friendly visiting and telephone reassurance service and fund raising provided by volunteers are chargeable to this cost center.

Special Concerns:

- With the exception of paid staff working directly in the activities of this cost center, no salaries or other form of stipend for volunteers should be charged to this cost center. Expenses of volunteers assigned to service activities not funded by the Department of Aging are not reimbursable with Aging Block Grant funds. As required for the effective recruitment and utilization of volunteers in the services funded under the area plan (e.g., volunteer drivers for Passenger Transportation Services), expenses of volunteers assigned to a specific service are to be charged to the appropriate cost center for that service.

Reporting Concerns:

- For reporting purposes, no units or unduplicated persons served are required. However, AAAs may be required to report information on ad hoc surveys concerning their particular volunteer services program.

Suggested Code

507

Cost Center

Passenger Transportation Services

Unit of Service

One-Way

Passenger Trip

Definition:

Passenger Transportation Services consist of activities through which eligible persons are enabled to travel to or from community facilities which provide services and activities of a social, recreational or nutritional nature, or which otherwise promote independent living such as transportation between a consumer's home and medical or shopping facilities, etc. Specific activities involved in the provision of transportation services include:

- Purchase, maintenance and repair of vehicles and equipment used in the provision of passenger transportation services.
- Payment of insurance expenses related to the provision of passenger transportation services which cover general liability claims, property damage, uninsured motorists and collision costs. Insurance coverages must include all individuals involved in operating vehicles or assisting in the provision of passenger transportation services such as volunteer drivers, escorts, etc.
- Direct operation of vehicles and equipment required to provide travel for older persons to and from needed community services and facilities, including reimbursement for expenses of staff who transport clients in personal vehicles when other available means are not appropriate.
- Acceptance of passenger transportation service requests, providing intake and eligibility screening, scheduling transportation service requests, making vehicle and driver assignments, dispatching vehicles and general operating functions.
- Collection and tabulation of various service, operational and client statistics used in the management of the passenger transportation system or required by the funding agency.
- Maintenance and preparation of financial records and reports necessary for the fiscal management of the passenger transportation service system.
- Personnel actions and training directly related to staff needed to manage, supervise and actually provide the passenger transportation services and/or to monitor passenger transportation services furnished by transportation providers.
- Payment of wages, salaries, appropriate benefits and required personnel insurance for persons involved in the provision or, in some cases, the arrangement of passenger transportation services.
- Payment for attendant personnel other than vehicle operators to assist non-ambulatory passengers in entering and/or exiting their residences or buildings, negotiating walkways and boarding vehicles. These attendants may also be employed to accompany ambulatory passengers who

need assistance exceeding that which could be expected of the vehicle operator.

- Payment of mileage reimbursement to persons volunteering the use of their personal vehicles in the direct provision of transportation services for senior citizens. Mileage reimbursement for volunteers providing other types of service, such as delivering home meals, must not be charged to the Passenger Transportation Services cost center.
- Arrangement for and/or provision of paid and volunteer personnel to provide escort services as necessary.
- Negotiation of agreements, solicitation of passenger transportation service proposals from providers, review of bids, preparation of grant applications and provision of input to transportation providers and transportation brokerage agencies by AAA staff and administrators.
- Actual payment of fares either for reduced fare services or full fares.
- Purchase of scrip, tickets, tokens or prepaid fares from transportation service systems which will be used for transportation services by older persons.

Special Concerns:

- Area Agency on Aging staff travel expenses must be charged to the appropriate cost center. For example, travel expenses of the Employment Services staff must be charged to "Employment Services."
- Costs incurred in the routine delivery of home delivered meals must be charged to Home Delivered Meals, not to Passenger Transportation Services. Expenses of delivering any goods or supplies must be charged to the appropriate cost center.
- For equipment owned by or titled to the AAA, the fixed asset inventory must indicate the depreciation of the cost of that equipment over the life of the asset. This is necessary to determine the value of the equipment at any given time to project a replacement schedule for acquiring new equipment and to ensure equity to the AAA should the equipment be incorporated into a consolidated passenger transportation system.
- AAA management and monitoring of purchase of service agreements, planning activities directly related to passenger transportation services and AAA management time directly devoted to passenger transportation services and directly traceable to passenger transportation services are to be charged to Passenger Transportation Services and not to the general AAA Administration cost center.
- AAA management time spent in dealing with passenger transportation is to be charged to Passenger Transportation Services even if all passenger transportation service is purchased through an outside provider.

Reporting Concerns:

- A one-way passenger trip consists of a passenger boarding, riding and exiting a vehicle one time. Although AAAs must provide this service statistic in reporting to the Department of Aging, it need not be the basis for payment of a service provider. AAAs must review their particular situation to determine what basic unit of service would be most appropriate and equitable for payment to a service provider.
- The Area Agency on Aging should report all one-way passenger trips for which the AAA pays either the total or a portion of the unit expense.

Suggested Code
508

Cost Center
Outreach

Unit of Service
Consumer Contact

Definition:

Outreach refers to AAA-initiated contacts designed to individually seek out and identify geographically hard to reach or socially isolated eligible individuals who are in greatest need of nutrition and/or other services and to provide them with the opportunity to participate in the needed services. Included are a variety of activities which are designed to:

- locate the functionally disabled, low income, minority and/or isolated person who may be in severe need of service;
- inform the person of nutritional and other services available;
- encourage the person to participate;
- follow up on individuals found to need continued encouragement to enter the service system.

Special Concerns:

- Only if the contact is originated by the Area Agency and completed on an individualized basis in the consumer's home should it be considered as Outreach. However, if the contact is the result of a request for information or assistance by an older person, then the contact should be considered either Information and Referral, Care Management, etc. (depending upon the mode of intervention). Follow-up contacts with consumers who have already been brought into the service system shall be similarly charged.
- General public information activities (such as hospitality booths at public functions) must not be charged to Outreach, but rather to Information and Referral.

Reporting Concerns:

- Consumer Contacts, the units of service for Outreach services, include only eligible persons who are actually contacted face-to-face in their place of residence by AAA or subcontractor staff or volunteers providing Outreach services.

Suggested Code
509

Cost Center
Legal Assistance

Unit of Service
Service Hour

Definition:

Legal Assistance includes legal advice and representation by an attorney (and, to the extent feasible, counseling or other appropriate assistance by a paralegal or law student under the supervision of an attorney), as well as benefits and right counseling or representation by a non-lawyer to older people with social or economic needs. These cases are only on non-fee generating (unless adequate representation is unavailable from private attorneys) and civil legal problems. Additionally, Legal Assistance may include the following activities:

- legal assistance to the Area Agency on Aging in its advocacy program on behalf of older people;
- development of a component of the local lawyer referral service specifically geared to older people;
- provision of education and training on legal problems confronting older people and dissemination of information on these issues;
- development of resources of the local bar association through coordination and referrals of older people for services on a pro-bono or reduced fee basis;
- coordination of cooperative participation by the local bar association with established legal service providers;
- use of community service advisors;
- assistance, where possible, with law reform or changes in administrative regulations on issues of primary concern to older people;
- direct legal representation of older adults alleged or substantiated to be in need of protective services.

Special Concerns:

- The above-stated Legal Assistance definition must be used by AAAs in compliance with the Older Americans Act, as amended. There are specific requirements and assurances identified in Section 307(15) of the Older Americans Act, as amended, which must also be met.
- A Community Service Advisor is a lay person trained as an advocate in certain public benefit programs to represent an older individual. He can provide legal education, interview older people, conduct negotiations involving public benefits, represent older people in administrative hearings and identify legal problems for referral of appropriate cases to attorneys or legal aides under the supervision of an attorney. Community Service Advisors can supplement an AAA's outreach or casework program and can assist with Information and Referral but should be used with some legal counsel.

- It is not sufficient to allocate or budget funds for Legal Assistance and not expend them. Sections 306(a)(2)(c) and 307(a)(22) of the Older Americans Act, as amended, require Area Agencies and the State agency to assure that an adequate proportion of Older Americans Act funds is expended each year for Legal Assistance. Therefore, specific attention is required to budget and expend an adequate proportion of Aging Block Grant funds for Legal Assistance.

Reporting Concerns:

- A consumer service hour is an hour of direct service received by an older person and includes time spent with or on behalf of an older person (including assessment of needs). This includes representation with or without the older person's presence before a public benefit agency. It also includes one hour for each hour of staff time spent with or on behalf of a group of older people (e.g., class action suits or legal education), although each recipient of group services may be counted as a person served. Caution must be taken that the units of service for legal education are charged to the Legal Assistance cost center.
- Time spent on general or case-specific recordkeeping, staff meetings, intra-agency case discussions, transportation and other administrative expenses supporting the Legal Assistance program shall not be included in consumer service hours reported, although the costs of such activities are charged to this cost center.
- Legal services rendered to or on behalf of the Area Agency and/or its staff, rather than to or on behalf of an individual or group must be charged to Administration, and not to Legal Assistance. It is strongly recommended that legal services rendered to or on behalf of the Area Agency and/or its staff be procured under a separate contractual arrangement other than that for legal assistance directed to older persons. It is also recommended whenever feasible that Area Agency legal services and consumer legal assistance be furnished through different attorneys and/or legal services staff.
- Legal counsel rendered to AAA staff regarding Protective Services cases and clearly chargeable to Protective Services should be reported and charged as Protective Services.
- Legal services rendered to or on behalf of the Area Agency and/or its staff regarding Guardianship services and clearly chargeable to Guardianship should be reported and charged as Guardianship.

Suggested Code
510

Cost Center
Ombudsman

Unit of Service
Closed Case

Definition:

The Long Term Care Ombudsman Program is designed to provide an advocacy force to protect and enhance the health, safety, welfare and rights of older individuals receiving long term care. This is accomplished by investigating and seeking to resolve complaints made by or on behalf of older individuals; advocating on major issues to bring about changes in laws, regulations, policies and practices which will assist large numbers of vulnerable older people to secure the benefits and rights to which they are entitled; educating older consumers and the public about residents' rights and other relevant issues. An Ombudsman is anyone who has completed training approved by the Office of the State Long Term Care Ombudsman in the investigation and resolution of complaints.

Activities chargeable to this cost center include but are not limited to the following:

- investigation of complaints made by or on behalf of older individuals receiving long term care services;
- routine visits to long term care facilities for the purpose of enhancing program visibility;
- informational activities and in-services to educate residents, providers and the public about the program and resident's rights and other relevant issues;
- assisting in the development of resident and family councils;
- participating in surveys and exit conferences of long term care facilities;
- monitoring facilities that have had licensure actions brought against them;
- participating in ongoing professional development and training activities;
- recordkeeping of complaint data and other relevant ombudsman information;
- informing the Office of the State Long Term Care Ombudsman and other government agencies on systems and facility-wide issues impacting residents in long term care facilities;
- keeping abreast of laws, regulations and policies that impact program implementation and long term care services;
- carrying out ombudsman activities consistent with federal and state law, including, but not limited to, the Older Americans Act and the Title VII Elder Rights requirements; OBRA and the Nursing Home Reform Act; the Aging Program Directive for the Ombudsman Program; and other

requirements the Secretary of Aging and the State Long Term Care Ombudsman may deem appropriate.

Special Concerns:

- The above-stated Ombudsman definition must be used by AAAs in compliance with the Older Americans Act, as amended, and PL 1244, No. 153 and the current APD concerning Ombudsman Services.

Reporting Concerns:

- Case - An inquiry brought to, or initiated by, the Ombudsman on behalf of a consumer or group of consumers involving one or more complaints or problems which requires opening of a case file and includes Ombudsman investigation, fact gathering, setting of objectives and/or strategy to resolve and follow-up.
- Closed - Ombudsman activity on a case has stopped for any of the following reasons: (1) resolution or partial resolution, (2) by request of complainant, (3) complaint(s) unresolvable, (4) complaint(s) not verified, (5) resident died and no further investigation was required, or (6) complaint(s) to other agency for resolution and final disposition was not obtained and/or reported to Ombudsman.
- Time spent in record keeping, telephone calls, and correspondence related to the Ombudsman program may be charged to this cost center, but not counted as units of service.

Suggested Code
511

Cost Center
Information and Referral

Units of Service
Contacts

Definition:

Information and Referral service consists of the direct provision of information about services and facilities by Area Agencies with a defined responsibility and specifically identified staff for providing this service to all persons requesting it. Service activities may include:

- a brief assessment (screening) of the inquirer's problem to make appropriate referral possible;
- provision of relevant information on and referral to community resources providing or making available the needed service;
- follow-up, as appropriate;
- brokerage activities matching older persons with resources such as nursing homes, boarding homes, unsupervised housing, casual labor, etc.;
- any activities related to the provision of information through the mass media or general public information methods.

Reporting Concerns:

- Service activities involving the provision of information and assistance regarding health insurance and public benefits (Apprise) should be reported in the Information and Referral cost center.
- A contact is the assistance provided to individuals on a one-to-one basis by Information and Referral staff in response to requests for information concerning available services. For reporting purposes contacts and persons assisted may be duplicated.

Suggested Code
512

Cost Center
Home Health

Unit of Service
Service Hour

Definition:

Home Health services include physician-ordered (1) nursing care, (2) home health aide, (3) occupational therapy, (4) physical therapy and (5) speech therapy provided to enable a consumer to continue to reside in his or her own home, and possibly to prevent unnecessary institutionalization.

AAAs should refer to OPTIONS - Level II Bulletin #93-01 concerning Home Health for specific service activities.

Nursing care is provided by individuals currently licensed to practice in Pennsylvania as a registered nurse or a licensed practical nurse under the supervision of a registered nurse and are provided under physician orders.

Home Health Aide services include provision of personal care services under the supervision of a registered nurse and are provided under physician orders.

Occupational therapy is provided by a therapist currently licensed to practice in Pennsylvania. The occupational therapist is responsible for consulting, evaluating, teaching and providing occupational therapy procedures to consumers under physician direction.

Physical therapy is provided by an individual currently licensed to practice in Pennsylvania as a physical therapist. The physical therapist is responsible for consulting, evaluating, teaching and providing physical therapy procedures to consumers under physician direction.

Speech therapy is provided by an individual currently licensed to practice in Pennsylvania as a speech and language therapist. The speech therapist is responsible for consulting, evaluating, teaching and providing speech therapy procedures to consumers under physician direction.

Special Concerns:

- All alternative funding sources including Medicare and Medical Assistance (Medicaid) must be exhausted prior to expending PDA funds in this cost center.
- The Home Health functions described in the OPTIONS Bulletin mentioned above should be the sole determinant of whether this cost center is utilized, not the title of the worker. Non-medically prescribed personal care activities performed by a Home Health Worker must be charged as Personal Care.

Reporting Concerns:

- A service hour represents the time the Home Health worker spends directly with, in the home, or providing direct service on behalf of the consumer.

- Costs of transporting workers to consumers' homes may be charged to this cost center, but time spent in transit is not part of the service hour.

Suggested Code
513

Cost Center
Personal Care

Unit of Service
Service Hour

Definition:

Personal Care services include bathing, dressing/undressing (including assistance in the application and removal of previously self-applied personal appliances and adaptive devices), feeding, toileting, grooming, transfer, ambulation and assistance with medications. Meal planning and/or preparation may also be included as a Personal Care service although the preferred means of intervention is a home delivered meal.

In general, Personal Care service will only be authorized for those consumers whose primary need for "hands on" personal care or a higher level of care, as reflected in the care plan, has been established. In addition, some degree or amount of personal care must be provided during each home visit. Should incidental or supplemental home maintenance tasks (such as laundry, shopping or housekeeping) be reflected in the care plan as a secondary need, the Personal Care worker may perform these activities without displacing existing or available informal supports. Again, the primary need for personal care must be established and provided in some fashion during each consumer visit by the provider agency.

AAAs should refer to OPTIONS - Level II Bulletin #93-01 Concerning Personal Care for specific activities.

Special Concerns:

- In general, "housekeeping-only" services are not to be performed under this program area. An exception to this requirement is the performance of any functions to prevent potential health hazards, such as cleaning inside the home, washing dishes or carrying out refuse.
- Some degree or amount of personal care must be provided during each home visit.
- The individual must receive personal care services under a care plan developed by a Care Management Unit operated or funded by the AAA.
- The purchase of specialized or durable medical supplies and equipment with the use of Personal Care cost center funds is not allowable. (See Medical Equipment, Supplies and Adaptive Devices cost center.)
- The AAA must ensure that the consumer's personal care needs cannot be met through the Medicare or Medicaid program or other available funding prior to the provision of personal care through AAA funding.
- Purchases of non-durable equipment and supplies that are the property of the provider should be charged to the Personal Care cost center.

Reporting Concerns:

- A consumer hour represents the time the Personal Care worker spends directly with, in the home, or providing direct service on behalf of the consumer.
- Costs of transporting workers to consumers' homes may be charged to this cost center, but time spent in transit is not part of the service hour.

Suggested Code
514

Cost Center
Personal Assistance Service

Unit of Service
Service Hour

Definition:

Personal Assistance Service (PAS) consists of a range of services or activities provided to physically disabled adults in a way which recognizes and enhances the highest level of independence possible for each individual served. Essentially, PAS is in-home personal care, flexibly adapted to the disabled individual's needs and capabilities. The personal assistance services delivered by the attendant focus on personal care needs even though they may also include other in-home services.

PAS shall include primarily "hands-on" personal care assistance with more than one of the following basic activities that are provided daily in order to maintain the personal care of one's self, regardless of who provides the assistance:

- Getting in and out of bed, wheelchair, or motor vehicle;
- Ambulating, with or without mechanical aids, inside the home;
- Routine bodily functions, including eating or feeding (including meal preparation and clean-up) and toileting;
- Bathing, dressing, personal hygiene and grooming; and
- Health maintenance activities.

In addition, PAS may include the following activities, if these activities are ancillary to the above "hands-on" activities which establish the primary need for PAS:

- Household services including, but not limited to, shopping, laundry, cleaning and seasonal chores.
- Companion-type services including, but not limited to, assistance with transportation, letter writing, reading mail and escort.
- At the direction of the consumer, assist with household management tasks.

PAS is different from personal care and home health service in the following respects:

- It commonly requires at least daily personal care service (whether provided by formal or informal sources).
- It may provide through one attendant a range of services usually covered by different, more specialized, workers whose responsibilities are more limited and controlled by their agencies.
- It is more personally oriented towards the needs of the consumer in the following senses:

- It generally requires the provision of some services at odd hours (e.g., early morning, evening, weekends) in order to meet specific personal needs of the consumer.
- The consumer's needs and capabilities to do for himself/herself with the help of an attendant generally carries a higher priority than the provider agency's need to structure and control service delivery.

Special Concerns:

- The Department recognizes that respite care may be an appropriate need for some consumers who receive extensive care from family members. AAAs are encouraged, in such cases, to utilize other available resources, including in-home services funding available in the Aging Services Block Grant, to provide such care. Because of its intermittent and time-limited nature, however, it is not being considered as Personal Assistance Service.
- The consumer must receive PAS under a care plan developed by an Area Agency on Aging Care Management Unit or its delegate.

Reporting Concerns:

- A service hour represents the time the attendant spends directly with, in the home of, or providing direct service on behalf of a consumer such as grocery shopping.
- Care management activities are not to be charged to this cost center and must be reported in the Care Management cost center.

Suggested Code
515

Cost Center
Attendant Care

Unit of Service
Service Hour

Definition:

Attendant Care consists of a range of services or activities provided to physically disabled adults in a way which recognizes and enhances the highest level of independence possible for each individual served. Essentially, Attendant Care is in-home personal care, flexibly adapted to the disabled individual's needs and capabilities. The services delivered by the attendant focus on personal care needs even though they may also include other in-home services. **Only those individuals who were previously served by DPW's Under 60 Attendant Care Program and turn age 60 will receive AAA attendant care services. AAAs are required to contract with the DPW Under 60 Attendant Care Program provider to continue to fund the consumer's attendant care service in accordance with the DPW care plan.**

Attendant Care service shall include primarily "hands-on" personal care assistance with more than one of the following basic activities provided daily in order to maintain the personal care of one's self, regardless of who provides the assistance:

- Getting in and out of bed, wheelchair, or motor vehicle;
- Ambulating, with or without mechanical aids, inside the home;
- Routine bodily functions, including eating or feeding (including meal preparation and clean-up) and toileting;
- Bathing, dressing, personal hygiene and grooming; and
- Health maintenance activities.

In addition, attendant care services may include the following activities, if these activities are ancillary to the above "hands-on" activities which establish the primary need for attendant care service:

- Household services including, but not limited to, shopping, laundry, cleaning and seasonal chores.
- Companion-type services including, but not limited to, assistance with transportation, letter writing, reading mail and escort.
- At the direction of the consumer, assist with household management tasks.

Attendant Care is different from personal care and home health service in the following respects:

- It is used to provide services only to those individuals who turn age 60 and were previously served by DPW's Under 60 Attendant Care Program.
- It commonly requires at least daily personal care service (whether provided by formal or informal sources).

- It may provide through one attendant a range of services usually covered by different, more specialized, workers whose responsibilities are more limited and controlled by their agencies.
- It is more personally oriented towards the needs of the consumer in the following senses:
 - It generally requires the provision of some services at odd hours (e.g., early morning, evening, weekends) in order to meet specific personal needs of the consumer.
 - The consumer's needs and capabilities to do for himself/herself with the help of an attendant generally carries a higher priority than the provider agency's need to structure and control service delivery.

Special Concerns:

- The Department recognizes that respite care may be an appropriate need for some consumers who receive extensive care from family members. AAAs are encouraged, in such cases, to utilize other available resources, including in-home services funding available in the Aging Services Block Grant, to provide such care. Because of its intermittent and time-limited nature, however, it is not being considered as Attendant Care.
- The individual must receive Attendant Care services under a care plan developed by the contractor of the DPW Under 60 Attendant Care Program.

Reporting Concerns:

- A service hour represents the time the attendant spends directly with, in the home of, or providing direct service on behalf of a consumer such as grocery shopping.
- Care management activities are not to be charged to this cost center and must be reported in the Care Management cost center.

Suggested Code
516

Cost Center
Overnight Shelter/Supervision

Unit of Service
Overnight Stay

Discussion:

- This cost center involves overnight care of individuals, either in a congregate facility, the provider's home or the consumer's home. The purpose of this care could be for protection of the consumer, respite for the primary caregiver or any other legitimate purpose.

Special Concerns:

- Non-overnight care does not qualify under this cost center.

Reporting Concerns:

- Regardless of the locus of service delivery, one night of service is the unit of service for this cost center.

Suggested Code
517

Cost Center
Environmental Modifications

Unit of Service
Homes Modified

Discussion:

Environmental Modifications include:

- Costs to complete the adaption of homes of consumers to facilitate living in the home and the provision of care.
- Activities of a major and largely non-recurring nature to improve the safety, sanitation and adaptability of a consumer's home, such as
 - major home repair;
 - home modification or adaptation;
 - fumigation;
 - other home improvement activities of a major nature that ideally would not require periodic repetition.

Special Concerns:

- Services that will require periodic repetition or are of a minor nature should be charged to the Home Support cost center.
- Expenditures for the adaptation of consumers' homes must be pre-approved in the care plan.

Reporting Concerns:

- In the case of repeated modifications to a consumer's home, a new unit of service is reported each time a modification to the home takes place.

Suggested Code
518

Cost Center
Medical Equipment, Supplies
and Adaptive Devices

Unit of Service
N/A

Discussion:

The purpose of this cost center is to allow for purchases of both durable and non-durable medical equipment and supplies as well as adaptive devices not covered under other available health care funding. Such purchases are intended to either complement the delivery of health-related in-home services or - where cost-effective and appropriate - replace the delivery of certain services. Such items may be loaned or given to needy consumers, depending on which approach the AAA determines to be more cost-effective.

Special Concerns:

- Purchases of medical equipment, supplies and adaptive devices charged to this cost center are primarily those that are provided outright to the consumer and do not become the property of the AAA.
- The AAA may, at its discretion, establish a closet of durable medical equipment, supplies and adaptive devices for loan to consumers. Such purchases must be charged to fixed asset account, and current PDA standards regarding purchases and reporting of fixed assets (including approval and inventory control measures) apply thereto.
- Purchases under this cost center using PDA funds may only be made as a last resort to purchase items which are essential to the well-being of the consumer.
- Costs of installation, rental or maintenance of a personal emergency response system should be charged to this cost center.

Reporting Concerns:

- Due to the diversity of items which may be purchased using this cost center, there will be no unit of service.
- Unduplicated persons served under this cost center must be reported one time only (per person, per fiscal year) for the period in which the item was delivered to the consumer.

Suggested Code
519

Cost Center
Home Support

Unit of Service
Service Hour

Definition:

The Home Support cost center includes housekeeping and home maintenance services and non-overnight home companion activities.

Housekeeping and home maintenance services provide for the performance of labor-intensive unskilled or semi-skilled maintenance, cleaning tasks or routine household chores. Allowable activities include:

- basic care and management of the home as necessary to ensure safe and sanitary conditions,
- instruction in home management,
- shopping assistance (with or without consumer),
- personal laundry and mending of clothing,
- heavy cleaning only as necessary to maintain a consumer's health and safety,
- grounds maintenance (such as lawn mowing and snow removal) only when absolutely necessary to maintain a consumer in his/her home.

AAAs should refer to OPTIONS-Level II Bulletin #93-01 concerning Home Support for specific activities.

The purpose of non-overnight home companion services is usually to provide respite to a primary caregiver, but could in some cases be used to combat disorientation and/or depression which could result from prolonged aloneness.

Special Concerns:

- Non-recurring, high-cost or capital-intensive home repair, fumigation, modification or rehabilitation services should be reported separately under the Environmental Modifications cost center.
- The Department strongly discourages the provision of services which are not responsive to essential consumer need but rather are provided primarily for purposes of aesthetics or convenience to the consumer.

Reporting Concerns:

- Service hour represents the time a worker spends directly with, in the home of, or providing direct service on behalf of a consumer, such as grocery shopping.
- Time spent in general or case-specific recordkeeping, staff meetings, case discussions, transportation of the worker to and from a consumer's

home, etc. is not included in service hours reported, even though these costs are charged to this cost center.

Suggested Code
520

Cost Center
Adult Day Care

Unit of Service
Service Day

Definition:

Adult Day Care Services provide a program of protection and activities, within a state-licensed, non-residential facility (or setting), for older adults who are not capable of full-time independent living.

Regulations governing Adult Day Care are found in 6 Pa Code Chapter 11, Sections 11.1 to 11.292 (Older Adult Daily Living Centers). An appropriate APD concerning specific service activities will be issued by PDA.

Special Concerns:

- All Adult Day Care consumers funded by the AAA in whole or in part must receive care management.
- The costs of home visits for the purpose of performing consumer assessment, negotiating individual care plans or advising caregivers on meeting an Adult Day Care consumer's special needs at home should be charged to Care Management, rather than to Adult Day Care.
- No costs of medical services reimbursable under health/medical insurance or other available health/medical funding sources should be charged to the Aging Block Grant. Before charging any such costs to the Aging Block Grant, documentation must be obtained for the unavailability of funds from other sources.
- In situations where the AAA has a direct involvement in the provision of meals or snacks at the Adult Day Care center, the costs of providing such foods should be charged to the Congregate Meals cost center. Only those meals which are provided to Adult Day Care consumers who are 60 years of age or older (or whose spouse is 60 years of age or older) and which satisfy the definition of a meal (1/3 RDA) may be reported as meals served. Meals which are 1/3 RDA are USDA reimbursable. Also, meals provided to volunteers serving an Adult Day Care program should be charged to the Congregate Meals cost center. Although the cost of snacks can be charged to the Congregate Meals cost center, snacks cannot be counted as a meal served.

Reporting Concerns:

- Consumer Service Days must be reported only in increments of half or full days. Four hours or less of a given day shall be reported as one half day. More than four hours on a given day shall be reported as a full day.

Suggested Code
521

Cost Center
Counseling

Unit of Service
Service Hour

Definition:

Counseling service consists of activities undertaken by a professional therapist to improve the problem solving or coping skills of the individual and/or family and to improve their intra- or inter-personal development and functioning. It is a specialized service provided either directly or through a subcontracted service provider to alleviate such problems as:

- inappropriate social and physical environment;
- individual/marital/family stress;
- family problems, including situations of abuse or neglect;
- increased consumer dependency;
- preparation/planning for retirement;
- antisocial or inappropriate behavior;
- adjustment to disability, loss, death, institutionalization or placement in residential settings other than the consumer's own home;
- alcoholism;
- drug dependency and abuse;
- criminal victimization.

Service activities which must be undertaken in the consumer's own home or office setting may include:

- individual counseling;
- marital/couple counseling;
- family counseling;
- group counseling.

Special Concerns:

- Counseling service can only be provided to consumer or family after a comprehensive assessment has been performed and only after specific individual and/or family counseling needs have been documented in the care plan.
- Specialized counseling services are distinguishable from the more informal types of counseling in that they are: (1) professional and therapeutic in nature; (2) goal oriented and (3) clearly documented as an identified need in the consumer's care plan. The more informal types of "counseling" typically provided in the course of arranging for

or delivering other needed services are not chargeable to this cost center but are an allowable cost under those service-specific cost centers i.e., Employment Services, Socialization/Recreation, Care Management, etc.

- The time spent by casework staff arranging for services to meet identified consumer or family need must be allocated to the Care Management cost center.

Reporting Concerns:

- A unit of service for the Counseling cost center is measured by hours or parts thereof of direct consumer or family contact by the counselor. Time spent in counseling-related case recording, general recordkeeping, general staff meetings, etc. are allowable costs within this cost center but are not to be included in consumer hours reported. Again, the time spent in informal "counseling" by the caseworker or in arranging for necessary formal or informal services or working on the care plan itself must be allocated to the Care Management cost center.
- Consumer hours are to be logged and reported as expended in whole or part hours with 15-minute segments being the smallest part reported as .25 hour. Time should be displayed in whole figures with decimal places added as appropriate (e.g., 3 1/4 hours = 3.25 consumer hours). Time spent with consumers is to be rounded up or down to the nearest quarter hour.

Suggested Code
522

Cost Center
Assessments

Unit of Service
Assessments
Completed

Definition:

This cost center includes all assessment activities that are completed to determine if the applicant is eligible and/or appropriate for:

- Services from the Area Agency on Aging (community services, protective services, family caregiver support services, PDA Waiver services).
- Supplement Security Income (SSI) if the consumer is placed or applying for placement in an approved/licensed personal care home or domiciliary care home (including recertification activities).
- Medical Assistance (MA) for Nursing Facility (NF) services (including current MA eligible persons applying for NF placement, NF residents admitted as private pay and are applying for MA coverage, consumers who apply for NF and would become eligible for some MA reimbursement immediately upon entering the NF, and all OBRA targeted individuals entering an MA certified NF).
- Services from the Department of Public Welfare's Under Age 60 Waiver program.

The assessment procedures are defined in the OPTIONS Procedures Manual, APD #96-01-05.

Assessments consist of all activities from the point of intake to a determination of the appropriate response to the identified needs of the consumer. These activities include:

- Intake
- Screen
- Comprehensive Needs Assessment
 - Completion of the OAF
 - Obtaining medical information as deemed appropriate
 - Obtaining other information as deemed appropriate
- Preliminary calculation of projected costs of a care plan for service in the community.
- Referral of consumer to appropriate service system or Care Management Unit where appropriate.

Recertification is the annual process to determine the continuing eligibility for the special state supplement for Domiciliary Care/Personal Care Home residents. These activities include:

- Completion of a Recertification Form during a face to face visit.
- MA 51 and PA 745 completion.

Special Concerns:

- Assessment activities are performed by Area Agencies on Aging in various individual programs funded by PDA through the Cooperative Agreement. The costs of assessment activities for all programs must be charged to this cost center. It is the responsibility of the Area Agency on Aging to establish and maintain appropriate reporting and accounting controls for each separate program so that proper accounting can be made to PDA.

Suggested Code
523

Cost Center
Care Management

Unit of Service
N/A

Definition:

The Care Management cost center includes all activities in the provision of care management services based on the outcome of the comprehensive assessment, consisting of

- Care planning and implementation activities
- Ongoing care management, monitoring and follow-up activities
- Reassessment

Care planning and implementation activities include:

- Development of the care plan based on the needs of the client identified through the comprehensive assessment.
- Activities in the exploration of service alternatives to include those available through the AAA or other non-AAA sources.
- Calculation of projected service costs in the care plan.
- Discussions with consumer or consumer's legal representative regarding:
 - Consumer expectations/preferences
 - AAA expectations
 - Cost sharing
 - State requirements

as a part of getting agreement to the care plan and the appropriate signatures.

- Communications, negotiations and referrals to service providers, both formal and informal, regarding services to be rendered to the consumer as a part of the care plan.
- Care plan adjustments or modifications.

Ongoing care management, monitoring and follow-up activities include:

- Case coordination with other service providers:
 - Sharing/obtaining copies of other care plans or service orders.
 - Case conferences.
 - Joint visits with consumers with other service providers.
- Personal advocacy to ensure satisfactory delivery of services.
- Transportation of a consumer by the care manager.
- Follow-up contacts by the care manager with the consumer to ensure appropriateness of services and/or well being of the consumer.

- Review of service invoices, provider reports, etc. by the care manager.
- Follow-up with service providers by the care manager.
- Follow-up with consumer by the care manager.

Reassessment

- The process of periodically evaluating consumer needs and the provision of services to determine the adequacy of care being provided (OPTIONS Procedure Manual, Book II.8).

Special Concerns:

- Service providers may be formal or informal.

Suggested Code
524

Cost Center
Protective Services-Intake/
Investigation

Unit of Service
Investigations
Completed

Definition:

This cost center includes all activities pursuant to completion of a "report of need" for protective services, the performance of investigations and the completion of the investigation report and case notes relevant to the investigation.

Special Concerns:

- Agencies which complete reports of need through centralized Intake Units must allocate costs to this cost center through documented time studies.
- Agencies which receive calls through centralized switchboards, but refer calls to the Protective Services Unit prior to the telephone interview necessary to prepare the "report of need" form, should begin charging costs to this cost center.

Reporting Concerns:

- A unit of service is recorded at the point at which a pertinent investigation has been performed and the resultant investigation report has been completed.

Suggested Code
525

Cost Center
Domiciliary Care

Unit of Service
N/A

Definition:

This cost center includes the costs involved with the maintenance and support of Domiciliary Care Homes and providers. This cost center also includes the costs of certifying Domiciliary Care Homes and activities involving ongoing Domiciliary Care provider relations.

Service activities include:

- finding new homes and providers
- developing an inventory of currently certified settings
- conducting inspections, licensing or approving settings
- preparing the consumer, his/her family and the provider for the placement
- providing consultation to the provider upon request
- identifying provider training needs and arranging for training

Special Concerns:

- Placement activities which involve assisting consumers to determine appropriate levels of care, placement options or services needed should be charged to either the Information and Referral, Care Management or Assessment cost centers.

Suggested Code
526

Cost Center
Guardianship

Unit of Service
Guardianships Managed

Discussion:

This cost center includes those activities involved in evaluating consumers regarding the appropriateness and degree of guardianship needed, securing such guardianships and managing established guardianships as appropriate.

Costs chargeable to this cost center are:

- Costs of intake, screening for determination of appropriateness and need for guardianship, securing such guardianships and managing established guardianships
- Legal fees to represent the AAA and court costs associated with securing and managing guardianships

Special Concerns:

- Completion of OAF for assessments should be charged to the Assessments Cost Center.

Suggested Code
527

Cost Center
Consumer Reimbursement

Unit of Service
N/A

Definition:

The Consumer Reimbursement cost center involves the costs necessary to provide consumer-directed services. This includes the actual reimbursement costs for services authorized in the consumer's care plan.

Example: The AAA care manager has determined that the consumer is in need of meals and personal care. The AAA would authorize the maximum amount of reimbursement available for these services on a weekly or monthly basis. The consumer would thus be allowed to invoice the AAA for up to the amount listed on the care plan.

Special Concerns:

- If payment mechanisms for consumer reimbursement are established and maintained separately from the regular invoice-payment activities of the AAA, all costs associated with the processing of reimbursement checks should be charged to this Cost Center.

Suggested Code
528

Cost Center
Provider Certification

Unit of Service
N/A

Definition:

The Provider Certification cost center includes the costs necessary to certify providers, e.g. Medicaid, etc. and to provide appropriate ongoing assistance and support needed by enrolled Medicaid providers.

Special Concerns:

- Costs related to Domiciliary Care Home providers should not be charged to this cost center but should be charged to the Domiciliary Care cost center.

Suggested Code
529

Cost Center
Other

Unit of Service

Definition:

AAAs that wish to provide services which are not described within the foregoing standard set of cost center definitions must use this format in describing each proposed service and submit same to the Bureau of Contracts and Management for prior approval. A thorough review of the preceding service definitions will show that the prescribed account structure embraces the vast majority of services that the AAA will wish to provide. Additionally, AAAs desiring greater program specificity in their own recordkeeping than that provided in this Manual should break such programs out locally but then combine them into the PDA structure when reporting. The "Other" cost center may be utilized only for those programs which are truly beyond the scope of this prescribed account structure.

II. ACCOUNTING GUIDELINES

Introduction

Accounting is the art of analyzing, classifying, recording, summarizing, evaluating and interpreting an organization's financial activities and position and communicating the results to those who are interested and/or responsible.

The accounting system of any organization must provide records and reports to meet three distinctive needs:

Legal - All organizations are subject to statutory and administrative requirements which dictate and place considerable importance on the nature and content of records and the nature, frequency and content of reports.

Stewardship - Groups and individuals who have no involvement in the day-to-day operations of the organization have a valid need for information essential for the effective evaluation of management's performance.

Managerial - The management group of the organization needs information to assist them in determining policies and making plans for execution of the policies and directing, coordinating and controlling operations.

The purpose of this Manual is to describe a financial management and accounting system with appropriate procedures and techniques applicable to both public and not-for-profit (NFP) Area Agencies. Governmental and NFP Agencies differ from organizations in the private sector in that:

- The profit motive is not inherent in their inception or operation.
- They are usually owned collectively by their constituents, i.e., ownership is not normally evidenced by individually owned equity shares which may be sold or exchanged.
- Those contributing financial resources to the organization do not necessarily receive a direct or proportionate share of its goods or services.
- Their objectives are focused upon outputs, or the results of services rendered, in relation to the inputs, or the dollars expended in providing the services. Evaluation of activities is, therefore, based on cost-benefit analyses, taking into consideration both the quality and quantity of the outputs.

In accounting for profit-seeking organizations, the determination of the amount of net income and the detailed origins thereof is of foremost importance. Governmental and NFP agencies record revenues and expenditures only for control and as a basis for demonstrating compliance with the budgets within their approved contracts and grants without any reference to gain or loss; such organizations are operated for service, and their revenue and expense accounts are used to promote efficiency and effectiveness of operation of the various service programs.

Area Agencies have experienced particularly dynamic growth in recent years, both in scope and magnitude of their activities. Therefore, sound financial management - including thoughtful budgeting, appropriate accounting, meaningful financial reporting and timely audits by qualified auditors - is at least as important in the NFP and governmental sector as in the private sector. Furthermore, because of the scope and diversity of its activities, proper management of the financial affairs of an Area Agency may be far more complex than that of a private business with similar assets and expenditures.

An accounting system, no matter how basic or advanced, consists of three functions: (1) recording transactions (i.e., checks or cash received and deposited, checks issued and the acquisition and use of other resources) in books of original entry comprised of a cash receipts journal, cash disbursements journal, payroll journal and general journal; (2) summarizing transactions from the books of original entry and posting to a general ledger; and (3) preparing required reporting and financial statements. There is no particular accounting system that will be applicable to all Area Agencies on Aging in the Commonwealth. The level and mix of funding sources, the range and volume of services offered, the organizational structure and the number of fiscal employees will determine the complexity and the individual characteristics of the local Area Agency's accounting system. In developing this Manual, the Pennsylvania Department of Aging has endeavored to provide the appropriate terminology and classification of accounts and the basic accounting policies and procedures necessary to comply with the prescribed accounting and reporting requirements for Area Agency on Aging programs. Variances among Area Agencies can be accommodated by changing the design of the described accounting system or by changing the component records in the system.

A. Financial Management

A comprehensive annual budget must be adopted by every Area Agency. The accounting system of the Area Agency should provide proper budgetary control for revenues and expenditures and outputs (services provided). Financial statements should include appropriate budgetary comparisons.

1. The Accounting System

The accounting system of the Area Agency must permit a continuing comparison between the estimated revenues and expenditures reflected in the budget and those which actually occur. Therefore, the same basis should be used for budgeting, accounting and reporting purposes. If the budget is prepared in accordance with the accounting system, adequate information is available to control revenues and expenditures. For proper fiscal control, all Area Agencies should utilize the modified accrual basis of accounting in the preparation of budgets and reports which measure financial position and operating results.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounting system and reported in the financial statements. Under the cash basis of accounting, revenues are recorded when received and expenditures or expenses are recorded when paid. Under the accrual basis of accounting,

transactions are recorded when they occur, regardless of when cash is received or paid out. Although cash basis accounting is the simplest of accounting systems, recognizing transactions only when cash changes hands, it does present problems. Cash basis accounting permits distortions in financial statement representations due to the timing of cash receipts and disbursements. The financial statements ignore the effect of accounts receivable, accounts payable and accruals upon financial position and results of operations. Since accrual basis accounting recognizes transactions when they occur regardless of cash flow, distortions in financial statement representations are prevented and the comparability of financial statement representations from period to period is enhanced.

Therefore, the Department of Aging prefers that the modified accrual basis of accounting be used by all Area Agencies. Generally defined, the modified accrual basis of accounting requires the recording of an expenditure or expense when a liability is incurred (i.e., when an invoice has been received or the amount can be readily estimated), but revenue is not recorded until actually received by or is available to the Area Agency. "Available" means that the revenue is both measurable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. If the Area Agency maintains its accounting system on the cash basis, it must develop the necessary accrual information through analysis of pertinent documentation on hand. Appropriate work sheet entries can be made to convert the books of account under the cash basis to financial statement presentation under the modified accrual basis.

2. The Budgeting Process

The Area Agency, in meeting its responsibilities for the performance of mandated services for the senior citizens in its geographical area, needs to develop pertinent program objectives and the means for the realization of such objectives. The instrument that the Area Agency uses to express its objectives and to define the processes and controls for achieving them is a comprehensive annual budget.

Budgeting may be described as the process of allocating available resources to identified demands. A textbook definition of a budget is "a plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing them." Simply stated, a budget is a dollar and cents plan of operation for a defined output within a specific period of time.

A comprehensive annual budget, with supporting statements, must be adopted by every Area Agency, and the accounting system must provide budgetary control over revenues and expenditures.

Any budgetary system, basic or complex, includes planning, control and evaluation processes, and equal emphasis must be given to all three.

The prominence to which the budgetary process has risen in the aging network since the inception of Area Agencies is a natural outgrowth of its environment. Proper planning is essential since (1) the type, quantity and quality of goods and/or services provided are affected in most cases through the availability of a competitive service mechanism; (2) goods and/or services are seriously needed by most of the elderly; (3) the scope and diversity of activities have become so voluminous that comprehensive, thoughtful and systematic planning is a prerequisite for the provision of quality services in sufficient quantity in this complex environment; and (4) Area Agencies are "owned" by their citizens, with the planning and decision-making function a joint process involving the Area Agency staff, members of governing boards and the citizens.

Budgets are also used as devices for control. When allocations to individual programs and activities have been made, it is imperative that the accounting system provide adequate information so that administrators, or managers, will be able to keep expenditures within limitations and yet achieve the established goals of the Area Agency. Continuous comparisons are made between the standards that have been set by the budget and the results actually achieved through operations. Variations between budgetary standards and actual results must be evaluated, and adjustment or revision of the standards made when appropriate.

Although the annual comprehensive budget supporting any of the Department of Aging contracts stands alone, budgeting is a continuous process. Effective program management requires continual forward planning for several periods into the future, thus the inception of three-year program plans. Compliance with the Department-imposed requirement for the development of three-year plans, although not contracts for resources, does involve financial planning techniques inasmuch as the three-year plans establish service objectives and endeavor to put available resources to the best possible uses in achieving the objectives. Therefore, the development of three-year plans and the supporting financial budgets must be a joint planning process involving the participation of both the program and fiscal staffs of the Area Agency. The fiscal staff should be technically qualified to develop the analyses required by Area Agency administrators in evaluating the past and setting plans for the future.

The most common approaches to budgeting in Area Agencies may be classified as (1) the minor object expenditure approach, (2) the performance approach and (3) a combination of the aforementioned two approaches.

a. Minor Object Expenditure Approach

The minor object expenditure approach is the simplest method of budgeting.

Simply described, this method involves budgeting for anticipated expenditures based on a line item budget which lists projected expenditures according to minor object as the starting point

for budgeting. For the most part this method of budgeting is done independently of service planning.

Once line item budgets have been prepared, projected expenditures are allocated to functions (cost centers) according to projection of time studies or identified subcontracts.

This method would be most likely to be implemented by AAAs which provide services directly or subcontract services through a program funding mechanism (expenditures of the subcontractor on behalf of AAA consumers are reimbursed up to the maximum amount of the subcontract with a lesser regard to units of service received).

Performance or program data may be used but are generally used only to substantiate the line item budget.

b. Performance Approach

The performance approach, which is inherent in the aging network, is a budget wherein expenditures are based upon measurable output (goods and/or services to be provided). Its primary focus is upon evaluation of the efficiency with which existing activities are being carried out; this involves cost-benefit analysis. This method may be summarized as (1) classifying budgetary accounts by function (cost center) as well as by line item/minor object expenditure, (2) investigating and measuring existing activities and providers in order to obtain maximum efficiency and (3) basing the budget of the succeeding period upon projected unit costs multiplied by the expected number of units of the service to be provided.

The performance budget emphasizes the level of activities for which funds are budgeted, rather than merely how much will be spent and requires answers to questions such as these:

- (1) What are the objectives of the Area Agency?
- (2) What resources (funds) does the Area Agency have available to achieve its objectives?
- (3) How will the services be provided? (Contracted or direct service?)
- (4) What volume of work is required for each of the activities?
- (5) What levels of service have been provided in prior years?
- (6) What levels of service are expected by the consumers, Department of Aging, AoA?

For this approach to be fundamentally sound, Area Agencies must have sufficient budgetary or accounting staffs to properly identify units of output, perform cost analyses, etc.

c. Combination of Minor Object Expenditure and Performance Approaches

Many Area Agencies provide services both directly and through subcontracting mechanisms. These Area Agencies will need to use a combination of the two approaches defined above where the subcontracting mechanisms utilized are performance type contracts (fixed price unit cost contracts).

3. Financial Statements

Financial statements of Area Agencies should be prepared with the objective of providing full disclosure on a timely basis of all material facts relating to financial position and results of operation.

Each Area Agency is required to prepare a comprehensive annual financial report. However, it is suggested that appropriate interim financial statements and other pertinent information be prepared frequently, at least on a quarterly basis, not only to meet federal, state and local requirements but also to facilitate managerial control of financial operations.

It is essential that readily understood information be made available in sufficient detail to provide a proper presentation of the financial position of the Area Agency and its operating results, in the form of balance sheets and statements of revenues and expenditures. Since the diverse groups interested in the operations of an Area Agency do not have precisely the same viewpoint, the statements prepared especially for them will vary in the type and extent of details presented. Therefore, the degree of detail to be included in the financial statements is dependent upon the intent and objectives of the reader, ranging from condensed summaries for members of the general public (but without limitation upon their right of access to additional detail if they desire it) to highly detailed statements of functional revenues and expenditures for management and governmental agencies. Annual and interim financial reports should contain detailed financial statements and schedules for all funds in such a manner as to disclose fully and present fairly the financial operations for a given period. To provide an overview of the financial affairs of the Area Agency, the reports should contain, as a minimum, three statements with supporting schedules, if necessary, as follows:

- Balance Sheet
- Statement of Revenues and Expenditures (Actual and Budgeted)
- Statement of Actual and Budgeted Expenditures by Cost Center

Additional statements and supporting schedules should be supplied to supplement those illustrated in the following exhibits as required for sound financial management of the Area Agency's affairs.

a. Balance Sheet

A balance sheet is a statement of financial position of an entity at a specified date in conformity with generally accepted accounting principles. The standard equation of a balance sheet is $Assets = Liabilities + Fund\ Balance$. The fund balance is simply the excess of revenues over expenditures. As stated earlier, expenditures are the prime factor for recognizing revenues of the funding sources. Funds received from the Department of Aging are to be expended only for purposes and activities covered by the Area Agency's approved contracts. Advance payments on certain contracts are made by the Department on the basis of monthly requests or estimates of fund needs submitted by the Area Agency. Funds received from the Department of Aging are not recognized as earned revenues until actual services have been rendered and related costs incurred, and the Area Agency is contractually obligated to return unexpended or unearned funds. Therefore, these receipts should appear in the accounting records as unearned, unapplied or deferred revenues until recognized as earned. Program income, however, is treated differently. Since unexpended program income does not revert back to the source(s) from which it came (e.g., consumers) whereas other funds received but not recognized as earned usually revert back to their respective sources, program income may be recognized as revenue immediately upon receipt.

Accordingly, receipts from defined funding sources but not yet expended are classified as Deferred Revenues in the liability section, while excess program income revenue over expenditures is classified in the balance sheet as part of the Fund Balance. Restricted funds (those donated for a specific purpose) should be segregated from unrestricted funds to control their use, as shown on Exhibit #1.

It should be noted that for the balance sheet to be a meaningful statement, it must be used in conjunction with the Statement of Revenues and Expenditures which displays the excess (deficiency) of revenues over expenditures.

NAME OF AREA AGENCY
BALANCE SHEET
JUNE 30, 19__

Assets

Cash - General	\$ 25,000
Cash - Savings	36,950
Petty Cash	4,000
Accounts Receivable	300
Outstanding Advances	<u>14,000</u>
TOTAL ASSETS	\$ <u>80,250</u>

Liabilities and Fund Balance

Liabilities:

Accounts or Vouchers Payable	\$ 22,000
Deferred Revenues:	
PDA Funds	20,100
Local Funds	<u>1,200</u>
Total Liabilities	\$ <u>43,300</u>

Fund Balance:

Restricted	21,250
Unrestricted	<u>15,700</u>
Total Fund Balance	\$ <u>36,950</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>80,250</u>

b. Statement of Revenues and Expenditures

The Statement of Revenues and Expenditures shows (1) the sources and uses of revenues earned during the program period and (2) the excess of revenues or expenditures.

Revenues reflected on this statement include contract and grant funds earned (i.e., services delivered and related costs and expenses incurred), local resources, in-kind resources and all program income received. Expenditures consist of program costs and expenses.

Exhibit #2 is provided as an example of an acceptable statement.

EXHIBIT #2

NAME OF AREA AGENCY
 STATEMENT OF REVENUES AND EXPENDITURES (ACTUAL AND BUDGETED)
 FOR THE YEAR ENDED JUNE 30, 19__

<u>Revenue</u>	<u>Actual</u>	<u>Budget</u>
PDA Funds	\$ 204,326	\$ 204,326
Local Public Funds	70,000	70,000
Other Resources	90,000	90,000
Program Income	19,500	20,000
Fee Scale Revenues	5,500	5,674
Total Revenue	\$ <u>389,326</u>	\$ <u>390,000</u>
 <u>Expenditures</u>		
<u>Personnel</u>		
Director's Salary	\$ 35,000	\$ 35,000
Professional Salaries	71,000	72,000
Clerical & Other Salaries	32,000	32,500
Wages	15,000	15,500
Other Personnel Costs	16,000	16,000
 <u>Occupancy</u>		
Rent	16,200	16,200
Utilities	1,900	1,875
 <u>Communications</u>		
Telephone	2,100	2,200
 <u>Supplies and Minor Equipment</u>		
Office Supplies	6,326	6,500
Program Supplies	24,600	22,500
Rented Equipment	3,550	3,400
 <u>Transportation</u>		
Staff Travel	8,000	8,625
 <u>Contract Services</u>		
Data Processing	23,000	20,500
Program	63,000	65,000
 <u>Other Operating Expenses</u>		
Conferences	2,600	3,000
Dues and Subscriptions	1,200	1,100
Printing	2,400	2,600
 <u>Fixed Assets</u>		
Office Equipment	23,500	23,500
Furniture and Fixtures	40,000	40,000
Total Expenditures	\$ <u>387,376</u>	\$ <u>388,000</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 \$ <u>1,950</u>	 \$ <u>2,000</u>

c. Statement of Actual and Budgeted Expenditures by Cost Center

The Statement of Actual and Budgeted Expenditures by Cost Center is a management tool providing adequate comparisons to evaluate compliance with the adopted budget and to determine the necessity for budget revisions or changes in spending trends and reassessment of priorities.

This statement is prepared from the cost center memoranda accounts established to meet the reporting requirements set by both federal and state governmental units in fulfillment of their stewardship roles in aging programs.

Exhibit #3 is provided as an example of an acceptable statement.

NAME OF AREA AGENCY
STATEMENT OF ACTUAL AND BUDGETED EXPENDITURES BY COST CENTER
FOR THE YEAR ENDED JUNE 30, 19__

<u>Cost Center</u>	<u>Actual</u>	<u>Budget</u>
Administration	\$ 25,025	\$ 25,000
Home Delivered Meals	60,000	60,000
Congregate Meals	68,320	68,000
Socialization/Recreation/Education/ Health Promotion	42,000	42,600
Employment Services	10,000	10,000
Volunteer Services	2,000	2,000
Passenger Transportation Services	15,000	15,000
Outreach	5,000	5,000
Legal Assistance	4,000	4,000
Ombudsman	1,000	1,700
Information and Referral	1,456	1,400
Home Health	4,275	4,200
Personal Care	10,000	10,000
Personal Assistance Service	3,000	3,000
Attendant Care	10,000	9,450
Overnight Shelter/Supervision	7,000	7,000
Environmental Modifications	8,500	8,500
Medical Equipment, Supplies and Adaptive Devices	5,000	5,000
Home Support	15,000	15,000
Adult Day Care	1,400	1,500
Counseling	5,000	5,000
Assessments	12,000	11,575
Care Management	12,000	14,000
Protective Services - Intake/Investigation	18,000	18,200
Domiciliary Care	5,000	5,000
Guardianship	1,300	1,400
Consumer Reimbursement	31,500	30,000
Provider Certification	2,000	1,850
Other	2,600	2,625
TOTAL	\$ 387,376	\$ 388,000

d. Statement of Program Income Activity

The Statement of Program Income Activity is used to determine compliance with program income directives issued by the Department of Aging, i.e. to ensure that program income collections are expended on a timely basis and no excessive balances of program income collections are accumulated. This statement displays a beginning balance, receipts during the reporting period, uses of program income collections (expenditures) and an ending balance.

Exhibit #4 is provided as an example of an acceptable statement.

NAME OF AREA AGENCY
STATEMENT OF PROGRAM INCOME ACTIVITY
FOR THE YEAR ENDED JUNE 30, 19__

	<u>Home Delivered Meals</u>	<u>Con- gregate Meals</u>	<u>Other Services</u>	<u>Interest</u>	<u>Total</u>
Beginning Balance - July 1, 19__	\$7,950	\$8,750	\$2,500	\$300	\$19,500
Receipts	<u>6,000</u>	<u>7,000</u>	<u>2,300</u>	<u>400</u>	<u>15,700</u>
Total Funds Available During Period	13,950	15,750	4,800	700	35,200
Expenditures	<u>7,950</u>	<u>8,750</u>	<u>2,500</u>	<u>300</u>	<u>19,500</u>
Ending Balance - June 30, 19__	\$6,000	\$7,000	\$2,300	\$400	\$15,700

B. Documentation, Journals and Ledgers

1. Maintenance of Original Source Documents

It is imperative that the Area Agency properly maintain all supporting documents and written matter concerning its various transactions. These documents constitute the original data upon which the entries in the accounting records are based. Not only are they necessary to prove the accuracy of the accounting records, but they also may lessen the danger of errors and misunderstandings between the parties involved in the event of controversies.

No universal governing policy has been established as to how long these documents should be kept. The period of retention varies among all Area Agencies. There are, however, several fundamental considerations in determining which documents should be retained and the period of retention. These include (1) the type of document, (2) statutes of limitation and (3) governmental, statutory or grant requirements.

The following is a classified list of some of the important supporting documents that should be maintained by the Area Agency:

a. Purchases:

1. Purchase requisition initiating the purchase by indicating the need for the commodities.
2. Purchase order requesting the vendor to deliver goods.
3. Voucher authorizing the recording of the purchase.
4. Receiving report listing the items and quantities received.
5. Vendor's invoice indicating the goods purchased, prices and payment terms.
6. Credit memos issued by the vendor reducing the amount owed by the Area Agency.

b. Cash Receipts:

1. Correspondence and/or acknowledgements concerning cash received by the Area Agency.
2. Duplicate deposit slips, receipted by the bank, listing the items deposited.

c. Cash Disbursements:

1. Paid checks returned by the bank.
2. Vouchers authorizing the issuance of checks.

3. Petty cash vouchers with signed receipts for small payments in cash.

d. Payroll Transactions:

1. Records showing the time worked, attendance, leave earned and taken, etc.
2. Individual earnings records for each employee showing gross earnings, deductions and withholdings and net pay for each separate pay period.
3. Personnel folders for each employee containing signed authorizations for payroll deductions and information pertinent to the employee's tenure with the Area Agency.
4. Copies of payroll tax returns submitted to federal, state and local authorities.

e. Bank Transactions:

1. Debit or credit memos issued by the bank to adjust the bank account.
2. Bank statements showing deposits, checks paid, adjustments and balances.
3. Copies of bank reconciliations.

f. Other Documents:

1. Contracts
2. Leases
3. Deeds
4. Insurance policies
5. Fidelity bonds

2. Journals and Ledgers

The accounting system established by the Area Agency must provide a clear and accurate record of the receipt and disposition of aging program funds. The accounting system should be a double entry system (debits equal credits) with a sufficient number of accounts to properly record all transactions and reflect the current status of aging program funds. All manual entries in the accounting records must be legibly made in ink.

A complete set of books must be maintained by each Area Agency. The accounting system should include, at least, the following journals and ledgers:

- Cash Receipts Journal
- Cash Disbursement Journal or Voucher Register
- Payroll Journal
- General Journal

- General Ledger
- Fixed Asset Ledger
- In-Kind Contributions Register

However, the Area Agency must, as a minimum, maintain a cash receipts journal, a cash disbursements journal or voucher register, a general journal, a general ledger and a fixed asset register.

The following outline should assist in organizing an effective accounting system.

a. Cash Receipts Journal

This journal is a book of original entry in which all cash received by the Area Agency is recorded. For proper safeguarding, all receipts should be deposited in a checking or savings account on the day of receipt by the Area Agency. Since the basic support document for entries in the cash receipts journal is the bank deposit slip, deposit slips should be prepared in duplicate and the duplicate deposit slip be receipted by the bank and then retained by the Area Agency in its files. Each entry must be recorded chronologically in columns specifically provided to accommodate the debit and credit portions of each transaction.

An example of a cash receipts journal in columnar form is presented in Exhibit #5. A description of each column is as follows:

Column 1 - Date - The date on which cash is deposited.

Column 2 - Source - The party from whom the cash is received.

Columns 3 and 4 - Cash Debit Amounts - The total amount of cash deposited in checking or savings account.

Columns 5 and 6 - Credit Amounts (Federal and State Resources)
These columns are used to record amounts received from federal and state agencies as contracts or grants.

Columns 7, 8 and 9 - Credit Amounts (Other Revenues)

These columns are used to record amounts received from other sources. Appropriate descriptions should be used as column headings.

At the close of each month or reporting period, each amount column should be totaled. After checking to be sure the total debits (the combined total of Columns 3 and 4 of the example) equal the total credits (the combined total of Columns 5 through 9 of the example), then post to the respective accounts in the general ledger. Proper indication is made in the journal that posting has been made in the general ledger.

CASH RECEIPTS JOURNAL

Date	Source	Cash Checking Debit	Cash Savings Debit	Unapplied PDA Credit	Other Unapplied Federal & State Credit	Program Income Nutrition Credit	Program Income Other Credit	Other Revenues Credit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

b. Cash Disbursements Journal

This journal is a book of original entry in which checks issued for materials, supplies or services are recorded. Check disbursements for salaries and/or wages should be recorded in the payroll journal, which is discussed later. A cash disbursements journal must be maintained if the Area Agency writes the checks. If the county writes the checks, a voucher register, which is discussed later, should be maintained.

All disbursements, except those from petty cash, must be made by check. All checks must be prenumbered, written in sequential order and recorded chronologically. The debit and credit portion of each transaction should be recorded in columns specifically provided for that purpose. Each disbursement is supported by the paid check, the vendor's invoice, purchase order, receiving report and/or other related documents. These documents should be properly retained by the Area Agency in its files.

The cash disbursements journal of the Area Agency should be designed to comply with the financial reporting requirements of the Department of Aging that expenditures or expenses are classified according to: (1) line item categories (the types of items purchased or services obtained) and (2) cost center functions (Area Agency services as established in contracts and grant agreements).

An example of a cash disbursements journal in columnar form is presented in Exhibit #6. A description of each column is as follows:

Column 1 - Date - The date on which the check is written and disbursed.

Column 2 - Payee - The party to whom the check is made out.

Column 3 - Check Number - Record each check in numerical order. Voided checks should also be recorded in their proper numerical sequence with the word "voided" written boldly on the line provided. (The signature portion of the voided check should be removed, and mutilated checks retained and filed.)

Column 4 - Cash Credit Amount - The amount of cash disbursed by each check.

Columns 5 and 6 - Expenditure Debit Amount - These columns indicate the nature of the expenditure according to minor object classification. The amount of the charge is entered in Column 6 and explained by account number in Column 5. At the close of each month or reporting period, the total of Column 6 should be summarized by account number for posting to the general ledger.

CASH DISBURSEMENTS JOURNAL

Date	Payee	Check Number	Cash (Credit)	Expenditure (Debit)		Accumulated Expenditures by Cost Center (Memoranda Accounts)										
				Account#	Amount	Admin.	Home Delivered Meals	Congregate Meals	Soc./Rec./Educ./R.P.	Employment Services	Volunteer Services	Transportation	Thru (As needed)	Legal Asst.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)

Columns 7 through 17 - Accumulated Expenditures by Cost Center
- These columns are used to allocate the individual expenditure items to the appropriate memoranda service cost center accounts. The amount of the charge in Column 6 is carried over to the respective cost center accounts in Columns 7 through 17.

At the close of each month or reporting period, each amount column of the cash disbursements journal should be totaled to be sure:

- (1) The debit and credit totals equal (the totals of Columns 4 and 6 of the example).
- (2) The individual expenditure charges have been correctly distributed to the various cost centers (the combined total of Columns 7 through 17 of the example equals the total of Column 6 of the example).

Total cash disbursed (cash credit Column 4 of the example) and summarized expenditures (expenditure debit Column 6 of the example) are posted to the respective accounts in the general ledger. The individual totals of the various cost center columns (Columns 7 through 17 of the example) are posted to the respective memoranda accounts in the general ledger. Proper indication is made in the journal that posting has been made in the general ledger.

c. Voucher Register

A voucher register is used by those Area Agencies who have their checks written and disbursed by the county. A voucher register is a special journal in which vouchers are recorded; it is also a subsidiary ledger showing the unpaid amounts owing to creditors for materials, supplies or services.

A voucher may be defined as a document on which a transaction involving the disbursement of cash is summarized and signatures or other marks appear which vouch for its correctness and approve its payment at the proper time. Under a voucher system, no check should be issued unless it is authorized by a voucher.

Vouchers should be promptly prepared and recorded at the time the particular liability is incurred. Attached to the voucher will be the necessary supporting documents (the vendor's invoice, purchase order, receiving report and/or other related documents). When the Area Agency has been advised that the county has paid the obligation, appropriate notation should be made on the voucher and the paid voucher should be removed from the active voucher file and retained in the paid voucher file.

In order to comply with the established financial reporting requirements, the voucher register should be designed to properly classify the transactions of the Area Agency according to (1) line item categories and (2) cost center functions.

An example of a voucher register in columnar form is presented in Exhibit #7. A description of each column is as follows:

Column 1 - Date - The date on which the voucher is prepared.

Column 2 - Payee - The party to whom the obligation is owed.

Column 3 - Voucher Number - Record each voucher in numerical order.

Column 4 - Date of Payment - The date on which the payment check was written and disbursed.

Column 5 - Check Number - The number of the payment check.

Column 6 - Accounts Payable Credit Amount - The amount of the obligation.

Columns 7 and 8 - Expenditure Debit Amount - These columns indicate the nature of the expenditure according to minor object classification. The amount of the charge is entered in Column 8 and explained by account number in Column 7. At the close of each month or reporting period, the total of Column 8 should be summarized by account number for posting to the general ledger.

Columns 9 through 18 - Accumulated Expenditures by Cost Center - These columns are used to allocate the individual expenditure items to the appropriate memoranda service cost center accounts. The amount of the charge in Column 8 is carried over to the respective cost center accounts in Columns 9 through 18.

At the close of each month or reporting period, each amount column of the voucher register should be totaled to be sure:

- (1) The debit and credit totals equal (the totals of Columns 6 and 8 of the example).
- (2) The individual expenditure charges have been correctly distributed to the various cost centers (the combined total of Columns 9 through 18 of the example equals the total of Column 8 of the example).

Total accounts payable (accounts payable credit Column 6 of the example) and summarized expenditures (expenditure debit Column 8 of the example) are posted to the respective accounts in the general ledger. The individual totals of the various cost center columns (Columns 9 through 18 of the example) are posted to the respective memoranda accounts in the general ledger. Proper indication is made in the journal that posting has been made in the general ledger.

At the close of each month or reporting period, the Area Agency records the total cash disbursed during the month or reporting period by the county on the vouchers of the Area Agency. This entry consists of a debit to accounts payable and a credit to cash and is recorded in the general journal and posted to the general ledger.

The voucher register provides a ready reference to the vouchers themselves and maintains a control over the file of unpaid vouchers, since the total amount of vouchers listed in the voucher register for which no payment date or check number appears should equal the total amount of the vouchers in the unpaid vouchers file.

d. Payroll Journal

Each check issued in payment of salaries or wages must be recorded in the payroll journal. The payroll journal is usually a sheet or group of sheets completed for each separate pay period and is the official record of checks disbursed for payroll transactions.

An example of a payroll journal in columnar form is presented in Exhibit #8. The following columns are used to record the checks issued for each separate pay period:

Column 1 - Date - The date on which the check is written and disbursed.

Column 2 - Employee - The name of the employee.

Column 3 - Check Number - Record each check in numerical order. Voided checks should also be recorded in their proper numerical sequence with the word "voided" written boldly on the line provided. (The signature portion of the voided check should be removed.)

Column 4 - Net Pay Credit Amount - The net amount after withholdings and other deductions paid to the employee - the amount of the payroll check.

Columns 5 through 9 - Payroll Deduction Credits - These are the amounts withheld from employees for payroll taxes (FICA, federal income, state income, local earned income) and other obligations (retirement, hospitalization, union dues, etc.). Columns with appropriate description headings should be provided for amounts frequently withheld from employees' gross earnings.

Columns 10 and 11 - Gross Pay Debit Amount - These columns indicate the total amount of salary or wages earned by the employee. Gross pay less the various amounts withheld must equal the net cash amount shown in Column 4 for each entry. The gross pay amount is entered in Column 11 and explained by

EXHIBIT #8

PAYROLL JOURNAL

Date	Employee	Check Number	Net Pay (Credit)	FICA Taxes Withheld (Credit)	Federal Income Tax (Credit)	State Income Tax Withheld (Credit)	Local Income Tax Withheld (Credit)	Other Payroll Deductions (Credit)	Gross Pay (Debit)	Accumulated Expenditures by Cost Center (Memoranda Accounts)						
										Admin.	Home Delivered Meals	Thru (As needed)	Legal Asst.			
									Account#	Amount						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)

account number in Column 10. For each individual pay period, the total of Column 11 should be summarized by account number.

Columns 12 through 17 - Accumulated Expenditures by Cost Center
- These columns are used to allocate the individual gross pay charges to the appropriate memoranda service cost center accounts. The amount of the charge in Column 11 is carried over to the respective cost center accounts in Columns 12 through 17.

Frequently employees are engaged in activities related to several service cost centers. In such situations allocations of personnel costs to service cost centers must be based on time study analyses of staff activities performed on a regular basis (semiannually covering a two-week period, as a minimum.) The percentages used in allocating personnel costs to service cost centers must be based on the most recent time study analysis that has been performed.

Area Agencies desiring guidance in the implementation and performance of time study analyses of staff activities are encouraged to contact the Department of Aging for assistance.

Each amount column of the payroll journal sheets for individual pay periods should be totaled to be sure:

- (1) The total gross pay debit amount (Column 11 of the example) equals the total credits (the combined total of Columns 4 through 9 of the example).
- (2) The gross pay charges have been correctly distributed to the various cost centers (the combined total of Columns 12 through 17 of the example equals the total of Column 11 of the example).

Total payroll transactions for each individual pay period may be posted to the respective accounts in the general ledger, or a single posting of combined totals of payroll transactions covering an entire month or reporting period may be made.

The summarized gross pay debit amounts (Column 11 of the example) and the individual totals of the net pay and payroll deduction credit columns (Columns 4 through 9 of the example) are posted to the respective accounts in the general ledger. The individual totals of the various cost center columns (Columns 12 through 17 of the example) are posted to the respective memoranda accounts in the general ledger.

A complete payroll record system consists not only of a payroll journal but also includes individual earnings records and personnel information on each employee.

The employee earnings record is a cumulative record of salaries or wages paid to each employee individually. It is often comprised of the following:

- (1) Name of employee
- (2) Address
- (3) Social Security number
- (4) Occupation or job title
- (5) Wage or salary rate
- (6) Entries each pay period for:

Gross earnings
Payroll deductions and withholdings
Net pay

The pay record columns must agree with the individual employee's line in the payroll journal for each pay period. The employee earnings records are subtotaled quarterly and the derived totals used to prepare federal, state and local quarterly payroll tax returns. Periodic remittances of other deductions can also be prepared from the employee earnings records.

A personnel folder must be maintained for each employee. This should include, at least, the following items:

- Application for employment
- Effective date of employment
- Occupation or job title
- Job description
- Information concerning civil service status
- Signed payroll deduction authorizations
- Correspondence regarding personnel actions such as performance evaluations, promotions, salary changes, etc.
- I-9 (if applicable)
- Records concerning completion of training courses

Time cards or a payroll time book should be used to record the time worked by employees working on an hourly basis. Attendance records and absentee reports should be maintained on salaried employees not employed on an hourly basis. An individual card should be maintained for each employee on which the accrued leave and leave taken are posted on a monthly basis to ensure that the employee has not taken more leave than has been earned.

e. General Journal

The general journal is used for miscellaneous entries which normally cannot be recorded in the specialized journals. Entries are usually made in the general journal for the following purposes:

- To record accruals or prepayments of expenses at a given date for financial statement preparation.
- To transfer deferred (unapplied) revenues to applied (earned) revenues.
- Adjustments to correct errors in entries in the specialized journals or postings in the general ledger.
- Reversals of accruals or prepayments.
- Closing entries at contract end to transfer the net excess of receipts over expenditures or expenditures over receipts

to a liability account to the Department of Aging or an account receivable respectively.

- To record reductions in cash for bank charges made by bank debit memo.

An example of a general journal is presented in Exhibit #9.

Each entry in the general journal includes the following:

Date - the date of the transaction to be recorded.

Titles of the Accounts - The titles of each general ledger account to be debited or credited by the particular entry are written on separate lines in the column used for account titles and explanation. Debits should precede credits in a general journal entry. Frequently the account titles of the credit portion of the entry are indented under those of the debit portion.

Posting Reference - As each item of the general journal entry is posted to a general ledger account, the number of the account is entered in the posting reference column on the line on which the item appears. This provides a check or control to ensure that all items of a general journal entry have been properly posted.

Debit Amounts - All debit amounts relating to the transaction are entered in the left-hand amount column opposite the respective account titles.

Credit Amounts - All credit amounts relating to the transaction are entered in the right-hand amount column opposite the respective account titles.

Explanation - An explanation should be included in each general journal entry. The explanation should be brief but sufficient to help recall full particulars if reference is made to the transaction later.

f. General Ledger

The general ledger contains the various accounts which collect and summarize all the transactions of the Area Agency which have been recorded in the journals or books of original entry during the accounting period. The general ledger reflects the current status of aging program funds.

Only one account is placed on each page of the general ledger, and the individual accounts should be arranged in some definite order - preferably according to the chart of accounts. Postings of summary totals from the cash receipts journal, the cash disbursements journal or voucher register and the payroll journal should be made to the accounts at the close of each month or reporting period. Entries in the general journal should be posted currently.

Each general ledger account page must provide the following information:

- (1) Title of the account
- (2) Account number
- (3) Date of the posting
- (4) Necessary description or explanation
- (5) Posting reference indicating the source of the original entry (i.e., the journal) in which a preliminary analysis of the transaction(s) involved appears.
- (6) Debit and Credit amount columns (the debit amounts are posted in the left-hand column, and the credit amounts are posted in the right-hand column).
- (7) Balance (debit balance when the debit amounts are larger and a credit balance when the credit amounts are larger).

An example of a typical general ledger account page is presented in Exhibit #10.

In addition to the basic journals and general ledger, the Area Agency should maintain subsidiary records pertaining to its fixed assets and in-kind contributions.

g. Fixed Asset Ledger

Land, buildings and equipment purchased by, or donated to, the Area Agency should be accounted for in the fixed asset self-balancing set of accounts, separate and distinct from the regular general ledger accounts. The appropriate fixed asset accounts are debited for either the purchase price or the donated fair value. The respective credits are posted to the reciprocal investment in fixed assets accounts.

The fixed asset ledger is a current inventory or listing of fixed assets owned by the Area Agency. Each individual fixed asset, acquired either by purchase or donation, should be listed. Detailed information concerning each item should be shown, including:

Description
Serial or identifying number
Acquisition source: name of vendor or contributor
PDA share of purchase cost
Date of acquisition
Valuation: cost, if purchased, or fair market value, if contributed
Location
Use
Condition
Disposition: sale, retirement, trade in, etc.

An example of a fixed asset ledger is presented in Exhibit #11.

The accuracy of the fixed asset ledger is verified by conducting physical inventories at least once every two years. It is essential that the fixed asset ledger be kept current with continuous updating to properly reflect the acquisition, retirement or disposal of individual items.

h. In-Kind Contributions Register

An in-kind contributions register is used to account for services and title to or use of real estate (land and buildings) or tangible personal property (furniture, equipment, supplies, etc.) donated to the Area Agency. Third party in-kind contributions may be used for cost sharing or matching requirements provided that the donated goods and services are:

- readily identifiable from Area Agency records;
- necessary and reasonable;
- allowable if the Area Agency itself was required to pay for them.

The value of donated goods or services must be properly reflected in the Area Agency's records and proper documentation must be maintained to verify receipt of the donation. Valuations must be reasonable and properly justified. Donated real estate or tangible personal property should be shown at the fair market value at the time of the transfer to the Area Agency. The Area Agency may be required to establish this valuation through the use of an appraiser. Charges for the use of property should be valued as if the Area Agency was leasing the property and paying a fair rental. Volunteer services should be valued at rates comparable with those paid for similar work in the particular area. Records of volunteer hours must be maintained in a manner consistent with acceptable payroll records. Volunteer time sheets should be signed by the volunteer and his/her supervisor.

An example of an in-kind contribution register is presented in Exhibit #12. A description of each column is as follows:

Column 1 - Date - The date on which the donated goods or services were received.

Column 2 - Goods Donated or Services Provided - The donated goods or services should be adequately described.

Column 3 - Donation Provided By - The party from whom the donated goods or services were received.

Column 4 - Value of Donated Goods or Services - The established valuation of the donated goods or services.

Column 5 - In-Kind Contributions - Asset/Expense (Debit)

Column 6 - Unapplied In-Kind Contributions - Liability (Credit)
These columns are used to enter the valuation of the donated goods or services in the accounting records of the Area Agency.

C. Cost Allocation Procedures

The following procedures are prescribed for classifying expenditures by major/minor object, cost center and funding source. The procedures prescribed include the inherent limitations placed on cost center definitions.

The first step in classifying costs is deciding which costs are to be charged to the contract/grant. All costs borne by federal and state grants must be reasonable, necessary and be an allowable cost of the program. Allowable costs are defined under OMB Circulars A-87 (Cost Principles for State and Local Governments) and A-122 (Cost Principles for Nonprofit Organizations). The requirements of allowability identified in these circulars must be met.

Costs to PDA contracts/grants may be either direct or indirect costs. A direct cost is any cost which benefits only the AAA program and can be readily identified specifically with the contract/grant and may be charged thereto. Indirect costs are those costs incurred for a common or joint purpose that benefit not only the Area Agency program but other programs as well and cannot be readily attributed to the particular aging program. Indirect costs of an Area Agency may not be charged to the contract/grant unless it is consistent with current Department policy (APD #94-01-02) as well as federal requirements described in federal publication OASC-10. Indirect costs must also meet the allowability requirements of OMB Circulars A-87 and A-122.

In applying the procedures discussed throughout this section, it is important to maintain a clear distinction between the terms "assigned" and "allocated" (or "assignable" and "allocable"). Assignable costs are those which can be readily attributed to the contract/grant, minor/major object, cost center, etc. Costs which support more than one cost objective and which cannot be assigned must be allocated (or distributed) to different objectives on a reasonable pro-rated basis.

1. Code Expenditures - The first step in assigning and allocating expenditures to their particular cost objective is to code the expenditures by major/minor object. In some situations this step also involves assignment to particular cost centers. As bills (vendor invoices) come in and are approved for payment they are coded as to the expenditure object they represent. Following the suggested coding in Part I, Section A of this Manual, a bill (vendor invoice) representing costs of office supplies would be coded 340, to assign this expenditure to supplies and equipment expenses (major object) and AAA Administration (cost center). Payroll would be coded 310 to personnel (and minor objects if used). This is the first step in assignment and allocation of expenditures.

Area Agencies may enter into contracts with other parties for purposes of carrying out objectives of the approved area program plan. Subcontractors must adhere to Department requirements, regulations and applicable laws. Subcontractors must maintain effective control and accountability over all funds and property covered by the contracts with the Area Agencies. Their cost classification system must be compatible with that of the Area Agencies so that billings for services rendered can be readily entered into the established Area Agency cost classification system. Expenditure coding for subcontract invoices should be coded only to contracted services (major object) and to the services (cost centers) provided by the subcontractor. A bill (subcontract invoice) representing costs of a subcontractor for Home Improvement services would be coded to assign this expenditure to contracted services (major object) and Home Improvement (cost center).

2. Assign Expenditures to Memoranda Cost Center Accounts - Distribution of major/minor object expenditures to cost centers is an essential step in the accounting process. The established service cost center accounts represent the basic activities or functions of the Area Agency. The categorization of costs by service centers provides for managerial direction and control over operations. Compilation of costs by cost center facilitates the analysis and evaluation of specific programs and services for decision-making purposes. It is imperative that there is an accurate presentation of the costs incurred by the Area Agency in individual programs and activities. Furthermore, utilization of universal service cost centers throughout the Commonwealth aging network allows interprogram and inter-agency comparisons. Therefore, the costs distributed to cost centers must be consistent with the cost center definitions in this Manual.

Assignable costs typically include personnel costs, occupancy costs (building space, heat, light), supplies, contracted services, etc., which are directly related to the provision of specific services.

Before allocating costs to services, costs should be aggregated into usable form. All personnel costs, for example, should be developed on a person or position basis. That is, the costs of an individual for allocation purposes should include not only his/her wages but all fringe benefits and employer costs also. All occupancy costs (building space, utilities, etc.) and office supplies and minor equipment of a general purpose nature should be aggregated for the allocation of costs to service cost centers.

The first principle for distributing costs is to assign to appropriate cost centers all expenditures which can be readily attributed to the provision of specific services, i.e., they are definitely and exclusively associated with a specific program or activity.

The costs of administering the overall aging program such as AAA director, accountant, general secretarial positions, supplies, etc., are directly assignable to the AAA Administration cost center.

3. Allocate Remaining Expenditures to Memoranda Cost Center Accounts - After all expenditures that can be readily assigned to cost centers have been distributed, remaining costs must be allocated to cost centers. To allocate remaining costs equitably among the various cost centers benefiting from expenditures, a system must be developed to allocate these costs according to relative benefits received. If an employee performs several functions, his costs must be allocated according to the time spent in each function. The most accurate methodology for estimating time spent per service is the performance of time studies to determine percentages for allocations of personnel costs to cost center accounts, provided that the time studies are current. Therefore time study analyses of staff activities must be performed on a regular basis, at least two times each year, spanning two-week periods, and the allocation percentages accordingly revised. (Guidance concerning the implementation and performance of time study analyses is available from the Department upon request.) Allocations to cost centers for office space used and related costs (heat, light, janitor services, etc.) may be based on square feet of space occupied. A system must be developed to allocate communications, supplies, etc. to cost centers on a reasonable basis; the methodology used must be appropriate to the particular cost being prorated. Frequently, shared costs are allocated to cost centers on the basis of actual costs directly assignable to the particular service.

Cost of space in senior centers should be allocated among the various services provided according to relative benefits received. Hours of usage for shared space would be appropriate. Kitchen space would be allocated to group dining and/or home delivered meals.

All costs allocated to a cost center must be allocable according to cost center definition.

4. Distribute Expenditures to Resources - After determination of applicable costs to the AAA program and assignment/allocation of those costs to cost centers has been determined, it is necessary to distribute those costs to the applicable sources of revenue.

Before distributing costs to PDA contracts/grants, program income or other resources, all applicable credits must be applied to reduce costs. Applicable credits against costs include but are not limited to refunds or payments received for services performed in behalf of persons or organizations outside of mandated aging programs. Once all applicable credits have been applied, charges may be distributed to the PDA contract/grant, program income and other resources.

The policy adopted by the Department of Aging for the treatment of program income throughout the Commonwealth aging network is the "additional costs" method as provided by 45 CFR, Part 74.42 of the Federal Administration of Grants Regulations. Under the "additional costs method" program income is used to expand the programs and services of the AAA, supplemental to contract/grant funds.

D. Accounting Procedures

Each Area Agency must use generally accepted accounting procedures to record financial information.

The normally followed accounting cycle includes the following steps:

1. Journalizing is the preliminary analysis of a transaction, deciding what accounts should be debited or credited and making the actual recording in a journal or book of original entry. Entries should be legibly made in ink.
2. Proving the journals is verifying that the total debits entered into the journals are equal to the total credits. If there is a discrepancy, the error must be found and properly corrected. Common errors are transpositions in the figures entered in various columns and/or the incomplete or inaccurate distribution of multiple debits or credits in a single entry.
3. Posting journal entries is the process of transferring the debit and credit items listed in the journals to the respective accounts in the general ledger. Each debit item in the journal is posted to the debit column of the particular ledger account. Each credit item is posted in the credit column of the particular ledger account. As each item is posted, both the journal and the ledger account should be appropriately noted. The number of the ledger account to which the posting has been made should be recorded in the journal. (Check marks are sometimes used to denote that the item has been posted.) When the item is posted to the ledger account, the page number of the journal is placed in the posting reference column of the ledger account on the line on which the item is posted. Thus, there is a cross reference to simplify the tracing of entries and also to indicate that the journal item has been posted. Entries should be legibly made in ink.
4. Footing the accounts is totaling both the debit and the credit columns of each ledger account and determining the balance. The account has a debit balance when the total of the debit column is larger. There is a credit balance when the total of the credit column is larger.

5. Taking a trial balance is listing each of the ledger accounts showing its debit or credit balance in separate debit and credit amount columns. The totals of the debit and credit amount columns should be equal. When this is true, the ledger is said to be "in balance." If there is a discrepancy, the error must be found and properly corrected. Differences may be caused by mathematical errors; posting or listing figures on the wrong side of an account (debits as credits or vice versa), posting or listing incorrect figures or omission of amounts.

6. Preparation of the worksheet is a columnar process by which the unadjusted account balances shown in the trial balance are adjusted and segregated into financial statement units.

An example of a worksheet is presented as Exhibit #13. The steps to be followed in preparing a worksheet are as follows:

(a) List the title of each of the ledger accounts.

(b) In the trial balance columns, enter the balances of the ledger accounts as they appear before adjustment. The totals of the trial balance debit and credit columns must equal.

(c) In the adjustments columns, enter all adjusting entries. Adjustments are necessary to reflect accruals and prepayments at the close of the accounting period and to correct errors in the ledger accounts. These adjustments are made tentatively on the worksheet, and their accuracy and propriety are proved before they are actually entered in the general journal and posted to the general ledger. Adjustments will be discussed later in detail. Total debits and credits must equal.

(d) In the adjusted trial balance columns, extend the trial balance giving effect to the adjustments. The totals of the adjusted trial balance debit and credit columns must equal.

(e) Distribute the adjusted amounts in the adjusted trial balance columns to the proper set of financial statement columns. Total debits and credits must equal.

7. Preparation of the financial statements is facilitated by the completed worksheet since the assets, liabilities, revenues and expenditures have been classified and segregated.

8. Adjusting entries and postings are necessary at the close of the accounting period to bring the ledger accounts up to date, recording non-cash charges such as accruals, prepayments and deferrals so that revenues and expenditures are recognized in the proper period. Adjusting entries are also used to correct errors in original journal entries or ledger postings. These adjusting entries are included on the worksheet and later

recorded by formal entry in the general journal and posting to the general ledger.

The following are examples of typical adjusting entries:

- a. Recording of Unpaid Bills - At the close of the accounting period, the accountant should accumulate all unpaid bills, total them, distribute the cost and make an adjusting entry as follows:

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
June 30, 19__	Staff Travel Expense	_____	
	Telephone Expense	_____	
	Accounts Payable		_____

To record accounts payable for unpaid invoices at end of period.

- b. Accrued Expenses - Other expenses should be calculated or estimated for the particular accounting period. Such expenses could include unpaid salaries and/or wages and payroll taxes for pay periods within the particular accounting period. These payroll costs as well as other expenses are applicable to the particular accounting period but are paid subsequent thereto. An example of the entry to record an unpaid payroll is as follows:

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
June 30, 19__	Payroll Expense-Professional	_____	
	Payroll Expense - Clerical	_____	
	Accrued Salaries Payable		_____

To record accrued salaries for the period of June 25, 19__ to June 30, 19__

The entries for accrued expenses should be reversed at the beginning of the subsequent accounting period.

- c. Prepaid Expenses or Inventory of Supplies - Prepaid expenses represent material portions of supplies and expenses (office supplies, insurance premiums, rent, etc.) that were not consumed at the close of the accounting period but will be consumed in subsequent periods. If the amounts are not material, the costs should remain expensed rather than being reflected as assets on the balance sheet of the Area Agency. When the amount of the unconsumed cost is material, an example of recording a prepayment is as follows:

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
June 30, 19__	Prepaid Expenses Leases and Rentals	_____	_____

To record prepaid rent for
the period of July 1, 19__
to September 30, 19__

The entries for prepaid expenses should be reversed at the beginning of the subsequent accounting period.

9. Closing entries and postings are made at the end of the accounting period to close the revenue and expenditure accounts, either to a fund balance account or a liability or receivable account with the Department of Aging.
10. The post-closing trial balance is a trial balance taken of the ledger accounts after all adjusting and closing entries have been journalized and posted. The balances as reflected in the post-closing trial balance should correspond with the balances shown on the balance sheet. Debits and credits must equal.

E. Internal Controls

Internal control comprises the plan of organization and all of the coordinate methods and measures adopted by an Area Agency to safeguard its assets, check the accuracy and reliability of its accounting records, promote operational efficiency and encourage adherence to efficient managerial policies and procedures and grant requirements. A system of internal control extends beyond the bookkeeping functions of the fiscal staff. Such a system includes budgetary control, compliance with budgeted unit costs, the preparation and dissemination of periodic operating reports and statistical analyses, adequate personnel training to aid staff members in meeting their delegated duties and responsibilities and the necessary means of assuring Area Agency administration that the established system of internal control is satisfactory and is being effectively carried out.

The elements of a properly coordinated system of internal control include:

- A plan or organization which provides appropriate segregation of functional responsibilities.

A satisfactory plan should be as simple as possible and flexible enough so that expansion or changing condition will not materially disrupt the existing circumstances. The plan should provide for organizational independence between operating and accounting functions. Responsibilities and the delegation of authority should be clearly defined and in written form.

- A system of authorization and record procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures.

Appropriate forms and records, classification systems (chart of accounts, etc.) and logical flow patterns of the record-keeping and approval procedures should be designed. Such forms and a description of the recording and approval system should be incorporated in an accounting procedures manual.

- Sound practices to be followed in the performance of duties and functions.

There should be a proper distribution of duties and responsibilities so that no single employee performs a complete cycle of operation. No one person should handle a transaction completely from beginning to end. By such a division of duties for authorizing and recording transactions, a check on the accuracy of the work is provided and the probability of detecting errors or fraud is greatly enhanced.

- Adequacy of personnel to ensure that the caliber of the employees is commensurate with their delegated duties and responsibilities.

The ability and experience of operating personnel who are carrying out the prescribed procedures have a direct effect on the reliability of the established internal control system.

- Managerial responsibilities for developing, implementing and monitoring the system of internal control.

Administration must constantly review the internal control system to ensure that (1) prescribed policies are being interpreted properly and are being carried out; (2) changes in operating conditions have not made the procedures cumbersome, obsolete or inadequate, and (3) where breakdowns in the system have occurred, appropriate corrective measures are promptly implemented.

It is important to note that while internal control is referred to as a system or plan, an internal control system is not separate and distinct from the overall operating policies and procedures of the Area Agency. Rather, internal control refers to those measures that are ancillary but integral to policies and procedures pertinent to specific activities or functions, such as cash, purchasing, payroll, etc. A simplified method of developing satisfactory internal control measures is as follows:

1. determine the steps or procedures needed to carry out a specific activity or function;

2. review the procedures to ensure that adequate and necessary measures are included therein to maintain the integrity of the system and ensure the accuracy of the various paperwork operations related to the specific activity.

Since internal control includes all organizational means used to safeguard assets and assure the reliability of accounting data and compliance with management policies and grant requirements, such means should consist of operating controls, accounting controls and compliance controls comprised of the following:

1. Operating Controls

- (a) Establishment of policies and procedures for the retention and maintenance of documentation supporting the accounting records.
- (b) Organizational charts and procedures manuals showing who is responsible for originating and approving all types of transactions.
- (c) A financial reporting and management information system to apprise managers of program performance.
- (d) Systems to ensure organizational compliance with grant terms and conditions and related federal, state and local policies/regulations/conditions.

2. Accounting Controls

- (a) Segregation of accounting duties to ensure that the same employee does not authorize, execute and record transactions.
- (b) A formal classification of accounts and definitions to ensure consistency in recording transactions in proper accounts.
- (c) Authorization thresholds and limits to ensure that funds are expended by authorized personnel.
- (d) Timely review of financial activities and annual audits.
- (e) Design of forms for use in recording transactions.
- (f) Employee time records used for both recording payroll and assigning/allocating time for cost purposes.

3. Compliance Controls

- (a) Formal management reviews and performance assessments of grant/contract agreements.
- (b) Controls to ensure that services are provided to eligible and high priority clients.

(c) Safeguards to ensure adherence to matching requirements.

Each Area Agency should incorporate a plan or system for internal control into its overall fiscal management program.

The specific components, as well as the degree of sophistication, will vary among Area Agencies. While recognizing the differences that exist among Area Agencies due to numerous variables (budget, staffing, organizational structure, etc.), each Area Agency should strive to develop internal controls to ensure the assets under the organization's control are safeguarded.

Attached as a supplement to this Manual, is a sample Internal Control Review Questionnaire and Documentation Guide. The guide was reprinted from Guidelines for Financial and Compliance Audits of Federally Assisted Programs, published by the United States General Accounting Office, February 1980. This guide can serve as an example from which Area Agencies can both assess the adequacy of their existing internal control plan and strengthen that plan, if necessary.

F. Audits

Comprehensive audits are comprised of:

- the expression of an opinion on the fairness of the presentation of financial statements,
- the determination that applicable laws and regulations have been complied with,
- the evaluation of the financial management system to assure the effectiveness of the accounting system in producing the necessary financial information and in controlling available resources, and
- the evaluation of the organization for effectiveness, efficiency and economy in the conduct of programs and activities in achieving desired objectives (program results).

Federal mandated single audits encompass all of the aforementioned components.

All Area Agencies on Aging are covered under the federal Single Audit Act of 1984 and/or U.S. Office of Management and Budget (OMB) Circulars A-128 or A-133. As a subrecipient of federal financial assistance in the form of a pass-through of funds from the PA Department of Aging, an AAA which is part of local government is subject to all of the provisions of the Single Audit Act and OMB Circular A-128, "Audits of State and Local Governments," and all relevant federal and state laws, rules and regulations. An AAA which is a nongovernmental nonprofit entity is not subject to the Single Audit Act or OMB Circular A-128, but is subject to OMB

Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions."

Department of Aging contract agreements with AAAs all include audit requirements and define AAA responsibilities for the performance of audits in accordance with the Single Audit Act and/or OMB Circulars A-128 or A-133. The Department has also issued APD #92-01-01, "Single Audit Act Requirements," furnishing guidelines and procedures for the processing of single audits. It is imperative that AAAs stringently comply with the established federal requirements for the development and implementation of corrective/remedial action plans for audit findings.

III. GLOSSARY OF TERMS

Accrual Accounting - The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities (recognizing that payment of the expenditure or receipt of the revenue may occur in another accounting period).

Adjustments - Entries required to correct ledger accounts and to bring them up to date for proper presentation in the various financial statements.

Applied Resources - Cash and in-kind contributions used to fund (or generated by) program expenses, equal in amount to accumulated expenditures to date.

Assets - Anything of monetary value which is owned by the Area Agency.

Audit Trail - The paperwork trail from source documents through the journals and ledger and the preparation of financial statements that clearly shows how all financial transactions have been reported, recorded and accounted for.

Balance Sheet - The statement of financial condition at a given date, reflecting the assets and other resources, liabilities and other obligations and surplus (or deficiency).

Budget - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

"Closing" the Books - The process of summarizing the ledger accounts to prepare the Balance Sheet and the Revenue and Expenditures Statement.

Credit Accounts - Accounts used to reflect liabilities, applied resources and revenue.

Credit Entries - Entries that increase liabilities, equity or revenue or decrease assets, expenses or accumulated expenditures. Credit entries are journalized and posted on the right side of the individual ledger accounts.

Debit Accounts - Accounts used to reflect assets, expenses and accumulated expenditures.

Debit Entries - Entries that increase assets and expenses. Debit entries are journalized and posted on the left side of the individual ledger accounts.

Deferred, Unapplied or Unearned Revenue - A liability account which represents receipts from funding sources which are not recognized as properly earned since actual services have not been rendered and related service costs incurred.

Direct Service Costs - Costs which are directly attributable to specific programs or activities (functional service cost centers) as distinguished from administrative costs. Direct service costs of a contract would be the total amount of the contract less administrative costs.

Double-Entry - A system of bookkeeping which requires for every entry made to the debit side of an account (or accounts) an entry for a corresponding amount or amounts to the credit side of another account (or accounts).

Earned or Applied Revenue - Receipts from funding sources which have been properly earned since actual services have been rendered and related service costs incurred.

Expenses - Charges incurred, whether paid or unpaid, in the program of an Area Agency which are presumed to benefit the current fiscal period.

Indirect Costs - Costs that have been incurred for common or joint objectives or projects and cannot be readily identified with a specific final cost objective or project (i.e., function, organizational subdivision, contract, grant or other work unit.)

In-Kind Contribution - The receipt of donated goods or services as distinguished from the receipt of cash.

Internal Control - A system of specifically stated procedures and functions which the Area Agency requires to be carried out in order to provide reasonable assurance as to the safeguarding of assets against loss from unauthorized use and to provide reasonable assurance as to the reliability of financial records for preparing financial statements and maintaining accountability.

Journal - The point of original entry of a financial transaction into the accounting system. Transactions are entered into the journals as they occur, with a pertinent description of the transaction.

Journalize - To analyze and record transactions in a journal.

Ledger - A collection of related accounts used to summarize and classify financial transactions. Debit and credit items of entries in the journals are posted to the respective accounts in the ledger.

Liabilities - Debt or other legal obligations arising from transactions in the past which must be liquidated, renewed or refunded at some future date.

Modified Accrual Accounting - The basis of accounting whereby revenue receipts are recognized when they are both "measurable" and "available" to finance expenditures of the current period, and expenditures or expenses are recognized when the pertinent liability therefor has been incurred.

Posting - The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a journal.

Revenue and Expenditure Statement - The financial report that summarizes transactions for a given period of time.

INTERNAL CONTROL REVIEW QUESTIONNAIRE
AND DOCUMENTATION GUIDE

The material which follows was designed as an aid in reviewing internal controls. It consists of controls and suggestions for items which should be documented in the workpapers. The documentation items are in parentheses following certain questions. For the most part, the suggested documentation items have been recommended because auditors may wish to verify the related control aspects or procedures in the internal control-testing phase, if they intend to rely on the particular aspect in limiting the tests of account balances.

The questionnaire and documentation material does not purport to cover all aspects of internal control present at a particular organization. The material is designed to provide basic coverage, and the auditor should select those questions and documentation procedures most applicable to the system of internal control being audited.

The material does not address controls that may be present in an EDP environment nor compliance aspects which may be required under a particular categorical grant or loan program. Accordingly, the questionnaire and documentation material should be expanded to provide appropriate coverage of these areas.

The questionnaire should be retained in the workpapers. The auditor may choose to use this material only as a checklist and to document the review through memorandums, analysis papers, and flow charts.

GENERAL

The following questions relate to the internal accounting controls of the overall organization.

1. Are duties for key employees of the organization defined?
2. Is there an organization chart which sets forth the actual lines of responsibility?
3. Are written procedures maintained covering the recording of transactions?
 - a. Covering an accounting manual?
 - b. Covering a chart of accounts?

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4. Do the procedures, chart of accounts, etc., provide for identifying receipts and expenditures of program funds separately for each grant?
5. Does the accounting system provide for accumulating and recording expenditures by grant and cost category shown in the approved budget?
6. Does the organization maintain a policy manual covering
 - a. approval authority for financial transactions and
 - b. guidelines for controlling expenditures, such as purchasing requirements and travel authorizations?
7. Are there procedures governing the maintenance of accounting records?
 - a. Are subsidiary records for accounts payable, accounts receivable, etc., balanced with control accounts on a regular basis? (List the types of records and the timing of reconciliation procedures.)
 - b. Are journal entries approved and explained or supported?
 - c. Do accrual accounts provide adequate control over income and expense?
 - d. Are accounting records and valuables secured in limited-access areas?
8. Are duties separated so that no one individual has complete authority over an entire financial transaction? (Document the segregation of duties or lack thereof affecting accounting system applications.)
9. Does the organization use an operating budget to control funds by activity?
10. Are there controls to prevent expenditure of funds in excess of approved, budgeted amounts? For example, are purchase requisitions reviewed against remaining amount in budget category?

11. Has any aspect of the organization's activities been audited within the past 2 years by another governmental agency or independent public accountant? ^{1/}
12. Has the organization obtained fidelity bond coverage for responsible officials? (Indicate the officials covered and the amounts of coverage.)
13. Has the organization obtained fidelity bond coverage in the amounts required by statutes or organization policy?
14. Are grant financial reports prepared for required accounting periods within the time imposed by the agencies? (Indicate the types of reports and the due dates.)
15. Does the organization have an indirect cost allocation plan or a negotiated indirect cost rate?

CASH RECEIPTS

The following conditions are indicative of satisfactory control over cash receipts.

1. The individual responsible for the cash receipts function does not sign checks or reconcile the bank accounts and is not responsible for noncash, accounting records, such as accounts receivable, the general ledger, or the general journal.
2. Receipts are deposited promptly and intact.
3. Current receipts are controlled by registers.
4. The organization has established procedures to minimize the time elapsing between the transfer of funds from the Federal Government and their disbursement.

The material which follows is designed to assist the auditor in reviewing and documenting the cash receipts function.

^{1/}Pertinent prior audit reports, together with the organization's replies to audit comments, should be reviewed in connection with the current examination. The current workpapers should indicate key findings from this review.

1. Incoming mail:
 - a. Are remittances listed on a control sheet for comparison with the bank deposit ticket?
 - b. Are the check remittances restrictively endorsed by the person opening the mail?
2. Are all receipts required to be recorded promptly and deposited intact daily or at appropriate regular intervals? (Describe the practice followed.)
3. Does the cashier prepare duplicate deposit tickets so that one copy can be signed by the bank and returned for checking against the cash receipts record by another person?
4. Is the person receiving cash without authority to sign checks and reconcile bank accounts and without access to accounting records other than cash receipts?
5. Are currency receipts controlled by cash registers, vending machines, or controlled prenumbered receipt forms?

PROGRAM RECEIPTS FROM THE FEDERAL GOVERNMENT

1. Does the organization have grant agreements providing for funding under requests for advance payments or letters of credit? (Describe the method of funding.)
2. Does the organization have procedures, including cash requirement projections, minimizing the time between the transfer of funds from the Federal Government and their disbursements?
3. Are Federal funds deposited in a separate bank account or accounted for through grant-loan fund control accounts?
4. Does the organization's calculation of Federal funds required consider updated estimates of allowable program costs?

BILLING AND RECEIVABLES

The following conditions are indicative of satisfactory control over billing and receivables.

1. There are controls to insure that all goods shipped and services performed are billed and recorded.

2. Billing is by serially numbered invoices.
3. All documents supporting billings, such as shipping orders and service tickets, are also serially numbered.
4. Price lists or contractual terms covering goods and services are used for computing billing amounts. Exceptions to price list amounts are approved by an organization official.
5. Detailed receivable records are periodically balanced with the general ledger control accounts.
6. Noncash credits to receivables are approved by an organization official.
7. An aged trial balance of receivables is periodically prepared and followup action is taken on overdue balances.
8. Duties are adequately separated so that the individual responsible for maintaining the receivable records does not have access to cash, approve credit to customers, authorize noncash credits to receivables, or authorize shipments of goods or performance of services.

BILLINGS

The material which follows is designed to assist the auditor in reviewing and documenting the billing and receivable functions.

1. Is the billing department notified of charges to be billed (a) for merchandise shipments, by receiving a copy of the shipping documents directly from the shipping department or (b) for services performed, by receiving a copy of the record of services performed directly from the individual or group performing the services? (Describe the practice followed.)
2. Are shipping documents and services records pre-numbered and correlated with billing invoices?
3. Are billing invoices prenumbered and accounted for?
4. Are billing prices based on standard price lists or contractual agreements? (Describe procedure.)

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5. If billing amounts are not based on standard price lists or contracts, are amounts approved by an official outside the billing department?
6. Are prices and extensions on billings independently verified?
7. Is a copy of the billing invoice sent directly to the accounts receivable departments?
8. Are there procedures to control the issuance of free merchandise and services? (Describe controls.)
9. Are there procedures to control the receipt of funds for miscellaneous transactions, such as (a) the sale or rental of property and equipment and (b) income from investments? (Describe procedures.)

RECEIVABLES

1. Are receivables detail ledgers periodically balanced with general ledger control accounts? (Describe practice.)
2. Are statements of account periodically prepared and mailed to debtors?
3. Are aged trial balances of receivables periodically prepared and reviewed by the credit department or some designated employee not responsible for billings, cash, or receivables? (Describe procedures.)
4. Are notes receivable approved by an official before they are accepted by the organization?
5. Are notes and collateral periodically inspected by someone other than the custodian?
6. Is there control over followup action on delinquent accounts? (Describe the control procedures.)
7. Are noncash reductions of receivables approved by an organization official?
8. Are there controls over advances to and receivables from employees?

PURCHASING, RECEIVING, AND ACCOUNTS PAYABLE

The following conditions are indicative of satisfactory control over purchasing, receiving, and accounts payable.

1. Prenumbered purchase orders are used for all items of cost and expense.
2. There are procedures to insure procurement at competitive prices.
3. Receiving reports are used to control the receipt of merchandise.
4. There is effective review by a responsible official following prescribed procedures for program coding, pricing, and extending vendors' invoices.
5. Invoices are matched with purchase orders and receiving reports.
6. Costs are reviewed for charges to direct and indirect cost centers in accordance with applicable grant agreements and applicable Federal Management Circulars pertaining to cost principles.
7. When accrual accounting is required, the organization has adequate controls, such as checklists for statement-closing procedures, to insure that open invoices and uninvolved amounts for goods and services received are properly accrued or recorded in the books or controlled through worksheet entries.
8. There is adequate segregation of duties in that different individuals are responsible for (a) purchase (b) receipt of merchandise or services, and (c) voucher approval.

The following questions are designed to assist the auditor in reviewing and documenting the purchasing, receiving, and accounts payable functions.

PURCHASING

1. Is the purchasing function separate from accounting and receiving?
2. Does the organization obtain competitive bids for items, such as rental or service agreements, over specified amounts? (Indicate the amounts.)
3. Is the purchasing agent required to obtain additional approval on purchase orders above a stated amount? (Indicate the amount.)

4. Are there procedures to obtain the best possible price for items not subject to competitive-bidding requirements, such as approved vendor lists and supply item catalogs? (Describe the procedures.)
5. Are purchase orders required for purchasing all equipment and services?
6. Are purchase orders controlled and accounted for, by prenumbering and keeping a logbook? (Describe method.)
7. Do grant-loan agreements or related regulations impose requirements which differ from the organization's normal policies, such as competitive-bid requirements? (List exceptions.)
8. Is the purchasing department required to maintain control over items or dollar amounts requiring the contracting officer's advance approval? (If yes, describe controlling factors.)
9. Under the terms of OMB Circular 74-4, certain costs and expenditures incurred by units of State and local governments are allowable only upon specific prior approval of the grantor Federal agency. Determine whether the grantee organization has established policies and procedures governing the prior approval of expenditures in the following categories.
 - a. Automatic data processing costs.
 - b. Building space rental costs.
 - c. Costs related to the maintenance and operation of the organization's facilities.
 - d. Costs related to the rearrangement and alteration of the organization's facilities.
 - e. Allowances for depreciation and use of publicly owned buildings.
 - f. The cost of space procured under a rental-purchase or a lease-with-option-to-purchase agreement.
 - g. Capital expenditures.
 - h. Insurance and indemnification expenses.

- i. The cost of management studies.
 - j. Preagreement costs.
 - k. Professional services costs.
 - l. Proposal costs.
10. Under the terms of OMB Circular 74-4, certain costs incurred by units of State and local governments are not allowable as charges to Federal agency grants. Determine whether the grantee organization has established policies and procedures to preclude charging Federal grant programs with the following types of costs.
- a. Bad debt expenses.
 - b. Contingencies.
 - c. Contribution and donation expenditures.
 - d. Entertainment expenses.
 - e. Fines and penalties.
 - f. Interest and other financial costs.
 - g. Legislative expenses.
 - h. Charges representing the nonrecovery of costs under grant agreements.
 - i. The expenses of a State Governor or chief executive of a political subdivision.

RECEIVING

1. Does the organization have a receiving function to handle receipt of all materials and equipment?
2. Are supplies and equipment inspected and counted before acceptance for use?
3. Are quantities and descriptions of supplies and equipment checked by the receiving department against a copy of the purchase order or some other form of notification?
4. Is a logbook or permanent copy of the receiving ticket kept in the receiving department?

ACCOUNTS PAYABLE

1. Is control established over incoming vendor invoices?
2. Are receiving reports matched to the vendor invoices and purchase orders, and are all of these documents kept in accessible files?
3. Are charges for services required to be supported by evidence of performance by individuals other than the ones who incurred the obligations?
4. Are extensions on invoices and applicable freight charges checked by accounts payable personnel?
5. Is the program to be charged entered on the invoice and checked against the purchase order and approved budget?
6. Is there an auditor of disbursements who reviews each voucher to see that proper procedures have been followed?
7. Are checks adequately cross-referenced to vouchers?
8. Are there individuals responsible for accounts payable other than those responsible for cash receipts?
9. Are accrual accounts kept for items which are not invoiced or paid on a regular basis?
10. Are unpaid vouchers totaled and compared with the general ledger on a monthly basis? (If not, indicate when the procedure is done.)

CASH DISBURSEMENTS

The following conditions are indicative of satisfactory controls over cash disbursements.

1. Duties are adequately separated, different persons prepare checks, sign checks, reconcile bank accounts, and have access to cash receipts.
2. All disbursements are properly supported by evidence of receipt and approval of the related goods and services.
3. Blank checks are not signed.
4. Unissued checks are kept in a secure area.

5. Bank accounts are reconciled monthly.
 6. Bank accounts and check signers are authorized by the board of directors or trustees.
 7. Petty cash vouchers are required for each fund disbursement.
 8. The petty cash fund is kept on an imprest basis.
- The following material is designed to assist the auditor in reviewing and documenting cash disbursements.

1. Are checks controlled and accounted for with safeguards over unused, returned, and voided checks?
2. Is the drawing of checks to cash or bearer prohibited?
3. Do supporting documents, such as invoices, purchase orders, and receiving reports, accompany checks for the check signers' review?
4. Are vouchers and supporting documents appropriately canceled (stamped or perforated) to prevent duplicate payments?
5. If check-signing plates are used, are they adequately controlled (i.e., maintained by a responsible official who reviews and accounts for prepared checks)?
6. Are two signatures required on all checks or on checks over stated amounts? (Document the procedure followed.)
7. Are check signers responsible officials or employees of the organization? (Obtain a list of authorized signers for the workpapers.)
8. Is the person who prepares the check or initiates the voucher other than the person who mails the check?
9. Are bank accounts reconciled monthly and are differences resolved? (If not, what are the procedures?)
10. Concerning petty cash disbursements:
 - a. Is petty cash reimbursed by check and are disbursements reviewed at that time?

- b. Is there a maximum amount, reasonable in the circumstances, for payments made in cash? (Indicate the amount.)
- c. Are petty cash vouchers written in ink to prevent alteration?
- d. Are petty cash vouchers canceled upon reimbursement of the fund to prevent their reuse?

PAYROLL

The following conditions are indicative of satisfactory controls over payroll.

1. Written authorizations are on file for all employees, covering rates of pay, withholdings, and deductions.
2. The organization has written personnel policies covering job descriptions, hiring procedures, promotions, and dismissals.
3. Distribution of payroll charges is based on documentation prepared outside the payroll department.
4. Payroll charges are reviewed against program budgets, and deviations are reported to management for follow-up action.
5. Adequate timekeeping procedures, including the use of timeclocks or attendance sheets and supervisory review and approval, are employed for controlling paid time.
6. Payroll checks are prepared and distributed by individuals independent of each other.
7. Other key payroll and personnel duties, such as timekeeping, salary authorization, and personnel administration, are adequately separated.

The material which follows is designed to assist the auditor in reviewing and documenting the payroll function.

1. Are personnel policies in writing?
2. Are payroll and personnel policies governing compensation in accordance with the requirements of grant agreements?

3. Are there procedures to control time and attendance reporting?
 - a. Are timecards or attendance sheets used?
(Indicate the method.)
 - b. Is supervisory approval of time and attendance reports required?
4. Are there procedures to insure that employees are paid in accordance with approved wage and salary rates?
5. Is the distribution of payroll charges checked by a second person and are aggregate amounts compared to the approved budget?
6. Are authorizations on file covering rates of pay, withholdings, and deductions?
7. Are wages paid at or above the Federal minimum wage?
8. Are procedures adequate for controlling (a) overtime wages, (b) overtime work authorization, and (c) supervisory approval of overtime?
9. Are payroll checks distributed by persons not responsible for preparing the checks?

PROPERTY AND EQUIPMENT

The following conditions are indicative of satisfactory control over property and equipment.

1. There is an effective system of authorization and approval of capital equipment expenditures.
2. Accounting practices for recording capital assets are reduced to writing.
3. Detailed records of individual capital assets are kept and periodically balanced with the general ledger accounts.
4. There are effective procedures for authorizing and accounting for disposals.
5. Property and equipment is stored in a secure place.

The following questions are designed to assist the auditor in reviewing and documenting the system of control over property and equipment.

1. Are executive authorizations and approvals required for originating expenditures for capital items?
2. Are expenditures for capital items reviewed for grantor approval before funds are committed?
3. Are supplemental authorizations, including those of the grantor agency, required for expenditures in excess of originally approved amounts?
4. Does the organization have established policies covering capitalization and depreciation? (Describe policies.)
5. Does the organization charge depreciation or use allowances on property and equipment against any grant programs which it administers?
6. Is historical cost the basis for computing depreciation or use allowances?
7. Are the organization's depreciation policies or methods of computing use allowances in accord with the standards outlined in Federal circulars or agency regulations?
8. Are there detailed records showing the asset values of individual units of property and equipment?
9. Are detailed property records periodically balanced to the general ledger?
10. Are detailed property records periodically checked by physical inventory?
11. Are differences between book records and physical counts reconciled and are the records adjusted to reflect shortages?
12. Are there procedures governing the disposition of property and equipment? (Describe procedures.)
13. Is the estimated salvage value noted on the authorization order relative to disposition of property and equipment?

14. Are periodic reports submitted showing obsolete equipment, equipment needing repair, or equipment no longer useful to the organization? (Describe reports.)

INDIRECT COSTS

1. Does the organization have an indirect cost allocation plan or a negotiated indirect cost rate? (Paragraph F, Attachment A, Circular 74-4.)
2. Is the plan prepared in accordance with the provisions of OMB Circular 74-4?
3. Has audit cognizance for the plan been established and are the rates accepted by all participating Federal and State agencies?
4. Does the organization have procedures which provide assurance that consistent treatment is applied in the distribution of charges as direct or indirect costs to all grants?