

**FINDING 2018-012 TIMELINESS OF PAYMENTS FOR PASS-THROUGH ENTITY AND  
SUBRECIPIENT (Material Weakness)**

**CRITERIA**

A bedrock principle of federal cash management, one of the 12 compliance attributes for federal award administration is as follows:

*For Non-Federal Entities (NFEs) other than states, payment methods must minimize the time elapsing between the transfer of funds from the US Treasury or the pass-through entity (PTE) and the disbursement by the NFE whether the payment is made by electronic funds, transfer or issuance or redemption of checks warrants or payment by other means. 2 CFR 200.305 (b)*

The federal government wants its awards to go directly and quickly to programs and not sit on the sidelines. Both ALTSD and NCNMEDD have documents to complete and procedures to fulfill to facilitate final approvals of cash transfers from ALTSD to NCNMEDD and from NCNMEDD to service providers.

**CONDITION**

Title III Awards combined with Personal Services grants from state appropriations are budgeted and awarded on an annual basis by ALTSD. The amounts are now disbursed on a reimbursement basis. Pro rata monthly budget award amounts were distributed before the current year. NCNMEDD then has the task of awarding the service providers (subrecipients) their amounts for units submitted through the SAM system. We charted the disbursement times of ALTSD and the response times of NCNMEDD to the subrecipients. The results are given in table 1 and table 2 on page 13.

Measuring from the 5<sup>th</sup> business day of the month until the invoice date and then from the invoice date until receipt of funds by NCNMEDD from DFA (billing cycle), there were instances of the billing cycle exceeding 28 days.

We further obtained a list of responsible officials who oversee provider operations, sometimes for a County and sometimes for several centers within a County. We contacted six responsible officials representing 26 service providers to inquire about their experience.

The responses we got were that there are delays in receiving payments and the period of delay has gotten worse in late 2017 and early 2018. ALTSD has received telephone calls from service providers in the fall of 2017 and spring of 2018 voicing their concern for the timing of their receipt of payments due them.

**EFFECTS**

From July 1, 2017, forward, for certain payments, the system of cash receipts and related transfers appears to not be operating according to the best expectations of all stakeholders and not in accordance with the intent of the Uniform Guidance noted above for recent periods. The objectives of the Older Americans Act funding may be compromised and service providers and individuals may experience hardship due to late payments.

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**CAUSE**

NCNMEDD points out that some service providers did not submit adequate SAMS data at times or experienced turnover in their assigned in-house staff which would lengthen the response time for these service providers. NCNMEDD said that the length of time that ALTSD would take to approve the SA-1s submitted by NCNMEDD stretched out in the fall of 2017 and into 2018. Errors and revisions needed in order to submit correct reports would require an additional submission procedure. Cash flow is also mentioned as a significant factor for NCNMEDD during this time because the organization received cash on a reimbursement basis from their billings where previously they received 1/12 of the annual award each month.

Beyond these mitigating factors there may be other factors affecting the timing of payments that were not determined from the consulting engagement. The factors mentioned here were not tested in the consulting engagement.

**RECOMMENDATIONS**

We recommend the following be considered:

1. Cash flow payments be adjusted where federal award amounts and terms and financial conditions of the State of New Mexico permit the accelerated payments of initial funds under the grant. NCNMEDD must have sound financial and cash flow systems to qualify for advance or pro rata payments. ALTSD as the PTE would have to be satisfied as to the performance of NCNMEDD in these areas.
2. We recommend face to face approval meetings between ALTSD and NCNMEDD concerning approvals of the monthly SA-1 filings to minimize the iterations that occur for correction of errors or for clarity of the filings. A single meeting that addresses all concerns might facilitate a quicker approval process. The communication process may be improved through such meetings. NCNMEDD should take all necessary efforts to file correct initial reports.
3. We recommend that NCNMEDD establish a metric for payment timing that when measured should help to decrease recent payment response times to pay service providers. A reasonable metric can be established in the award document or reported to the PTE periodically.
4. Additional constraints should be identified and analyzed in relation to the cash management system for the federal and state awards.

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**VIEWS OF RESPONSIBLE OFFICIALS**

NCNMEDD agrees with recommendation #1 regarding federal funds and reiterates its request to ALTSD to support incorporating language in the state appropriations bill to allow advance drawdown of state funds as has been the past practice for many years.

NCNMEDD agrees with recommendation #2 and reiterates its request for this practice to be implemented with ALTSD, preferably concurrent with the MAR submittal for the June reimbursement.

Regarding recommendation #3, NCNMEDD staff will continue to work diligently to process provider payments when funds are received from the New Mexico Department of Finance and Administration. Since July of 2016 NCNMEDD has distributed all funds to subrecipients on average 3 days after receiving the funds from DFA. (See the attached spreadsheet: SA-1 Submissions in Working Days, page 47.) The financial institution currently used by NCNMEDD has a standard two business day ACH transit policy before funds are deposited in the subrecipient's bank account. The two-business day ACH policy will be communicated to the subrecipients, so they are aware of the rule and have a timeline for when funds would be received in their respective bank accounts.

The MAR process will be an area of high concentrated awareness by NCNMEDD staff to ensure all reports and information are collected from the subrecipients to ensure no delays are hindering the subrecipient's reimbursement requests to ALTSD. Currently, NCNMEDD has an established policy on timeframes when information is due to NCNMEDD from subrecipients and when the MAR is due to ALTSD. NCNMEDD will strictly adhere to the established procedure and policy to encourage timely payments to subrecipients in all PSA's.

**ACCOUNTANTS' NOTE**

ALTSD disagreed with the reason for delay given in the spreadsheet on page 47 for the April request which reads, "Delayed due to providers' contract amendments due to Federal Allocations from the Department."

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and the New Mexico State Auditor  
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SA-1 Submissions in Working Days  
For Years 16-17 and 17-18

FY 2016-2017	Amount	NCNMEDD Submission Due Date (10 Working Days)	Submission Date	Funds Received by NCNMEDD	ACH Processed to Providers		Due Date Variance	Submission Vs. DFA Transfer	Funds from DFA to Providers
Initial Cash Request	356,849.00	Friday, July 15, 2016	Tuesday, July 5, 2016	Monday, August 1, 2016	Friday, August 5, 2016		-10	13	4
July Request	1,636,032.00	Friday, August 12, 2016	Friday, August 19, 2016	Thursday, September 8, 2016	Wednesday, September 14, 2016	Resubmission	5	18	4
August Request	1,733,833.00	Thursday, September 15, 2016	Friday, September 23, 2016	Wednesday, September 28, 2016	Wednesday, October 5, 2016	Resubmission	6	9	5
September Request	1,990,889.00	Friday, October 14, 2016	Friday, October 14, 2016	Friday, October 21, 2016	Monday, October 31, 2016		0	5	6
October Request	2,000,142.35	Tuesday, November 15, 2016	Tuesday, November 15, 2016	Monday, November 21, 2016	Friday, December 2, 2016	Resubmission to add cents	0	4	7
November Request	1,913,201.37	Wednesday, December 14, 2016	Tuesday, December 13, 2016	Tuesday, January 3, 2017	Thursday, January 5, 2017		-1	16	2
December Request	294,985.77	Tuesday, January 17, 2017	Thursday, January 19, 2017	Monday, January 30, 2017	Wednesday, February 1, 2017		2	11	2
January Request #1	692,295.01	Tuesday, February 14, 2017	Wednesday, February 8, 2017	Tuesday, February 21, 2017	Friday, February 24, 2017	45% state cap paid back to providers	-6	11	3
January Request #2	2,054,279.63	Wednesday, February 15, 2017	Wednesday, February 15, 2017	Friday, February 24, 2017	Wednesday, March 1, 2017		0	9	3
February Request	1,533,421.30	Tuesday, March 14, 2017	Tuesday, March 14, 2017	Wednesday, March 29, 2017	Friday, March 31, 2017		0	12	2
March Request	1,506,493.28	Friday, April 14, 2017	Friday, April 14, 2017	Thursday, May 4, 2017	Wednesday, May 10, 2017		0	14	4
April Request	1,704,025.16	Friday, May 12, 2017	Wednesday, May 17, 2017	Tuesday, May 30, 2017	Friday, June 2, 2017	Delayed due to providers' contract amendments due to Federal Allocations from the Department	3	12	3
May Request	1,355,755.23	Wednesday, June 14, 2017	Friday, June 16, 2017	Thursday, June 29, 2017	Wednesday, July 5, 2017		2	9	3
June Request	1,553,951.83	Wednesday, July 5, 2017	Monday, July 3, 2017	Thursday, July 13, 2017	Wednesday, July 19, 2017		-2	8	4
July Request	1,532,134.00	Monday, August 14, 2017	Thursday, August 17, 2017	Friday, September 8, 2017	Tuesday, September 12, 2017	Resubmission	3	19	2
August Request	1,780,900.78	Friday, September 15, 2017	Monday, September 18, 2017	Wednesday, September 27, 2017	Monday, October 2, 2017		1	7	3
September Request	2,007,170.32	Monday, October 16, 2017	Monday, October 23, 2017	Wednesday, November 8, 2017	Friday, November 10, 2017	Resubmissions	7	17	2
October Request #1	1,656,725.25	Wednesday, November 15, 2017	Wednesday, November 15, 2017	Friday, November 24, 2017	Friday, December 1, 2017		0	7	4
October Request #2	377,345.56	Wednesday, November 29, 2017	Wednesday, November 29, 2017	Tuesday, December 5, 2017	Friday, December 8, 2017	To pay October's late submittals from providers - per Acting Cabinet Secretary	0	4	3
November Request	1,701,374.59	Thursday, December 14, 2017	Wednesday, January 3, 2018	Monday, January 8, 2018	Wednesday, January 10, 2018	Resubmissions due to ALTSD issue with reversing entries - Notified by ALTSD after 5pm on Friday 12/22/17	12	17	2
December Request	1,803,801.24	Monday, January 15, 2018	Tuesday, January 16, 2018	Monday, February 5, 2018	Monday, February 5, 2018		1	14	0
January Request	1,836,714.47	Wednesday, February 14, 2018	Wednesday, February 14, 2018	Thursday, March 8, 2018	Friday, March 9, 2018		0	16	1

Note : Subrecipients are required to submit all information for reimbursement to NCNMEDD within 7 working days after the end of the month.