

**Office of Inspector General
Space Coast Center for Independent Living**

Report #A-1516-009

August 2016

Executive Summary

In accordance with the Department of Education's (department) fiscal year (FY) 2015-16 audit plan, the Office of Inspector General conducted an audit of the Division of Vocational Rehabilitation's (DVR) contract with Space Coast Center for Independent Living (CIL). The purpose of this audit was to ensure the CIL has sufficient internal controls in place to administer the independent living program.

During this audit we noted several instances where the CIL could strengthen its controls. For example, the CIL continued to charge consumers a fee for transportation services, did not meet employment requirements, and did not meet the intent of the independent living program. The CIL also did not maintain appropriate fiscal oversight, did not ensure consumer service records contained all required documentation, and did not accurately record service hours. Furthermore, the CIL needs to implement an effective satisfaction survey process and make improvements to its policies and procedures. The Audit Results section below provides details of the instances noted during our audit.

Scope, Objectives, and Methodology

The scope of this audit included independent living services provided through the CIL's contract with DVR during the period of July 1, 2014, through September 30, 2015. We established the following objectives for our audit:

1. Determine if the CIL maintains fiscal accountability to ensure proper disbursement, accounting and reporting of funds received under the contract; and
2. Determine if the CIL's internal controls ensure effective delivery of program services to eligible consumers.

To accomplish our objectives we reviewed applicable laws, rules, and regulations; reviewed contract 14-126 and related documentation; interviewed appropriate department employees; reviewed applicable policies and procedures; conducted a site visit; interviewed appropriate CIL employees and board members; reviewed a sample of CIL personnel and consumer files; and reviewed a sample of expenditures and supporting documents.

Background

The centers for independent living are consumer-controlled, community-based, nonprofit agencies that receive federal and state funding to promote the four core independent living services, which include providing information and referrals, peer counseling, personal and systems advocacy, and independent living skills training. There are 16 CILs in Florida. Each CIL operates according to a philosophy of consumer control on every level, where at least fifty one percent of employees, management, and the board of directors (board) must be persons with disabilities.

Space Coast CIL was established in 1972 to provide services to any individual with a disability residing in Brevard and Indian River counties in Florida. Their mission is to provide services and programs to promote independence, create change, and empower people with disabilities to achieve equality and inclusion within their home, work, and community. Their services include advocacy, independent living support and skills training, peer support and mentoring, information and referral, transition support, home modifications and barrier removal, durable medical equipment, and deaf and hard-of-hearing services.

On July 1, 2013, DVR entered into a three-year contract with Space Coast CIL to provide funding for the provision, improvement, and expansion of independent living services, including the four independent living core services, for individuals with significant disabilities. DVR amended the fixed fee contract (14-126) to add funding of \$177,138 for FY 2014-15, and again to add funding of \$181,718 for FY 2015-16.

Audit Results

Finding 1: The CIL continued to charge consumers a fee for transportation services despite DVR's failure to develop guidelines.

Title 34 of the Code of Federal Regulations (CFR), section 364.59 states, "A State is neither required to allow nor prohibited from allowing service providers to charge consumers for the cost of IL services."

The State Plan for Independent Living (SPIL) requires that, should the State allow service providers to charge consumers for the cost of services or to consider the ability of individual consumers to pay for the cost of IL services, the State must specify the types of IL services for which costs may be charged and for which a financial need test may be applied and describe how the State will ensure that:

- Any consideration of financial need is applied uniformly so that all individuals who are eligible for IL services are treated equally; and
- Written policies and consumer documentation required by 34 CFR 364.59(d) will be kept by the service provider.

Subject to verification by DVR and the Florida Independent Living Council, Inc. of specific authority, the Centers for Independent Living in Florida may implement financial needs testing or financial participation pursuant to guidelines developed in collaboration with DVR and the Florida Independent Living Council, if approved by a majority of the center directors.

The SPIL outlines the independent living objectives, services, financial plans, and assurances governing the State Independent Living Services and CIL programs during the period of fiscal year 2014-2016. The SPIL went into effect on October 1, 2013, and expires on September 30, 2016. During the course of the current state plan, DVR did not develop guidelines for financial participation.

Our review of documents for the sampled months of October 2014 and January 2015 revealed that 1,252 and 500.20 service hours, respectively, were recorded under “paid transportation services.” During our site visit, we also observed that the CIL posted the transportation fees on its website and on a sign located at the CIL. We recommended that CIL management immediately cease charging consumers a fee, and they promptly began taking appropriate action. CIL employees further stated that the CIL does not provide transportation services unless the consumer pays the fee, and the CIL employees are required to write on the receipts that the payments are charitable contributions.

Upon our inquiry, the Independent Living Program Manager stated that DVR did not develop the guidelines due to language in the Workforce Innovation and Opportunity Act (WIOA), which was signed into law on July 22, 2014.

The CIL lacked written policies regarding the implementation of financial needs testing or participation and procedures governing the documentation of participation, as required by 34 CFR 364.59(d). Therefore, the CIL could not demonstrate that financial needs testing or participation was applied uniformly to all eligible consumers. Lack of guidelines leave the CIL with no clear way to implement financial needs testing or participation. Charging a fee to CIL consumers can limit those services to consumers who have the ability to pay, thus inhibiting the CIL’s ability to meet its mission.

Recommendation

We recommend DVR develop guidelines for charging consumers for the cost of IL services or disallow the practice. We recommend the CIL discontinue charging consumers for services until DVR establishes guidelines and the CIL develops policies and procedures in accordance with that guidance.

DVR Management Response

Concur. WIOA changed the definition of “Center for Independent Living” by adding the words “regardless of age or **income**”. The addition of this language brings the legality of financial testing/participation into question. We have sought clarification from our federal partner, the Administration on Community Living, but until final regulations are published we won’t know the answer. In the meantime, CILs are forbidden from charging consumers with disabilities for

services provided with VR funds. All CILs have been notified of this prohibition, including via a “Technical Assistance Reminder – Charging Consumers for Services” email on March 14, 2011. Space Coast CIL was also specifically reminded of this prohibition in the findings of the Rehabilitation Services Administration Compliance Review Report dated October 14, 2014, which were reinforced by VR during the site visit. Space Coast CIL was most recently reminded of the prohibition via email on July 6, 2016. VR will continue to provide technical assistance to all CILs on this topic as the WIOA regulations are promulgated.

Space Coast CIL Response

Concur. Space Coast CIL consulted with DVR to establish guidelines and update the CIL’s internal policies and procedures. It was concluded that the timeframe needed to develop and implement this update for the new grant period was not sufficient. Space Coast CIL currently does not collect on transportation fare.

Finding 2: The CIL did not meet employment requirements.

34 CFR 364.23 requires CIL employees to include personnel who are specialists in the development and provision of IL services and in the development and support of centers. Section 5.3 of the 2014-2016 SPIL also states, “Service providers establish and maintain a program of staff development for all classes of positions involved in providing IL services and, if appropriate, in administering the CIL program. The staff development programs emphasize improving the skills of staff directly responsible for the provision of IL services, including knowledge of and practice in the IL philosophy.” During our audit, we noted that the CIL transferred two employees from the transportation unit to the position of IL specialist. These employees were previously drivers and did not possess the knowledge or qualifications for the IL specialist position. Furthermore, the CIL did not provide adequate training to these two employees to provide IL services. A member of the board also informed us that he was unsure of the duties and responsibilities of his position.

The CIL is required to prove they are eligible in order to receive the funding provided through their contract with DVR and from the federal government. The CIL’s inability to employ individuals with the appropriate skillset brings them out of compliance with the federal regulations. This could put the CIL at risk of losing its funding from DVR and the federal government.

Recommendation

We recommend the CIL develop an improvement plan to bring them into compliance with the Code of Federal Regulations. We recommend the CIL develop and implement employee and board training and development programs to ensure employees providing IL services and those administering the IL program have the skills and knowledge necessary to perform their duties. We further recommend DVR provide technical assistance as needed to ensure the CIL remains eligible for state and federal assistance.

DVR Management Response

Concur. In March, the independent living director and two performance improvement consultants visited the center and provided extensive technical assistance, including reviewing current policies and process mapping.

Space Coast CIL Response

Concur. As of January 2, 2016 the IL staff either transitioned to other jobs or found employment outside the CIL. The new IL staff was selected from a pool of candidates with prior social service experience. All staff is now required to go through the Independent Living Research Utilization's (IRLU) training in 'Foundation for Independent Living' course within their first 90 days of employment. Board members also have access to IRLU's training as well. A self-paced workbook with tools for improving the governance practices of non-profit organizations is in the process of development.

Finding 3: The CIL did not provide the four independent living core services to one of the two counties.

Section I. of the contract requires that the CIL provide eligible persons with significant disabilities with the four independent living core services: information and referral services, independent living skills training, peer counseling, and individual and systems advocacy. The SPIL for Florida for 2014-2016 requires the CIL to provide services in Brevard and Indian River County. The CIL's Program Services Policies and Procedures state that the geographic area served by CIL includes Brevard and Indian River counties.

During the period of July 1, 2014, through June 30, 2015, the CIL served 1066 consumers: 1054 from Brevard County, 3 from Indian River County, and 9 that were outside of the stated service area. The CIL provided the three consumers in Indian River County with Florida Telecommunications Relay, Inc. (FTRI) services. FTRI services are not one of the four independent living core services. As such, the CIL did not provide the individuals in Indian River County with any of the four independent living core services as required in the State Plan. We also noted the CIL provided FTRI services to the nine consumers that were not from Brevard or Indian River County.

The CIL employees indicated that due to the size of Brevard County, they were unable to reach those consumers in Indian River County. If the CIL does not provide the four independent living core services to eligible consumers in Indian River County, the CIL will not meet the intent of the independent living program.

Recommendation

We recommend the CIL serve eligible individuals with the four independent living core services in Brevard and Indian River County as stated in the SPIL for Florida for 2014-2016 and the CIL's Program Services Policies and Procedures. We further recommend DVR add language in its contracts with the CILs to specify service delivery areas.

DVR Management Response

Concur. This language will be added when new contracts are developed in 2017.

Space Coast CIL Response

Concur. Space Coast CIL's new IL team is now part of the Interagency Council serving Indian River County. This Council is made up of various non-profit and government organizations whose focus is persons with disabilities. This partnership has opened the opportunity to reach the Indian River community and it is ongoing.

Finding 4: The CIL did not maintain appropriate fiscal oversight.

Section VIII.B of the contract requires the CIL to maintain a financial management system relating to funds received and expended under the contract in accordance with applicable federal regulations.

Subpart C, section 25(b) of OMB Circular A-110 states, "Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions." Subpart C, section 21(b) of OMB Circular A-110 further requires the CIL's financial management system to provide "accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program..." Subpart C, section 28 of OMB Circular A-110 also states that costs are only allowable to the extent the CIL incurred them during the funding period.

Section 8 .m. of Attachment B to OMB Circular A-122 also requires the CIL to allocate salary costs across funding sources and programs based on the relative benefits received, and specifies certain time and effort documentation requirements.

The Reference Guide to the State Expenditures prohibits the payment of sales taxes and items used generally for the personal convenience of employees.

During our review, we noted the following instances:

Budget

- The CIL made modifications to each line item on its approved budget. Although the modifications did not affect the total agreement amount, the CIL did not report these deviations to DVR or provide a justification. The CIL revised the budgeted amounts in its fourth quarter reconciliation report for FY 2014-15 to reflect the actual expenditures, rather than approved budgeted amounts.
- In reconciling DVR disbursement records to the CIL's recorded revenues, we noted errors within the CIL's accounting records. Although the year-end totals reconcile, the monthly income amounts recorded in the CIL's accounting records do not reflect the actual payments received. This is due to the CIL's current practice of recording revenue in the "Income" account rather than in the "Accounts Receivable" account and the CIL's failure to correctly reconcile the bank records with its formal accounting records.

Salaries and related expenditures

- The CIL's timesheets do not allow for the recording of time based on funding sources or programs. Therefore, the CIL made manual journal entries within its accounting system to reclassify a portion of salary expenditures to its various programs and funding sources.
- The CIL did not consistently follow its Personnel Policies and General Employment Standards. We reviewed timesheets and related documents for the sampled months of July 2014 and January 2015 and noted that the CIL's paystub documents showed annual and sick leave accruals at a rate of 3.42 hours per pay period rather than 3.70 hours per pay period as set forth in its policies. Paystub documents further showed the CIL did not allow one eligible employee to accrue annual and sick leave hours and did not grant holiday leave for the July 4th holiday for two of the six eligible employees. The CIL granted additional holiday leave to another employee who was unable to use annual leave because he had a negative balance. The leave hours deducted on paystubs did not always match the leave hours recorded on the approved timesheets.
- The CIL included expenses incurred in the prior period. The CIL's contract term covers the period of July 1, 2014, through June 30, 2015. The CIL's payroll is paid biweekly, and the DVR contract was charged a portion of salaries and fringe benefits of all six employees for the pay period of June 22, 2014, through July 5, 2014.
- The CIL allocated salaries for one of the six employees to multiple programs and funding sources in an amount that exceeded the actual salary paid in July 2014. The employee's salary totaled \$800.00 for each biweekly pay period. However, on July 11, 2014, and July 25, 2014, respectively, totals of \$895.75 and \$ 1,110.25 were charged to four different cost centers (DOE Part C, 5317 JPA SM Urban – ORL, VR PartB/SSA, and VR General Revenue). The CIL also did not contribute Florida unemployment taxes for three of the six employees in July 2014.

Contract and general and administrative expenditures

We reviewed a sample of 40 contract and general and administrative expenditures and noted that none of the 40 sampled expenditures complied completely with applicable laws, rules, or regulations.

- The CIL's cost allocation plan states that "allocation of joint/indirect costs will be based on the ratio of program expenses to total expenses." Fourteen of the 40 expenditures (35%) benefitted other funding sources or programs. The CIL's failure to properly record time spent by program or funding source prevented us from determining if the CIL properly allocated costs based on the relative benefits received by each program. In certain instances, we noted that the DVR contract absorbed costs that should have been allocated to other benefitting programs.
- Nineteen of the 40 expenditures (47.5%) tested were unallowable due to costs incurred outside the funding period, costs including sales taxes, and items used for the personal convenience of employees. In one instance, the CIL charged travel expenditures related to its contracted activities with the Florida Department of Transportation to the DVR contract.

- We questioned 13 additional expenditures (32.5%) due to the CIL's failure to maintain adequate and accurate documentation. The CIL was unable to demonstrate the appropriateness of the charges based on the documentation maintained.

The CIL's current allocation methodology is based on the budget which does not comply with OMB Circular A-122 or the CIL's cost allocation plan. This limits the CIL's ability to demonstrate that allocable costs were distributed in reasonable proportion to the benefits received. The CIL's inaccurate allocations and unallowable expenses can result in the CIL receiving reimbursement for payroll or expenses not related to the contract. This reduces the funding that is intended to provide independent living services to consumers.

Recommendation

We recommend the CIL enhance its procedures to ensure expenses funded through DVR's contract are allowable, accurately allocated, and appropriately reflected in budget reconciliations. We recommend the CIL develop a timesheet that uses activity-based reporting and ensure employees accurately complete timesheets and allocate work hours across funding sources. We further recommend DVR perform periodic reviews to ensure expenditures are allowable, allocable, reasonable, and necessary to the performance of the contract.

DVR Management Response

Concur. The method of payment for this contract has been changed to cost reimbursement. Expenditures are now reviewed every month to ensure they are allowable, allocable, reasonable, and necessary to the performance of the contract.

Space Coast CIL Response

Concur. The finance office implemented a timesheet on payroll week starting 01/17/2016 that uses activity based reporting and ensures employees record actual time worked by contract (grant). Coding sheets are used to ensure expenses are applied to the correct grants.

Finding 5: The CIL did not ensure consumer service records contained all required documentation.

34 CFR 364.53 states, "For each applicant for IL services (other than information and referral) and for each individual receiving IL services (other than information and referral), the service provider shall maintain a consumer service record that includes—

- (a) Documentation concerning eligibility or ineligibility for services;
- (b) The services requested by the consumer;
- (c) Either the IL plan developed with the consumer or a waiver signed by the consumer stating that an IL plan is unnecessary;
- (d) The services actually provided to the consumer; and
- (e) The IL goals or objectives—
 - (1) Established with the consumer, whether or not in the consumer's IL Plan; and

(2) Achieved by the consumer.

(f) A consumer service record may be maintained either electronically or in written form, except that the IL plan and waiver must be in writing.”

34 CFR 364.51 requires the CIL to determine the applicant’s eligibility before or at the same time as an applicant may begin receiving IL services, and maintain documentation that the applicant has met the basic requirements for eligibility. 34 CFR 364.40 states that those eligible are any individual with a significant disability, which is defined as “a severe physical, mental, cognitive, or sensory impairment that substantially limits an individual’s ability to function independently in the family or community or to obtain, maintain, or advance in employment.”

34 CFR 364.52(b) states, “Development of an individual’s IL plan must be initiated after documentation of eligibility under § 364.51(a) and must indicate the goals or objectives established, the services to be provided, and the anticipated duration of the service program and each component service.” The CIL employee and the consumer must jointly develop and sign the IL plan.

34 CFR 364.52 states, “The IL plan must be reviewed as often as necessary but at least on an annual basis to determine whether services should be continued, modified, or discontinued, or whether the individual should be referred to a program of VR services under 34 CFR part 361 or to any other program of assistance.” The CIL’s Program Services Policy and Procedure also states, “The ILP must be reviewed as often as necessary, but regularly on a six-month basis to determine whether services should be continued, modified, discontinued, or whether the consumer should be referred to some other program for assistance.”

34 CFR 364.52(e) requires the CIL to follow the procedures in §364.51(b)(2) when terminating services to a consumer. 34 CFR 364.51(b)(2) states, “The service provider shall notify the applicant in writing of the action taken and inform the applicant or, if the applicant chooses, the applicant’s parent, guardian, or other legally authorized advocate or representative, of the applicant’s rights and the means by which the applicant may appeal the action taken.”

We sampled 39 randomly selected consumer service records (CSR). Eight of these were one-time contacts with individuals whose questions or concerns were immediately addressed by the CIL staff. We excluded these eight CSRs because they were not applicants or consumers of IL services. Of the remaining 31 CSRs, four (12.9%) did not contain the services requested by the consumer, and five (16.1%) did not contain the services provided for the consumer. Four CSRs (12.9%) did not contain the goals established with the consumers. For those CSRs that did contain established goals, the lack of documentation made it difficult to determine if consumers actually achieved their goals. There were limited case notes, and the goal achieved date was the same as the goal established date for 22 of the 27 consumers with established goals. Some of these were repeated goals, which would demonstrate that the consumer had not previously achieved the goal. Four consumers signed a form indicating that they had met their goals before even receiving the services. We also noted instances where the services provided were not reflective of the services requested for six (19.4%) of the 31 consumers tested.

During our review, we noted that none of the 31 CSRs contained documentation of eligibility determination. The CIL staff listed disability types that did not meet the eligibility determination requirements for nine (29%) of the 31 sampled consumers. Also, one CSR did not indicate the disability type.

None of the 31 sampled CSRs contained an IL plan. Three CSRs contained a document that had one or two components of an IL plan, though the document was not complete enough to qualify as an IL plan. Furthermore, our interview with CIL employees revealed that previous CIL management had not informed them of who was responsible for developing the IL plans. The CIL did not provide any of the 31 sampled consumers with individual and systems advocacy services. The CIL is focusing on two primary services: transportation and FTRI. The CIL recorded 89.2% and 88.7% of its service hours in transportation services in its October 2014 and January 2015 monthly reports, respectively. Of 31 sampled consumers, 18 (58.1%) requested and/or received transportation services and ten (32.3%) requested and/or received FTRI services.

None of the eight case files eligible for an annual review contained a documented annual review.

During the audit period, the CIL closed 14 of the sampled CSRs. The CIL did not document the reason for one of these closures. CIL management further informed us that the CIL does not notify the consumer in writing when a CSR is closed.

The above identified problems occurred because the CIL lacks qualified personnel to deliver the IL services as well as effective program management practices to administer the IL services. The lack of eligibility determination could lead to the CIL providing services to ineligible consumers, resulting in the misallocation of federal and state funds. When the CIL does not establish achievable goals and objectives as well as the services to be provided with the consumers, there is a risk that the consumers will not meet their employment goals or succeed in the independent living program.

Recommendation

We recommend the CIL establish and implement a written policy and procedure requiring the CIL staff to conduct eligibility determinations; establish IL plans with consumers or maintain waiver documentation; conduct timely annual reviews; and document the reason for case closure after the consumers have been notified of such case closure.

Space Coast CIL Response

Concur. New IL team was trained and processes implemented which requires every consumer to go through an intake process to establish services. This includes assessing needs according to their disabilities, which may or may not include a consumer driven IL plan. In addition to updating IL processes, the CIL participated in a process mapping workshop conducted by process improvement consultants for VR. The purpose of this mapping was to give the CIL an overview of how our consumers are served from initial point of contact, through the intake process and delivery of services.

Finding 6: The CIL did not accurately record service hours.

Section IV. of the contract requires the CIL to: 1) maintain documentation to track and record all service hours provided under the agreement by funding source; 2) identify the employee providing the service, the date of service, the hours of service, the consumer receiving the service, and all services provided to the consumer during the hours of service; and 3) ensure service hours are not billed to more than one funding source. The contract also requires that the CIL provide a minimum of 805 service hours during the fiscal year.

The service hour documents provided by the CIL included the consumer's name, employee name, service provided, date of service, and the hours of service. Comparison of this documentation to the monthly performance reports the CIL submitted to DVR revealed discrepancies for both sampled months of October 2014 and January 2015. The monthly performance report reflected 919.40 service hours for October 2014 and 442.67 service hours for January 2015. The service hour documents provided by the CIL reflected 1,712.40 service hours for October 2014 and 818.60 service hours for January 2015. We were unable to reconcile the difference because the CIL does not record service hours by funding sources.

The CIL recorded 106.5 more service hours than provided for the two sampled months. CIL employees recorded service hours based on the number of individuals attending group activities, rather than the actual hours of each event. Section IV.F of the contract requires the CIL to report services provided at the same time or in a group setting based on the actual hours of service provided, regardless of how many individuals attend, unless the attendees are active consumers with the provided services reflected in their IL plan. We learned through our review of CSRs that the CIL did not develop IL plans for its active consumers. The CIL was additionally unable to provide documentation to support the group activities or attendees.

We also noted that the drivers listed in the monthly reports did not reflect the drivers on the transportation logs. One driver reported service hours in excess of the scheduled work hours. For example, the monthly reports reflected that the driver provided 1,513.65 service hours in October 2014, and 721.35 service hours in January 2015. This is due to the CIL employee completing the data entries in CILFirst, thereby reflecting himself as the CIL employee providing the services, rather than allowing the individual drivers to complete their own data entries. This resulted in an inaccurate portrayal of the employee providing the service. Although the CIL met the minimum required service hours for the contract, these identified discrepancies indicate the CIL is not accurately reporting service hours. Failure to accurately maintain service hours by funding sources also limits the CIL's ability to demonstrate that reported service hours accurately represented the CIL's performance for the reporting periods.

Recommendation

We recommend the CIL develop policies and procedures to ensure they accurately record service hours and maintain the service hours by funding sources.

Space Coast CIL Response

Concur. Training was provided to staff regarding the input of consumer service records. Training took place at staff meetings held between February and April. In addition to in-house training, other changes were implemented after going through the process mapping workshop conducted by process improvement consultants from VR.

Finding 7: The CIL needs to implement an effective satisfaction survey process.

Section I.D of the CIL's contract requires the CIL to issue consumer satisfaction surveys at least annually. The contract further lists five questions that must be included in the survey and requires the results of the surveys to be submitted to DVR by June 30th of each year.

The CIL did not submit the survey results to DVR timely. DVR received the survey results on August 28, 2015. The CIL summarized the number of responses to the five questions, and the survey results revealed that 278 consumers completed the surveys during FY 2014-15. During our review we noted that the consumers were given the surveys to complete during the intake process, rather than after the CIL had provided services. We discussed this issue with CIL management and they concurred that completing the satisfaction surveys before services are rendered does not allow the consumers to give feedback based on the actual services received, and does not allow for the anonymous submission of survey results. We were also informed that the board did not receive the survey results.

Recommendation

We recommend the CIL improve its satisfaction survey process to allow for appropriate feedback, and timely submit the survey results to DVR.

Space Coast CIL Response

Concur. The CIL will look back period of 6 months then contact persons served during the first 90 days of the 6 month period to issue satisfaction survey via in-person, mail or electronically.

Finding 8: The CIL policies and procedures need improvements.

The CIL developed procedures that address personnel, accounting, and programs. A review of the Space Coast Accounting Policy Manual revealed three areas where the policies and procedures conflicted with the requirements of the contract. Section I.C. of the contract requires the CIL to comply with the travel provisions of Section 112.061, Florida Statutes. However, the CIL policies and procedures indicate travel expenses are based on the federal rates. The CIL's current mileage reimbursement rate is 56 cents per mile, which exceeds the 44.5 cents per mile dictated by Florida Statutes.

Section VIII.D of the contract requires the CIL to "Retain all financial records, supporting documents, statistical records, and any other documents including electronic storage media pertinent to this Agreement for a period of five (5) years after the ending date of this Agreement or, if audit findings have not been resolved at the end of the five (5) year period, the records shall

be retained until resolution of the audit findings.” The CIL’s Accounting Policy Manual provides a record retention period of only three years for records pertinent to an award.

The CIL Accounting Policy Manual states, “In any fiscal year in which the agency **receives** \$750,000 or more of funding from Federal assistance awards it will have conducted an annual audit in accordance with EDGAR 34 CFR 74.26 and OMB Circular A-133.” However, the OMB Circular A-133 requirement is based on the total amount of funds **expended** rather than received.

The American Institute of Certified Public Accountants (AICPA) states that “segregation of duties is a basic building block of sustainable risk management and internal controls for a business. The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable.” The concept of segregation of duties indicates that three primary functions (i.e., authorization, recordkeeping, and custody of assets) should be separated in the day-to-day operation of an organization. The combination of any two of the three incompatible duties may impair the CIL’s ability to safeguard its assets. During our audit, we noted that the finance person has a CIL credit card with which she makes purchases and provides the recordkeeping for those purchases. We were also informed that the finance person maintains and deposits cash received from the transportation services, records journal entries, and maintains the General Ledger. The CIL must review the duties performed by its employees to identify and segregate incompatible duties.

In certain instances, the CIL did not always follow its own internal policies. The CIL’s Accounting Policy Manual states, “Space Coast Center for Independent Living has created a check request form (CR) to develop stronger internal controls and accounting processes. This form is to be used when requesting the purchase of all goods for both the office and for consumers. All purchases are subject to approval from the Executive Director.” During our testing, we noted that CIL employees made purchases with the credit cards without prior approvals because all authorized employees had their own company credit cards. Furthermore, we did not receive documentation that would demonstrate that the CIL addressed specific parameters for usage or procedures governing the documentation, reconciliation, recording, and authorization of credit card purchases.

The CIL’s Accounting Policy Manual also requires that contracts and grants exceeding the \$50,000 threshold can only be entered into by a member of the board. Review of the contract and its amendments shows the executive director, rather than a board member, signed the contract and amendments.

The CIL’s Accounting Policy Manual states, “In the monthly invoice to the State of Florida, the Accounting Manager allocates all reconciled payroll to programs and funding sources based on both program budget(s) and the internal budget. These allocations are reconciled to the payroll data, and then entered in the accounting software on a monthly basis”. This allocation methodology is based on the budget rather than the actual time worked. This also conflicts with the CIL’s written allocation plan, which states that joint indirect costs are to be allocated based on the ratio of each program’s expenses to total expenses.

The above identified problems occurred because the CIL lacks the ongoing quality assurance reviews to ensure that its written policies and procedures meet the contractual requirements. Conflicting policies and procedures lead to inconsistency in performing activities and services. The CIL's lack of segregation of duties increases the risk that erroneous or fraudulent transactions could occur and go undetected by the CIL.

Recommendation

We recommend the CIL update its financial policies and procedures so they do not conflict with contract terms and consistently follow its established policies and procedures.

Space Coast CIL Response

Concur. Space Coast CIL board policy committee is reviewing the financial policies and procedures to ensure the policies accurately reflect the needs of the contractual terms.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the Space Coast Center for Independent Living for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all personnel involved.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of section 20.055, F.S., and in accordance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Sandar Sie and supervised by Janet Snyder, CIA, CGAP, CISA, Audit Director.

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