



**Office of the Inspector General
Coalition for Independent Living Options, Inc.**

Report #A-2021DOE-026

August 2022

Executive Summary

In accordance with the Department of Education's fiscal year (FY) 2020-2021 audit plan, the Office of the Inspector General (OIG) conducted an audit of Contract #19-108 between the Division of Vocational Rehabilitation (DVR) and the Coalition for Independent Living Options, Inc. (CILO). The purpose of this audit was to determine if CILO's internal controls ensure effective delivery of program services to individuals with disabilities and determine if DVR effectively manages and monitors the contract for compliance.

During this audit, we noted that DVR did not provide effective monitoring, CILO did not maintain proper internal controls and sufficient financial management systems, CILO could not sufficiently demonstrate that they met all contract deliverables, and invoice submission and approval did not meet statutory and contractual requirements. The Audit Results section below provides details of the instances noted during our audit.

Scope, Objectives, and Methodology

The scope of the engagement included an examination of Contract #19-108 and subsequent amendments between DVR and CILO for the period of July 1, 2020, through June 30, 2021. The objectives of this engagement were to determine if:

1. CILO maintains fiscal accountability to ensure proper disbursement, accounting, and reporting of funds received under the contract;
2. CILO's internal controls ensure effective delivery of program services to eligible consumers; and
3. DVR is effectively managing and monitoring the contract for compliance.

To accomplish our objectives, we reviewed applicable laws, rules, and regulations; reviewed Contract #19-108, its amendments, and related documents; interviewed appropriate DVR and CILO staff; reviewed a sample of consumer files; reviewed a sample of expenditures and supporting documents; reviewed service hours; conducted an onsite visit; and evaluated management controls.

Background

DVR is a federal-state program committed to helping people who have physical or mental disabilities find and maintain meaningful employment and enhance their independence. DVR accomplishes this by providing employment support and job placement assistance to eligible individuals with disabilities. DVR contracts with Centers for Independent Living (CIL) to provide quality vocational rehabilitation services to persons with substantial disabilities in Florida.

The Centers for Independent Living are consumer-controlled, community-based, nonprofit agencies that are federally mandated to provide the core services of: Information and Referral Services, Independent Living Skills Training, Peer Counseling, Individual and Systems Advocacy, and Transitional Services. Each CIL operates according to a philosophy of consumer control on every level, where at least fifty-one percent of staff, management staff, and the Board of Directors must be persons with disabilities.

The Coalition for Independent Living Options, Inc. (CILO) is a non-profit organization serving individuals with disabilities. CILO primarily serves Palm Beach, Martin, St. Lucie, and Okeechobee counties. In addition to providing independent living services, CILO's website also states that services offered include "Food Assistance through Monthly Food Pantry Assistance which serves upwards of 300 consumers per year" and continues, "Thanks to generous donations from our board of directors and the Palm Beach County Food Bank we usually have frozen meat, canned goods, produce, and feminine hygiene products."

The Florida Department of Education, Division of Vocational Rehabilitation (DVR) and CILO entered into contract #19-108, which had an original contract amount of \$534,441.00 (\$413,861.00 Social Security Administration (SSA)/Part B and \$120,580.00 General Revenue (GR), on June 25, 2018. Amendment 1 of contract #19-108, signed on June 25, 2019, changed the total contract amount to \$537,430.00 (\$416,775.00 SSA/Part B and \$120,655.00 GR). Amendment 2 of contract #19-108, signed on June 23, 2020, changed the total contract amount to \$537,199.00 (\$416,596.00 SSA/Part B and \$120,603.00 GR). Finally, Amendment 3 of contract #19-108, signed on December 22, 2020, changed the total contract amount to \$529,963.00 (\$416,596.00 SSA/Part B and \$113,367.00 GR). Contractually, the total annual funding is disbursed in twelve (12) equal monthly payments upon receipt and approval of a properly completed invoice and supporting documentation. Per Department of Financial Services contract payment records, the current monthly payment amounts are \$34,716.33 from SSA/Part B and \$10,050.25 from GR.

Audit Results

Finding 1: DVR did not provide effective monitoring of Contract #19-108.

Requirements for pass-through entities – 2 CFR 200.332(b) - All pass-through entities must "evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient

monitoring.” 2 CFR 200.332(d) - All pass-through entities must “monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.”

Per the standard DVR *Monitoring Plan Agreement* form, “A complete risk assessment is performed on all Contracts prior to execution. Risk will be reassessed at the end of each term. The assigned risk score drives the type and frequency of monitoring conducted. Monitoring activities include, but are not limited to, reviewing expenditure data, verification of supporting documentation, and visiting the contractor’s location.” The accompanying *Risk Assessment* is based on scoring methods and the following criterion: *Prior Contract Expenditures, Stakeholder Feedback, CIL History, Prior Monitoring and/or Audits, and Other Factors*. The scores are then broken down into three risk value score range groups: *low (1-8), moderate (9-16), or high (17-25)* based on a number scoring system of 5 to 1 for each criterion category (with 5 being highest risk and 1 being lowest risk). Based on the latest assessment of agreement term July 1, 2020 – June 30, 2021, the CIL scored a total of thirteen (13) across all criterion, which equals medium on the risk assessment.

Reporting requirements listed in the Monitoring Plan Agreement are:

- “Monthly Progress Report
- Monthly up-to-date list of consumers
- Monthly budget reconciliation
- Monthly hours completed for SSA/B and GR
- Quarterly State Plan for Independent Living (SPIL) report

Medium Risk -

- Program Review on a semi-annual basis to inspect business processes, key management personnel, and significant service deliver[y] to customers.
- Semi-Annual review of prior monitoring and/or audit to ensure compliance with any findings, if any.
- Semi-Annual desktop monitoring.”

During our preliminary meeting with DVR on May 24, 2021, the Contract Manager stated that he did not formally monitor Contract #19-108, and that he did not conduct an onsite visit of CILO. No specific reasons for not formally monitoring were provided. In addition, we noted there was not a monitoring schedule developed, providing an intent to monitor in the future. No formal documentation has been provided to the OIG to reflect a completed semi-annual desktop monitoring; or any formal analysis, documentation review, or report submitted to CILO with comments or recommendations for the period of July 1, 2020, through June 30, 2021.

While we noted DVR reviewed the monthly invoices and performance reports as they were being submitted in accordance with contract terms, we determined DVR failed to adhere to the formal monitoring plan developed for Contract #19-108. As a result, we determined the monitoring was insufficient and did not identify the issues discussed later in this report. Insufficient monitoring increases the risk that noncompliance with the terms of the contract will go undetected. In addition, not communicating the monitoring results or providing improvement recommendations limits CILO’s ability to improve its processes.

Recommendation

We recommend DVR conduct monitoring in accordance with the monitoring plan and risk assessment. In addition, we recommend DVR promptly provide any monitoring results and recommendations for improvement to CILO and ensure corrective action has been completed on noted deficiencies.

DVR Management Response

Concur. Due to turnover of the IL position, the IL contract(s) experienced delays in completion of scheduled monitoring(s). The next scheduled monitoring for CILO is due for completion on October 30, 2022. The monitoring will focus on testing and verifying services by sample and review of the consumer service records. In addition, DVR will take an in depth review of CILO's expenditures charged to the IL program. DVR will communicate any concerns and findings to CILO, and assign a due date for any identified items that require corrective action.

Finding 2: CILO did not maintain proper internal controls and sufficient financial management systems.

Expenditures

Per 45 CFR 75.302, "The financial management system of each non-Federal entity must provide for the following...Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

The Office of Management and Budget (OMB) Circular A-122 states that cost allocation methodologies used to allocate direct and indirect costs must be adequately documented and established in accordance with reasonable criteria that distribute costs across its various benefitting cost objectives in a manner commensurate with the relative benefit received.

On the CILO SSA Part B General Ledger, we identified 43 out of 111 (38%) expenditures, totaling \$31,285.86, where the supporting documentation for the transaction did not directly correlate with General Ledger line item entry amounts. For example, we reviewed an invoice in regards to CILO's rent expense. The line item that correlates with this transaction in the General Ledger reflects the charged amount as \$2,971.41. However, the bank statement CILO provided as evidence of rent payment reflected the total amount as \$5,471.62. CILO failed to record what portion of the total rent payment was attributed to SSA Part B or any other cost objective; therefore, our test could not confirm that costs were distributed appropriately. We noted that the account descriptions regarding the expenditures in question reflected the following categories, with the corresponding number of transactions and total amounts per category:

- Rent Expense (10) - \$12,370.70
- Audit Services (8) - \$9,473.36
- Health Insurance (7) - \$2,058.00

- Lease Equipment Expense (5) - \$3,796.87
- Wireless Cellular Service (5) - \$590.68
- Contractual Services (4) - \$1,501.85
- Office Supplies (1) - \$784.00
- Staff & Board Bonding (1) - \$262.00
- Training/Conference (1) and; - \$245.00
- Membership Dues/Subscriptions (1) - \$203.40

CILO does not record the amount allocated to the contract for certain expenditure categories on its supporting documentation. Therefore, CILO could not show that they properly expended the SSA/Part B and General Revenue funds in accordance with the contract. Lack of direct supporting documentation limits CILO's ability to demonstrate that allocable costs were distributed in reasonable proportion to the benefits received. Furthermore, this practice hinders the DVR Contract Manager's ability to verify if funds are allocated correctly and ensure contract funds are not being utilized for non-related projects. CILO management stated going forward the allocations would be listed on the individual receipts and invoices.

Prior Approval was not Obtained for Budget Deviations

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."

We compared the FY 2020-21 Approved Annual Budget Amendment 4 to the final quarterly budget reconciliation submitted in June 2021 to ensure final expenditure totals aligned with the most recently approved budget. The comparison below shows that the reported approved amendment 4 budget category totals differed from the actual expenditures reported at year end, especially for the Personnel and Fringe Benefits categories. Our review reflected the following:

Comparison	Approved Budget Amendment 4 Totals	Actual Expenditures as reported by CILO	Actual Expenditures as calculated by OIG	Difference between expenditures calculated by OIG vs. approved budget
Personnel	\$307,752.00	\$311,179.67	\$319,789.61	\$12,037.61
Fringe Benefits	\$92,762.00	\$118,800.888	\$118,800.88	\$26,038.88
Expenses	\$126,410.00	\$118,822.21	\$120,513.86	(-\$5,896.14)
Other	\$10,275.00	\$10,211.24	\$10,211.24	(-\$62.76)
Total	\$537,199.00	\$537,199.00	\$569,315.59	\$32,116.59

Within the Personnel category, we noted that the individual line item for the Chief Executive Officer (CEO) salary expense did not align with the approved annual contract budgeted amount. The total year-to-date for the CEO salary reported was \$75,467.15. However, the annual contract budget allocated only \$62,695.00 for the CEO's salary, a difference of \$12,722.15 (17% categorical increase). CILO stated that the change in personnel salary amounts was due to re-

allocation of GR/SSA Part B funds at the end of the contract term. The CEO stated, “What you see in the June document is more of my salary allocated to these particular revenue streams to better reflect where I spend my time.”

We attempted to verify whether the CEO spent increased hours working with program activities under Contract #19-108. We noted that the timesheets have 5 columns where employees record their time, one column to indicate hours worked and four columns for various types of leave. We identified no further breakdown on the timesheets to support hours worked under each funding source.

We determined CILO did not submit an amended budget narrative for approval from DVR prior to reallocating the budgeted funds from previously approved budget categories. Not properly requesting prior approval for budget revisions limits DVR’s ability to ensure budget changes are permissible and appropriate to the contract.

Recommendation

We recommend that CILO notate the funding allocations on the individual invoices or expense categories to support expenditures incurred. We additionally recommend that CILO enhance its procedures to ensure expenses funded through DVR’s contract are allowable and appropriately reflected by funding source. We further recommend that CILO obtain prior approval from DVR before deviating from the approved budget. We recommend DVR include a review of expenditures incurred and the supporting documentation as part of their monitoring efforts to ensure expenditures are supported, allowable, allocable, reasonable, and necessary to the performance of the contract and align with the approved budget.

DVR Management Response

Concur. The CIL is being placed on a cost reimbursement contract and all expenditures will be reviewed monthly to ensure that they are allowable, reasonable, and necessary. The anticipated completion date is October 2022.

CILO Management Response

Concur. CILO’s accounting firm notes and tracks all spending by funding source. CILO ensures all expenses are allowable. CILO is asking DVR’s permission before deviating from our budget. We have been managing the finances as recommended since last July 1.

Finding 3: CILO could not sufficiently demonstrate that they met all contract deliverables.

45 CFR 1329.4 defines the five core services to be provided by centers for independent living as; information and referral, independent living skills training, peer counseling including cross-disability peer counseling, individual and systems advocacy, and transition services.

Contract #19-108 states the Provider must “Maintain a financial management system relating to funds received and expended under this Agreement in accordance with generally accepted

accounting principles and that is compliant with 45 CFR Part 75.302, Standards for financial management systems and 45 CFR Part 75.361, Retention Requirements for Records.”

29. U.S. Code 796f-4 states “The Center shall facilitate the development and achievement of independent living goals selected by individuals with significant disabilities who seek such assistance by the center.”

CILO provided a CILs First system generated report reflecting that they provided 5,026.70 total service hours for the audit period, more than double the amount of contractually required hours. The contract requires services hours be recorded and reported by the nearest 15-minute increment, which the CILs First system does not do. The only funding source notated for those service hours reflected “SS GR Part B”. We did note that there was a service hour breakdown which was manually written on the document for “Part B” and “GR”. This manual note stated that 3,967 hours were delivered under SSA/Part B, and 548 hours were delivered under GR, which totals 4,515 hours, more than 500 hours less than the system generated report. The CILs First system’s current programming format resulted in its inability to sort or report consumers served by funding source and hours. This hinders DVR’s ability to verify consumer service hours by funding source, in accordance with contract terms.

We requested the total number of consumer service records (CSRs) for services CILO provided under Contract #19-108 during the 2020-2021 fiscal year. CILO provided a list of 1393 consumer service records, and we selected a random sample of 100 CSRs to include in our testing. Upon our initial review, we noted several of the CSRs had funding sources outside of Contract #19-108. Contract #19-108 only pays for services provided to consumers served under SSA/Part B and GR funding sources. As a result, our final sample population included 42 consumer CSRs (31 active/11 inactive).

We reviewed the remaining 42 CSRs showing services funded by Contract #19-108 and determined that 21 (10 active/11 inactive) of the 42 (50%) reflected consumer ILP Goals that are not in correlation with the 5 Independent Living Core Services. For example, we noted that 10 of the 21 (48%) consumers’ short-term objectives (STOs) related to financial assistance for move-in, or monthly/past due rent costs, and the remaining 11 of 21 (52%) consumers’ STOs related to obtaining food from CILO’s food pantry. The CSRs identified the funding source for these 21 consumers as “SS GR Part B”. We determined that these 21 CSRs reflected services provided to consumers that were not in accordance with the five Independent Living Core Services outlined in 45 CFR 1329.4. A lack of training and monitoring can contribute to services being provided that are outside the scope of the contract.

We reviewed the 11 inactive CSRs and determined that all 11 consumer files (100%) had unclear or no indication of file closure. We confirmed that neither the ILPs nor the CILs First system notes reflected achievement of requested goals. Per CILO management, documentation of goal achievement and file closure is inconsistent and could be improved. It is often noted that services have been provided which would justify closing the file, but there is no final note establishing that goals have been resolved (completed or dropped) and the file can be closed. Lack of file closure documentation prevents CILO from demonstrating that the services provided resulted in a positive outcome for its consumers. This hinders the DVR contract manager’s

ability to verify the file's duration and ensure all eligible services were rendered, goals were achieved, or if there is a need for continued services.

Recommendation

We recommend that CILO enhance its financial systems and records to ensure deliverables provided are in accordance with contract terms. We recommend CILO enhance its procedures to ensure they maintain all required documents in the CSRs including ILPs, eligibility determinations, and termination of services. We additionally recommend CILO establish and maintain ILPs with consumers that are consistent with contract terms and federal regulations. Further, we recommend CILO enhance its procedures to record service hours in accordance with contract terms. We also recommend that DVR sample and review CSRs during its monitoring activities. Additionally, we recommend DVR periodically request and review supporting documentation from CILO's financial management and CSR systems for the service hours and funding sources submitted by CILO through the invoices.

DVR Management Response

Concur. DVR will conduct at minimum a quarterly, random, review of CSR and request supportive documentation. The anticipated completion date is October 30, 2022.

CILO Management Response

Concur. CILO Executive staff have provided training and technical assistance to all management and staff on the file closure policies and procedures. All agency employees were provided with a copy along with letter templates they are to use when closing files or terminating services. Addressed with staff in trainings on June 22 and June 27, 2022.

Finding 4: Invoice submission and approval did not meet statutory and contractual requirements.

Invoices not submitted timely

Contract 19-108 IV. Deliverables, Method of Payment, and Documentation Requirements states:

- “A. For the FY 18/19 term, the total annual funding will be disbursed on a fixed price in twelve (12) equal monthly payments upon receipt and approval of a properly completed invoice, and supporting documentation.
- B. No later than thirty (30) days after the close of monthly business the Center shall submit to the Contract Manager the following documents in sufficient detail for proper pre-audit and post-audit thereof as evidence of deliverable completion:
 1. A properly completed invoice which includes, at a minimum, the month for which payment is sought; the number of Independent Living service hours provided for the month included in Section III.B. of this Agreement.
 2. A Monthly Performance Report for the Center for Independent Living Program and a quarterly report of activities conducted pursuant to the State Plan for Independent Living goals,

objectives, and strategies, as applicable, completed in formats provided by Vocational Rehabilitation and submitted with the Center's December, March, June and September invoice."

We reviewed the monthly invoices, performance report, and deliverables submissions from CILO for the period of July 1, 2020, through June 30, 2021. There were twelve (12) invoices total. We determined that CILO submitted 2 of the 12 monthly invoices late, ranging from 44 to 74 days late.

CILO stated "During the time of the delayed invoices, CILO's Executive Level Managers underwent a transition where the Director of Quality Assurance and the CFO were terminated. A financial accounting service was contracted and took over the fiscal tasks of the entire agency. During this time, funders were notified of this change and were informed that invoicing and reporting may lag due to this transition and the learning curve."

Invoices not approved timely

Florida Statute 215.422 (1) states "Approval and inspection of goods or services shall take no longer than 5 working days unless the bid specifications, purchase order, or contract specifies otherwise."

We reviewed monthly invoices, performance reports, and deliverable submissions from CILO for the period of July 1, 2020, through June 30, 2021. We determined that 11 of the 12 monthly submissions (92%) were approved *after* 5 working days of receipt, ranging from 7 to 81 working days after receipt from CILO.

DVR staff indicated that the untimely review and approval of the submitted invoices was due to workload volume on the previous Contract Manager and difficulty in prioritizing tasks. Untimely submission of documents to DVR could result in a delay of the review and approval of invoices. Additionally, untimely review and approval of submitted invoices can cause delayed payments to CILO, and could potentially lead to delays in services provided to consumers.

Recommendation

We recommend that CILO submit invoices in accordance with contract terms. We also recommend that DVR streamline its invoice gathering, inspection, and approval procedures to ensure timely approval of invoices.

DVR Management Response

Concur. Due to turnover of the IL position, the processing of invoices experienced delays. CILO is required to submit invoices 30 days after the billing month end. DVR will enforce the timeliness of invoice submissions by CILO. DVR will ensure that invoices are reviewed and approved in accordance with the requirements of prompt pay law. DVR will provide a timeline of receipt to final approval of invoices at the next interval of audit follow-up. The anticipated completion date is October 30, 2022.

CILO Management Response

Concur. We are meeting our deadline every month. All invoices have been filed in a timely manner since July 1, 2021.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the Department of Vocational Rehabilitation staff, as well as the Coalition for Independent Living Options, Inc. staff 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 Shannon Egler and supervised by Bradley Rich, MS, Audit Director.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at 850-245-9221. Copies of final reports may be viewed and downloaded via the internet at <https://www.fldoe.org/about-us/office-of-the-inspector-general/audit-reporting-products.shtml>. Copies may also be requested by telephone at 850-245-0403, by fax at 850-245-9419, and in person or by mail at the Department of Education, Office of the Inspector General, 325 West Gaines Street, Suite 1201, Tallahassee, FL 32399.