

Office of Inspector General
Self-Reliance Center for Independent Living

Report #A-1415-017

December 2015

Executive Summary

In accordance with the Department of Education's fiscal year 2014-15 audit plan, the Office of Inspector General conducted an audit of the Division of Vocational Rehabilitation's (DVR) contract with Self-Reliance Center for Independent Living (CIL). The purpose of this audit was to ensure DVR and the CIL have sufficient internal controls in place to govern the independent living program.

During this audit, we noted that, in general, DVR and the CIL have sufficient controls in place. However, there were instances where improvements could be made to strengthen some of these controls. For example, we cited instances where the CIL did not meet employment requirements, did not appropriately allocate expenses, did not ensure consumer service records contained all required documentation, and did not accurately record service hours. We also cited instances where DVR did not timely review invoices or effectively monitor the contract. 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 June 30, 2015. We established the following objectives for our audit:

1. Determine if DVR effectively manages and monitors the contracts for compliance;
2. Determine if the CIL maintains fiscal accountability to ensure proper disbursement and accounting of funds; and
3. 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 14-131, its amendment, and related documents; interviewed appropriate department and CIL employees; reviewed policies, procedures, and related documentation; conducted a site visit; interviewed CIL consumers 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 nonprofit federally mandated agencies that are designed and operated within a local community by individuals with disabilities. Each CIL receives 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 centers for independent living in the state of Florida. The CIL employees, boards, and consumers work together to remove barriers and prejudices in society so that all individuals can live, work, and enjoy all that their community has to offer.

Self-Reliance CIL is a nonprofit organization established in 1978. Their mission is to promote independence through empowering persons with disabilities and improving the communities in which they live. The CIL serves any individual with a disability who resides in Hillsborough County. They provide services in the areas of 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 Self-Reliance 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. The fixed fee contract (14-131) was amended July 1, 2014, to add funding of \$321,555.00 for the 2014-2015 fiscal year.

Audit Results

Finding 1: Self-Reliance does not meet the requirements for employment of individuals with disabilities.

Title 34 Code of Federal Regulations (CFR), section 366.50, indicates that in order to be eligible for assistance, the CIL must have a board that is the principal governing body of the center and a majority of which must be composed of individuals with significant disabilities. The CIL must also ensure that the majority of the employees and individuals in decision-making positions are individuals with disabilities.

A review of the CIL's 704 report for the period ended September 30, 2014, reflected that the CIL was in compliance with this requirement. However, our review of documents at the time of our audit revealed that the CIL did not meet the requirement for CIL employees and individuals in decision-making positions. The documentation shows only two of six (33%) program employees are individuals with a disability, and only one of three (33%) employees in decision-making positions is an individual with a disability.

CIL management stated the numbers reported in the 704 report were the numbers reported by the previous executive director and they had assumed the information did not change. However,

some employees previously identified as having a disability were not aware they were identified as an individual with a disability and did not agree with being classified as such. CIL management further stated they could not question employees about possible disabilities because their attorney felt it would violate the Americans with Disabilities Act. The CIL does have a form that allows employees to voluntarily indicate if they have a disability, but they do not mandate that employees report that information.

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 federal oversight agency, upon discovering a CIL does not meet the requirement for employing individuals with disabilities, requires the CIL to develop a plan to come into compliance.

The CIL's inability to employ individuals with disabilities 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 further recommend DVR provide technical assistance as needed to ensure the CIL remains eligible for state and federal assistance.

DVR Management Response

We will provide technical assistance to the CIL via both telephone and written instruction. Additionally, we will request the CIL develop a corrective action plan that details their timeline for coming in to compliance.

CIL Management Response

Recent developments within the workforce did reduce the CIL's proportion of employees with disability below the required 51%.

Employment Improvement Plan:

- a. When a position is vacant, Self Reliance shall encourage applicants with disability to apply in all recruiting materials.
- b. Self Reliance shall review current applications on file to identify candidates with disability, in the event that a position becomes vacant.
- c. Self Reliance shall employ a qualified person with a disability in its next vacancy.

Finding 2: CIL expenditures did not conform with the contract.

Contract 14-131 requires the CIL to administer its program in accordance with all applicable statutes and regulations, including the Code of Federal Regulations, Office of Management and Budget (OMB) Circulars, and section 112.061 of the Florida Statutes.

We compared the expenditure report to the budget reconciliations to ensure the accuracy of the reported expenditures. The line item expenditures did not match the budget reconciliation amounts for five line items in the first quarter, seven line items in the second quarter, four line items in the third quarter, and four line items in the fourth quarter. The line item totals for the year did not match for ten items. Our review disclosed the CIL did not consistently categorize some expenses between the expenditure report and the quarterly budget reconciliation. CIL management was unable to explain the remaining discrepancies.

We randomly selected 53 expenditures for review and found 16 (30%) of them to be questionable. Twelve of the expenditures included travel expenses. Florida Statutes allow mileage reimbursement at the rate of 44.5 cents per mile. The CIL reimbursed mileage at the federal mileage reimbursement rate, which was 58.5 cents per mile until January 2015, at which time it decreased to 57.5 cents per mile. One of these mileage reimbursements was for travel that occurred prior to this contract term.

Additional questionable expenses include those made for flex account expenses and for payroll administration fees. A payment of \$851.96 was made for medical flex spending, which included \$371.96 in arrears owed by a former CIL employee and \$480.00 in dependent care coverage for another employee. These expenses should not be paid with DVR funds. The CIL allocated the full cost of the \$125 payroll administration fees to DVR funds each month. The two sampled expenditures showed that the CIL paid these expenses for four employees. The salaries for two of these four are allocated at 25% and 70%. The CIL should have allocated the administration fees accordingly.

OMB Circular A-122¹ 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. Contract 14-131 also states, "If the cost benefits more than one program, a determination must be made that the cost is distributed in a reasonable and consistent manner across all benefitting programs."

We found the CIL did not consistently distribute several costs in a manner commensurate with the benefit received. Some expenses were allocated 100% to DVR early in the contract year and then decreased toward the end of the contract year as funds were being exhausted. For example, the CIL allocated 100% of internet expenses to DVR at \$109.99 each month for July 2014 through January 2015, and then the expenditures stopped. There were no expenses charged in the fourth quarter for another seven line items to include expenses such as telephone, internet expense, postage and shipping, and office supplies. CIL management indicated that they moved expenses over to DVR funding due to issues with other funding sources and then later moved those expenses to the other funding sources once funds were available.

Section 8.m. of Attachment B to OMB Circular A-122 specifies time and effort documentation requirements and requires salary costs to be allocated across funding sources and programs based on the relative benefits received. One CIL employee did not record the actual hours worked on

¹ Attachment A, sections A.2.g, A.4, and D

various funding sources. Another employee allocated 50% of his time to the independent living (IL) program, though 70% of his salary is allocated to this contract.

The inaccurate allocations and unallowable expenses could result in DVR paying the CIL for expenses not related to the contract. The inconsistencies between the expenditures and budget reconciliations further exacerbate the issue.

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 ensure employees accurately complete timesheets and allocate work hours across funding sources. We recommend DVR perform periodic reviews of expenditures to ensure allowability and reasonableness. We also recommend DVR seek recovery of payments made for unallowable expenses, to include the mileage reimbursements, flex account expenses, and payroll administration fees.

DVR Management Response

We will perform periodic reviews of expenditures every six (6) months, beginning January 2016. Expenditures such as flex account expenses, payroll administration fees, etc. will be reviewed at that time. Additionally, we will begin requiring submission of travel expenditure documentation with each monthly invoice. We will continue to require this information until such time as we are satisfied that expenditures conform to the contract. DVR is not seeking repayment of the funds as it will take away from the purpose of the program, helping persons with disabilities to live independently and function within their communities, maximize leadership, empowerment, and if appropriate, secure and maintain employment.

CIL Management Response

Self Reliance shall enhance its procedures to ensure expenses funded through DVR's contract are allowable, accurately allocated, and appropriately reflected in budget reconciliations. Self Reliance shall counsel and train employees to accurately complete timesheets and allocate work hours across funding sources. Self Reliance will correct errors in the billing of DVR for unallowable benefits expenses.

Finding 3: Consumer service records had missing or incomplete documentation.

Code of Federal Regulations (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.”

We conducted a site visit to Self-Reliance CIL during the week of July 13, 2015. The CIL maintains hard copy consumer service records (CSR), though some service records are documented electronically in the CIL Management Suite. We reviewed 61 randomly selected CSRs. There were no requested services indicated on the intake form for one CSR.

34 CFR 364.51(a) states, “(1) Before or at the same time as an applicant for IL services may begin receiving IL services funded under this part, the service provider shall determine the applicant’s eligibility and maintain documentation that the applicant has met the basic requirements specified in §364.40. (2) The documentation must be dated and signed by an appropriate staff member of the service provider.” CIL staff did not date one of the 61 eligibility documents.

CFR 364.52 (b) states, “(1) 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. (2) The IL plan must be developed jointly and signed by the appropriate staff member of the service provider and the individual with a significant disability or, if consistent with State law and the individual chooses, the individual’s guardian, parent, or other legally authorized advocate or representative.” One of the 61 IL plans was not signed or dated by the consumer, and one IL plan was signed but not dated by the consumer.

This CFR further requires the CIL to review the IL plan as often as necessary but at least on an annual basis to determine whether services should be continued, modified, or discontinued. Each individual with a significant disability must be given an opportunity to review the IL plan and, if necessary, jointly redevelop and agree by signature to its terms. CIL employees added subsequent goals to the IL plan in six CSRs, thereby constituting a modification. None of the consumers signed the modified IL plan to document their agreement with the modifications. CIL management was not aware that the addition of goals to the approved IL plan constituted a modification.

The lack of required documentation makes it difficult for the CIL to ensure services are provided to consumers and that consumers actively participate in the determination of their independent living services and goals. It also hinders DVR’s ability to confirm the CIL is providing appropriate services to its consumers.

Recommendation

We recommend the CIL enhance its procedures to ensure they maintain all required documents in the CSRs and appropriately complete modified IL plans.

CIL Management Response²

Self Reliance shall enhance its procedures to ensure they maintain all required documents in the CSRs and appropriately modify Independent Living Plans. Staff will be retrained on the small number of items identified in the audit report and procedures will be updated to address the cited deficiencies.

Finding 4: Service hours were inaccurately recorded.

Section IV.D of contract 14-131 states, “The Center shall maintain documentation (electronic or hard copy) to track and record all service hours provided under this Agreement. Documentation will, at a minimum, identify the staff providing the service, the date of service, the hours of service, the consumers receiving the service, and all services provided to the consumer during the hours of service.”

Review of the documented service hours for two sampled months showed inaccuracies in the service hours recorded by the CIL. In November 2014, there were six duplicate entries for the same service provided to the same consumer by the same independent living coordinator. In February 2015, there were four duplicate entries.

Comparison of the reported service hours to the CIL timesheets for the same months revealed CIL employees reported service hours during times they were not at work due to holidays, annual leave, sick leave, or weekends. In November 2014, three employees recorded service hours during times when they were not working, totaling 13.75 hours. In February 2015, two employees billed service hours during times when their timesheets showed they were not working, totaling 11.75 hours.

We were able to confirm that the CIL met the minimum required service hours for the contract. However, these identified discrepancies indicate the CIL is not accurately reporting service hours. This hinders DVR’s ability to confirm the CIL is providing deliverables in accordance with contract terms.

Recommendation

We recommend the CIL enhance its procedures to ensure they accurately record service hours.

CIL Management Response³

Self Reliance shall enhance its procedures to ensure they accurately record service hours and provide training in this regard to its employees.

² The response provided by CIL management has been abbreviated. A copy of the complete response can be obtained from the Office of Inspector General.

³ The response provided by CIL management has been abbreviated. A copy of the complete response can be obtained from the Office of Inspector General.

Finding 5: CIL policies and procedures conflict with contract requirements.

The CIL developed procedures that address personnel, accounting, and programs. A review of the Self-Reliance Financial Policies and Procedures revealed two areas where the policies and procedures conflicted with the requirements of the contract. CIL policies and procedures indicate travel expenses, including meal allowances and mileage reimbursement will be based on the federal rates. However, section I.C.1.b of contract 14-131 requires travel expenses to be reimbursed in accordance with section 112.061, F.S. The state reimbursement rates reflected in the Florida Statutes are lower than the federal rates.

Self-Reliance Financial Policies and Procedures contain a records management policy that includes a record retention schedule for effective and efficient management of its records. While the record retention schedule requires the CIL to maintain the majority of the records for five years or permanently, they require the CIL to maintain several records for only three years. This does not comply with section VII.D of contract 14-131, which requires the CIL to keep all financial records, supporting documentation, statistical records, and any other documents pertinent to the agreement for a period of five years after the end of the agreement.

The conflicting policies and procedures can impact the CIL's ability to administer its program in compliance with contract requirements. The previous finding regarding mileage reimbursement exemplifies this issue. Additionally, the ability to appropriately audit the CIL could be impeded if records are not retained for the minimum period established by the contract.

Recommendation

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

CIL Management Response

Regarding the travel policy, policy revised to comport with contract requirements. Regarding mileage reimbursement, policy revised to comport with contract requirements.

Finding 6: DVR did not effectively monitor the contract.

The Contract Monitoring Unit Guidebook (CMU Guidebook) requires contract managers to complete a risk valuation for each contract and to prepare a contract monitoring plan within 30 days of executing the contract. The Contract Management & Accountability Workshop Training Manual & Handbook additionally requires clearly defined monitoring techniques and timetables in the monitoring plan and states, "The contract manager should document all monitoring activities and the outcomes." DVR's Effective Monitoring Procedures additionally require the reviewer to certify and date a document at the end of desktop monitoring to show the contractor was monitored. This document must include the findings and recommendations.

DVR completed a risk assessment for contract 14-131, which resulted in a designation of low risk. The subsequent monitoring plan required monthly desktop monitoring.

DVR did not complete any formal desktop monitoring reports during the audit period. DVR employees stated desktop monitoring is accomplished through invoice reviews that include a review of the quarterly budget reconciliation. However, DVR employees did not document the monitoring activities and outcomes or provide findings and recommendations. DVR also would have been unable to complete budget reconciliations, as they did not have the current budget for contract 14-131.

The absence of documented monitoring makes it difficult to ensure the CIL is meeting the performance requirements of the contract. This can result in the CIL receiving payment for inappropriate expenditures or deliverables the CIL did not meet.

Recommendation

We recommend DVR enhance its procedures to ensure that they monitor the contract and document the monitoring activities in accordance with procedures and the monitoring plan.

DVR Management Response

As stated above, we will begin performing expenditure reviews every six (6) months. Outcomes of these reviews will be documented in the contract file. The monitoring plan for this contract will be updated to reflect this change.

Finding 7: DVR did not adequately and timely approve invoices.

Section 215.422 F.S. 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." The statute further states that the date on the invoice is considered to be the date of receipt if the agency has failed to date stamp the invoice at the time of receipt.

The CIL timely submitted the 12 monthly invoices for contract 14-131. DVR did not date stamp any of the invoices upon receipt or affix some indication as to when they were received from the CIL. DVR did not approve four of the invoices within the mandated five business days. The contract manager did not timely approve the invoice in two instances. In the remaining two instances, the contract supervisor did not timely approve the invoice.

Contract 14-131 requires the invoice to be accompanied by a monthly performance report including, at a minimum, information related to the independent living goals set and achieved and the community activities conducted by the CIL. The reports did not contain information related to the independent living goals that were set during each month.

The untimely review and approval of invoices results in delayed payments to the CIL. This can hinder the CIL's ability to provide independent living services to eligible consumers. DVR's failure to ensure that all required invoice documents are provided may result in DVR paying for services not provided in accordance with the terms of the contract.

Recommendation

We recommend DVR enhance its procedures to ensure they review and approve the CIL invoices in accordance with Florida Statutes. We also recommend DVR revise the monthly performance report format to include a section for the CIL to report information related to the independent living goals that were set during the month, as required by the contract.

DVR Management Response

We will enhance our internal processes to ensure invoices are reviewed and approved appropriately. Additionally, the unit will better document on invoices in instances when additional information is needed or requested to process CIL invoices.

The monthly performance report format will not be revised. The current format is appropriate, as the data collected is tied to the evaluation of goals achieved per the State Plan for Independent Living. However, the next time the CIL contract model is amended, the language in the invoicing section will be updated to remove the word “set” from the monthly performance report requirement.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the Division of Vocational Rehabilitation and Self-Reliance CIL for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all persons involved.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. We conducted our audit 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 William Bull and supervised by Janet Snyder, CIA, CGAP, Audit Director.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at 850-245-0403. Copies of final reports may be viewed and downloaded via the internet at <http://www.fldoe.org/ig/auditreports.asp#F>. 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.