

**DEPARTMENT of REHABILITATION  
Employment, Independence & Equality**

**Audit Services Report**

**Older Individuals who are Blind (OIB)  
American Recovery and Reinvestment Act (ARRA)  
Grant #27669A for  
VISTA Center for the Blind and Visually Impaired (VISTA).**

**Date: June 1, 2011**

**Control Number: 2010A - 113**

**Audit Team Staff:  
Cecilia Miller, Auditor  
Kerry Gantt, Audit Chief**

## **INTRODUCTION**

The Department of Rehabilitation (DOR) Audit Services Section has completed our desk audit of the Title VII, Chapter 2 Older Individuals who are Blind (OIB) American Recovery and Reinvestment Act (ARRA) Grant #27669A for the VISTA Center for the Blind and Visually Impaired (VISTA). The OIB ARRA Grant budgeted for \$180,000 is effective December 1, 2009 through September 30, 2011.

VISTA is the premier resource for individuals with vision loss in San Mateo, Santa Clara, San Benito and Santa Cruz counties, serving approximately 2,500 clients and families each year. They enable their clients to achieve their highest potential through programs that promote independence and improve their quality of life.

The purpose of the OIB ARRA Grant is to stimulate independent living, empowerment, and full inclusion of older individuals who are blind. VISTA's Grant Goals and Objectives include:

1. Consultant will work with Technology Support and Grant Manager to determine fields necessary to meet Title VII, Chapter 2 and ARRA reporting requirements. Consultant will add fields determined necessary by Technology Support and Grant Manager.
2. Consultant will create necessary reports.
3. Purchase camcorder and editing software to enable the addition of website videos of events, training, and meetings.
4. Provide training through online videos and provide links to community resources and vendors that serve the older blind population.
5. Contract with a native Spanish-speaker to facilitate a Choices and Changes class and identify and appropriate location to conduct the class.
6. Two full-day (9am to 3pm) workshops on teaching diabetes self-management and fall prevention/home safety provided for Vista Center staff and collaborative agencies.
7. Will purchase demo equipment for use by staff and consumers. Will provide training to at least 250 consumers using demo equipment.

## **SCOPE**

Audit fieldwork was conducted during January - March 2011 and our exit conference was held on April 20, 2011. We conducted our audit in accordance with Government Auditing Standards as defined by the Government Accountability Office, except Standard 3.52 requiring an external peer review. These standards require that we

obtain reasonable assurance that the services provided and expenditures incurred are supported by appropriate records; and are in compliance with the Grant and applicable State and Federal laws and regulations including Title 2 CFR Part 230 and Title 2 CFR Part 215. Our audit is subject to the inherent risk that material errors and irregularities, including fraud or defalcations, if they exist, will not be detected.

Our audit included examining, on a sample basis, evidence supporting the information included on the Budget and Reimbursement Requests (BRR) submitted to DOR. Our audit also included a limited review of the internal controls as they relate directly to our audit of the BRR through use of an accounting system and internal control questionnaire, follow-up correspondence, and phone calls with VISTA staff.

### **FINDINGS AND RECOMMENDATIONS**

We found that the expenditures incurred were supported by appropriate records; and were in compliance with the Grant and applicable State and Federal laws and regulations except for the issues identified in **Attachment A**.

### **VISTA'S RESPONSE TO THE AUDIT**

#### Accounting Systems Funding

1. Cost Allocation Plan – We now have our allocation methodology in written form, in addition to the worksheets we've always maintained which show how expenses are allocated.

#### Grant Provision Compliance

1. As noted in the recommendation, we are now submitting timely staff fraud certifications and will continue to do so in the future.

#### Equipment

1. Equipment purchases over \$1,000 – We now have a written policy regarding equipment purchases over \$1,000. As a practical matter such purchases are extremely rare and have always involved obtaining multiple bids. However that practice is now committed in writing.
2. Prior authorization –With the clarity the audit provided, we will be sure to obtain pre approval for all purchases over \$1,000.

**We would like to thank VISTA Center for the Blind and Visually Impaired staff for their assistance with our audit.**

**ACCOUNTING SYSTEMS/FUNDING**

1. VISTA does not have a written cost allocation plan that identifies an appropriate, reasonable allocation methodology and allocation base for each item of cost for both direct and indirect expenses. VISTA indicated that they were not aware that they were required to have a cost allocation plan. By not having a cost allocation plan there is no assurance that direct and indirect expense allocations are reasonable and consistently applied across various funding sources and general administration.

2CFR Part 230 Cost Principles for Non-Profit Organizations establishes the principles for determining the costs of grants, contracts and other agreements with the federal government. It contains the following definitions:

A. Allocable cost. A cost is allocable to a particular cost objective, such as a grant, in accordance with the relative benefits received.

B. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization.

C. Indirect costs are those that have been incurred for common/joint objectives.

2 CFR Part 215.21 requires that the recipient's financial management system shall have written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

**RECOMMENDATION**

VISTA shall develop a written cost allocation plan that adequately determines the reasonableness, allocability and allowability of costs. A sample cost allocation plan was sent to VISTA for guidance.

**GRANT PROVISION COMPLIANCE**

1. VISTA did not have certifications for eight of their grant staff verifying completion of the DOR ARRA Fraud Training required by the grant. VISTA stated that all employees involved were trained, but they were not aware of the requirement to submit their certifications back to DOR program staff.

Standard Grant #27669A, ARRA Agreements-Subvention, Supplemental terms and conditions for contracts using ARRA funds 11. Fraud Training: states the Contractor, its employees or any individuals performing activities related to this contract shall certify completion of DOR OIB ARRA Fraud Training no later than 30 days upon contract award.

## **RECOMMENDATION**

VISTA shall meet grant requirements such as timely remittance of the fraud certifications. Subsequent to bringing this matter to VISTA's attention, all certifications have been submitted for all staff involved with the DOR ARRA grant.

## **EQUIPMENT**

1. VISTA does not have a current written policy for purchasing equipment. VISTA stated that they have little need to purchase equipment outside of the ARRA grant that they didn't think that a written policy was necessary. There is no assurance that the purchasing process is consistently applied without written policies and procedures.

Standard Grant #27669A Provisions (II. Conditions of Grant Administration, F. Bid Requirements) states Subgrantees must have a written purchasing process for all equipment with a unit cost or groups of similar items for line items of \$1,000 or more. The process should reflect an effort by the Subgrantees of obtaining the lowest price.

## **RECOMMENDATION**

VISTA shall establish written policies for purchasing equipment for consistency, accuracy, and compliance with grant terms. The policy should reflect an effort of VISTA to obtain the lowest price.

2. VISTA did not have appropriate prior authorization from DOR specifically for the purchase of a copier in February 2010 for \$5,812.32. VISTA states they were informed by DOR program staff that their approved budget served as the approval for all equipment. As such, they did not submit proof of prior authorization for the copier they purchased.

If VISTA does not obtain prior authorization for the specific item purchased in excess of \$1,000, VISTA could possibly make purchases not applicable/not allowable under the Grant, resulting in non-reimbursement.

Standard Grant #27669A Provisions (II. Conditions of Grant Admin A. 6) Equipment exceeding \$1,000 must have prior authorization.

## **RECOMMENDATION**

VISTA shall ensure prior authorization for each equipment purchase exceeding \$1000, as required by the grant, in order to ensure that the purchase is necessary, allowable, and reimbursable.