

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

Audit Services Report

**Older Individuals who are Blind (OIB)
American Recovery and Reinvestment Act (ARRA)
Grant #27658A for VTC Enterprises (VTC).**

Date: June 1, 2011

Control Number: 2010A - 111

**Audit Team Staff:
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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 #27658A for VTC Enterprises (VTC). The OIB ARRA Grant budgeted for \$180,000 is effective December 1, 2009 through September 30, 2011.

VTC is a Santa Maria based non-profit organization providing quality products and services to the local business community and persons with disabilities or other barriers to employment and /or Independent Living who reside in southern San Luis Obispo, Santa Barbara, and Ventura Counties. VTC provides Independent Living services, orientation and mobility, assistive technology, direct placement, supported employment programs, external situational assessment, and personal vocational and community services.

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

1. Expand outreach efforts marketing OIB seniors throughout the Tri-Counties.
2. Collaborate with a minimum of 23 agencies.
3. Identify and screen 200 individuals for service eligibility according to funding mandates.
4. Train a minimum of 4 Occupational Therapists to CARF standards.
5. Provide OT to 150 individuals; provide O&M to 125 individuals; and provide assistive technology assessment/follow-up to 100 individuals.

SCOPE

Audit fieldwork was conducted during January - March 2011 and our exit conference was held on April 15, 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, 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.

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**.

VTC'S RESPONSE TO THE AUDIT

Although VTC already follows policies and procedures to allocate costs as appropriate, such a document was not created titled a "Cost Allocation Plan". This process has now been documented and a written plan was submitted following the audit as noted in the "Recommendation" section.

In addition, VTC is now aware that documentation is required for fraud training and will submit paperwork accordingly in the future.

We would like to thank VTC staff for their assistance with our audit.

ACCOUNTING SYSTEMS/FUNDING

1. VTC 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. VTC 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

VTC shall develop a written cost allocation plan that adequately determines the reasonableness, allocability and allowability of costs. Subsequent to the exit conference, VTC submitted a copy of a cost allocation plan to be utilized hereafter.

GRANT PROVISION COMPLIANCE

1. VTC did not have certifications for three of their grant staff verifying completion of the DOR ARRA Fraud Training required by the grant. VTC 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 #27658A, 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

VTC shall ensure grant requirements are met. Subsequent to bringing this matter to VTC's attention, all certifications have been verified by email for all staff involved with the DOR OIB ARRA Grant.