

Department of Rehabilitation

Final Audit Report of the

Access to Independence of San Diego

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Introduction

The Department of Rehabilitation (DOR) Audit Services has completed an audit of the Independent Living AB204 Grant #28429, for FY 2011-2012 and the Independent Living Title VII B Grant #28338, #28288 and #28124 for FY2010-2012 with Access to Independence of San Diego (A2I).

A2I is a California nonprofit public benefit corporation which serves people with disabilities in San Diego County, California with support tools and resources needed to live interdependently, and advocates for policies that promotes full participation of people with disabilities. A2I's advocacy programs include information, education and referral — working with consumers to teach independent living skills, assess which further resources will be of assistance, and giving consumers the tools they need to move forward as their own advocate. A2I also provides Assistive Technology (AT) services, employment services, housing resources referral services, personal assistance referral services, and community integration services.

A2I received grants from DOR for the following services or activities:

- Grant #28429: Budgeted \$607,523 was provided to develop, continue, or expand, in accordance with the program narrative, independent living programs and services, which may enable persons with disabilities to achieve social and economic independence.
- Grant #28338: Budgeted \$75,000 was provided to develop and conduct new community organizing projects that involve and support persons with disabilities.
- Grant #28288: Budgeted \$3,000 to subsidize travel costs for the A2I Executive Director to participate on a panel at a national conference that could lead to a pilot project designed to provide integrated healthcare services to people with disabilities.
- Grant #28124: Budgeted \$4,000 to obtain technical assistance to hold a Board Retreat to enhance programs and services.

Audit Scope/Procedures

We conducted our audit in accordance with Government Auditing Standards as defined by the Government Accountability Office. These standards require that we obtain reasonable assurance that the expenses incurred providing grant services are supported by appropriate records; and are in compliance with the Grant and applicable State and Federal requirements. Our audit is subject to the inherent risk that all significant errors and irregularities, fraud, or non-compliance will not be identified.

The scope of this audit was limited to reviewing the accounting systems and internal controls applicable to the DOR grant funding to obtain reasonable assurance that billed personnel and operating expenses are compliant with all applicable federal and state requirements, and are adequately supported by appropriate records. Our key objective areas included:

- A limited review of the accounting systems and general internal controls applicable to DOR funding to determine whether they are adequate to accumulate and segregate reasonable, allocable, and allowable costs consistent with federal requirements.
- A review of the grant billing process.
- Sample testing of grant controls and billings for effectiveness, efficiency, and compliance in accordance with State and Federal regulatory and legal requirements.
- Sample testing of accounting records to ensure adequate support is maintained for the personnel and operating expenses billed to the grant; and that the expenses are properly recorded.

Summary of Findings/Recommendations

We found that the grant expenses billed to DOR were materially supported by appropriate records and were materially in compliance with the Grant, A2I's policies & procedures, cost allocation plans, and applicable State and Federal requirements. Overall, A2I's method for allocating, tracking, maintaining, and documenting grant expenses are effective and staff appear knowledgeable about their responsibilities under the grant. However, we noted the following grant compliance issues:

Personnel

1. Although direct service grant employees report their work hours to specific projects in the electronic time-reporting system, they report 100% of their leave time to the primary DOR grant project even though they worked on other projects. As a result, the salary and benefits expenses billed to DOR would be overstated by the leave hours in excess to the proportion of grant hours worked.

Federal cost principle regulations 2 CFR 230 Exhibit B.8 require that fringe benefits paid to employees for authorized absences from the job are allowable, provided such costs are absorbed by all organization projects in proportion to the amount of time actually worked on each project.

Recommendation

A2I must develop and implement a procedure to calculate allocable leave costs for direct service employees to ensure only the allowable proportion of leave costs are billed to the DOR grant/project.

Accounting Systems

2. A2I incorrectly billed the Fall 2011 CFILC conference fee and travel costs on the Dues/Membership/Fees line item rather than to the staff training and travel line items.

The AB204 grant requires that allowable operating expenses to be paid under the terms of the grant must be billed to the proper line item on the grant billing.

Recommendation

A2I ensure that all allowable expenses are billed to the proper line item in the grant.

3. A2I uses credit cards to pay for grant purchases. However, these purchases are recorded improperly as follows:
 - A2I records all credit card expenses at once when the credit card statement is received rather than when each purchase is incurred. Due to the time lapse between purchase date and receipt of the credit card statement, expenses are not always recorded in the correct month incurred.
 - A2I records the credit card company as the payee rather than the vendor where each purchase was made.

Generally accepted auditing standards require that financial reports be prepared in accordance with generally accepted accounting principles. These standards require that expenses be recorded in the period that they were incurred. Additionally, federal administrative regulations 34 CFR 74.21 require standards for financial management systems, including maintaining fund accounting records that accurately account for the Independent Living Center's (ILC's) funds. To comply with this finding, the DOR Independent Living and Assistive Technology Section requires that all ILC's properly record the vendors where the goods or services were purchased from as the payee in the general ledger regardless of the payment method used to sufficiently document the use of grant funds.

Recommendation

A2I properly record the grant purchases in the period incurred and identify the payee in the general ledger as the vendor where each purchase was made in accordance with accounting principles and federal, state, and grant requirements. A2I should seek guidance from an outside accounting firm if needed to ensure appropriate implementation of this recommendation.

The contents of this report have been discussed with Louis Frick, A2I Executive Director; Deirdre Duplessis, A2I Director of Administration, and Dwight Bateman, DOR Independent Living Section. We appreciate their assistance with our audit.

Response to Audit

A preliminary draft audit report was submitted to A2I for their response on October 23, 2012. A2I submitted a response to the draft audit report via e-mail to Audit Services on December 3, 2012. A2I generally agreed with findings #1 and #2 and stated they have already begun to implement new procedures. To address their question raised for finding #3, Audit Services conducted additional research, revised the finding and recommendation to more accurately identify and clarify the issue and requirements, and submitted the revised finding to A2I on January 24, 2013. A2I did not respond with any further questions for this finding.