

**Department of Rehabilitation  
Audit Services Report**

**Older Individuals who are Blind (OIB)  
American Recovery and Reinvestment Act (ARRA)  
Grant #27659A for Lighthouse for the Blind and Visually Impaired  
(Lighthouse)**

**Date: June 6, 2011**

**Control Number: 2010A - 110**

**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 #27659A for Lighthouse for the Blind and Visually Impaired (Lighthouse). The OIB ARRA Grant budgeted for \$404,766 is effective December 1, 2009 through September 30, 2011.

Lighthouse provides a variety of programs to adults, children and seniors who are blind or visually impaired at five locations; San Francisco, Marin, Napa, Oakland, and Humboldt/Del Norte Counties.

The purpose of the OIB ARRA Grant is to enhance core services and expand the number of consumers to 220 individuals, 55 and over who are visually impaired, deafblind and/or is from ethnically diverse communities to be served. Lighthouse Grant Goals include:

1. Improve the performance of Lighthouse programs by expanding core services to OIB consumers in the San Francisco Area, Santa Rosa Area and Oakland Area, including expansion of services for ethnically diverse individuals and underserved individuals.
2. Improve infrastructure by evaluating the technology needs of OIB consumers and providing low- and high-tech adaptive aids and equipment to improve consumers' ongoing self-reliance.
3. Increase and enhance the professional development of staff within OIB programs by collaborating with the Vista on staff development training and offer in-service trainings for senior program service providers/project collaborators.
4. Enhance agency capacity for current and future service provision by enhancing infrastructure that will assist in ARRA outcomes tracking, documentation and reporting.

## **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, 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 Lighthouse staff.

### **FINDINGS AND RECOMMENDATIONS**

We found that the expenditures submitted for reimbursement 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**.

### **LIGHTHOUSE RESPONSE TO THE AUDIT**

Lighthouse Director of Finance reviewed the process of how billing occurs based on actual time worked by the staff person yet recognized that the **format** of the current time sheet didn't reflect what was actually happening. The time sheet format has been adjusted to meet DOR billing standards.

The auditor explained that leave time could be billed based on the allowable percentage of the staff person on the grant. The Lighthouse will review past billings to ensure accuracy. If there is additional billing to be made, the Lighthouse will bill this in a future invoice and explain this in a letter with the billing.

Additionally, The Lighthouse understands that billing to DOR shouldn't occur until after a check has cleared instead of when the check is actually paid to the vendor.

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

**PERSONNEL**

1. Lighthouse staff timesheets (personnel activity reports) do not completely satisfy federal requirements for time reporting. As such, there wasn't assurance the percentage of time used for billing Personnel costs related to OIB ARRA activities was accurate, as follows:
  - Although the timesheets include the percent of time billable to the OIB ARRA Grant, the total hours worked by the employee was not reflected. As a result, the timesheets do not meet the requirement that each report must account for the total activity for which employees are compensated.
  - The timesheet had a field showing "Budgeted Hours per Month" which was mislabeled as the field actually reflects the percentage of time to the OIB ARRA Grant.
  - Lighthouse calculated the percentage of staff time to the OIB ARRA Grant by dividing the OIB ARRA hours by total paid hours, which includes leave time, rather than dividing by the total hours worked. This resulted in the Lighthouse billing personnel costs at a reduced percentage.

Lighthouse had 2 separate timesheets; one for payroll purposes and the other for reporting of time allocated between the various Lighthouse programs. As such, the Lighthouse did not include all pertinent information on each timesheet. Further, Lighthouse was unaware that DOR would pay its share of leave costs by calculating percentage of time using the total hours worked, rather than the total paid hours.

2CFR 230 Appendix B, Compensation for personal services states that, Reports maintained by non-profit organizations must meet the following standards:

- The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (*i.e.*, estimates determined before the services are performed) do not qualify as support for charges to awards.
- Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

- The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee.
- The reports must be prepared at least monthly and must coincide with one or more pay periods.

### **Recommendation**

Lighthouse shall revise the timesheets to ensure compliance with federal requirements. In addition, Lighthouse shall calculate percentage of time billable to the OIB ARRA Grant using the total hours worked, rather than the total paid hours to ensure DOR pays its share of leave time (e.g. vacation, holiday, etc.)

### **OPERATING**

1. Lighthouse invoiced DOR for operating expenses on the OIB ARRA Grant prior to payment being made to the vendor. Specifically:

We found the Interpreters line-item contained an invoice for which the check cleared on 8/5/2010, but was billed to OIB ARRA Grant for the June 2010 billing. The DR337 billing was received by DOR on 8/3/2010, 2 days before the check cleared their bank. Since the Grant is written on a reimbursement basis, the Lighthouse is at risk of not being reimbursed for purchases billed to the Grant that are incurred but not paid.

The OIB Grant #27659A states that Lighthouse shall be reimbursed in arrears.

### **Recommendation**

Lighthouse shall invoice the OIB ARRA Grant for allowable expenses after payment has been made to vendors to ensure compliance with the Grant requirements.