

DEPARTMENT OF REHABILITATION
Independent Living Centers

Common Audit Findings

The following is a list of common audit findings compiled from departmental final audit reports of several Independent Living Centers (ILC) vendors.

Board of Directors

- The Board did not approve the organizational budget prior to the start of the budgeted fiscal year per federal administrative regulations.
- Board minutes are insufficient to support board activities and financial decisions including approval of organizational budgets prior to the start of the fiscal year.

Accounting Systems and Internal Controls

- The policies and procedures contained in organizational manuals and/or handbooks are outdated, inaccurate and/or incomplete resulting in inadequate controls over assets and records.
Examples:
 - All bookkeeping processes are not included in the fiscal/accounting manual.
 - No travel policy or guidance for staff that travel on granted-related business.
- No procurement policies and/or procedures for the purchase of goods and services, to include the requirement for adequate approvals in advance of the purchase.
- The ILC lacked adequate separation of duties when approving reimbursements to staff and board members, to prevent the possibility of unauthorized expenses and the inappropriate use of grant funds. Examples:

- Executive Director (ED) approved their own travel expenses and cellphone bills.
- Board President signed their own mileage reimbursement check.

Grant Purchases/Credit Cards

- The ILC lacked evidence to support prior approvals for grant-related purchases. Proper accounting procedures require an adequate audit trail for purchases including prior approval (P.O.), vendor invoice, and proof of payment (cancelled check/bank statement).
- The ED used the organization's credit card for personal expenses, at their discretion, without pre-approval of the Board.
- The ILC records the credit card company as the payee rather than the vendor where each good or service was purchased.
- Credit card expenses are recorded 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 period that they are incurred.

Grant Billings

- Although the ILC has a federally-approved Cost Allocation Plan (CAP), they are not billing grant expenses consistent with the CAP. Examples:
 - The ILC is allocating and billing direct and indirect grant expenses based on the program's budgeted percentages, i.e., AB204, Assistive Technology (AT), and Title VIIC grants, etc.
- Allowable operating expenses to be paid under the terms of the grant are inaccurately billed on the grant billing. Examples:
 - Per Diem was billed for reimbursement rather than actual costs supported by receipts per the grant.

- Expenses such as conference fees, travel, mileage and memberships are billed to the wrong line item.
 - Full amount of an expense is billed in one month rather than being properly allocated each month, i.e., rent, memberships and publications.
 - Grants are billed for direct expenses incurred by all IL employees rather than only those expenses incurred by employees providing services under a particular grant/program, i.e., AT grant.
- The ED does not review the grant invoices prior to signing and submitting them to DOR, resulting in no assurance that the grant invoices are accurate and expenses are appropriate, reasonable and necessary.

Personnel Expense/Time Reporting

- Personnel Activity Reports (PARS) are not in compliance with federal regulation requiring documentation of an after-the-fact determination of the actual activity of each employee. Budgeted estimates do not qualify as support for charges to grants.
 - Timesheets for IL direct service staff are based on budgeted amounts.
 - Total hours worked are billed to the wrong funding source(s).
- Policies and procedures are insufficient to ensure only the proportion of allowable grant employee benefits costs and employer-paid taxes are billed to the DOR grant/project. Example:
 - Grant employees incorrectly report their leave time to the DOR grant although they worked on other projects.
 - The IL did not bill the actual payroll tax amounts for each grant employee. Instead the ILC prorated the total payroll tax amount for each pay period equally across all employees which may result in an over- or under-billing of employer payroll taxes to a particular funding source.
 - Benefit costs and taxes are calculated based on the allocation of staff budgeted percentages and varied from staff actual expenditures.