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NEWS RELEASE

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FOR RELEASE December 14, 2010

Auditor of State David A. Vaudt today released a report on the Central Iowa Center for Independent Living (CICIL) for the period July 1, 2008 through June 30, 2009. The review was requested by Iowa Vocational Rehabilitation Services (IVRS) as a result of concerns with CICIL's compliance with both the state and federal independent living contracts for funding received through IVRS. In November 2009, IVRS requested CICIL return \$41,038.98 of State and federal grants provided during fiscal year 2009 to the State.

CICIL is 1 of 7 Centers for Independent Living (CILs) which receive State appropriated funding from IVRS. All 7 CILs also receive direct federal funding and 2 of the 7 CILs, including CICIL, receive federal funding passed through IVRS. The CILs promote the full participation of persons with disabilities as equal members of society and provide assistance to all persons, regardless of their disability, to develop the skills necessary for acquiring, maintaining and increasing their independence.

Vaudt reported CICIL did not provide IVRS with sufficient supporting documentation for allocations and reimbursement requests totaling \$38,607.27, including \$35,697.53 of State appropriated funding and \$2,909.74 of Part B federal funds which were passed through IVRS. The \$38,607.27 is comprised of \$29,138.74 of salaries and fringe benefits, \$5,804.53 of travel and meeting expenses, \$2,000.00 for the purchase of assistive technology devices, \$1,577.00 of marketing expenses and \$87.00 for internet service. In addition, Vaudt reported CICIL did not provide supporting documentation during the review beyond the information presented to IVRS. As a result, it was not possible to determine if all funding received was spent for the intended purposes. Therefore, Vaudt determined the \$38,607.27 of allocations and reimbursement requests identified was not in compliance with the contracts.

The supporting documentation provided by CICIL did not comply with the requirements included in the IVRS contracts for both the State appropriated funding and the Part B federal funding. CICIL staff maintained two separate timesheets, one for State appropriated funding and one for Part B federal funding. However, a combined spreadsheet which accounted for total daily hours was not prepared by any CICIL employee, as required by federal regulations. In addition, supporting documentation provided for marketing expenses did not sufficiently detail the goods and/or services received, such as fliers, brochures and seminars.

In addition, Vaudt reported CICIL was not in compliance with Title 34 of the Code of Federal Regulations. A Federal compliance review conducted by the Rehabilitation Services Administration (RSA) Office within the U.S. Department of Education in June 2008 identified the following compliance findings:

- A formal staff development program had not been implemented.
- Of the 10 consumer service records (CSRs) reviewed, none contained all the required documentation.
- Neither annual nor 3-year program and financial planning objectives had been developed.
- A formal cost allocation plan had not been developed or approved.

Vaudt reported CICIL remained in non-compliance with 3 of the 4 areas identified by the RSA when fieldwork was completed in September 2010. A formal cost allocation plan had been developed and approved; however, CICIL had not properly implemented the approved plan. As a result, CICIL was not in compliance with the cost allocation plan.

Vaudt also reported CICIL personnel restricted access to the records to a very limited number of CSRs. In addition, CICIL personnel would not provide the supporting documentation they possessed for the direct federal funding received. If all CSRs and supporting documentation for the direct federal funding had been provided for review, additional concerns or instances of non-compliance may have been identified.

The report includes recommendations to strengthen overall operations for both CICIL and IVRS. Vaudt made recommendations to IVRS to ensure allowability of disbursements is reviewed on a periodic basis during on-site visits and to implement procedures requiring supporting documentation be maintained by the CILs for information submitted to IVRS. In addition, Vaudt recommended IVRS consult legal counsel to determine the mechanism to be used to recover funds from CICIL.

Copies of the report have been filed with Iowa Vocational Rehabilitation Services, the Central Iowa Center for Independent Living and the Attorney General's Office.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1060-2830-BE00.pdf> .

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**A REVIEW OF THE
CENTRAL IOWA CENTER FOR INDEPENDENT LIVING
AS REQUESTED BY
IOWA VOCATIONAL REHABILITATION SERVICES

FOR THE PERIOD
JULY 1, 2008 THROUGH JUNE 30, 2009**

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Auditor of State's Report

To the Director of Iowa
Vocational Rehabilitation Services:

As a result of concerns regarding certain allocations and reimbursements and at your request, we conducted a review of the Central Iowa Center for Independent Living (CICIL). We have applied certain tests and procedures to selected financial transactions of CICIL for the period July 1, 2008 through June 30, 2009. Based on a review of relevant information and discussions with CICIL and Iowa Vocational Rehabilitation Services (IVRS) staff, we performed the following procedures:

- (1) Evaluated internal controls for IVRS and CICIL to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed the contracts between IVRS and CICIL for both State appropriated and federal funds to gain an understanding of the rules and regulations outlined in the contracts.
- (3) Reviewed CICIL's federal monitoring report to determine if any deficiencies were identified and, for deficiencies identified, examined supporting documentation to determine if deficiencies were corrected.
- (4) Examined supporting documentation for certain allocations and reimbursements to determine if expenses, including payroll, were appropriate, properly approved, supported by adequate documentation and in compliance with the specified purpose, rules and regulations outlined in the IVRS contracts.
- (5) Examined supporting documentation for the grant CICIL received through Prairie Meadows to determine the allowability of expenses.

These procedures identified \$38,607.27 of grant funds, including \$35,697.53 of State appropriated funding and \$2,909.74 of Part B federal funds which were passed through IVRS, which CICIL did not spend in compliance with the contracts and was not supported by sufficient documentation. This amount is comprised of \$29,138.74 of salaries and fringe benefits, \$5,804.53 of travel and meeting expenses, \$2,000.00 for the purchase of assistive technology devices, \$1,577.00 of marketing expenses and \$87.00 for internet service.

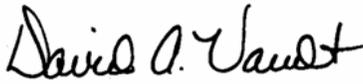
In addition, we determined CICIL was not in compliance with Title 34 of the Code of Federal Regulations. CICIL personnel restricted our access to the records to a very limited number of consumer service records (CSRs). In addition, CICIL personnel would not provide the supporting documentation they possessed for the direct federal funding received. If all CSRs and supporting documentation for the direct federal funding had been provided for review, additional concerns or instances of non-compliance may have been identified. Our detailed findings and recommendations are presented in this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Central Iowa

Center for Independent Living, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with Iowa Vocational Rehabilitation Services, the Central Iowa Center for Independent Living and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of Iowa Vocational Rehabilitation Services and the Central Iowa Center for Independent Living during the course of this review.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 16, 2010

A Review of the
Central Iowa Center for Independent Living
as Requested by
Iowa Vocational Rehabilitation Services

Review Summary

Background Information

The Central Iowa Center for Independent Living (CICIL) is 1 of 7 Centers for Independent Living (CILs) which receive State appropriated funding from Iowa Vocational Rehabilitation Services (IVRS). All 7 CILs also receive direct federal funding and 2 of the 7 CILs, including CICIL, receive federal funding passed through IVRS. The CILs promote the full participation of persons with disabilities as equal members of society and provide assistance to all persons, regardless of their disability, to develop the skills necessary for acquiring, maintaining and increasing their independence.

CICIL is a non-profit organization, governed by a 6-member Board of Directors, established in 1990 to provide peer support, skills training and advocacy for individuals with disabilities in Boone, Dallas, Jasper, Madison, Polk, Story and Warren Counties. In addition, CICIL shares information regarding the types of assistance available to individuals with disabilities and provides referrals to other organizations which may be able to meet individuals' needs if CICIL cannot. During the period of our review, CICIL employed 5 individuals, including Robert Jeppesen as Executive Director and Frank Strong as Associate Director. Volunteers are also used when the volume of work warrants it.

CICIL is funded primarily through grants received from the federal government, IVRS and Prairie Meadows, as well as private donations. Federal funding is provided to CICIL under Title VII, Chapter 1, of the Rehabilitation Act of 1973. There are 2 funding streams under that Chapter, including Part C which CICIL receives directly from the federal government and Part B which is received by IVRS and disbursed to all CILs. Because IVRS is the administering agency for the Part B federal funds, it is responsible for monitoring the use of those funds to ensure compliance with both state and federal regulations.

Prior to July 2008, IVRS did not establish or maintain formal contracts with the CILs for the State appropriated and federal funding provided. However, in July 2008, IVRS established formal contracts with the CILs, including CICIL, for both Part B federal funds and State appropriated funds for services to be provided to individuals with disabilities. According to the fiscal year 2009 contract for Part B federal funds, the grant was on a reimbursement basis, with CICIL receiving \$7,821.00 for salaries, benefits and travel expenses associated with assisting in the establishment of a CIL in Dubuque, Iowa.

The contract for State appropriated funds totaled \$36,893.00 to be provided to CICIL in 4 equal payments at the beginning of each quarter of fiscal year 2009. CICIL was to use the funding to inform consumers within the counties served of the services available through CICIL and provide them with examples of low-cost assistive devices which would enable them to continue to live independently to the extent possible. According to the contract, CICIL budgeted \$26,316.00 for personnel expenses, \$6,000.00 for travel and meeting expenses, \$2,577.00 for marketing expenses and \$2,000.00 for the purchase of assistive technology devices (ATDs).

The general terms of both contracts specified CICIL would only be reimbursed for allowable expenses in accordance with federal regulations. In addition, adequate supporting documentation was to be maintained for all expenses, including sufficient information to allow IVRS to verify the mathematical accuracy of all expenses. Both contracts also specified the following documentation requirements:

- Payroll and fringe benefits were to be supported with time sheets and payroll journals. The documentation maintained was to include salaries, taxes, insurance and retirement account contributions.

- For travel costs:
 - In-state meals were to be reimbursed at a maximum of \$48.00 per day for 3 meals (i.e., breakfast at \$8.00, lunch at \$12.00 and dinner at \$28.00). In addition, departure and arrival times were to be documented on the travel logs.
 - Staff residing outside of the designated meeting site were to provide a receipt for lodging expenses. Staff were also to provide receipts for expenses such as registration fees, airfare, taxi fares, parking fees and car rentals.
 - All out-of-state travel requests were to be submitted to IVRS at least 2 months prior to the anticipated travel date.
 - The number of miles driven was to be documented on a mileage log, with actual miles reimbursed up to \$0.39 per mile.
- Rent expense was to be supported by an invoice or lease agreement.
- All other expenses, including but not limited to, postage, telephone, cell phone, utilities, supplies, printing, meeting expenses, equipment and professional development, were to be supported by sufficient documentation.

The general terms of the contracts also stated if any of the above requirements were not complied with, the reimbursement request would be denied by IVRS.

During fiscal year 2009, IVRS repeatedly requested CICIL provide supporting documentation for its use of State appropriated and federal funding. However, CICIL failed to comply with IVRS' request. As a result, on June 9, 2009, IVRS personnel conducted an on-site visit to obtain the supporting documentation requested. However, CICIL would not provide any information to the IVRS representatives. Because CICIL had not provided sufficient supporting documentation, in early November 2009, IVRS requested CICIL return \$36,893.00 of State appropriated funding and \$4,145.98 of federal funding within 30 days of the date of the letter. Repayment was not received from CICIL.

On December 5, 2009, IVRS requested CICIL submit additional information to substantiate reimbursements requested under the Part B federal contract and the allocations provided under the State contract. Although CICIL provided additional documentation, IVRS determined the additional information received from CICIL was not sufficient. A significant portion of the documentation provided related to a grant received through Prairie Meadows. In addition, according to an IVRS representative, it appeared CICIL had not used the funding for the purposes intended.

On December 22, 2009, IVRS again contacted CICIL requesting proper supporting documentation for the disbursements included on the reimbursement requests submitted. IVRS informed CICIL the documentation needed to be reviewed prior to issuing the reimbursements. However, IVRS issued 1 of the 2 most recent reimbursements without receiving sufficient supporting documentation. According to an IVRS representative, the reimbursement request should not have been approved and IVRS is requesting the funding be returned on the basis of lack of adequate supporting documentation. IVRS also identified concerns resulting from a compliance review performed by the Rehabilitation Services Administration Office (RSA) within the U.S. Department of Education conducted in June 2008.

On January 4, 2010, as a result of the concerns identified, IVRS requested the Office of Auditor of State conduct a review of certain allocations and reimbursements issued to CICIL. We performed the procedures detailed in the Auditor of State's Report for the period July 1, 2008 through June 30, 2009. When we began fieldwork in early February 2010, CICIL personnel would not allow full access to the records needed. As a result, performance of fieldwork was delayed. After legal counsel for both IVRS and CICIL were consulted, we resumed our procedures at the end of June 2010.

Detailed Findings

These procedures identified \$38,607.27 of grant funds, including \$35,697.53 of State appropriated funding and \$2,909.74 of Part B federal funds which were passed through IVRS, which CICIL did not spend in compliance with the contracts and was not supported by sufficient documentation. This amount is comprised of \$29,138.74 of salaries and fringe benefits, \$5,804.53 of travel and meeting expenses, \$2,000.00 for the purchase of ATDs, \$1,577.00 of marketing expenses and \$87.00 for internet service.

In addition, we determined CICIL was not in compliance with Title 34 of the Code of Federal Regulations. A Federal compliance review conducted by the RSA in June 2008 identified the following compliance findings:

- A formal staff development program had not been implemented.
- Of the 10 consumer service records (CSRs) reviewed, none contained all the required documentation.
- Neither annual nor 3-year program and financial planning objectives had been developed.
- A formal cost allocation plan had not been developed or approved.

We also reviewed CICIL's compliance with the federal regulations and determined CICIL remained in non-compliance with 3 of the 4 areas identified by the RSA at the time fieldwork was completed in September 2010. CICIL personnel restricted our access to the records to a very limited number of CSRs. In addition, CICIL personnel would not provide the supporting documentation they possessed for the direct federal funding received. If all CSRs and supporting documentation for the direct federal funding had been provided for review, additional concerns or instances of non-compliance may have been identified. A detailed explanation of each finding is included in the following paragraphs.

CONTRACTUAL COMPLIANCE

As previously stated, CICIL is funded primarily through grants received from the federal government, IVRS and Prairie Meadows, as well as private donations. Federal funding is provided to CICIL under Title VII, Chapter 1, of the Rehabilitation Act of 1973. Part B funding within that Chapter is received by IVRS and disbursed to all CILs. In addition to Part B funding, CICIL received State appropriated funding from IVRS. Both contracts are discussed in more detail below.

State Appropriated Funding

CICIL contracted with IVRS to receive State appropriated funding in the amount of \$36,893.00 for the period July 1, 2008 through June 30, 2009. According to an IVRS representative, CICIL received payments of \$9,223.25 at the beginning of each quarter. However, IVRS did not require CICIL provide supporting documentation at the end of each quarter to ensure the funding was spent for the intended purpose and in compliance with the rules and regulations specified in the contract. According to a CICIL representative, the entire \$36,893.00 received from IVRS was spent.

The contract between CICIL and IVRS stated the purpose of the funding was to inform consumers within the counties served of the services available through CICIL and provide them with examples of low-cost ATDs which would enable them to continue to live independently to the extent possible. In addition, the contract identified 3 specific measures and outcomes to be achieved by CICIL as a result of receiving the State appropriated funding, including:

- Informing at least 50 individuals in the outlying communities, as well as 6 service providers, of the existence of CICIL and the services it provides.

- Forming a working relationship between CICIL and at least 6 agencies and/or providers of service which will result in an increase of at least 25 individuals being served as a result of cross referrals.
- Providing at least 25 individuals with their choice of low-cost ATDs to allow increased independence in their lives.

As previously stated, the State contract also included a detailed list of documentation requirements. As part of our review, we examined all available supporting documentation for the budgeted expenses specified in the contract. As a result, we determined CICIL maintains a spreadsheet of expenses; however, all funding sources are commingled and expenses are not tracked by funding source. Therefore, we requested supporting documentation or prepared reports for the Part C direct federal funding to ensure expenses were properly allocated. However, CICIL personnel stated they would not provide any documentation for the Part C direct federal funding because we were not representatives of the federal government.

While reviewing the supporting documentation CICIL personnel did provide, we also determined, although CICIL has contracted to have monthly bank reconciliations completed, a CICIL employee does not review or approve the bank reconciliations prepared.

Table 1 summarizes the budget categories and amounts approved in the State contract, as well as the actual expenses of CICIL in each category, the difference and the non-compliant expenses. As illustrated by the **Table**, CICIL overspent the State contract. However, as previously stated, CICIL does not track funding sources separately. Therefore, we are unable to determine the funding source used for the \$2,018.47 spent over the budgeted amount. The non-compliant expenses in each category will be explained in further detail in the following paragraphs.

Budget Category	Budgeted Amount	Actual Expenses	Difference	Non-Compliant Expenses
Personnel	\$ 26,316.00	26,316.00	-	26,316.00
Travel and meeting expenses	6,000.00	195.47	5,804.53	5,804.53
Marketing	2,577.00	10,400.00	(7,823.00)	1,577.00
ATDs	2,000.00	2,000.00	-	2,000.00
Total	\$ 36,893.00	38,911.47	(2,018.47)	35,697.53

Personnel – As previously stated, payroll and fringe benefits were to be supported with time sheets and payroll journals. However, the time sheets provided to IVRS only included the hours CICIL employees spent on the State appropriated contract and did not include a full accounting of total daily hours, as required by federal regulations to ensure complete and accurate reporting of time spent by each employee. During our review, CICIL was not able to provide any documentation other than the time sheets given to IVRS for the period July 1, 2008 through June 30, 2009.

In addition, sufficient supporting documentation was not provided to IVRS for the percentage used to calculate fringe benefits. During our review, CICIL provided payroll journals, which included the fringe benefit amounts for each employee. However, the amounts recorded did not support the calculation of the fringe benefits percentage used by CICIL. According to a CICIL representative, she could not remember how the percentage was calculated and could not recalculate the percentage used. As a result, we are unable to verify the accuracy of the percentage and the fringe benefits calculated.

Because proper time sheets and payroll journals supporting the fringe benefits calculation were not available, we determined the entire \$26,316.00 of personnel expenses is not in compliance with the State contract.

Beginning in October 2009, CICIL implemented new time sheets which comply with both state and federal regulations. A comprehensive list of all projects and daily total work hours are included on the form.

Travel and Meeting Expenses – Based on a review of the available supporting documentation, 3 meetings were scheduled at which ATDs were to be provided to individuals with disabilities. The 3 scheduled meetings occurred in Adel (Dallas County), Boone (Boone County) and Ames (Story County). **Table 2** summarizes the related mileage and additional meeting expenses submitted to IVRS by date.

Date	Destination	Description	Cost	Mileage*	Total
01/22/09	Adel (68 miles)	Courier Service – Retrieval of Equipment [^]	\$ 23.50	26.52	50.02
02/05/09	Boone (99.5 miles)	Guide Service	41.25	38.81	80.06
		Dinner at Dairy Queen	5.97	-	5.97
02/19/09	Ames (76 miles)	Guide Service	29.78	29.64	59.42
Total			\$ 100.50	94.97	195.47

* - Mileage rate is \$0.39 per mile.

[^] - Invoice date was 02/05/09.

We did not identify any concerns related to the mileage or additional meeting expenses claimed for the 3 meetings held. As illustrated by the **Table**, the travel and meeting expenses claimed by CICIL totaled \$195.47, consisting of \$94.97 for mileage and \$100.50 for additional meeting expenses. Supporting documentation for the remaining \$5,804.53 of travel and meeting expenses was not provided to IVRS.

As previously stated, we determined CICIL maintains a spreadsheet of expenses; however, all funding sources are commingled and expenses are not tracked by funding source. According to CICIL representatives, the entire \$6,000.00 budgeted for travel and meeting expenses was spent. However, CICIL personnel were unable to provide supporting documentation showing the remaining \$5,804.53 was spent for the purpose budgeted.

In addition, according to a representative of IVRS, CICIL is not allowed to reallocate the funding to another budgeted area, such as personnel expenses or marketing, without an approved contract amendment. However, no contract amendments were submitted to or approved by IVRS for the fiscal year 2009 State contract. Because supporting documentation was not available and no contract amendments were approved, we determined the remaining \$5,804.53 of travel and meeting expenses is not in compliance with the State contract.

Marketing – CICIL provided IVRS with a project summary developed by an independent contractor, Patria Company (Patria), hired by CICIL to provide marketing services, as well as several Patria invoices. During our review, CICIL was unable to provide supporting documentation beyond that given to IVRS.

According to the project summary provided by CICIL, the project was originally presented as a need to extend CICIL's public awareness to outlying counties. Therefore, a website was created for the purpose of enabling leaders, support personnel and clients/consumers to have a dedicated on-line location to interact, learn and participate in peer-to-peer communication. In addition, CICIL attempted to organize 6 county rallies to be sponsored by area businesses. However, the first 3 rallies held in Adel, Boone and Ames, respectively, did not have any attendees. As a result, the marketing focus became providing outreach services.

In addition to the project summary, we reviewed 26 invoices totaling \$10,400.00 from Patria. However, 17 of the 26 invoices, totaling \$6,800.00, did not contain sufficient description of the services provided. As a result, it is not possible to determine if they were allowable under the State contract. Of the 9 invoices containing more detail for the goods and/or services provided to CICIL, 4 were for website development at a cost of \$1,600.00. The other 5 were for networking expenses at a cost of \$1,000.00 and seminar development and execution expenses at a cost of \$1,000.00. Based on discussions with a representative of IVRS and a review of the project summary, website development is not considered allowable under the State contract. In addition, the invoices did not sufficiently detail the goods and/or services provided to CICIL for the networking expenses. As a result, it is not possible to determine if they were allowable under the State contract. However, seminar development and execution was an allowable use of the funding. Therefore, of the \$10,400.00 spent on marketing, only \$1,000.00 is considered an allowable use of the funds.

In addition, as previously stated, CICIL is not allowed to reallocate funding from a budgeted area without an approved contract amendment. However, no contract amendments were submitted to or approved by IVRS for the fiscal year 2009 State contract. Because only \$1,000.00 was considered an allowable use of funds and no contract amendments were approved, we determined the remaining budgeted amount of \$1,577.00 for marketing expenses is not in compliance with the State contract.

ATDs – CICIL did not provide any supporting documentation to IVRS regarding the ATDs. During our review, CICIL also did not provide supporting documentation for these purchases. However, we were provided a narrative written by a CICIL representative stating low-cost ATDs, which were to be used as a token of appreciation for attendees of the regional informational meetings, were neither purchased nor delivered because there were no attendees at the 3 meetings held.

Based on our discussions with a CICIL representative, the State appropriated funding was used to provide outreach services. However, according to IVRS representatives, the purpose of the State contract was to provide ATDs to those in need rather than outreach services. In addition, as previously stated, CICIL was not allowed to reallocate the funding to another budgeted area without an approved contract amendment. As a result, we determined the \$2,000.00 was not spent in accordance with the State contract.

Measures and Outcomes – As previously stated, the State contract identified 3 specific measures and outcomes to be achieved. However, because supporting documentation was not available, we were unable to determine if at least 50 individuals were provided information about CICIL or if an increase of 25 individuals served was achieved. In addition, CICIL did not purchase any ATDs. As a result, we determined CICIL did not comply with the requirements of the State contract.

Overall Results – Because CICIL was unable to provide supporting documentation and did not expend a portion of the funding for the purposes specified in the State contract, we determined \$35,697.53 of the \$36,893.00 in State funding received by CICIL was not in compliance with the State contract.

Part B Federal Funding

On October 15, 2008, CICIL contracted with IVRS to receive Part B federal funds in the amount of \$7,821.00 for the period October 1, 2008 through September 30, 2009. According to the contract, CICIL was to provide assistance with the establishment of a CIL in Dubuque, Iowa. However, specific measures and outcomes were not defined; therefore, we are unable to determine if CICIL fulfilled IVRS' expectations. According to the individual who was to become the director of the new CIL, Mr. Jeppesen and Mr. Strong traveled to Dubuque to give presentations to both the community and potential board members. As of the date of this report, the Dubuque CIL had not yet been funded and was not operational.

According to an IVRS representative, the payments under this contract were issued on a reimbursement basis and CICIL submitted a monthly reimbursement request. In addition, supporting documentation was required to be submitted and reviewed and approved by IVRS. We identified 1 payment totaling \$4,145.98 issued to CICIL in March 2009 for reimbursement of expenses for October through December 2008. According to an IVRS representative, CICIL submitted a second reimbursement request in July 2009 for \$3,300.77 for January through March 2009 expenses. However, IVRS was advised by legal counsel not to issue the reimbursement. **Table 3** summarizes the March 2009 payment by amount.

Table 3

Per Reimbursement Request		Per Supporting Documentation	
Budget Category	Amount	Vendor	Description
Salaries and fringe benefits	\$ 2,822.74	-	-
Equipment	430.99	TigerDirect.com	NEG NP100 2000 Lumens SVGA DLP Projector
Meeting expenses	386.80	Holiday Inn	Rental of banquet room and food for Dubuque Disability Advocates meeting November 18, 2008
Transportation	163.80	**	<i>Mileage to Dubuque (420 miles @ \$0.39)</i>
Lodging	112.00	**	<i>Lodging for Mr. Jeppesen and Mr. Strong at the Holiday Inn</i>
Wireless internet	87.00	Freese Notis	Internet charges for September through November
Per diem food	70.94	**	<i>Breakfast, lunch and supper for Mr. Jeppesen and Mr. Strong</i>
Telephone expenses	52.71	USBI	Telephone calls to Dubuque for September through November
Accommodations	19.00	CICIL	Copies of training materials for Dubuque Disability Advocates meeting
Total	<u>\$ 4,145.98</u>		

** - Included on travel claims submitted to and paid by CICIL for Mr. Jeppesen and Mr. Strong.

Note: Items in italics added by auditor.

Personnel – Of the \$7,821.00 awarded to CICIL, \$5,674.00 was budgeted for personnel expenses. As previously stated, payroll and fringe benefits were to be supported with time sheets and payroll journals. However, the time sheets provided to IVRS only included the hours CICIL employees spent on the Part B federal contract and did not include a full accounting of total daily hours, as required by federal regulations. During our review, CICIL did not provide additional documentation beyond the time sheets given to IVRS.

In addition, sufficient supporting documentation was not provided to IVRS for the percentage used to calculate fringe benefits. During our review, CICIL provided payroll journals, which included the fringe benefit amounts for each employee. However, the amounts recorded did not support the calculation of the fringe benefits percentage used by CICIL. According to a CICIL representative, she could not remember how the percentage was calculated and could not recalculate the percentage used. As a result, we are unable to verify the accuracy of the percentage and the fringe benefits calculated.

Because proper time sheets and payroll journals supporting the fringe benefits calculation were not provided, we determined the \$2,822.74 of salaries and fringe benefits listed in **Table 3** is not in compliance with the Part B federal contract.

As previously stated, beginning in October 2009, CICIL implemented new time sheets which comply with both the state and federal regulations. A comprehensive list of all projects and daily total work hours are included on the form.

Other Expenses – Other expenses budgeted for \$2,147.00 in the Part B federal contract included equipment, transportation, meeting expenses and lodging. We reviewed the available supporting documentation for reasonableness. As illustrated by **Table 3**, CICIL claimed \$87.00 for 3 months of wireless internet service. However, according to an IVRS representative, this was not an

appropriate use of the funding. Based on a review of supporting documentation, the \$87.00 was the monthly office cost for wireless internet service. In addition, because the purpose of the contract was to assist with the establishment of a CIL in Dubuque, Iowa, IVRS personnel did not see a legitimate need for wireless internet service under the Part B federal contract.

During our review of the budget, we determined wireless internet had been budgeted at \$87.00. Further review showed the original budget had not included an amount for this expense. However, after CICIL personnel submitted the reimbursement request, CICIL and IVRS personnel mutually agreed to amend the budget to include this expense. Because it does not meet the purpose specified in the contract, IVRS personnel should not have amended the budget for this expense. Therefore, the \$87.00 wireless internet expense is considered unallowable.

The remaining expenses were considered appropriate based on the Part B federal contract.

Overall Results – Because CICIL did not provide supporting documentation and a portion of the funding was spent on an unallowable expense, we determined \$2,909.74 of the \$4,145.98 of Part B federal funding received by CICIL was not in compliance with the Part B federal contract. **Table 4** summarizes the budget categories and amounts approved in the Part B federal contract, as well as the amount claimed by CICIL in each category, the difference and the non-compliant expenses.

Table 4

Budget Category	Budgeted Amount**	Amount Claimed^	Difference	Non-Compliant Expenses
Salaries and fringe benefits	\$ 5,674.00	2,822.74	2,851.26	2,822.74
Equipment	430.99	430.99	-	-
Transportation	612.00	163.80	448.20	-
Meeting expenses	386.80	386.80	-	-
Lodging	333.00	112.00	221.00	-
Per diem food	160.00	70.94	89.06	-
Wireless internet	87.00	87.00	-	87.00
Accommodations	84.50	19.00	65.50	-
Phone expense	52.71	52.71	-	-
Total	\$ 7,821.00	4,145.98	3,675.02	2,909.74

** - As amended.

^ - Does not include the second reimbursement request of \$3,300.77 which was not funded by IVRS.

As previously stated, during our review of supporting documentation, we identified e-mail correspondence between IVRS and CICIL in March 2009 discussing amendments to the original budget. Specifically, categories which had not been included previously were budgeted to match the amount actually spent by CICIL. **Table 5** summarizes the budget categories which were amended, including the original budget amount and the amended budget amount.

Table 5

Budget Category	Original Budget	Amended Budget	Difference
Salaries and fringe benefits	\$ 5,866.00	5,674.00	(192.00)
Equipment	600.00	430.99	(169.01)
Meeting expenses	250.00	386.80	136.80
Wireless internet	-	87.00	87.00
Accommodations	-	84.50	84.50
Phone expense	-	52.71	52.71
Total	\$ 6,716.00	6,716.00	-

The final amendment was approved on March 18, 2009, which was 1 day before IVRS approved the \$4,145.98 reimbursement request submitted by CICIL.

FEDERAL COMPLIANCE

As previously stated, the RSA conducted a compliance review of CICIL in June 2008 and identified 4 compliance findings. CICIL was to develop a corrective action plan (CAP) identifying the specific steps CICIL had taken or intended to take to resolve the findings. Because IVRS administers the Part B federal funding and is responsible for monitoring compliance, IVRS requested we review the 4 compliance findings identified by RSA to determine if CICIL had taken the appropriate steps to resolve the findings. A detailed explanation of each compliance finding is included in the following paragraphs.

Staff Development – According to section 364.24 within Title 34 of the Code of Federal Regulations (CFRs), a State plan must assure providers establish and maintain a program of staff development for all classes of positions involved in providing independent living services. The staff development program must emphasize improving the skills of staff directly responsible for the provision of independent living services, including knowledge of and practice in the independent living philosophy.

During RSA's compliance review, CICIL had not implemented a formal staff development program. According to the CAP developed by CICIL, its staff was currently receiving regular staff development training and information on both unserved and underserved populations. In addition, a training needs assessment was being developed with a specific time for each staff member to receive job related training, which would be documented in the staff member's annual reviews and personnel records. CICIL also intended to develop a training schedule to be implemented by January 1, 2010 which would be appropriate for each employee's individual position and training needs.

During our review, Mr. Jeppesen informed us Mr. Strong is responsible for staff development. We attempted to discuss with Mr. Strong what, if any, documentation was available for training provided or scheduled to be provided to CICIL staff. However, Mr. Strong stated because we were not conducting a "federal audit" and were not from the federal government, he would not provide the information requested. We informed Mr. Strong the "Records Retention and Access" section of the Part B federal contract specifically stated the Auditor of State is to have access to the records regarding staff development. Mr. Strong replied he did not maintain any such documentation. Prior to the end of fieldwork, Mr. Strong was again asked if any supporting documentation was available for staff development. He did not reply and walked out of the meeting.

Because appropriate supporting documentation was not available and CICIL personnel did not provide any additional information, we determined CICIL is not in compliance with Title 34 of the CFRs, section 364.24.

CSRs – According to section 364.53 within Title 34 of the CFRs, providers must maintain a CSR for each applicant for independent living service and each individual receiving independent living services, including:

- documentation concerning eligibility or ineligibility for services,
- the services requested by the individual,
- either the independent living plan developed with the individual or a waiver signed by the individual stating an independent living plan is unnecessary,
- the services provided to the individual and
- the independent living goals and objectives, both established and achieved.

A CSR may be maintained either electronically or in written form, but the independent living plan or waiver must be in writing.

During RSA's compliance review, it determined CICIL had not met the requirements specified in the CFRs. RSA examined 10 CSRs and found none contained the required documentation. CICIL responded it revised the CSR used to include all the necessary requirements. In addition, according to the CAP developed by CICIL, the independent living plans and CSR had been reviewed and revised to include a waiver which could be implemented under the direction of the individual applying for services. The CAP further stated the revised application has an eligibility determination.

During our review, we were initially only allowed to examine 5 CSRs to determine if CICIL was in compliance with the CFRs. Of the 5 CSRs reviewed, we identified the following:

- 1 CSR did not contain an independent living plan or waiver,
- 1 CSR contained an independent living plan or waiver, but the plan or waiver was not complete and
- 2 CSRs did not have any documentation of services provided.

We requested additional CSRs, but CICIL refused to provide additional CSRs for our review. After several months of communication between legal counsel for CICIL and IVRS, we were allowed to review 7 additional CSRs; however, the 7 CSRs provided were for individuals requesting assistance under a \$10,000.00 grant received from Prairie Meadows and not Part B federal funding. Of the 7 CSRs reviewed, we identified 1 CSR which contained an independent living plan or waiver which was not complete. Additional details about the Prairie Meadows grant are provided later in the "Additional Information" section of this report.

As a result of the discrepancies identified, we determined CICIL is not in compliance with Title 34 of the CFRs, section 364.53.

Assurances for Centers – According to section 366.50(d) within Title 34 of the CFRs, the funding recipient is to establish clear priorities through annual and 3-year program and financial planning objectives, including establishment of goals or a mission. During RSA's compliance review, it determined CICIL had not met the requirements specified in the CFRs. CICIL had not established either annual or 3-year program and financial planning objectives.

During our review, we were provided a draft copy of CICIL's annual work plan which had not yet been approved by the Board. In addition, based on our discussion with Mr. Jeppesen, a 3-year plan had not yet been developed. Therefore, at the completion of fieldwork in September 2010, CICIL remained in non-compliance with Title 34 of the CFRs, section 366.50(d).

Cost Allocation Plan – According to Circular A-122, "Cost Principles for Non-Profit Organizations," established by the U. S. Office of Management and Budget (OMB), grantees are required to develop and implement a cost allocation plan or indirect cost rate approved by the U.S. Department of Education to ensure administrative costs are distributed among the grantees' various funding sources in an equitable manner. During RSA's compliance review, CICIL did not have an approved cost allocation plan or indirect cost rate. However, indirect costs were being allocated to Part C federal funding. Therefore, CICIL was not in compliance with federal regulations.

According to the CAP developed by CICIL, the cost allocation plan has now been reviewed and approved by the U.S Department of Education and CICIL has implemented the cost allocation plan as approved. During our review, we examined CICIL's approved cost allocation plan. According to the cost allocation plan, direct costs are those which can be identified with a specific funding source. However, as previously stated, we determined funding sources are not tracked separately to ensure expenses incurred are allowable under a specific funding source. Therefore, CICIL is not in compliance with the approved cost allocation plan. In addition, we are unable to determine the allowability of all expenses.

ADDITIONAL INFORMATION

As previously stated, CICIL received a \$10,000.00 grant from Prairie Meadows for the period December 31, 2008 through October 23, 2009. According to the grant agreement, the funding was to be used to provide computers to those in need for uses such as job searches, education, socialization or recreation.

During our review, we examined 5 invoices to determine if the grant disbursements were properly supported and were for allowable expenses. According to the invoices, CICIL purchased 15 computers, 15 anti-virus software programs and 15 ink jet printers at a cost of \$9,554.40. The remaining \$445.60 was spent on the reservation of a conference room and food and beverages to honor all applicants and provide the computers and printers to the winning applicants. Therefore, we determined the grant disbursements were properly supported and were for allowable expenses.

Recommended Control Procedures

As part of our review, we reviewed the procedures used by Iowa Vocational Rehabilitation Services and the Central Iowa Center for Independent Living to process revenues and expenses. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check of those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen internal controls and ensure compliance with contract requirements at both IVRS and CICIL.

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The Office Coordinator for CICIL has control over the collecting and posting of receipts, deposit preparation and depositing without compensating controls.

In addition, the Executive Director of CICIL has control over both check preparation and signing without compensating controls.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the duties within each function listed above should be segregated between appropriate CICIL staff and/or Board members. In addition, parties independent of other financial responsibilities should periodically review the financial records, review reconciliations and examine supporting documentation for the accounting records.

- B. Contractual Compliance – Beginning in July 2008, IVRS implemented formal contracts with the CILs to provide services for disabled individuals. During fiscal year 2009, IVRS contracted with CICIL; however, CICIL did not comply with its contractual obligations.

The State contract identified 3 specific measures and outcomes. However, because supporting documentation was not provided, we are unable to determine if at least 50 individuals were provided information about CICIL or if an increase of 25 individuals served was achieved. In addition, CICIL did not purchase any ATDs, as required by the State contract.

In addition, the Part B federal contract did not contain specific measures and outcomes; therefore, it is not possible to determine if CICIL fulfilled the expectations of the contract.

Recommendation – CICIL should implement procedures to ensure all State and federal contract requirements are satisfied. In addition, sufficient supporting documentation should be maintained to ensure any monitoring reviews are able to determine compliance.

IVRS should implement procedures to ensure the CILs comply with all requirements and obligations specified in the contracts. Specifically, IVRS should ensure all contracts contain specific measures and outcomes and those measures and outcomes have been achieved by the CILs.

- C. Contract Budgets – Both the State contract and the Part B federal contract included a detailed budget for the funding awarded. CICIL is not allowed to reallocate funding from one budget category to another without an approved budget amendment from IVRS. However, for the State contract, CICIL reallocated funding not spent on ATDs to the marketing category without obtaining an approved amendment from IVRS.

In addition, for the Part B federal contract, CICIL and IVRS amended the budget after the first reimbursement request had been submitted to match the budget to actual amounts and add budget categories which had not been previously approved.

Recommendation – CICIL should implement procedures to ensure funding is used for allowable purposes and expenses do not exceed the amount budgeted. In addition, CICIL should monitor the budgets for each funding source to allow sufficient time to request a budget amendment prior to spending the funds, if necessary.

IVRS should implement procedures to ensure the CILs comply with the budget established in the contract. If revisions are necessary, a budget amendment should be prepared and approved prior to the expense of funds.

- D. Allowability of Expenses – It is the responsibility of IVRS to monitor the use of funds provided to CILs for compliance with State and federal regulations. However, on-site reviews conducted by IVRS do not address whether expenses, including payroll, meet the intended purposes specified in the contracts.

In addition, we identified \$38,607.27 of expenses reimbursed to CICIL by IVRS which were not in compliance with State and federal regulations.

Recommendation – CICIL should implement procedures to ensure all funding is spent for allowable purposes in accordance with the State and/or federal contract.

IVRS should implement procedures to ensure the allowability of expenses, including payroll, is reviewed on a periodic basis during on-site visits. In addition, IVRS should consult with legal counsel to determine the mechanism to be used to recover funds from CICIL.

- E. Federal Compliance – A Federal compliance review was performed at CICIL in June 2008 which resulted in 4 findings. During our review, we determined CICIL was not in compliance with Title 34 of the CFRs, as follows:

- (1) Staff development was not properly documented.
- (2) Proper documentation was not maintained for CSRs, such as documentation of the services provided and independent living plans or waivers of such.
- (3) Annual and 3-year program and financial planning objectives were not developed and approved.

In addition, although CICIL has an approved cost allocation plan, the accounting system used by CICIL does not track expenses by funding source. Therefore, CICIL cannot ensure direct or indirect costs are allocated appropriately.

Recommendation – CICIL should implement procedures to ensure compliance with Federal regulations is maintained. In addition, CICIL should maintain an accounting system which tracks expenses by funding source to ensure funding is spent in accordance with the purpose, rules and regulations specified in both State and federal contracts.

- F. Access to Records – Both the State and Part B federal contract contain a clause specifying the Auditor of State is to have access to the records. During our fieldwork, we requested CICIL provide the CSRs maintained for each applicant during the period under review. However, CICIL personnel restricted our access to the CSRs to a very limited number.

In addition, because CICIL does not maintain an accounting system which tracks expenses by funding source, we requested all supporting documentation related to the Part C direct federal funding received by CICIL. However, CICIL personnel stated

because we were not representatives of the federal government, no documentation would be provided.

Recommendation – CICIL should implement procedures to ensure all employees are aware of the contract requirements and access to records is allowed for all authorized personnel. If access is restricted to a portion of the records, it is not possible to determine all expenses are in compliance with the contracts governing the funding.

- G. Supporting Documentation – During our review of CICIL’s expenses for the period July 1, 2008 through June 30, 2009, we determined CICIL did not maintain sufficient supporting documentation for payroll and fringe benefits. Timesheets prepared only included time CICIL employees spent on each contract and did not account for total daily hours. In addition, payroll journals provided did not support the calculation of the fringe benefits percentage used by CICIL.

As previously stated, beginning in October 2009, CICIL implemented new time sheets which comply with both State and federal regulations.

Recommendation – CICIL should implement procedures to ensure sufficient supporting documentation is maintained for all expenses. In addition, CICIL should ensure the payroll journals maintained have sufficient detail to support the calculation of the fringe benefits percentage.

IVRS should implement procedures to ensure the CILs provide sufficient supporting documentation for all expenses, including payroll. In addition, IVRS should conduct a detailed review prior to approving reimbursement requests to ensure all expenses claimed are allowable under the applicable contract.

- H. Reimbursement Requests – For the Part B federal contract, CICIL was to submit a monthly reimbursement request. However, based on a review of available documentation, CICIL submitted quarterly reimbursement requests. In addition, the reimbursement request for January through March 2009 expenses was not submitted until July 2009.

Recommendation – CICIL should implement procedures to ensure required documentation is submitted in a timely manner and in accordance with the requirements of the contract.

IVRS should implement procedures to ensure requests for reimbursement are submitted in a timely manner and in accordance with the requirements of the contract.

- I. Bank Reconciliations – During our review, we determined CICIL hired another company to prepare monthly bank reconciliations. However, a CICIL employee does not review or approve the monthly bank reconciliations prepared.

Recommendation – CICIL should implement procedures to ensure a CICIL employee independent from the accounting records reviews and approves the monthly bank reconciliations prepared by the outside firm.

A Review of the
Central Iowa Center for Independent Living
Staff

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