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Kate Brown, Secretary of State

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Secretary of State Audit Report

Oregon Commission for the Blind: Actions Needed to Ensure Funds Are Used for Client Purposes, Expenditures Are Controlled, and Assets Are Protected

Summary

PURPOSE

The Oregon Commission for the Blind (commission) provides important services to blind and visually impaired Oregonians that enable them to live and work independently.

In March 2007, the Audits Division received allegations that the commission had mismanaged operations and misused funds intended for clients. Our initial review of these matters substantiated several of the allegations and disclosed problems similar to those reported in previous audits of the commission. As a result, we expanded the scope of our audit to determine whether the commission had ensured resources were used for client purposes, expenditures were controlled and assets were adequately protected.

RESULTS IN BRIEF

We found instances in which the commission did not use funds for client purposes. Specifically, the commission used approximately $61,000 of public funds for purposes that did not always benefit clients and, in some cases, were not allowed by federal regulations. Furthermore, the commission made some business decisions with little regard for established purchasing and planning processes and did not always ensure client purchases were necessary and reasonable. As a result, we question whether $1.4 million of additional public funds were used prudently. Finally, we found that due to internal control weaknesses, state assets were not always adequately protected.

These findings demonstrate that the commission should improve its policies and procedures to better protect its assets and ensure that the funds it expends are used to the best advantage of its clients.

RECOMMENDATIONS

We recommend commission management:

- Ensure funds are used for client purposes and are clearly tied to business needs.
- Comply with federal regulations, restrict services to allowed purposes only and work with the federal agency that provided funding to resolve and return disallowed costs.
- Implement procedures to ensure the commission obtains competitive pricing and protects the state's interests through the use of written contracts when appropriate.
- Comply with state laws and administrative rules to help ensure business ventures are adequately planned before providing funding.
- Develop and implement policies and procedures to guide staff who make client purchases, restrict purchases to those necessary and reasonable for client purposes and ensure all purchases are appropriately reviewed and approved.
- Obtain and review adequate documentation in accordance with the commission's administrative rules prior to authorizing payment for goods and services.
- Document vending machine information, including the percentage to be paid to the commission, to ensure all vending revenue is collected.
- Conduct inventory counts according to the commission's rules for the Business Enterprise Program and invoice clients timely.
- Recover the $766 of unsubstantiated expenses from the employee if the employee cannot provide adequate support.

- Ensure assets susceptible to theft are adequately controlled as required by state policy.
- Ensure travel advances are reconciled timely and substantiated with original and complete receipts.
- Ensure all funds received are deposited in the commission's cash accounts and are properly recorded.

AGENCY'S RESPONSE

Management of the Oregon Commission for the Blind agrees with some of the recommendations and disagrees with others. The full text of the commission's response is attached to this report, beginning on page 8.

Background

The Oregon Commission for the Blind (commission) establishes and administers programs for persons who are blind or visually impaired. The commission's mission is to assist blind Oregonians in making informed choices and decisions to achieve full inclusion and integration in society through employment, independent living, and social self-sufficiency.

Client services the commission provides include training in independent living and vocations, and acquiring and using adaptive technology. Vocational training, the commission's largest program area, provides clients with vocational rehabilitation counseling and planning, training and education, and job placement assistance. Typically, commission counselors and their clients develop an individualized plan for the client to reach a career goal. Expenditures of vocational rehabilitation funds must be tied to this plan.

The commission's Business Enterprise Program is another critical vocational program that helps establish clients in food service and vending businesses.

The commission operated with 50 staff positions and a biennial budget of $15.3 million for 2007-2009, which was a combination of federal, general and other funds. In addition, in 2005, a non-profit foundation was established to assist the commission in its mission. Foundation assets totaled about $24,000 at the end of calendar year 2007.

The commission has been the subject of previous audits and reviews. In March 1995, the Audits Division reported the commission and Blind Enterprises of Oregon, Inc. failed to properly manage $1.75 million of public money and assets.[1] In addition, in December 2000, the Oregon Joint Legislative Audit Committee reported a lack of fiscal oversight by the commission and commission expenditures that were inconsistent with good government practices. Furthermore, in October 2001, the Audits Division noted a lack of controls over personal service contracts and invoice payments.

In March 2007, the Audits Division received allegations that the commission had mismanaged operations and misused funds intended for clients. Our initial review of these matters substantiated several of the allegations. We also identified problems similar to those reported in the previous audits. As a result, we expanded the scope of our audit to determine whether the commission had ensured resources were used for client purposes, expenditures were controlled and state assets were adequately protected.

Audit Results

We found instances in which the commission did not use funds for client purposes. Specifically, the commission used approximately $61,000 of public funds for purposes that did not always benefit clients and, in some cases, were not allowed by federal regulations. Furthermore, the commission made some business decisions with little regard for established purchasing and planning processes and did not always ensure client purchases were necessary and reasonable. As a result, we question whether $1.4 million of additional public funds were used prudently. Finally, we found that assets were not always adequately protected.

[1] Blind Enterprises of Oregon, Inc. is a private nonprofit corporation the commission helped establish in 1988.

Public Funds Were Used for Purposes That Did Not Benefit Clients

As described previously, the commission's mission is to help blind Oregonians achieve full inclusion and integration in society through independent living and employment. All commission efforts and expenditures should lead to fulfilling this mission. However, we found the commission sometimes deviated from its mission and used public funds for the benefit of employees and non-clients, thereby reducing funding available for client services. Specific examples totaling approximately $43,000 are described below.

- The commission spent approximately $12,000 for a 7-day camping and biking trip to the San Juan Islands in September 2006.[2] Of the 21 participants, only two were current clients. The others were employees, former clients, and volunteers. Trip expenses included salary costs for four employees, bicycle rentals, camping fees, food and supplies, and transportation costs. According to commission management, the purpose for the trip was to address client needs; however, we question this since only two clients participated and their case files did not include any discussion of how the trip met their individual program goals.
- In 2005, the commission spent $19,000 for employees and non-clients to attend training and participate in a healthy lifestyle pilot program the commission sponsored. The program focused on reducing coronary risk factors through a low-fat diet and exercise. The costs included approximately $10,000 for six individuals to

[2] Of the $12,000 in public funds $2,500 was participant contributions and $1,500 was donations.

attend training in Chicago in October 2005 and over $9,000 more for the same six individuals, 18 additional employees and three of their spouses to participate in an 8-week pilot program at the commission's office in Portland. Costs included employee salaries, groceries, and program materials. These costs appear excessive and had no direct benefit for clients.

- The commission has established a pattern of providing unnecessary meals and refreshments to employees. For example, we reviewed 20 food purchases totaling $1,500, none of which had a documented business purpose. In addition, the commission spent $5,100 for meals during training and an awards dinner in December 2006 at the Hotel Vintage Plaza in Portland. It spent an additional $3,100 to give employees and other attendees $50 gift cards during the awards dinner. The Joint Legislative Audit Committee criticized similar expenditures in its December 2000 report, concluding that the expenditures appeared inconsistent with good government practices.
- The commission spent approximately $1,300 for home internet services for six employees who had no documented purpose for their telework.
- The commission used $600 in vocational rehabilitation funds for a gas barbeque that was not purchased to rehabilitate any particular client. Instead commission management said the barbeque would be used for cooking classes and commission events.

We recommend commission management:

- Ensure funds are used for client purposes and are clearly tied to business needs.
- Work with the federal agency that provided funding to resolve and return disallowed costs.

Disregard for Rules Resulted in Unallowed Expenditures

Management is responsible for ensuring grants are managed properly and dollars are spent appropriately. We found instances in which commission management's oversight was ineffective in ensuring grant funds were spent according to applicable regulations. As described below, the commission spent approximately $18,000 for unallowed purposes.

- The commission spent $6,700 to purchase a private business for a Business Enterprise Program client. This is contrary to federal regulations, which specifically disallow the use of federal vocational rehabilitation funds to buy private businesses.
- The commission spent approximately $11,000 on 19 individuals who were not eligible for services.[3] The commission paid for 17 of the individuals to participate in an 8-week healthy lifestyle class the commission provided. The other two, who received a variety of services, had visual impairments but they did not meet federal eligibility requirements.

We recommend commission management comply with federal regulations, restrict services to allowed purposes only, and work with the federal agency that provided funding to resolve and return disallowed costs.

[3] Of the $11,000, we questioned approximately $2,100 in our Statewide Single Audit Report for the fiscal year ended June 30, 2007. See Secretary of State Audit Report 2008-03, Finding 07-28.

Public Funds Were Not Always Used Prudently

Management is responsible for using public resources wisely. Oregon has systems in place to help ensure state managers achieve this goal. In particular, the Oregon Department of Administrative Services has established statewide policies and procedures that promote efficient management and sound internal controls. As described below, we found commission management made some business decisions with little regard for established purchasing and planning procedures and did not always ensure client purchases were necessary and reasonable. As a result, we question whether the commission spent $1.4 million of public funds for the best benefit of its clients.

The Commission Rarely Used Competitive Processes and Written Contracts to Obtain Client Services

Generally, state agencies must purchase from statewide price agreements. If an item or service is not available through a price agreement, agencies can use alternative purchasing methods. However, if the item or service exceeds $5,000 for a single purchase, agencies must generally use a competitive pricing process.

Competitive pricing helps ensure optimal value for purchases. Also, it is important that state contracts be written documents that identify involved parties and their responsibilities, deliverables, agreements, and parameters. This helps ensure the state's interests are protected.

Often, the commission did not use a competitive process to procure goods and services. Therefore, it could not demonstrate that it made optimal purchasing choices. Further, the commission rarely used written contracts. Some specific examples of these two conditions are described below.

- The commission paid 14 vendors approximately $1.3 million for client services over a 7-year span without obtaining competitive pricing (including services that should have been purchased from state price agreements) or using written contracts. Commission managers indicated they used a solicitation option that waives normal requirements in order to obtain goods and services quickly. Although we agree this solicitation option is available, the commission appeared to be using this option excessively. We found that the commission's clients rarely had urgent needs that would prevent the commission from obtaining competitive prices for goods and services.
- The commission paid more for some products to stock vending machines than it likely would have had it competitively priced these products. The commission commonly purchases the initial inventory to stock vending machines for new Business Enterprise Program clients. Our review disclosed that the commission paid one vendor 50 percent more for products than other vendors charged for the same products.

In response to our findings, management claimed staffing resources prohibited compliance with competitive procurement rules and verbal agreements were common for the vending industry. However, we believe competitive procurement processes and adequate contract administration are cost effective controls that should be implemented.

We recommend commission management implement procedures to ensure competitive pricing is obtained and the state's interests are protected through the use of written contracts when appropriate.

The Commission Did Not Always Adequately Plan Business Ventures to Ensure Clients' Success

State laws and the commission's own administrative rules govern establishing business ventures for eligible clients in self-sufficiency programs and the Business Enterprise Program. These requirements, which are designed to ensure business viability and client success, include a comprehensive client self assessment, a comprehensive business plan and an effort by the client to obtain financial support from other sources prior to the commission providing financial assistance. Further, for Business Enterprise Program clients, a survey is required to determine the suitability of locations for vending facilities.

We found commission management did not always follow these requirements when establishing business ventures for its clients. As a result, the commission spent approximately $128,000 to set up four clients in businesses that failed in less than six months or were never started. The funds were spent for job training, business licenses, equipment and inventory. Although the success of business ventures cannot be guaranteed, had the commission followed its administrative rules prior to providing funding, more viable options might have been identified for these clients.

We recommend commission management comply with state laws and administrative rules to help ensure business ventures are adequately planned before providing funding.

Client Purchases Were Not Always "Necessary and Reasonable"

Regulations governing the use of federal funds require purchases to be "necessary and reasonable." According to the regulations, a purchase is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances at the time. We found numerous examples in which the commission's client purchases did not appear necessary or reasonable and often appeared excessive. A few of these examples are described below.

- The commission spent $5,000 on groceries, program materials and salary costs to provide healthy lifestyle classes internally to 15 clients. The cost was almost twice what the commission would have paid had it sent its clients to external classes.
- The commission spent $800 on a laptop computer for a fully employed client who earned $70,000 annually. The purchase request was granted so the client could work at home. Commission personnel justified the purchase by noting that the client's employer spent far more on computing equipment for the client.
- The commission spent about $700 on football jerseys and other football-themed items as "marketing materials" for a client's coffee cart.[4]
- The commission purchased a leather jacket and two bottles of cologne for a client.
- The commission purchased a gym membership for a client not based on any need identified by commission staff, but simply because the client wanted it.
- The commission purchased boots for a client to volunteer at Habitat for Humanity when the

[4] Of the total, $260 was also questioned in the Statewide Single Audit Report for the Fiscal Year Ended June30, 2007. See Secretary of State Audit Report 2008-03, Finding 07-32.

client's employment goal was to become a receptionist.

We noted the commission had not developed policies and procedures that would guide staff who make purchasing decisions. In addition, purchases were not always appropriately reviewed and approved. These control weaknesses contributed to the number and type of questionable purchases we identified.

We recommend commission management develop and implement policies and procedures to guide staff who make client purchases, restrict purchases to those necessary and reasonable for client purposes, and ensure all purchases are appropriately reviewed and approved.

Assets Were Not Always Protected

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance that assets are protected. We found instances in which commission management had not implemented controls to adequately protect public funds in areas such as vendor charges, vending inventory, procurement cards, travel advances and contributions from the public.

Inadequate Controls Put Resources at Risk and Led to a Loss of Revenue

Prior to authorizing payment for goods and services, the commission is responsible for obtaining adequate documentation from vendors to ensure those goods and services have been received, deliverables are as specified, and prices are correct. In addition, the commission should document vending machines assigned to Business Enterprise Program clients and private vendors so that the commission can reasonably estimate how much revenue it should be receiving. Further, the commission is responsible for ensuring vending inventory counts are conducted so that Business Enterprise clients can be invoiced for start up costs accurately and timely. As illustrated below, the commission's failure to fulfill these duties put resources at risk and led to a loss of revenue.

- The commission lacked adequate documentation showing that approximately $9,400 in reader services and $400 in orientation and mobility services for one client were actually provided. Specifically, the commission did not verify dates services were provided and did not always have transcripts in the case file to substantiate the course load, as required by the commission's own administrative rules.
- The commission did not know how much vending revenue it should receive from Business Enterprise Program clients and private vendors because it did not maintain documentation of each vending location and machine that generated income for the commission. Business Enterprise Program clients are required to remit 11 percent of their net profits to the commission to be pooled with set aside funds for the benefit of participating clients (e.g., health insurance, retirement plans, equipment refurbishments, purchase of stock, etc.). Private vendors servicing vending routes for the commission are also required to remit a percentage of net profits. Without adequate documentation identifying the anticipated revenue, the commission cannot ensure it collects all the income it should from vending sources.
- According to commission rules for the Business Enterprise Program, the commission provides initial inventory, supplies and change funds for each new vending route or site assigned to clients. New clients in the program are required to begin reimbursing the commission for the cost of inventory and change funds after six months in operation; clients transferred to a new route or site are required to begin reimbursing the commission immediately. However, the commission was unable to invoice some clients because it had not performed all inventory counts. As a result, the commission was unable to collect all reimbursements. Specifically, one client estimated she owed the commission $4,000 in inventory payments, but never received an invoice.

We recommend commission management:

- Obtain and review adequate documentation in accordance with the commission's administrative rules prior to authorizing payment for goods and services.
- Document vending machine information, including the percentage to be paid to the commission, to ensure all vending revenue is collected.
- Conduct inventory counts according to the commission's rules established for the Business Enterprise Program and invoice clients timely.

The Commission Needs to Better Control Assets Susceptible to Theft

Assets such as procurement cards and cash are more susceptible to theft and abuse than less liquid assets. Therefore, management's controls should remove or reduce the opportunity for employees to steal or misuse these assets.

We found the commission had not implemented adequate controls over procurement cards, travel advances and cash. The following examples illustrate these control weaknesses.

- Numerous purchases made with state procurement cards did not comply with state policy. For example, $3,300 of purchases were not approved by a supervisor and $1,800 of purchases did not have adequate supporting documentation.
- The commission left one employee's procurement card active for 18 months after the employee separated from state service. A $200 charge was subsequently placed on the card. The employee had apparently given the card number to a vendor, and when another employee placed an order with the vendor, the card was charged. Although the charge was for a legitimate purchase, the commission runs the risk that inappropriate charges could occur and remain undetected if cards are not immediately cancelled when an employee leaves state service.
- The commission gave an employee a $1,500 travel advance, but did not reconcile it to related expenses until we requested receipts nine months later. One of the receipts was actually for a purchase that had already been paid for with the employee's state procurement card. The employee reimbursed the commission for this amount after we brought it to the commission's attention. Even so, after deducting this amount from the advance total, another $766 remained inadequately supported.
- Approximately $2,500 of participant contributions for the San Juan trip described above were collected and controlled by a commission employee. These funds, which were used to defray the costs of the trip, were not deposited into the commission's cash account for safekeeping, nor were they recorded in the accounting system as required by state statute.

We recommend commission management recover the $766 of unsubstantiated expenses from the employee if the employee cannot provide adequate support for them.

We also recommend commission management establish procedures to ensure:

- Assets susceptible to theft are adequately controlled as required by state policy.
- Travel advances are reconciled timely and substantiated with original and complete receipts.
- All funds received are deposited in the commission's cash accounts and properly recorded.

Conclusion

The commission's mission is to assist blind Oregonians in making informed choices and decisions so that they can achieve full inclusion and integration in society through employment, independent living and social self-sufficiency. By taking the actions we recommend, we believe the commission will better ensure that its assets are protected and used to the best advantage of its clients.

Agency's Response:
The commission's response is attached to this report, beginning on page 8.

Objectives, Scope and Methodology

We conducted this audit in response to allegations that the commission mismanaged operations and misused funds.

The objectives of our audit were to determine whether the commission had ensured resources were used for client purposes, expenditures were controlled and assets were adequately protected.

To accomplish our objectives, we reviewed statutes and administrative rules, as well as federal rules governing the commission. We interviewed commission management, current and former staff, current and former clients, vendors, and advocates for the visually impaired. We visited and toured the commission's Portland office, as well as branch offices located in Salem and Eugene. We reviewed selected e-mail correspondence, commission policies and procedures, and commission minutes.

Our audit included a review of expenditures from fiscal years 2005 through 2007. For certain client service expenditures, we expanded the timeframe to include all available payment documentation to determine how long the commission had been paying vendors without competitive contracts in place. We designed and performed tests to determine whether expenses were reasonable and necessary and complied with applicable laws, rules, and policies. We also reviewed additional expenditures related to allegations that came to our attention and were outside the 2005-2007 time period.

We performed this audit according to generally accepted government auditing standards.

Oregon
Theodore R. Kulongoski, Governor

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May 6, 2009

Secretary of State
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Dear Mr. Kahn:

In response to the audit Report No. 2009-00 entitled "Oregon Commission for the Blind: Actions Needed to Ensure Funds Are Used for Client Purposes, Expenditures Are Controlled, and Assets Are Protected", the Oregon Commission for the Blind (commission) agrees with some of the recommendations and disagrees with some. The commission strives to make maximum use of resources to achieve its mission of full inclusion of blind Oregonians in society through employment and independent living. We place high importance on complying with the laws, regulations and policies governing our programs. We are interested in improving our policies and procedures so that we can better protect our assets and ensure that funds expended are used to the best advantage of blind Oregonians.

During the economic downturn in the 2001-2003 biennium, the commission took a number of reductions of administrative staff in an effort to maintain our direct service staff in order to sustain our service level. These positions have not been restored. In an effort to strengthen our internal, on-going program evaluation and monitoring we included a quality assurance position in the agency requested budget for 2009-11. Although this position will not be funded, the commission nonetheless intends to strengthen our program evaluation and monitoring activities with existing resources.

During the two year span this audit was being conducted, the commission began to implement a number of the recommendations contained in this audit based on interim information we received. We did this prior to receiving the audit report because we continuously seek to improve our processes and want all of our programs to comply with federal and state laws and regulations. Specific commission responses are outlined as follows.

Public Funds Used for Clients Purposes

The commission fully agrees that it is important to clearly document how funds used for client purposes are tied to business needs. Before the audit began in March of 2007, the commission was in the process of evaluating our use of recreational activities and how we can improve our process to better serve our clients and the public. As a result, we established an event policy and procedure that is now being used to ensure that the business needs for any commission sponsored event or activity are clearly documented and the clients participating in the activities are enrolled in one of the commission programs related to vocational rehabilitation or independent living services.

The commission is not in agreement with the general statement at the beginning of this section that the funds used did not benefit clients. The Rehabilitation Act allows for the provision of recreational services in support of vocational rehabilitation and independent living goals. Historically, the Oregon Commission for the Blind has utilized recreational activities as a strategy to assist in the adjustment to blindness process. Adjustment to a loss of vision is essential if the commission is going to assist an individual with reintegration into society through employment and independent living, key components to the commission's mission. What we find is that one of the first things to be eliminated from an individual's life after vision loss, besides employment, are recreational activities and hobbies that an individual enjoyed prior to vision loss. We have seen a direct correlation over the years with an individual being willing to believe in their own capabilities on the job or living independently with being able to successfully participate in recreational activities such as tandem bike trips. The commission feels it important to note that this trip came about as a result of a deceased staff member who donated significant funds to the commission for this specific trip. Half of the participants on the bike trip were legally blind and the other half of the participants included a combination of staff and volunteers who were sighted and the needed lead rider on the front of the tandem bike on the trip. Although the agency recognizes that it was not appropriately documented, all of the blind participants were eligible to participate in the activity.

The Oregon Commission for the Blind disagrees that the funds utilized for employees and non-clients to attend training and participate in the Coronary Health Improvement Program (CHIP) did not benefit clients. The commission often works with clients who have serious chronic health problems such as diabetes which present significant barriers for these individuals to complete training or to work. These health issues impact how well the client feels, impacts attendance and stamina, and can result in serious secondary conditions (amputations, coronary heart disease, strokes, neuropathy, etc. and death). The initial training for six staff members at the University of Illinois, College of Medicine was solely for the purpose of building the capacity of the commission to effectively impart training with clients and their families (who support their dietary needs) and also to impart knowledge to staff on the client benefits of the CHIP program. Of the six individuals trained, five have performed CHIP with 80 commission clients to date. The one remaining staff person is located in a field office and is prepared to impart the training if the commission decides it is desirable for serving clients in other geographic locations. It is also worthy to note that graduates who have implemented what they learned from the program reported significant health benefits.

The subsequent 8-week pilot program at the Portland office took place in order to refine the program and give the new commission sponsored trainers an opportunity to practice their skills and perfect the program. The commission asked for volunteers from staff before trying out the program with clients. This provided an opportunity for further suggestions and allowed staff to understand the benefits of the program so they could refer appropriate clients. This also occurred at a time when there was increased interest from the state about healthy lifestyle options for employees. Staff prepared food at home and brought it in during the lunch hour to share with the rest of the pilot group. Extensive training materials for blind individuals beyond what was provided in the Train the Trainer sessions were also developed during this pilot phase and placed in accessible formats in preparation for the first client training.

In regards to clients possibly attending a private training that could be cheaper, this private training was only offered periodically and was primarily available through the Seventh Day Adventist Church. In order to get the training without the religious affiliation, the CHIP program offered a Train the Trainer program so corporations and other non-religious organizations could learn to produce the training on their own.

The commission is in full agreement that all meals and events should have a business purpose and be documented appropriately. We believe that each of the events included in the $1500 mentioned in this audit were allowable under federal guidelines outlined in Office of Management and Budget Circular A-87, section 27. We also agree that the supporting documentation of the purpose of the event was not always included in the payment information, making it difficult to determine the business purpose by the audit team. Therefore, the commission now ensures that a list of participants and supporting agendas are included with the payment information so that expenditures are appropriately justified.

In regards to the $8,200 for a training and awards dinner, the commission strives to conduct one all-staff training event each year, focusing on specific training or planning objectives important to move the commission mission and objectives forward, including ensuring staff incorporate quantitative performance goals into their strategies. Business was conducted during each meal in order to accommodate a large volume of information in a short amount of time. Additionally, the commission was undergoing a significant remodel at its Portland Office, making it necessary to hold the event at a local venue. Although the commission agrees that it would be more cost effective to hold such an event at our main office had it been available, the amount reflected in the report includes meals that would have been paid out for those employees who were on travel status, therefore a large percentage of the of these expenses would have been incurred no matter the location. The meeting room fees were waived and all of the meals were kept within state per diem when applicable. Meals and refreshments for meetings and conferences are allowable under federal guidelines outlined in Office of Management and Budget

Circular A-87, section 27, therefore the commission does not believe that there are any costs that will be disallowed.

Reward and recognition was given to each staff member in an effort to recognize them for meeting federal standards and indicators and for making the connection between their individual performance and the overall commission performance, as was outlined in a letter to all staff who received the award. The commission employs specialized staff who provide direct services to Oregonians who are blind. Likewise, the commission believes its staff is its greatest resource and key to providing quality services to its clients. The commission believes it is important to identify ways to recognize staff for their hard work and dedication to its mission. Employee morale, overall job satisfaction and positive working conditions are all values held highly by our commission and management team. In essence, commission management wants to provide the best working environment possible in order to allow staff to perform their jobs to the best of their abilities in accordance with the commission mission and performance expectations. It is believed that recognizing staff performance does benefit clients and disagree that it is a deviation from our mission. Finally, this was a one-time initiative that commission staff believed to be consistent with state policy and allowable under Office of Management and Budget Circular A-87, section 13, therefore the commission does not expect there are any costs to be disallowed.

In regards to home internet service reimbursements, while management can attest to the fact that all noted employees were working from home and were in fact eligible to receive reimbursements, the commission was not aware that telework agreements were necessary for internet reimbursements (normally half of fee). The commission will ensure that changes are made to business practices to ensure that telework agreements are developed for individuals who are working from home.

The commission believes that the purchase and utilization of a gas barbeque for training purposes is consistent with the commission mission and business practices. The commission utilizes the barbeque as part of its techniques of daily living cooking classes where skill training is provided to clients on non-sighted techniques of food preparation. Cooking around high heat and gas is a common fear among individuals who are blind and the commission has found this tool to be very useful in dispelling myths and assumptions about what a person without vision is capable of doing, as well as a functional training tool related to independent living. There is also a direct correlation to the successful development of skills related to personal management and cooking and an individual's feelings and perceptions about the possibility of returning to work. Therefore, the commission does not identify any restrictions that would disallow the costs associated with this expenditure.

Spending Grant Funds According to Applicable Regulations

The commission disagrees that it has a disregard for rules and that the expenditures as stated were unallowed. The commission understands the importance of rules and always incorporates state and federal requirements into its business practices.

The commission believes that the $6,700 used to purchase a private business as part of a vocational rehabilitation program for a client was allowable. In researching this finding, the commission was not able to find a citation specific to vocational rehabilitation funds in law or regulations that prohibited the purchase of a private business as part of an individualized plan for employment. The commission is seeking clarification from the Rehabilitation Services Administration on this issue.

The commission agrees that it should have supporting documentation that verifies client eligibility requirements. In the case with the two clients who had significant disabilities that required rehabilitation services, but were not yet legally blind, the commission believed these individuals were eligible for services under the Rehabilitation Act. As referenced in the federal compliance audit for Fiscal Year Ended June 30, 2007, the commission provided services to these two individuals with significant visual impairments and did not have documentation that the condition would lead to legal blindness or have progressive conditions that would likely lead to legal blindness. This information was also discussed during the March 2009 budget hearing with the Ways and Means Subcommitee on Human Services of the Oregon Legislature. As a result of this finding, management both reviewed the finding with staff and developed quality assurance efforts to monitor and appropriately document that clients meet commission eligibility requirements in the future.

In regards to the remaining 17 individuals participating in the Coronary Health Improvement Project (CHIP), the commission agrees and believes that participants should be involved in a program and has addressed this issue. Since this project involves changing aspects of one's life around diet, exercise and stress management, it has a higher likelihood of being successful if it involves family members. Additionally, services to family members are allowable under the Rehabilitation Act and this is a perfect example of when it would be appropriate to provide services to members of a client's family who will need to support lifestyle changes in order to be successful. The leading cause of blindness for working age clients is diabetes, which is impacted directly by the lifestyle changes recommended in this program. These lifestyle changes are more likely to become permanent changes if they are incorporated into the family structure. Therefore, the commission believes it was in compliance with involving these family members in CHIP services.

Written Contracts

In regards to competitive processes and written contracts, the commission appreciates the input by the audit team in this area. However, it is not clear as to why this decision includes a total of seven years, a time period 2.5 times larger than the general scope of the audit. The commission believes expanding the time period inflates the impact of this finding to include information that otherwise would be out of the scope of this audit.

Furthermore, the commission's business practices have been in place for many years. After the issue was originally presented to the commission by the audit team in August of

2008, the commission held a meeting and follow up discussions with the Department of Administrative Services State Procurement Office to discuss its current practices and how to ensure that the commission is in compliance with state purchasing rules. Upon completion of this meeting, the State Procurement Office representatives concluded that our processes were allowable under current purchasing rules and that our current practice required no changes in order to be in compliance. The commission also followed up with the State Procurement Office related to price agreements and was told that rehabilitation service is excluded from being required to utilize price agreements for client related purchases, confirming the understanding the commission has held for many years. This information was shared with the audit team as soon as the commission received it. Although the commission generally disagrees with this finding since it is based on varying subjective interpretation, the commission will reevaluate our current business practices and make changes where needed, such as with improving our purchasing processes in order to ensure the best prices are obtained.

Vending Machines

The commission is not in agreement with this finding. The vending machines in this case were purchased by a blind manager of the Business Enterprise program who requested that they be delivered full of products and change so they could be placed into location and immediately ready for use. Considering the extra labor involved in stocking the product and coinage in the machines, plus delivery and the convenience to the blind manager, the commission does not find the cost unreasonable and feel it is within competitive pricing.

Business Ventures

The commission is in agreement that business ventures should succeed. When starting business ventures, the commission has improved the case review process and initiated an annual training and review of all policies and rules with the vocational rehabilitation counselors who carry caseloads. Commission management was aware of all of these cases prior to the audit finding and has been working, through staff training and technical assistance, on improving staff performance where necessary. Although the situations surrounding these cases were very complex and the reason for the client's lack of success cannot be limited to not following the agency's administrative rules, the commission fully agrees and will take efforts to ensure that rules are followed in the future.

Necessary and Reasonable Client Purchases

The commission is in full agreement that it should develop and implement policies and procedures to guide staff who make purchases and restrict purchases to those necessary and reasonable for client purposes. In the spring of 2008, the commission drafted policies and procedures and have been awaiting the final recommendations from this audit in order to finalize the process. The commission intends to utilize this audit as a training tool with staff, along with the policies and procedures, in order to strengthen its current business practices. Likewise, the commission intends to strengthen its quality assurance process that routinely samples purchases to ensure that policies and procedures are being followed by staff. However, the commission does not believe that it is a reasonable expectation to have all purchases go through an independent review process. It is expected that our professional staff, upon receiving the appropriate guidance and training, are responsible for making prudent decisions and that failing to follow policies and procedures should be addressed on an individual performance basis. As part of our current quality assurance efforts, if we identify, in a sample of cases, an issue that requires further attention, we will take a larger sample of the caseload(s) in question. We will continue this practice.

In regards to the Coronary Health Improvement Project (CHIP), we believe this program was operated appropriately within the commission and are keeping our costs as low as possible. For example, we have a nurse that volunteers her time as part of the program. A local hospital also donates the costs of the lab work involved in the course. The comparison to our costs vs. an outside community program does not take into account several factors, including: There are only a handful of locations where this program is offered, making the program available to rural clients while they are in Portland receiving other services; we found that none of the materials were in an accessible format that blind individuals would be able to access (some of the expenses identified include the costs to translate materials into an accessible format); and we also incorporate the health eating strategies into our Techniques of Daily Living classes so clients are able to learn food preparation for healthy meals while they are developing cooking skills using non sighted techniques. For these reasons, we believe these were allowable and appropriate expenditures.

In general, we agree that documenting how purchases fit into clients' plans is essential for ensuring acceptable accounting practices. The commission will continue to be trained on this practice and management is committed to ensuring sufficient documentation is retained for all purchases.

Establishing Adequate Controls for Receiving Revenues

The Commission is in full agreement with this finding and that appropriate documentation is included in files. We have instituted a case review process that will routinely pull samples that will include areas such as what was identified and will provide counselors with feedback on their level of compliance with these requirements. We have also instituted a process that reviews all policies and rules annually together as a team, which is helping to increase the level of understanding/awareness of the various program requirements.

The commission is in agreement with this finding. To date, some vending machine locations and income have not been tracked due to lack of information regarding vending locations. Vending revenue and required remittances to the commission has historically been tracked solely through monthly reports submitted by Business Enterprise Program (BEP) clients. Without a list and central tracking system, however, some remittances were not accounted for. Therefore, the BEP implemented an attachment to its yearly operating agreement that a BEP client signs for the facility they are managing that includes locations of vending machines. This agreement, in coordination with the monthly financial report submitted by the manager, ensures all payments are made in a timely manner and are tracked appropriately.

Additionally, to date, the commission has identified approximately 70% of "unassigned" vending machine locations being serviced by private vendors that remit payments directly to the commission. These funds are deposited into the BEP set-aside fund and utilized for the benefit of BEP clients. The commission is working on identifying and documenting the remaining 30% of the vending locations and expects to have a finalized list by August 1, 2009. This information is being systematically formulated for ease of tracking and will include anticipated commission monthly percentages. In the near future, a BEP computerized module will be added to the commission's automated case management system which will make the managing of these activities more efficient and easier for accounting staff to track.

Regarding outstanding inventories, the commission is in agreement with this finding and expects to resolve outstanding inventory issues within a six month period. Additionally, the Commission has implemented new procedures for ensuring inventories are conducted in a timely manner. In-going and out-going blind managers and a BEP staff person conduct the inventory with each person receiving a copy at that time. The out-going manager then prices out and submits a final inventory to the BEP within a month's time. If the BEP manager fails to accomplish this, then the BEP staff person prices out the inventory with wholesale pricing and submits the inventory to the OCB accounting department, who in turn invoices the manager.

Controlling Assets

The commission is in agreement with this finding and conducted training with all procurement card holders on appropriate policies and procedures regarding the use and documentation for all purchases with the cards.

The commission is in agreement with this finding. The commission had a great deal of administrative staff turnover during the time frame of this audit, including the Spots Card Coordinator. The Spots Card Coordinator has since received extensive training and all cards are now immediately closed upon departure of a cardholder from the commission.

The commission agrees that this travel advance was not handled appropriately and believes it was due to a newer staff member unaware of appropriate procedures regarding travel advances. In response to this finding, the commission has acquired all receipts and reconciled the advance in question. The employee has paid back the small remaining amount. Additionally, the staff member responsible for accounts payables now ensures that all travel advances are reconciled in a timely manner and substantiated with original and complete receipts.

The commission is in full agreement with this finding. Participants on the bike trip contributed to the overall expense, something that the event coordinators felt was important in order for them to have an investment in the experience. The event coordinators were not aware that contributed funds needed to be accounted for and deposited into the commission's cash account. All staff has since been fully informed of this expectation. The commission now ensures all funds received are deposited in the commission's cash account and properly recorded. This procedure is also included in the commission's event policy and staff has been trained on this requirement.

Conclusion

In conclusion, the commission is committed to conducting business in the most efficient and effective way possible and according to established rules and regulations. The two year time span this audit was conducted was a learning experience for commission management and staff. While the commission both agrees and disagrees with various findings, staff understands the importance of purchasing according to rules and regulations and adequately documenting how purchases support agency business or client needs. The commission is dedicated to improving these practices and others as it progresses.

Sincerely,

Linda R. Mock

Linda R. Mock
Administrator

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Courtesies and cooperation extended by officials and staff of the Oregon Commission for the Blind were commendable and much appreciated.

This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained:

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