

Audit



Highlights

Highlights of Legislative Auditor report on the Bureau of Services to the Blind and Visually Impaired, issued on May 3, 2001.
Report # LA02-08.

Purpose of Audit

The purpose of our audit was to evaluate the Bureau's financial management practices used in administering the Business Enterprise Program. This audit included a review of the financial activities of the Business Enterprise Program for the 12 months ended September 30, 2000.

Audit Recommendations

This report contained three recommendations for improving the Bureau's financial management practices over the Business Enterprise Program. Specifically, we recommended the Bureau periodically conduct financial reviews of vending facilities and provide appropriate guidance to operators to ensure fees are paid correctly and equipment is properly recorded. We also recommended the Bureau monitor activities of operators and business in which they have an ownership interest, to ensure transactions are appropriate.

The Bureau accepted all three audit recommendations.

Status of Recommendations

The Department of Administration submitted the six-month report on the status of audit recommendations on January 30, 2002. The report indicated substantial progress had been made on all three recommendations.

The Department of Administration found the Bureau was performing a comprehensive internal review of selected operators to verify financial reports are accurate and expenses deducted were allowable. The Bureau said it would perform this process on a routine basis for all operators. It also envisions contracting for independent audits of operators on an ongoing basis.

The Bureau is completing monthly onsite reviews of operational and financial practices, including inventories of state property and is conducting financial training for all operators. Finally, the Bureau is asking operators to disclose related party transactions on monthly profit and loss statements, and is modifying operator agreements and drafting policies to include disclosure of any related business in which the operator has an ownership interest.

Bureau of Services to the Blind and Visually Impaired

Department of Employment, Training and Rehabilitation Rehabilitation Division

Results in Brief

The Bureau of Services to the Blind and Visually Impaired has not established effective financial management practices over the Business Enterprise Program. The Bureau's oversight and monitoring of the program does not ensure vending facility operators deduct only allowable expenses, report appropriate financial information, and pay accurate fees. In addition, the Bureau has done little to oversee and monitor operators who do business with companies in which they have an ownership interest. Correct payment of fees is important to the Business Enterprise Program because these fees are the program's primary source of revenue. Fees collected by the Bureau are used to provide assistance and benefits to all vending facility operators, and administration of the program.

Principal Findings

Bureau personnel did not adequately monitor information reported by operators on monthly profit and loss statements. This lack of monitoring resulted in the Bureau failing to detect an operator who routinely deducted expenses that were not allowable. Nearly \$26,000 in unallowable deductions were taken by the operator for gifts, travel, and personal expenses. These deductions were taken in the period from October 1999 to September 2000.

Some of the problems addressed in this report could have been avoided if a recommendation from our previous audit had been implemented. The audit report issued by the Legislative Auditor in 1991 stated that periodic reviews of the vending facilities would help ensure internal controls are in place and the State is receiving the correct amount of fees. The audit recommendation was for the Bureau to conduct periodic comprehensive reviews of blind vending facilities, including the adequacy of accounting controls. However, our current audit found no evidence these reviews were performed.

The Bureau has recently developed policies to address weaknesses described in a report by the Department's Internal Auditor. However, these policies have not been followed. Although current staff responsibilities include fiscal monitoring functions, the Bureau intends to contract for independent audits of certain operators.

The Bureau directed vending facility operators to inappropriately report expenses on monthly profit and loss statements. The inappropriate reporting resulted in \$40,000 in unpaid fees, and inaccurate information reported to the State and Federal Government. This method of reporting was used because the Bureau wanted to indirectly compensate the operators for certain expenses. Therefore, by inflating the amount of expenses reported, the amount of fees payable by the operators to the Bureau was reduced.

The Bureau has done little to oversee and monitor operators who do business with companies in which they have an ownership interest. Although one operator made significant inventory purchases from a separate, family-owned company, the Bureau had not taken action to determine if these transactions were appropriate. Not monitoring these transactions increases the risk of financial information being manipulated to reduce fees paid to the Bureau.