

TRIPIL
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PA House Committee Hearing

Summary: Pyramid of Regulations - Since OVR does not have written guidelines, FASB, GAPP, OMB Circulars, EDGAR, and CFR titles should be used as financial guidelines.

Since the regulatory Pyramid, see attached diagram, is composed of guidelines from the most basic, FASB (Financial Accounting Standards Board) and GAAP (Generally Accepted Accounting Principles), a mid level of federal guidelines for administering grants, and the top, the state OVR written regulations.

Definitions from the bottom of the pyramid to the top are as follows:

FASB - **F**inancial **A**ccounting **S**tandards **B**oard. Primary purpose is to develop standards for public companies in the United States.

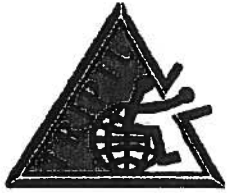
GAAP - **G**enerally **A**ccepted **A**ccounting **P**inciples. These are standards set by FASB for companies in the United States.

OMB Circulars - **O**ffice of **M**anagement & **B**udget. Part of the Executive Office of the President, these guidelines ensure federal grants are managed properly and according to applicable laws and regulations. Specifically:

- A-110–Uniform Administrative Requirements
- A-122–Cost Principles
- A-133–Independent Audits

EDGAR - **E**ducation **D**epartment **G**eneral **A**dministrative **R**egulations. Regulations for administering discretionary and formula grants awarded by D.O.E. Regulation in Title 34, parts 74-99, collectively known as "EDGAR". Specifically:

- Part 74–Uniform Administrative Requirements



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- Part 75–Federal Grant Programs
- Part 77–Federal Grant Definitions
- Part 82–Lobbying & Advocacy for E.D. Grantees

CFR– Code of Federal Regulations. Text of federal agency regulation organized (codified) in a single publication.

Specifically:

- Title 34 * Independent Living Regulations.
Specific Interest:
- Section 364-State independent living services program and centers for independent living program: General provisions.
- Section 365-State independent living services
- Section 366-Centers for independent living
- Section 367–Independent living services for older individuals who are blind.

State Act - PA OVR – Office of Vocational Rehabilitation. NO written guidelines.

Summary: **Monthly Reporting** - Monthly reporting to OVR should be by a profit and loss statement, NOT by the detailed budget spreadsheet.

A budget is defined as a spending guide for an approved program and OVR requires that the budget be submitted on a spreadsheet. But this spreadsheet is also being used as the reporting tool for the program. Spreadsheets are NOT in general ledger format.

Modified accrual accounting systems use general ledger accounts for reporting purposes. Profit and Loss statements (Income statement) are generated using general ledger accounts, NOT detailed spreadsheet categories.



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Summary: Auditor's yearly audit - Since the independent audit, is an approved program expenditure, OVR should rely on the grantor's yearly independent audit report.

The yearly independent audit ensures that the grantor has expended funds not only within the OVR program guidelines for the year, but also in accordance with GAAP and federal guidelines. The auditor's job is to review the contact and determine if expenditures were accounted for in accordance with the approved program and budget. The auditor tests expenditures to ensure proper documentation and in accordance with the program plan. Any discrepancies will be noted in the audit.

If this is the auditor's job, why do I have to send copies of expenditure receipts to OVR? Sending receipts and additional expenditure documentation is a duplication of effort. OVR should use the yearly independent auditor's report to monitor CIL's financial reporting.

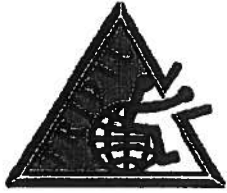
Summary: Timely processing of funds receipts - The state should process receipt requests within 2 weeks.

Tri County Patriots for Independent Living is the **ONLY** CIL in the Commonwealth that is **BOTH** a state CIL and a federal CIL.

Federal CIL funds from RSA are received within 2 days.

State CIL funds through OVR are received in the range of 10 days to 8 weeks. Why? I asked this questions at a recent training, and was given the answers that since revenues at the state level are lagging the projections, my payments also lagged. I have an approved grant with the state that includes staff salaries and benefits, not to mention program costs. I should be able to receive funds in a timely manner.

Prior years permitted an advance of funds for monthly expenses. This is no longer the practice. If there is no advance, then there should be a process that ensures timely receipt of grant revenue from the state or permit borrowing.



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Borrowing is NOT an approved program expenditure, but that is exactly what we had to do in order to meet payroll and program obligations.

It should be noted that small CIL's cannot survive without money being received in close proximity to when expenditures are made.

Summary: Program - Too much time is being spent on financial reporting with time NOT being spent on program implementation. The focus on financial issues has impacted the delivery of the OVR CIL grant program.

The grant program is truly what is important. OVR should be looking for ways to facilitate prompt funding that supports an approved program. Put the focus on the program, the accounting issues are covered by GAAP federal requirements, and an independent audit. Remember, OVR authorizes funds for an independent audit to handle the accounting requirements, use it.

Order of Precedence, cont'd.

