

EXECUTIVE DIGEST

MICHIGAN REHABILITATION SERVICES

INTRODUCTION

This report, issued in July 2002, contains the results of our performance audit* of Michigan Rehabilitation Services (MRS), Michigan Department of Career Development (MDCD).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

MRS administers the State's vocational rehabilitation program. MRS is governed by Sections 395.81 - 395.90 of the *Michigan Compiled Laws* and the federal Rehabilitation Act of 1973, as amended. The Michigan Jobs Commission administered MRS until Executive Order No. 1999-1 transferred the responsibility to MDCD, effective April 5, 1999, and abolished the Commission.

MRS, whose mission* is to assist persons with disabilities achieve employment and self-sufficiency, operates through 15 district offices located Statewide. MRS's primary activity is the direct provision of rehabilitation services. To be eligible for MRS services, persons must have a physical or mental disability that interferes with their ability to work. MRS provides eligible participants with individualized services to meet the participants' specific needs.

Counselors meet with participants in order to determine their choice of services. Services may include: vocational and guidance counseling; vocational training; job coaching and job placement; substance abuse treatment; transportation; payment of tuition; and short-term follow-up to make certain that the participant, job, and employer are properly matched. Also, MRS provides specific post-employment services necessary to assist participants in maintaining employment. Services may also include the payment for certain items, such as vehicle or home modifications.

MRS expended approximately \$275 million during the three fiscal years ended September 30, 2001 and served an average of 43,529 participants annually during the three-year period. MRS had 536 employees as of September 30, 2001.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To assess MRS's effectiveness in accomplishing its mission to assist persons with disabilities achieve employment and self-sufficiency.

Conclusion: We concluded that MRS was generally effective in accomplishing its mission. However, our assessment disclosed reportable conditions* related to evaluation of MRS effectiveness, Statewide needs assessment, and business service representatives (Findings 1 through 3).

Noteworthy Accomplishments: In fiscal years 1997-98 and 1998-99, MRS exceeded federal Rehabilitation Services Administration performance standards used nationally to determine the effectiveness and efficiency of public vocational rehabilitation programs. These standards included: change in the number of employment outcomes, percentage of employment, number of persons

competitively employed, number of persons with significant disabilities employed, employment earnings ratio, and minority employment ratio. Also, MRS increased its focus on providing services to businesses during our audit period. In addition, MRS has partnered with the Michigan Works! Association to increase Statewide availability for both employers needing services and for providers of services with information on disability awareness, the Americans with Disabilities Act, and assistive technology. Access to this information helps to ensure that persons with jobs remained employed and persons unemployed because of disabilities are reemployed.

Audit Objective: To assess MRS's effectiveness and efficiency in providing services to persons with disabilities.

Conclusion: We concluded that MRS was generally effective and efficient in providing services to persons with disabilities. However, our assessment disclosed reportable conditions related to applicant eligibility, individual plan of employment, expenditures for participant services, policies and guidelines, vendor standards and vendor performance information, and financial participation (Findings 4 through 9).

Noteworthy Accomplishments: MRS implemented a new automated case management system, the Automated Rehabilitation Management System (ARMS), in October 1999. ARMS enables staff to more effectively and efficiently provide services to clients. It expedites the completion of eligibility forms and significantly reduces paper case files. Also, ARMS allows multiple users to access case files. In addition, MRS has developed and established partnerships with various agencies and organizations to better provide services to its participants. At the Michigan Works! Association locations, there are agencies and organizations on site, to provide services

such as substance abuse counseling, humanity servicing, and job placement. In addition, MRS developed a comprehensive, Internet-based system with on-line learning capabilities. The system provides staff with certain tools, such as agency policies, resource guides, regulatory requirements, and the ability to share ideas and best practices with colleagues. As a result of this system, MRS received the 2001 Office of Special Education, U.S. Department of Education, Rehabilitation Service Administration Commissioner's Award for Excellence in Education.

Audit Objective: To assess MRS's effectiveness in allocating funds and performing quality assurance reviews.

Conclusion: We concluded that MRS was generally effective in allocating funds and performing quality assurance. However, our assessment disclosed one material condition*:

- MRS district offices often did not conduct quality assurance reviews of case files as required and establish selection criteria for case files included in the reviews. Also, MRS did not monitor to ensure that district offices conducted quality assurance reviews and initiated corrective action. (Finding 10)

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of Michigan Rehabilitation Services. The audit scope included the examination of case files and other records at five MRS district offices. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records

and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included an examination of MRS records and activities primarily for the period October 1, 1998 through June 30, 2001.

To accomplish our objectives, we reviewed federal regulations, State statutes, and MRS policies and procedures. Also, we interviewed MRS central and district staff and performed an analytical review of Statewide MRS data. In addition, we visited five MRS district offices and reviewed a random sample of case files.

In connection with our first objective, we reviewed MRS's efforts to establish a process to evaluate its effectiveness. Also, we obtained and analyzed Unemployment Agency, Department of Consumer and Industry Services, employment records for participants whose cases were classified as "closed rehabilitated" to determine whether the participants had reported wage earnings. In addition, we reviewed MRS strategic goals, district office business plans, business service representative position responsibilities, and MRS satisfaction surveys.

In connection with our second objective, we examined selected case files to determine whether individuals receiving MRS services were eligible. Also, we assessed the district offices' development of individual plans of employment. In addition, we reviewed services provided to determine whether MRS had provided the services in accordance with established policies and guidelines.

In connection with our third objective, we examined MRS's central office funding allocation model and district offices' local cash match agreements. Also, we reviewed MRS's quality assurance review process.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 10 findings and 12 corresponding recommendations. The agency preliminary responses indicated that MDCD agreed with all 12 recommendations. In addition, MDCD informed us that it has initiated or will initiate corrective action for all of the recommendations.

MRS complied with 5 of the 9 prior audit recommendations. Three of the prior audit recommendations were rewritten for inclusion in this report and one was repeated in this report.