



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
FINANCE AND ADMINISTRATIVE SERVICES
ALLAN R. POHL
DIRECTOR

STEVEN H. HILFINGER
DIRECTOR

April 2, 2012

emailed 4/2/12 (ael)

Mr. Doug Ringler, Director
Office of Internal Audit Services
State Budget Office
Romney Building – Seventh Floor
111 S. Capitol, P.O. Box 30026
Lansing, Michigan 48909

Dear Mr. Ringler:

We are enclosing our response to comments made in the Office of the Auditor General's Performance Audit of the Rehabilitation Service Expenditures, Michigan Rehabilitation Services, Department of Licensing and Regulatory Affairs for the period October 1, 2008 through July 31, 2011.

If you have any questions regarding this report, please feel free to call me at (517) 335-9247.

Sincerely,

(SIGNED)

Allen Williams, Director
Office of Audit & Financial Compliance

Enclosure

cc: Distribution List
Steven Hilfinger
Steve Arwood
Allan Pohl
Jaye Porter

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AUDIT RESPONSE SUMMARY

Performance Audit of the Rehabilitation Services Expenditures Michigan Rehabilitation Services Department of Licensing and Regulatory Affairs (October 1, 2008 through July 31, 2011)

I. Citations complied with:

None

II. Citations to be complied with:

- # 1. Expected date for completion of corrective action is April 1, 2013
- # 2. Expected date for completion of corrective action is April 1, 2013
- # 3. Expected date for completion of corrective action is April 1, 2013
- # 4. Expected date for completion of corrective action is April 1, 2013
- # 5. Expected date for completion of corrective action is April 1, 2013
- # 6. Expected date for completion of corrective action is April 1, 2013

III. Citations agency disagrees with:

None

Performance Audit of the Rehabilitation Services Expenditures
Michigan Rehabilitation Services
Department of Licensing and Regulatory Affairs
(October 1, 2008 through July 31, 2011)
Agency Response

1. Vehicles And Related Costs

MRS did not always obtain required documentation related to vehicle purchases made on behalf of MRS customers. As a result, MRS could not ensure that all funding utilized for vehicle purchases was expended in accordance with MRS policy.

We recommend that MRS obtain required documentation related to vehicle purchases made on behalf of MRS customers.

Response: Michigan Rehabilitation Services (MRS) agrees and will improve case management training and the case review process so that appropriate documentation is obtained for vehicle purchases made on behalf of MRS customers. This will involve increased monitoring along with individual, local, and system improvements.

MRS developed and implemented a required performance objective for all field managers to assure services provided to customers are in compliance with policy and casework standards. This objective includes conducting quarterly case reviews to evaluate and manage staff performance to established standards; conducting targeted specialty reviews based upon identified program or performance issues, and providing coaching and consultation to staff. Completed: 2nd Quarter FY 2012.

MRS will hold a series of mandatory webinars for managers and staff to review the performance audit findings and recommendations which will include our expectations regarding staff performance and adherence to policy and casework standards. Expected Completion: 4th Quarter FY 2012.

After the webinars MRS will conduct a random diagnostic case review to test for the existence of findings similar to those cited in the audit. The results will be analyzed to determine trends, root causes, and whether the findings cited in the audit are isolated or system-wide. Based on the analysis, targeted interventions (such as job aids, AWARE edits, training, and individual coaching) will be applied. Following the intervention(s) we will conduct case reviews to test for compliance and determine whether additional interventions are necessary. We will implement additional interventions as needed. Expected Completion: 2nd Quarter FY 2013.

MRS has drafted a revised Vehicle Purchase Services policy which more clearly defines the parameters for purchasing vehicles, including guidance regarding new versus used and requiring documented approval of the site or district manager. The policy will be issued and covered by policy staff during regular site visits to the field. Expected Completion: 4th Quarter FY 2012

Expected Date to Complete all Corrective Actions: April 1, 2013.

2. Equipment Recovery

MRS had not developed a process to recover equipment purchased for customers who no longer used the equipment. As a result, MRS did not recover purchased equipment from unrehabilitated customers and subsequently redistribute equipment to other MRS customers.

We recommend that MRS develop a process to recover equipment purchased for customers who no longer use the equipment.

Response: MRS agrees and will develop guidelines for recovering equipment purchased for customers who no longer use the equipment. In accordance with MRS Policy 6200, we will continue to inform customers at orientation, intake, and Individual Plan for Employment (IPE) development that non-utilized equipment must be offered for return if no longer used as planned.

MRS will seek guidance and technical assistance from the Federal Rehabilitation Services Administration, query other State Vocational Rehabilitation Agencies, seek best practices within MRS, review current policy, and utilize the information we receive to develop guidelines and/or modify policy regarding equipment recovery. Expected Completion: 1st Quarter FY 2013.

Upon completion of the new guidelines and/or policies, we will provide training, implement the new guidelines and/or policies, conduct targeted case reviews to test for compliance and determine whether additional interventions are necessary. We will implement additional interventions as needed. Expected Completion: 2nd Quarter FY 2013.

Expected Date to Complete all Corrective Actions: April 1, 2013.

3. Expenditures for Maintenance Services

MRS's controls over expenditures for maintenance services did not ensure that all such expenditures were necessary and made in accordance with established policy. As a result, MRS paid for services not provided for in MRS policy.

We recommend that MRS improve its controls over expenditures for maintenance services to ensure that all such expenditures are necessary and made in accordance with established policy.

Response: MRS agrees and will improve case management training and the case review process so that appropriate documentation is obtained for maintenance services expenditures made on behalf of MRS customers. This will involve increased monitoring along with individual, local, and system improvements.

MRS developed and implemented a required performance objective for all field managers to assure services provided to customers are in compliance with policy and casework standards. This objective includes conducting quarterly case reviews to evaluate and manage staff performance to established standards; conducting targeted specialty reviews based upon identified program or performance issues, and providing coaching and consultation to staff. Completed: 2nd Quarter 2012.

MRS will hold a series of mandatory webinars for managers and staff to review the performance audit findings and recommendations which will include our expectations regarding staff performance and adherence to policy and casework standards. Expected Completion: 4th Quarter FY 2012.

After the webinars MRS will conduct a random diagnostic case review to test for the existence of findings similar to those cited in the audit. The results will be analyzed to determine trends, root causes, and whether the findings cited in the audit are isolated or system-wide. Based on the analysis, targeted interventions (such as job aids, AWARE edits, training, and individual coaching) will be applied. Following the intervention(s) we will conduct case reviews to test for compliance and determine whether additional interventions are necessary. We will implement additional interventions as needed. Expected Completion: 2nd Quarter FY 2013.

Expected Date to Complete all Corrective Actions: April 1, 2013.

4. Receipts for Purchased Services

MRS did not obtain receipts to substantiate payments for purchases of services. As a result, MRS could not ensure that all payments were expended and utilized appropriately.

We recommend that MRS obtain receipts to substantiate payments for purchases of services.

Response: MRS agrees and will improve case management training and the case review process so that appropriate receipts to substantiate payments for purchases of services are obtained. This will involve increased monitoring along with individual, local, and system improvements.

MRS developed and implemented a required performance objective for all field managers to assure services provided to customers are in compliance with policy and casework standards. This objective includes conducting quarterly case reviews to evaluate and manage staff performance to established standards;

conducting targeted specialty reviews based upon identified program or performance issues, and providing coaching and consultation to staff. Completed: 2nd Quarter FY 2012.

MRS will hold a series of mandatory webinars for managers and staff to review the performance audit findings and recommendations which will include our expectations regarding staff performance and adherence to policy and casework standards. Expected Completion: 4th Quarter FY 2012.

After the webinars MRS will conduct a random diagnostic case review to test for the existence of findings similar to those cited in the audit. The results will be analyzed to determine trends, root causes, and whether the findings cited in the audit are isolated or system-wide. Based on the analysis, targeted interventions (such as job aids, AWARE edits, training, and individual coaching) will be applied. Following the intervention(s) we will conduct case reviews to test for compliance and determine whether additional interventions are necessary. We will implement additional interventions as needed. Expected Completion: 2nd Quarter FY 2013.

Expected Date to Complete all Corrective Actions: April 1, 2013.

5. Identity Verification

MRS did not consistently verify the identity of applicants before approving and providing services. As a result, MRS expended \$1.02 million for services to applicants prior to ensuring that legal identity and social security documents were proper.

We recommend that MRS verify the identity of applicants before approving and providing services.

Response: MRS agrees and will improve case management training and the case review process so that appropriate documentation is obtained to verify identities before customer services are provided.

MRS is changing its customer identification policy in response to a corrective action required by the federal Rehabilitation Services Administration (RSA) to make it clear that other forms of evidence are acceptable for proving an individual's state residency. The policy change is necessary to ensure that MRS applicants are not subject to a duration of residency requirement, as prohibited by section 101(a)(12) of the Rehabilitation Act and 34 CFR 361.42(c)(1). Expected Completion: 4th Quarter FY 2012.

MRS continues to submit application records from its case management system (AWARE) to the SSA every week for verification. These records include four pieces of identifying information. Discrepancies occur in about 2% of our weekly applications. MRS continues to work with customers to resolve discrepancies or

acquire valid information or documentation. Applicant cases are closed if these issues are not resolved within 90 days. Completed: 2nd Quarter FY 2012.

MRS will identify best practices from offices with high compliance and share them with offices across the state. Expected Completion: 4th Quarter FY 2012.

MRS will hold a series of mandatory webinars for managers and staff to review the performance audit findings and recommendations which will include our expectations regarding staff performance and adherence to policy and casework standards. Expected Completion: 4th Quarter FY 2012.

After the webinars MRS will conduct a random diagnostic case review to test for the existence of findings similar to those cited in the audit. The results will be analyzed to determine trends, root causes, and whether the findings cited in the audit are isolated or system-wide. Based on the analysis, targeted interventions (such as job aids, AWARE edits, training, and individual coaching) will be applied. Following the intervention(s) we will conduct case reviews to test for compliance and determine whether additional interventions are necessary. We will implement additional interventions as needed. Expected Completion: 2nd Quarter FY 2013.

Expected Date to Complete all Corrective Actions: April 1, 2013.

6. Comparable Benefits and Services

MRS did not always identify comparable benefits and services from other sources. As a result, MRS expended funds on benefits and services while comparable benefits and services from other sources existed.

We recommend that MRS identify comparable benefits and services from other sources.

Response: MRS agrees and will improve case management training and the case review process so that comparable benefits and services are utilized before MRS funds are expended. This will involve increased monitoring along with individual, local, and system improvements.

MRS developed and implemented a required performance objective for all field managers to assure services provided to customers are in compliance with policy and casework standards. This objective includes conducting quarterly case reviews to evaluate and manage staff performance to established standards; conducting targeted specialty reviews based upon identified program or performance issues, and providing coaching and consultation to staff. Completed: 2nd Quarter FY 2012.

MRS will hold a series of mandatory webinars for managers and staff to review the performance audit findings and recommendations which will include our expectations regarding staff performance and adherence to policy and casework standards. Expected Completion: 4th Quarter FY 2012.

After the webinars MRS will conduct a random diagnostic case review to test for the existence of findings similar to those cited in the audit. The results will be analyzed to determine trends, root causes, and whether the findings cited in the audit are isolated or system-wide. Based on the analysis, targeted interventions (such as job aids, AWARE edits, training, and individual coaching) will be applied. Following the intervention(s) we will conduct case reviews to test for compliance and determine whether additional interventions are necessary. We will implement additional interventions as needed. Expected Completion: 2nd Quarter FY 2013.

Expected Date to Complete all Corrective Actions: April 1, 2013.