

PERFORMANCE AUDIT
OF

MICHIGAN REHABILITATION SERVICES

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT

July 2002

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.

* See glossary at end of report for definition.

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

* See glossary at end of report for definition.

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

* See glossary at end of report for definition.

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.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

July 26, 2002

Dr. Barbara Bolin, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan

Dear Dr. Bolin:

This is our report on the performance audit of Michigan Rehabilitation Services, Michigan Department of Career Development.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; various exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

Michigan Rehabilitation Services (MRS), Michigan Department of Career Development (MDCD), 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 payment for certain items, such as vehicle or home modifications.

MRS also helps fund rehabilitation programs, innovation and expansion activities, and other miscellaneous services to groups of individuals with disabilities. MRS distributed approximately \$13 million for these purposes in fiscal year 2000-01. MRS also operates the Michigan Career Technical Institute (MCTI) in Plainwell. MCTI provides vocational and technical training programs and supportive services to students with disabilities. MCTI expenditures were approximately \$8 million in fiscal year 2000-01.

The U.S. Department of Education provides the major source of MRS program funding with the State General Fund and local entities providing the State's matching funds. The ratio of federal funds to State and local funds is 78.7% federal and 21.3% State and local.

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, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit of Michigan Rehabilitation Services (MRS), Michigan Department of Career Development (MDCD), had the following objectives:

1. To assess MRS's effectiveness in accomplishing its mission to assist persons with disabilities achieve employment and self-sufficiency.
2. To assess MRS's effectiveness and efficiency in providing services to persons with disabilities.
3. To assess MRS's effectiveness in allocating funds and performing quality assurance reviews.

Audit Scope

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.

Audit Methodology

Our audit procedures, performed from May 2001 through October 2001, included 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, including certain participant outcomes. 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 in assisting persons with disabilities achieve employment and self-sufficiency. Also, we obtained and analyzed Unemployment Agency,

Department of Consumer and Industry Services, employment records for participants whose cases were classified as "closed rehabilitated" between October 1, 1998 and March 31, 2000 to determine whether the participants had reported wage earnings. In addition, we examined MRS's periodic assessment of the needs of persons with disabilities and their career interests. Further, 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 case files at district offices to determine whether individuals receiving MRS services were eligible for such services. Also, we assessed the district offices' development of individual plans of employment for persons receiving services. In addition, we reviewed services provided to participants to determine whether MRS had provided the services in accordance with established policies and guidelines. Further, we reviewed MRS vendor standards, third party reimbursement costs, comparable benefits, procurement of services, and participant contributions towards the cost of services.

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, including district office quarterly reviews of case files and the development of corrective action plans.

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.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MDCD to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

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.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS IN ACCOMPLISHING PROGRAM MISSION

COMMENT

Audit Objective: To assess Michigan Rehabilitation Services' (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.

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 remain employed and persons unemployed because of disabilities are reemployed.

FINDING

1. Evaluation of MRS Effectiveness

MRS should continue to develop a comprehensive process to evaluate and improve the effectiveness of its vocational rehabilitation program.

MRS's mission is to assist persons with disabilities to achieve employment and self-sufficiency. MRS served an average of 43,529 participants annually and expended approximately \$275 million during the three fiscal years ended September 30, 2001. The State Legislature and the Governor have required in various appropriations acts and Executive Directive No. 1996-1 that State programs use continuous quality improvement processes to manage the use of limited State resources. Also, in Executive Directive No. 2001-3, which rescinded Executive Directive No. 1996-1, effective June 8, 2001, the Governor stated that it was his goal to increase efforts toward continuous improvement and directed department and agency heads to actively support the State's Quality Recognition System and ensure the implementation of quality and customer service management techniques.

Program effectiveness can be evaluated and improved by using a comprehensive process. Such a process should include: performance indicators* for measuring outputs* and outcomes*, performance standards* for each performance indicator that describe the desired level of outputs or outcomes based on management expectations, peer group performance, and/or historical performance; a management information system to accurately gather output and outcome data; a comparison of actual data with desired outputs and outcomes; a reporting of the comparison results to management; and proposals of program modifications to improve effectiveness.

MRS had taken several actions in recent years toward the development of a process to assess program effectiveness. In fiscal year 1998-99, MRS developed four operational goals (or indicators) for each district office and the program overall. The four goals were relative to the number of cases opened, the number of cases in which the participant was eligible for services, the number of cases in which an individual plan of employment (IPE) was prepared, and the number of cases closed as successfully rehabilitated. MRS established standards for the four goals, collected actual output data, and compared the data to the standards. Also, in April 1999, MRS began developing a four-year strategic plan for fiscal years 2000-01 through 2003-04. The plan identified five strategic directions to assist MRS in determining its priorities and overall direction. The five strategic directions related to: business services, Michigan Works! service centers, youth services, services to

* See glossary at end of report for definition.

social security recipients, and services to minority populations. Within each of these five strategic directions, MRS developed specific goals and measurable outcomes (performance indicators). Further, MRS established a work group for each strategic direction, primarily to establish central tendencies, validate measurable outcomes, benchmark best practices, and assist in attainment of indicators.

During our audit, MRS entered into a three-year contract with a university to perform a number of functions related to the development of a program evaluation process. The amount for the first year of the contract was approximately \$274,000.

These actions, taken over a three-year period, have been positive steps in the development of a process to evaluate MRS's effectiveness. However, these actions have not evolved into a comprehensive evaluation process. Therefore, the usefulness of these actions to MRS in evaluating the effectiveness of its district offices and overall program has been limited.

Our review of MRS's actions to assess program effectiveness disclosed:

- a. MRS needs to develop additional performance indicators by which management can assess program effectiveness.

MRS had developed a number of performance indicators. However, a number of additional output and outcome performance indicators exist that MRS could use to evaluate and improve both district office and overall program effectiveness. Examples include:

- (1) Percentage of participants who obtain/maintain employment consistent with their employment goal.
- (2) Percentage of participants who obtain/maintain employment with health insurance and/or other benefits.
- (3) Percentage of participants who obtain/maintain employment with earnings at or above the minimum wage.

- (4) Percentage of participants who no longer receive public assistance* benefits after obtaining employment.
- (5) Employment rates at various intervals after closure.

MRS should evaluate most of these performance indicators at periodic intervals, such as after six months, one year, two years, etc.

- b. MRS needs to establish additional performance standards for many of the measurable outcomes (performance indicators) developed for the five strategic directions.

Performance standards are critical in order to provide a basis against which to compare actual output and outcome results.

- c. MRS should further develop its management information system to provide more useful reporting data to management.

MRS's management information system either did not compile pertinent data in a useful format for a number of performance indicators or did not record and compile the data for several other performance indicators.

In October 1999, MRS implemented its Automated Rehabilitation Management System (ARMS), which is designed to help improve case management and data reporting. ARMS records significant output and outcome data, but MRS had not developed the reporting capabilities of ARMS to allow MRS to obtain and evaluate the data. Development of reporting capabilities to maximize the usefulness of ARMS would likely provide MRS with output and outcome data that could be used in the evaluation of effectiveness for certain performance indicators. The gathering of data for other indicators, such as those related to employment and wage earnings after case closure, would likely necessitate other methods.

After receiving services, MRS closes cases for participants who remain employed for at least 90 days and classifies such cases as "closed rehabilitated." MRS classified 10,903 cases as closed rehabilitated between October 1, 1998 and

* See glossary at end of report for definition.

March 31, 2000. We reviewed wage records from the Unemployment Agency, Department of Consumer and Industry Services, for the 10,903 participants to determine if they were employed during the 15-month period from April 1, 2000 through June 30, 2001 and the amount of their earnings. Our review disclosed that 8,571 (79%) participants had reported wage earnings during this 15-month period with average earnings of \$16,005 for the period. A breakdown by earnings range is as follows:

Reported Wage Earnings for MRS Participants
April 1, 2000 through June 30, 2001

<u>Range of Earnings</u>	<u>Participants With Earnings</u>		<u>Average Earnings for the Range</u>
	<u>Number</u>	<u>Percent</u>	
\$1 - \$4,000	2,031	24%	\$ 1,765
\$4,001 - \$8,000	1,420	17%	\$ 5,875
\$8,001 - \$12,000	1,058	12%	\$ 9,913
\$12,001 - \$16,000	826	10%	\$ 14,010
\$16,001 - \$20,000	772	9%	\$ 17,936
Over \$20,000	2,464	29%	\$ 36,260
Total	<u>8,571</u>	<u>100%</u>	

This earned income information is an example of outcome data that MRS should obtain and use to help evaluate the effectiveness of its program.

RECOMMENDATION

We recommend that MRS continue to develop a comprehensive process to evaluate and improve the effectiveness of its vocational rehabilitation program.

AGENCY PRELIMINARY RESPONSE

The Michigan Department of Career Development (MDCD) generally agreed with the recommendation and informed us that MRS has initiated actions to further strengthen the effectiveness of its program.

FINDING

2. Statewide Needs Assessment

MRS did not conduct periodic, formal Statewide needs assessments for individuals with disabilities and determine the best methods to meet those needs as required by federal regulation.

Title 34, Part III, section 361.29 of the *Code of Federal Regulations (CFR)* requires states to conduct continuing statewide studies to determine the current needs of individuals with disabilities within a state and the best methods to meet those needs. As part of the development of a state plan, the continuing statewide studies, at a minimum, must include a triennial comprehensive assessment of the rehabilitation needs of individuals with severe disabilities who reside in the state.

MRS last conducted an assessment in 1988. During our audit fieldwork, MRS issued a contract to a vendor to perform a needs assessment that should be completed in July 2002.

MRS informed us that it attempts to determine the needs of disabled populations in various districts by surveying focus groups and attending rehabilitation council and town hall meetings. MRS indicated that transportation, housing, and employment are usually identified as primary concerns of individuals with disabilities. Also, MRS indicated that it received information regarding barriers to employment from MRS participants through direct contact or surveys. In addition, MRS informed us that it primarily used 1990 census data during our audit period to determine the disabled population within districts and to allocate resources to those districts.

We recognize that such actions are useful to MRS in its administration and operation of the program; however, besides complying with the federal requirement, formal comprehensive Statewide needs assessments conducted on a periodic basis would help to identify the current vocational rehabilitation needs of individuals with disabilities throughout the State. Also, these assessments could help MRS to focus on those individuals with the most significant disabilities and those who are unserved or underserved. Further, these assessments could assist MRS in developing the best methods to meet the needs of its disabled population and, therefore, improve the overall providing of services.

Our prior audit report of MRS, issued in October 1993, also included a finding and corresponding recommendation regarding the lack of Statewide needs assessments of individuals with disabilities. MRS agreed that there was a need to improve Statewide needs assessments and indicated that an MRS goal for fiscal year 1993-94 would be the restoration of resources to address such assessments.

RECOMMENDATION

WE AGAIN RECOMMEND THAT MRS CONDUCT PERIODIC, FORMAL STATEWIDE NEEDS ASSESSMENTS FOR INDIVIDUALS WITH DISABILITIES AND DETERMINE THE BEST METHODS TO MEET THOSE NEEDS AS REQUIRED BY FEDERAL REGULATION.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that MRS has initiated corrective actions. The contractor report on the needs assessment, which is described in the finding, is due by July 31, 2002.

FINDING

3. Business Service Representatives

MRS needs to continue to develop the district office business service representative (BSR) responsibilities and address pertinent related issues.

In 1996, MRS established the BSR function in each district office to improve employer relationships and find solutions to disability-related issues in the workplace in order to increase participant and employer satisfaction and increase the number of higher quality job placements. Existing MRS rehabilitation counselors perform the new responsibilities. At the time of our audit, MRS had 16 BSRs across the State. The role and development of BSRs is an important component of MRS and coincides with its mission of assisting persons with disabilities to achieve employment and self-sufficiency.

During our visit to 5 MRS district offices, we reviewed BSR activities and related issues. Our review disclosed:

- a. MRS should establish specific BSR responsibilities and prioritize such responsibilities.

MRS had developed general "core duties" for BSRs, which resulted in the district offices utilizing the BSRs in various capacities. For example, the BSR in some offices was much more involved in the direct contacting of employers in order to establish new employer relationships, whereas the BSR in other offices was more involved in performing Americans with Disabilities Act awareness seminars and ergonomic assessments and making accommodation recommendations. Also, the BSR in some offices was responsible only for retention cases, whereas the BSR in other offices also had regular case assignments, which most likely affected their ability to perform BSR responsibilities.

Establishing and prioritizing more specific BSR job responsibilities would identify and convey management expectations, which should provide for more uniformity Statewide and improve MRS effectiveness.

- b. District offices, in conjunction with the MRS central office, should enhance their methods to increase awareness of MRS and the services that BSRs can provide.

District offices rely on their partnerships with other service agencies, including those at the Michigan Works! One Stop locations, rehabilitation agencies, and various employment agencies (such as local chambers of commerce), to publicize MRS and the services that BSRs can provide. It would appear that the use of mass communications, such as radio and newspapers, in certain districts could be a useful tool to increase employers' and participants' awareness of both MRS and BSRs.

- c. MRS should improve its methods to evaluate the effectiveness of BSRs.

MRS required BSRs to report output related activities, such as the number and type of employer contacts, services provided, service interventions, and job retention cases handled on a monthly basis. However, MRS did not attempt to evaluate the effect these activities had on goals such as increasing the number of higher quality job placements.

In November 2000, MRS contracted for an independent evaluation of employer satisfaction and service delivery approaches to assist in examining BSR activities and their effectiveness. The evaluation, issued in April 2001, noted that the

majority of employers surveyed were satisfied with the services they received and would contact a BSR for future services. However, the evaluation identified a number of recommendations, including the need for MRS to:

- (a) Develop a BSR orientation program that includes approaches to doing business, reporting requirements, and a method of allowing Statewide congruence of key services.
- (b) Re-educate MRS staff on the specific requirements and concepts surrounding BSR responsibilities.
- (c) Develop a feedback mechanism that will accumulate and disseminate employer needs and satisfaction levels on a timely basis.
- (d) Reassign all general BSR case load.

Also, in December 2000, MRS organized the Business Service Workgroup, comprised of senior management, district managers, field staff, and central office staff, which provides services related to business services. The Workgroup's responsibilities included: recommending a set of strategies leading to the achievement of goals and outcomes for the business services strategic direction, proposing an implementation plan for core strategies, and identifying resources needed to implement the strategies and achieve the established outcomes. These responsibilities would directly affect the BSR position and its role in improving employer relations and job placement. As of the end of our fieldwork, MRS and the Workgroup had begun to address some of the recommendations identified in the April 2001 evaluation.

Continuing to develop BSR responsibilities and related issues should help to improve employer relations and job placement.

RECOMMENDATION

We recommend that MRS continue to develop the district office BSR responsibilities and address pertinent related issues.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that it has initiated corrective actions. MRS has begun the process of identifying necessary data elements for an evaluation and has also requested a technical assistance grant to assist in integrating this information into its case management system.

EFFECTIVENESS AND EFFICIENCY IN PROVIDING SERVICES

COMMENT

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.

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.

FINDING

4. Applicant Eligibility

MRS sometimes did not document that applicants were eligible for services and determine their eligibility in a timely manner.

MRS reviews applications of individuals seeking services to determine if they have a physical or mental impairment that constitutes or results in a substantial impediment to employment and, therefore, are eligible for MRS services to prepare them to secure, retain, or regain employment. Also, federal regulation 34 *CFR* 361.41 requires MRS to make such determinations of eligibility within 60 days after the applicant submits an application. District offices are to conduct quarterly quality assurance reviews of each counselor's cases, which include determining compliance with State and federal eligibility requirements (see Finding 10).

Our review of 117 eligible case files for individuals who had received MRS services at 5 district offices disclosed:

- a. Seven (6%) case files did not contain any documentation to support that the applicants met MRS eligibility criteria.
- b. MRS did not comply with the federal 60-day eligibility determination requirement in 9 (8%) of the cases. For these 9 cases, MRS's eligibility determinations ranged from 70 to 425 days after the applicant had submitted the application.

Determining and documenting proper applicant eligibility in a timely manner are necessary to help ensure that MRS resources are used effectively and efficiently and to provide services to eligible applicants expeditiously.

RECOMMENDATION

We recommend that MRS document that applicants are eligible for services and determine their eligibility in a timely manner.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that it has initiated corrective actions. MRS indicated that it is conducting training seminars

for counselors, including coverage of its case management system feature, which reminds staff of the requirement for the 60-day eligibility determinations.

FINDING

5. Individual Plan of Employment

MRS counselors sometimes did not prepare individual plans of employment (IPEs) in compliance with established requirements and document periodic contacts and corresponding participant progress.

After MRS's initial determination of a participant's eligibility for services, counselors prepare an IPE for each participant. The IPE is a written plan that specifies information necessary to meet the unique needs of each participant. The IPE should contain: a specific employment goal, services necessary to achieve the employment goal, a time frame to achieve the employment goal, an expected beginning date and the duration of each service, an objective evaluation criteria, an identification of the service providers and their responsibilities, MRS's and the participant's responsibilities, MRS's and the participant's cost of services, and any comparable services and benefits available. Properly prepared IPEs are very important in the determination, delivery, and follow-up of participant services. MRS has developed various policies, procedures, and guidelines to assist counselors in preparing complete and effective IPEs.

We reviewed IPEs for 117 eligible participants at 5 district offices whose cases were closed between October 1, 1998 and June 26, 2001. For each participant, we reviewed up to 16 attributes related to his or her IPE. Our review disclosed:

- a. Twelve of the IPEs were not developed within 90 days of the certification of eligibility and did not document that the participant requested a delay in the development of his/her IPE as required by MRS guideline 2.3050.
- b. Eight IPEs had specified goals and objectives that were not supported by vocational assessment conclusions as required by MRS policy 1.2030.

- c. Many IPEs did not contain specific items required in MRS policy 1.2050:
 - (1) Seventeen IPEs did not identify the services necessary to achieve the participant's employment goal.
 - (2) Six IPEs did not contain objective criteria to evaluate the participant's progress in achieving his/her employment goal.
 - (3) Six IPEs did not specify an anticipated time frame to complete services.
 - (4) Five IPEs did not include the signature of the participant or the participant's representative.
- d. Counselors and/or the participant did not sign amendments to 11 IPEs as required by MRS policy 1.2200.
- e. Thirty-two IPEs did not contain documentation that they had been reviewed annually as required by MRS policy 1.2175.

Also, counselors did not document in their case files that they had made periodic contacts with 23 of the participants. Although not specifically required by policy, periodic contacts would be useful in monitoring participant progress.

Timely and complete preparation of IPEs and periodic contacts would assist MRS counselors in determining and providing appropriate MRS services and, therefore, improve program effectiveness.

RECOMMENDATION

We recommend that counselors prepare IPEs in compliance with established requirements and document periodic contacts and corresponding participant progress.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that MRS has initiated corrective actions.

FINDING

6. Expenditures for Participant Services

MRS management control* did not ensure that expenditures for participant services were proper and that such expenditures were made in accordance with established policy.

MRS expends approximately \$43 million annually on participant services, most of which are contracted with private vendors. The average annual cost for services provided during our audit period was \$1,028 per case. Services provided include: vocational and guidance counseling, vocational training, job coaching and job placement, substance abuse treatment, transportation, payment of tuition, and follow-up services. Services may also include payment for certain items, such as vehicle or home modifications. Rehabilitation counselors, in conjunction with participants, determine the services that MRS will provide to the participants. The rehabilitation process requires considerable professional judgment by the counselor. Not only must counselors deal with the human element of participants with a wide range of disabilities, but the counselor must also often coordinate services with other State and local social service agencies, school districts, private rehabilitation agencies, hospitals, medical professionals, and potential employers. Counselors had varying expenditure authorization limits above which supervisor approval was required. These limits ranged from \$3,000 to \$10,000 at the 5 district offices we visited.

During our visits to the 5 district offices, we reviewed 117 case files for participants who had received MRS services. For the 117 cases, we reviewed 1,216 expenditure transactions for approximately \$1 million of services. It is not uncommon for purchase of services to have multiple expenditure transactions. Our review disclosed:

- a. Twelve case files included at least one expenditure for services for which the case file did not support the need for the service. As a result, the service may not have been necessary and, therefore, was not made in accordance with MRS policy.

* See glossary at end of report for definition.

MRS policy 1.0350 states that counselors can provide, arrange, or purchase services related to the participant's IPE that are necessary to assist the individual in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the participant's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

In one case, for example, MRS paid approximately \$19,400 for a vehicle and vehicle modifications for a participant whose employment goal was to be a homemaker. The IPE for the participant stated that the reason for the goal was to allow the participant to maintain an independent lifestyle. We recognize that a homemaker is an acceptable employment goal. However, we could not determine the necessity of purchasing a vehicle for this participant and, therefore, the propriety of the expenditure appears questionable.

In another case, MRS paid \$1,426 for certain travel and other related costs for a participant, who was a college student with an employment goal to obtain an engineering job, to attend three annual engineering conferences in other states. The necessity and propriety of MRS's payment of conference-related costs in three different years appears questionable.

- b. Twenty-seven case files included expenditures for services in which the amount expended may not have been reasonable and/or the least expensive. As a result, these expenditures were not made in accordance with MRS policy and, therefore, were not allowable.

MRS policy 1.0300 states that the amount paid for services shall be reasonable and that MRS will purchase the service that will meet the participant's rehabilitation needs at the least cost.

In one case, for example, MRS paid \$4,240 (\$117.78 per day) to transport a participant to and from work for 36 days. This purchase of transportation services did not appear to be reasonable. Also, the case file did not document that this purchase was the least expensive to MRS.

In another case, a used vehicle was purchased for \$4,519; however, there was not an inspection performed or a warranty obtained as required by MRS policy 2.4850. Two months after the purchase, MRS paid an additional \$1,377

in vehicle repairs. An inspection would have likely identified the items needing repair and, therefore, reduced MRS's overall cost of the service.

- c. Fourteen case files included an expenditure for a service for which counselors either did not obtain competitive bids or did not document the justification for not obtaining competitive bids.

MRS policy 3.0275 requires that counselors obtain three written bids for the purchase of all services that cost \$500 or more, unless there are not three vendors who can provide the service. The lack of competitive bidding for applicable services may result in the inefficient use of MRS resources.

- d. Eleven case files contained at least one expenditure that was not properly approved.

In one case, for example, the counselor processed split expenditure transactions for the purchase of a new vehicle and vehicle modifications to circumvent the prescribed internal control requiring supervisor approval. The cost for the new vehicle was \$20,000 and the modifications were an additional \$17,319. The counselor, who had the maximum preapproval limit of up to \$10,000 per expenditure, split both the vehicle purchase and the modifications into two purchase transactions, thereby putting each of the "four new expenditures" within the counselor's preapproval limit.

- e. Nine case files contained at least one expenditure for which there was no documentation to substantiate receipt of services.

MRS policy 3.0150 states that the participant's signature is required on the authorization/billing statement or an attached document to verify that services were received, except when another document or report, which substantiates that services were provided, is submitted. Such documentation provides an internal control to help ensure the propriety of the expenditure.

- f. Four case files included an expenditure that was not approved on a timely basis.

MRS policy 1.0275 states that counselors or supervisors must approve expenditures for services prior to or simultaneously with the provision of the

service. The untimely approval of expenditures for services is a management control weakness and results in noncompliance with established policy.

District offices are to conduct quarterly quality assurance reviews of each counselor's cases in areas of financial accountability, delivery of services, and compliance with State and federal regulations. These reviews are a key internal control to ensure that MRS expenditures are needed, reasonable, competitively bid, properly approved, documented, and approved in a timely manner (see Finding 10).

RECOMMENDATION

We recommend that MRS improve its management control to help ensure that expenditures for participant services are proper and that such expenditures are made in accordance with established policy.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that MRS has initiated corrective actions.

FINDING

7. Policies and Guidelines

MRS should comply with and/or enhance applicable policies and guidelines to help ensure the uniform, equitable, and efficient provision of MRS services throughout the State.

MRS provides funding for various services to eligible participants. Such services include: counseling and guidance, job placement and referral, tuition and training, physical restoration, and transportation. MRS had established policies and guidelines regarding numerous issues related to the provision of services. However, some services are provided based on local district office interpretation of the policies and guidelines. Such interpretations may result in varying and inequitable amounts expended for similar services. Also, MRS management informed us that participant residence, disability, and knowledge of their rights affected the type of services they received and the amount MRS expended for such services.

We identified the following issues for which district office interpretations of MRS policies and guidelines, and the resulting district office practices, had or could have affected the type, duration, and/or cost of services provided to participants:

- a. MRS district offices sometimes did not comply with the MRS guideline regarding the purchase of time-limited services.

MRS guidelines state that the maximum period for which MRS can pay for time-limited services from the point of job placement is 18 months, unless the IPE indicates that more than 18 months of services are necessary in order for the individual to achieve job stability prior to transition to extended services.

MRS expended approximately \$19 million for job coaching and personal/vocational adjustment training services during the three fiscal years ended September 31, 2000. This amount represents 18% of the total amount MRS expended for participant services during the three fiscal years. Job coaching and personal/vocational adjustment training are time-limited services and, therefore, subject to the 18-month requirement.

Our review of 117 eligible cases at 5 district offices disclosed 8 (7%) cases in which the participants received job coaching or personal/vocational adjustment training services that exceeded 18 months and involved large dollar amounts expended for the services. In 6 of the 7 cases, MRS provided job-coaching services for 4 or more years with an average cost of \$30,000 per case. Of the 6 cases, 3 cases were eventually closed as "non-rehabilitated," with the reasons for closure being "disability too severe" for 2 cases and "other" for 1 case. For the 7 cases, the IPE did not indicate that the services were necessary beyond 18 months.

During our due process, none of the 5 district offices discussed or made reference to the 18-month guideline requirement. In practice, 1 district informed us that it had recently implemented a procedure to phase out such services after a reasonable period of time. Another district informed us that it had recently implemented a quality assurance team to review, and hopefully prevent, such long-term service periods from occurring in the future.

Job coaching and personal/vocational adjustment training expenditures comprise a significant percentage of total MRS expenditures for services.

Awareness of and compliance with MRS-established guidelines regarding time-limited services would result in a more equitable and uniform provision of such services.

- b. One MRS district office did not properly interpret the policy and guidelines regarding home modification services.

MRS policy 1.0350 indicates that home modifications are considered to be other goods and services that MRS can provide, if necessary, to achieve an employment outcome. Also, MRS guideline 2.4250 states that when considering home modifications, a comprehensive assessment of vocational, mobility, endurance, and other related issues will contribute to functional, cost-effective planning.

The lack of specific guidance could lead to inconsistencies regarding when and what types of home modifications are authorized. For example, in one case, MRS expended approximately \$10,000 for home modifications to the kitchen, bathroom, and front door entrance to enable the participant to prepare for work. In contrast, another district office had previously not considered modification within a home to be an eligible service until it requested an MRS central office clarification. The central office's response stated that the distinction between home modifications related to going to work and preparing to go to work is not, nor has been, made in agency policy and guidelines. When vocationally necessary, both types of modifications are permitted. The correspondence also stated that practices are variable. Some have been consistent with agency policy and guidelines; some have not. The correspondence further stated that there are many unwritten policies and practices in place throughout the State regarding vehicles, tuition, maintenance, and home modifications.

Home modifications are a potentially expensive service. Consequently, MRS's enhancement of applicable policies and guidelines would improve guidance to district offices, which should result in a more equitable and uniform provision of services.

- c. MRS policy did not provide specific guidance as to when counselors should amend a participant's IPE for services and goods received.

MRS policy 1.2200 states that an IPE amendment shall be developed in cases in which, as a result of the annual review or at any other time, the IPE needs revision. Counselors at the 5 district offices visited interpreted this policy in different ways and, as a result, 17 (15%) of the 117 eligible cases we reviewed had substantial services provided for which the IPE was not amended. Counselors had not prepared an amended IPE for services and goods such as the purchase of vehicles and/or vehicle modifications, payment of college tuition, and job coaching services. The costs of these services ranged from approximately \$5,000 to \$40,000. As a result, the IPEs did not reflect these services or goods and other pertinent information related to the services or goods. Therefore, the IPEs were of limited value as an operative tool for determining participant progress and MRS effectiveness. Our review of case files disclosed that counselors had prepared amended IPEs for other cases with similar services provided.

Preparing an IPE amendment to include all applicable services should increase the usefulness of IPEs and, therefore, help counselors more effectively manage the overall provision of services to participants (see Finding 5).

MRS had formed a work group in May 2001 to identify and analyze local practices and policies in order to address service delivery inequities. However, the work group had made little progress as of the completion of our fieldwork.

We recognize that the implementation of a number of MRS policies and guidelines will require the professional judgment of counselors and district office management. However, enhancing the policies and guidelines identified in items a., b., and c., and other applicable policies and guidelines, to provide the most specific guidance possible should improve MRS effectiveness and efficiency.

RECOMMENDATION

We recommend that MRS comply with and/or enhance applicable policies and guidelines to help ensure the uniform, equitable, and efficient provision of MRS services throughout the State.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that MRS has initiated corrective actions.

FINDING

8. Vendor Standards and Vendor Performance Information

MRS should establish vendor performance standards. Also, MRS should compile and provide to MRS participants pertinent vendor performance information to allow the participants to make an informed choice in their selection of service providers.

Federal regulation 34 *CFR* 361.51 requires MRS to establish, maintain, and make available to the public written minimum standards for the various service providers used throughout the State to provide vocation rehabilitation services. Also, federal regulation 34 *CFR* 361.52 requires that MRS provide information to participants necessary to make an informed choice about the specific services, including service providers, that are needed to achieve the participants' goals. This information must include, at a minimum, information related to costs, accessibility, consumer satisfaction, qualifications of the provider, types of services offered, and the degree to which services are provided in an integrated setting. In addition, 1998 amendments to the federal Rehabilitation Act of 1973 required that an IPE be developed and implemented in a manner that affords eligible participants the opportunity to exercise informed choices in the selection of services and service providers.

In 1998, MRS established the Vendor Qualification Subworkgroup to collect vendor licensing information to enhance quality control over vendor services. Currently, MRS's Internet web site lists approximately 1,000 vendors and indicates certain limited vendor information, such as qualifications, current licensing information, accreditation credentials, and service delivery area. Also, MRS informed us that district office counselors promote informed choice when participants select vendors to provide services such as training, assistive technology services, employment services, and other support services.

During our visits to 5 district offices, we noted that case files had varying degrees of documentation showing how and why particular service providers were selected. Some cases contained only a participant's signature on the IPE, but other cases

identified the various providers who were available and contained discussion notes between the participant and counselor about the reason for selecting the particular service provider.

However, because MRS had not established vendor performance standards or compiled pertinent vendor performance data to evaluate vendor performance, participants did not have complete and necessary information with which to make an informed choice. MRS's compilation of such information would comply with federal regulations and should improve MRS effectiveness.

RECOMMENDATIONS

We recommend that MRS establish vendor performance standards.

We also recommend that MRS compile and provide to MRS participants pertinent vendor performance information to allow the participants to make an informed choice in their selection of service providers.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendations and informed us that MRS has initiated corrective actions.

FINDING

9. Financial Participation

MRS should seek enhancement of its administrative rules and policies to ensure that eligible participants' ability to share rehabilitation costs is encouraged and documented and that cost-sharing requests are consistent.

Federal regulations do not require the financial need of individuals be considered in the provision of vocational rehabilitation services to obtain federal reimbursement for MRS costs. However, federal regulation 34 *CFR* Section 361.54(b)(2) allows states to develop written policies covering the determination of financial need and to establish a financial needs test for specific services as long as the policies are applied uniformly to all individuals in similar circumstances. Accordingly, *Michigan Administrative Code* R 395.3 states that disabled persons or their families shall be encouraged to provide for the costs of the individual program insofar as possible.

The *Code* excludes training, diagnostic examinations, and specialized consultation services from this provision.

MRS policy 1.2150 requires counselors to encourage eligible individuals to participate in the cost of the services listed in their IPEs to the extent that they are able to do so; however, it does not require that counselors document participant encouragement or participants' ability to share MRS costs. Also, MRS had not promulgated guidelines to ensure uniform cost sharing for participants who share costs.

Our visits to 5 MRS district offices disclosed that 1 office requested participants and/or participant families who appeared financially able to participate to contribute 20% towards the cost of services. Another district office instructed counselors to include a statement in participants' file if they did not have the ability to share costs but provided no supporting documentation. The other 3 district offices did not have a standard process in place to disclose and document participants' ability to share costs.

Enhancing administrative rules and policies would ensure that cost sharing determinations are consistently completed throughout the State. Also, increasing participants' financial participation would reduce State and local costs and may allow MRS to serve additional participants.

RECOMMENDATION

We recommend that MRS seek enhancement of its administrative rules and policies to ensure that eligible participants' ability to share rehabilitation costs is encouraged and documented and that cost-sharing requests are consistent.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendation and informed us that MRS has initiated actions to implement appropriate policies and to review activities that would ensure consistent application of the policies.

EFFECTIVENESS IN ALLOCATING FUNDS AND PERFORMING QUALITY ASSURANCE REVIEWS

COMMENT

Background: MRS allocates funds to district offices using a resource allocation model.

In fiscal year 1999-2000, MRS changed its resource allocation model methodology in order to allocate funds in a more equitable manner. The new allocation methodology consists of two factors: a core allocation, which represents 90% of the allocation and is based on population data; and an equity allocation, which represents 10% of the allocation and is based on the number of residents who did not graduate from high school, poverty levels, and minority populations. MRS review protocol requires district offices to conduct quarterly reviews of participant case files for financial accountability, delivery of services, and compliance with State and federal regulations.

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 or establish appropriate selection criteria for case files included in reviews. Also, MRS did not monitor to ensure that district offices conducted quality assurance reviews and initiated corrective action.

FINDING

10. Quality Assurance Reviews

MRS district offices often did not conduct quality assurance reviews of case files as required and establish appropriate 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.

The rehabilitation process requires considerable professional judgment by counselors. Not only must counselors deal with the human element of participants with wide ranges of disabilities, the counselor must often coordinate services with other State and local social service agencies, school districts, private rehabilitation agencies, hospitals, medical professionals, and potential employers. Also, the process requires that counselors comply with numerous policies, procedures, and

regulations. Further, the counselor must maintain documentation of rehabilitation decisions and activities for each participant.

MRS's review protocol requires district offices to conduct quarterly quality assurance reviews of counselor cases in areas of financial accountability, delivery of services, and compliance with State and federal regulations. The protocol requires each district office to review a minimum of four case files per counselor each quarter (16 per year). Managers are to summarize and forward the review results to MRS's Quality Assurance Division (QAD). MRS uses the quarterly reviews to promote staff learning and continuous improvement in services and outcomes and provide management with a centralized tool to review case file deficiency trends.

Our review of MRS's quality assurance reviews disclosed:

- a. District offices often did not complete quarterly quality assurance reviews.

The 5 district offices visited had 12 office locations. Five of these 12 offices did not conduct 11 (23%) of 48 quarterly reviews for the period April 2000 through March 2001. District offices had various reasons for not conducting the quarterly reviews, such as management changes, office relocations, personnel too busy, and personnel not aware that quarterly reviews were required.

- b. District offices had not established appropriate selection criteria for case files included in the quality assurance reviews.

MRS protocol allows district offices to establish their own methodology for selecting case files for inclusion in the quality assurance review. None of the 5 district offices visited had a defined methodology for selecting case files for review. We determined that the methodology for case file selection at the 5 districts offices visited did not prioritize the selection of case files by amount of expenditures, types of services provided, or age of case. Prioritizing cases should help ensure that significant cases are included in the quality assurance review process.

- c. QAD did not monitor district office activities to ensure quality assurance reviews were completed.

QAD's quarterly review log disclosed that 12 (80%) of the 15 district offices Statewide did not complete all quality assurance reviews for the period April 2000 through March 2001. QAD staff stated that it was optional for district offices to submit quality assurance review summaries. As noted in item a., some district offices often did not complete the reviews.

- d. QAD did not require district offices to indicate exceptions found and planned corrective actions on their quality assurance review summaries.

District offices submit quality assurance review summaries to QAD. District offices stated that exceptions are not normally indicated on the summaries because exceptions are addressed internally at the district offices. Also, if district offices did prepare and submit exception summaries, corrective action plans were not prepared to inform QAD what actions would be taken to address exceptions.

The usefulness of the quality assurance reviews as a management tool is significantly reduced when district offices do not report exceptions and corrective actions.

As noted in Findings 4 and 6, our review noted various case file deficiencies. Ensuring that quarterly quality assurance reviews are completed and corrective actions are implemented should help reduce such deficiencies and, therefore, help to ensure the effective and efficient use of MRS resources.

In January 1999, MRS initiated a Statewide case file review process to examine the delivery of participant services. District office quality assurance reviews should be useful to MRS in conducting the Statewide review. However, to make the Statewide review process more effective and efficient, MRS should evaluate the quarterly district office quality assurance reviews to provide a risk-based approach for determining the need to include district offices in subsequent Statewide reviews.

RECOMMENDATIONS

We recommend that MRS district offices conduct quality assurance reviews of case files as required and establish appropriate selection criteria for case files included in the reviews.

We also recommend that MRS monitor to ensure that district offices conduct quality assurance reviews and initiate corrective action.

AGENCY PRELIMINARY RESPONSE

MDCD generally agreed with the recommendations and MRS will initiate corrective actions.

SUPPLEMENTAL INFORMATION

MICHIGAN REHABILITATION SERVICES
 Cases Closed by Disability
October 1, 1998 through June 26, 2001

<u>Disability</u>	Cases Closed Rehabilitated		Cases Closed Other than Rehabilitated		All Closed Cases	Percentage of All Closed Cases
	Number of Cases Closed Rehabilitated	as a Percentage of All Closed Cases	Number of Cases Closed Other than Rehabilitated	as a Percentage of All Closed Cases		
Visual disabilities	211	0.5%	171	0.4%	382	0.9%
Hearing impairment	2,236	5.3%	882	2.1%	3,118	7.4%
Orthopedic	2,855	6.8%	3,960	9.4%	6,815	16.2%
Amputation	135	0.3%	142	0.3%	277	0.7%
Mental illness	2,730	6.5%	4,795	11.4%	7,525	17.9%
Alcohol and drug dependence	1,968	4.7%	2,925	6.9%	4,893	11.6%
Other mental/emotional disabilities	908	2.2%	1,445	3.4%	2,353	5.6%
Learning disabilities	2,613	6.2%	3,910	9.3%	6,523	15.5%
Mental retardation	3,034	7.2%	2,383	5.7%	5,417	12.9%
Other disabilities	2,330	5.5%	2,499	5.9%	4,829	11.5%
Total	<u>19,020</u>	<u>45.1%</u>	<u>23,112</u>	<u>54.9%</u>	<u>42,132</u>	<u>100.0%</u>

Source: Automated Rehabilitation Management System (ARMS)

MICHIGAN REHABILITATION SERVICES
 Cases Closed by Ethnicity
October 1, 1998 through June 26, 2001

<u>Ethnic Group</u>	<u>Number of Cases Closed Rehabilitated</u>	<u>Cases Closed Rehabilitated as a Percentage of All Closed Cases</u>	<u>Number of Cases Closed Other than Rehabilitated</u>	<u>Cases Closed Other than Rehabilitated as a Percentage of All Closed Cases</u>	<u>All Closed Cases</u>	<u>Percentage of All Closed Cases</u>
American Indian or Alaskan Native	154	0.4%	283	0.7%	437	1.0%
Asian or Pacific Islander	125	0.3%	135	0.3%	260	0.6%
Black	3,816	9.1%	6,360	15.1%	10,176	24.2%
White	14,925	35.4%	16,334	38.8%	31,259	74.2%
Total	<u>19,020</u>	<u>45.1%</u>	<u>23,112</u>	<u>54.9%</u>	<u>42,132</u>	<u>100.0%</u>

Source: Automated Rehabilitation Management System (ARMS)

Glossary of Acronyms and Terms

ARMS	Automated Rehabilitation Management System.
BSR	business service representative.
CFR	<i>Code of Federal Regulations.</i>
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
IPE	individual plan of employment.
management control	The plan of organization, methods, and procedures adopted by management to provide reasonable assurance that goals are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MCTI	Michigan Career Technical Institute.
MDCD	Michigan Department of Career Development.
mission	The agency's main purpose or the reason that the agency was established.
MRS	Michigan Rehabilitation Services.

outcomes	The actual impacts of the program.
outputs	The products or services produced by the program.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
performance standard	A desired level of output or outcome.
public assistance	Cash, non-cash, and other assistance, such as Medicaid, State Supplemental Disability Income, food stamps, Family Independence Program, etc.
QAD	Quality Assurance Division.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.