

PERFORMANCE AUDIT
OF THE

MICHIGAN COMMISSION FOR THE BLIND

DEPARTMENT OF LABOR AND ECONOMIC GROWTH
AND
FAMILY INDEPENDENCE AGENCY

October 2004

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
 43-231-03

Michigan Commission for the Blind

*Department of Labor and Economic Growth
 and Family Independence Agency*

Released:
 October 2004

Act 260, P.A. 1978, as amended, created the Michigan Commission for the Blind (MCB). MCB consists of five commissioners who are appointed for three-year terms by the Governor. MCB is responsible for the implementation of programs to help people who are blind to achieve social and economic independence. MCB is the vocational rehabilitation service agency for the blind in Michigan. Its mission is to provide opportunities to individuals with visual handicaps to achieve employability and/or function independently in society.

Audit Objectives:

1. To assess MCB's effectiveness and efficiency in administering its programs and services.
2. To assess the effectiveness of MCB's services provided to individuals to enable them to overcome their visual disability and obtain the maximum degree of self-support and self-care.

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Audit Conclusions:

1. MCB was generally effective and efficient in administering its programs and services. However, we noted reportable conditions related to the client tracking system, Social Security reimbursement process, procurement card purchases, Business Enterprise Program equipment inventory record, the client equipment inventory record, and purchased services (Findings 1 through 6).

2. MCB was generally effective in providing services to individuals to enable them to overcome their visual disability and obtain the maximum degree of self-support and self-care. However, we noted a reportable condition related to Independent Living (IL) Program case management procedures (Finding 7).

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Agency Response:

Our report contains 7 findings and 8 corresponding recommendations. The Department of Labor and Economic Growth's preliminary response indicated that MCB agrees with all of the recommendations and that it has implemented or will implement corrective action.

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Background:

Throughout the period covered by this audit, MCB was organizationally within the Family Independence Agency. However, the Governor, through Executive Order No. 2003-18, transferred MCB as a type II transfer to the Department of Labor and Economic Growth, effective December 7, 2003.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General



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

October 7, 2004

Ms. Jo Ann Pilarski, Chairperson
Michigan Commission for the Blind
Victor Center
Lansing, Michigan
and
Mr. David C. Hollister, Director
Department of Labor and Economic Growth
Ottawa Building
Lansing, Michigan
and
Marianne Udow, Director
Family Independence Agency
Grand Tower
Lansing, Michigan

Dear Ms. Pilarski, Mr. Hollister, and Mrs. Udow:

This is our report on the performance audit of the Michigan Commission for the Blind, Department of Labor and Economic Growth (DLEG) and Family Independence Agency.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from DLEG'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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GLOSSARY

Glossary of Acronyms and Terms

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Description of Agency

Act 260, P.A. 1978, as amended, created the Michigan Commission for the Blind (MCB). MCB consists of five commissioners who are appointed for three-year terms by the Governor with the advice and consent of the Senate. MCB is responsible for the implementation of programs to help people who are blind to achieve social and economic independence.

MCB is the vocational rehabilitation service agency for the blind in Michigan. Its mission* is to provide opportunities to individuals with visual handicaps to achieve employability and/or function independently in society. Services are provided through the following programs: Vocational Rehabilitation Program, Independent Living (IL) Program, MCB Training Center, Business Enterprise Program (BEP), Youth Low Vision Program, and Deaf-Blind Program:

- a. The Vocational Rehabilitation Program provides vocational rehabilitation training for the blind under the federal Rehabilitation Act of 1973. Services provided include diagnostic evaluations, personal and vocational counseling, college and technical school training, job development and placement, post-employment training, and the provision of low vision aids. To be eligible for these services, clients must be legally blind and the impairment must result in a substantial impediment to employment.
- b. The IL Program uses State and federal funding to provide services to older blind individuals so they can remain independent in their own homes. Services provided include information and referral, orientation and mobility, adaptive aids and appliances, daily living skills, counseling, and Braille and other communication methods.
- c. The MCB Training Center is a residential training facility located in Kalamazoo. The Center serves approximately 400 individuals each year ranging in age from 15 to 80. The primary focus is to assist individuals in developing more positive attitudes toward blindness and to help them acquire the needed skills. Services provided include personal adjustment training; skills of blindness training; college preparation and technical training; Braille and other communication methods;

* See glossary at end of report for definition.

orientation and mobility; BEP training; and training in adaptive kitchen skills, computer skills, and industrial arts and crafts.

- d. BEP is the State licensing agency for blind persons operating vending stands and cafeterias in State and federal buildings as well as highway rest stops and visitor centers. BEP was established by the federal Randolph-Sheppard Act of 1936, as amended, and Act 260, P.A. 1978, as amended. MCB trains vocational rehabilitation clients to become BEP operators and purchases equipment and initial inventory for their facilities. Promotional agents provide ongoing support and oversight to the BEP operators.
- e. The Youth Low Vision Program is a State-funded program providing low vision evaluations and devices to students who are referred by local school districts. Services provided include low vision evaluations, telescopic and microscopic lens systems, prescriptive and other vision devices, and low vision training.
- f. The Deaf-Blind Program, in conjunction with other State agencies, provides rehabilitation and independent living services to clients with combined hearing and visual impairments. These services may be provided in the workplace, at home, and in the community.

MCB expended \$15,609,511 in fiscal year 2001-02 and had 2,675 active clients in all program areas and 91 employees as of March 24, 2003.

Throughout the period covered by this audit, MCB was organizationally within the Family Independence Agency. However, the Governor, through Executive Order No. 2003-18, transferred MCB as a type II transfer* to the Department of Labor and Economic Growth, effective December 7, 2003.

* See glossary at end of report for definition.

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

Audit Objectives

Our performance audit* of the Michigan Commission for the Blind (MCB), Department of Labor and Economic Growth (DLEG) and Family Independence Agency, had the following objectives:

1. To assess MCB's effectiveness* and efficiency* in administering its programs and services.
2. To assess the effectiveness of MCB's services provided to individuals to enable them to overcome their visual disability and obtain the maximum degree of self-support and self-care.

Audit Scope

Our audit scope was to examine the program and other records of the Michigan Commission for the Blind. The audit scope included the examination of case files and other records at six Michigan Commission for the Blind regional 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 February through June 2003, included examination of MCB records and activities primarily for the period October 1, 2000 through April 30, 2003.

To accomplish our objectives, we reviewed federal regulations, State statutes, and MCB policies and procedures. In addition, we interviewed MCB central and regional office staff and visited the MCB Training Center in Kalamazoo.

To accomplish our first objective, we reviewed MCB's activities and expenditures and tested its controls over purchasing. We assessed MCB's process for submitting Social

* See glossary at end of report for definition.

Security reimbursement claims. We appraised MCB's efforts to develop new snack bars and cafeterias and evaluated its equipment inventory procedures.

In connection with our second objective, we reviewed MCB's goals* and objectives*, quality assurance processes, and efforts to coordinate services with other State agencies. We analyzed program data, including counselor work loads and client expenditures. In addition, we examined client case files to determine if MCB provided vocational rehabilitation and independent living services in accordance with federal regulations, State statutes, and MCB policies and procedures and if desired outcomes were achieved. We also analyzed the activities of the Business Enterprise Program, including the identification and training of new operators and the system for making new vending facility assignments. Further, we reviewed MCB's efforts to provide training, ensure compliance with MCB policies and procedures, and monitor profit expectations of existing vending facility operators.

Agency Responses and Prior Audit Follow-Up

Our report contains 7 findings and 8 corresponding recommendations. DLEG's preliminary response indicated that MCB agrees with all of the recommendations and that it has implemented or will implement corrective action.

The agency preliminary response that follows each recommendation in our report was taken from DLEG'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 DLEG to develop a formal response to our findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Michigan Commission for the Blind, Department of Labor (#6723093), in October 1993. MCB complied with 4 of the 5 prior audit recommendations. We repeated the other prior audit recommendation (presented in Finding 6) in this report.

* See glossary at end of report for definition.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS AND EFFICIENCY IN ADMINISTERING PROGRAMS AND SERVICES

COMMENT

Audit Objective: To assess the Michigan Commission for the Blind's (MCB's) effectiveness and efficiency in administering its programs and services.

Conclusion: **MCB was generally effective and efficient in administering its programs and services.** However, we noted reportable conditions* related to the client tracking system, the Social Security reimbursement process, procurement card* purchases, the Business Enterprise Program (BEP) equipment inventory record, the client equipment inventory record, and purchased services (Findings 1 through 6).

FINDING

1. Client Tracking System

MCB did not have policies and procedures or system edits in place to ensure the accuracy, timeliness, and completeness of data within its client tracking system.

As a result, MCB was unable to use the client tracking system as a management oversight tool. In addition, because the information in the client tracking system was unreliable, MCB was required to use extensive manual procedures to prepare required federal reports and requests for federal reimbursement (Finding 2).

MCB implemented a database system for the purpose of tracking clients in 1994. This database was designed to function as a case management tool, administrative oversight tool, and a federal reporting record. The system was upgraded in 1997.

MCB maintains case records for vocational rehabilitation and independent living clients on its database system. As of April 2003, MCB's database contained 8,558 client records. At the time of our audit, 91 MCB employees had access to the system at eight different regional offices.

Our review of MCB's client tracking system disclosed:

- a. MCB had not developed standard policies and procedures and provided timely training for the users of its client tracking system.

* See glossary at end of report for definition.

Policies and procedures are necessary to communicate to the users expectations for the use of the system as well as establishing standard processes for the updating of the system. Training for the users is necessary to ensure that the system is appropriately utilized and helps reduce data input errors.

For example, our review disclosed that Independent Living (IL) Program instructors were not required to use the client tracking system until late in 2002. As of May 2003, one regional office informed us that all IL Program instructors were still not using the client tracking system. As a result, the information for the entire IL Program client population was not available to management.

- b. MCB did not have edits in place to help ensure that information entered into the client tracking system was complete.

System edits are necessary to help ensure the accuracy and completeness of the data within the system. Inaccurate and incomplete data can negatively impact productivity, increase administrative costs, and affect program results.

In our review of the 8,558 records on the client tracking system as of April 2003, we noted:

- (1) A referral date was not included on 1,034 (12%) records. The referral date helps determine how long an individual has been a client of MCB.
- (2) A primary source of support was not indicated on 2,360 (28%) records. This information is necessary to identify which clients are potentially reimbursable by the federal Social Security Administration (SSA) (Finding 2).
- (3) An indication that an instructor had been assigned was not included on 223 (3%) records. This information is required to ensure that all clients are provided the necessary services. Additionally, it is necessary to identify and report client status to individual instructors and supervisors.

RECOMMENDATION

We recommend that MCB establish policies and procedures and system edits to ensure the accuracy, timeliness, and completeness of data within its client tracking system.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the recommendation and informed us that it has enhanced its client tracking system (System6) edits to ensure the accuracy, timeliness, and completeness of data. All of the internal edits have been enabled and several new edits have been requested from the developer of System6.

MCB will also establish policies and procedures to assist the system users and standardize the process for updating the system.

MCB plans to implement additional training based upon staff responses to an in-house training survey to determine training needed to ensure that all individuals were able to effectively perform their job duties.

In an effort to keep staff informed of System6 upgrades and/or changes, liaisons are e-mailed system changes when they are received from the vendor or upgraded by Department of Information Technology staff. Effective June 1, 2003, all staff, including IL staff, were directed to use System6 and have all clients entered in the system.

FINDING

2. Social Security Reimbursement Process

MCB had not developed effective procedures to identify eligible clients and costs for federal reimbursement. In addition, MCB did not submit claims for federal reimbursement on a regular basis.

Improvement in MCB's process would assist MCB in maximizing its recovery of federal revenue. In our review of the claims filed, we identified two claims totaling \$174,056 that were denied because they were late. We also identified \$98,237 in reimbursable expenditures that were not claimed because the clients refused to participate.

The Social Security Act provides for payment to vocational rehabilitation providers for the cost of goods and services they furnished to individuals receiving Social Security Disability Insurance (SSDI) benefits or Supplemental Security Income (SSI) benefits. The SSA vocational rehabilitation payment program was established to encourage state vocational rehabilitation agencies to provide training to disabled individuals that would allow them to work and become less dependent on monthly cash benefits. SSA reimburses state agencies for the cost of vocational rehabilitation services that enabled a person's return to work for at least nine continuous months at a substantial earnings level. SSA also reimburses state agencies for the cost of goods and services provided to individuals who medically recovered from their disability and individuals who refused to continue in a vocational rehabilitation program without good cause.

As noted in Finding 1, MCB's client tracking system did not provide all of the client status and cost data necessary to identify eligible clients and prepare an accurate and complete reimbursement application. MCB is required to manually review closed case files to identify eligible clients and costs and prepare the reimbursement claims. As a result, the number and amount of claims that MCB submitted to SSA for reimbursement have varied widely from year to year and the yearly reimbursement rate for the claims submitted has averaged 33%. We

summarized the number and amount of claim submissions for the last 8 fiscal years:

SSA Vocational Rehabilitation Payment Program Summary

| Fiscal Year in Which Case Was Closed | Number of Claims Submitted | Amount Requested for Reimbursement | Amount Reimbursed | Percentage of Requested Amounts Reimbursed |
|---|----------------------------------|--|----------------------|---|
| 1994-95 | 15 | \$ 336,123 | \$ 170,426 | 51% |
| 1995-96 | 62 | \$ 1,775,387 | \$ 793,674 | 45% |
| 1996-97 | 135 | \$ 3,450,274 | \$ 1,249,398 | 36% |
| 1997-98* | 30 | \$ 825,680 | \$ 173,615 | 21% |
| 1998-99 | 161 | \$ 5,768,623 | \$ 1,326,094 | 23% |
| 1999-2000* | 72 | \$ 2,286,710 | \$ 813,610 | 36% |
| 2000-01* | 24 | \$ 1,276,921 | \$ 586,752 | 46% |
| 2001-02 | 2 | \$ 133,983 | \$ 88,881 | 66% |
| Average Yearly Reimbursement Rate | | | | 33% |

* As of April 30, 2003, MCB records disclosed that SSA had not yet processed all of the reimbursement requests from fiscal years 1997-98, 1999-2000, and 2000-01.

We reviewed 15 claims submitted for fiscal years 1999-2000 and 2000-01 totaling \$807,320 and noted:

- a. Of the amount claimed, only \$290,661 (36%) was deemed eligible for reimbursement by SSA. The reasons for claim denial or reduction included: the reimbursement claim was submitted too late for processing (\$174,056), the client was ineligible because he or she was not an SSI or SSDI recipient (\$118,758), the client earnings were below a substantial earnings level (\$72,778), the client did not work for the required nine-month period (\$50,032), or insufficient documentation was submitted to support the entire claim (\$5,035). In 4 cases reviewed, the reason for the denial was not clear (\$96,001) from a review of the documentation in the case file.
- b. MCB did not submit reimbursement requests for clients whose cases were closed because of the clients' refusal to cooperate with the program requirements. MCB did not determine the total amount of reimbursable expenditures from these types of cases. However, we noted in our review of vocational rehabilitation case files that reimbursable expenditures for

12 clients who refused to participate totaled \$98,237. MCB did not submit reimbursement claims for these clients.

- c. MCB did not have a process in place to prepare and submit claims on a regular basis. MCB did not submit any claims to SSA between August 2002 and May 2003.

During our audit, we noted that the MCB vocational rehabilitation counselors must contact clients individually to ask them if they are still working in order to determine if they meet the nine-month substantial earnings requirement. Generally, case files are closed after 90 days. An alternative process could be used which would minimize the need to locate and contact each of the clients. The Unemployment Insurance Agency receives earnings records from employers. Matching the social security number of the client against the earnings records history would provide an automated approach to identify the eligible clients.

RECOMMENDATIONS

We recommend that MCB develop effective procedures to identify eligible clients and costs for federal reimbursement.

We also recommend that MCB submit claims for federal reimbursement on a regular basis.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the first recommendation and will implement a new process and procedure to address this issue. MCB plans to install a module into its System6 client tracking system that will automate the Social Security reimbursement process. This process will identify clients eligible for reimbursement, accumulate the data necessary for reimbursement, and complete the reimbursement form. This process will be performed monthly.

MCB also agrees that there is a need to submit claims for federal reimbursement on a regular basis and is exploring ways to improve this process. In 2001, SSA rescinded the policy that allowed reimbursement for expenditures for clients who refuse to participate unless that individual has worked for nine consecutive months. The only way for MCB to determine continued employment would be to match the social security number of the client against the earnings records history with the Unemployment Insurance Agency earnings records from employers. MCB is in the

process of trying to get clearance from the Unemployment Insurance Agency to get earnings data for a special project for the federal government. However, MCB is still waiting for a ruling from the Department of Attorney General regarding how to legally advise and verify that clients have given MCB consent to use social security numbers for this purpose.

FINDING

3. Procurement Card Purchases

MCB's internal control did not ensure that the use of procurement cards was in compliance with Family Independence Agency (FIA) and Department of Management and Budget (DMB) procurement card purchase procedures.

As a result, we identified \$57,564 of unallowable purchases. These purchases were for ongoing, recurring services or projects, such as remodeling, equipment moving, and consulting services. Also, MCB's noncompliance resulted in a lack of oversight of procurement card use. Less oversight increases the risk that the cards could be used for inappropriate purposes.

Procurement cards may be used by authorized individuals for the purchase of specific categories of goods and services within strict dollar limits. FIA and DMB have issued procedures and guidelines governing the use of State procurement cards.

MCB employees used State procurement cards to make purchases totaling approximately \$2 million from October 1, 2000 through March 25, 2003. During this time, 60 (66%) MCB staff were authorized to use State procurement cards.

We reviewed 235 separate purchases totaling \$109,808 from 41 cardholder billing cycles* for 26 different MCB employees during this 2½-year period. Our review disclosed:

- a. Seventy-nine (33%) of the 235 purchases, valued at \$57,564, were for ongoing, recurring services or projects, such as remodeling, equipment moving, and consulting services.

* See glossary at end of report for definition.

FIA and DMB procedures prohibit the use of procurement cards to purchase services that should be purchased through a State contract. DMB gives agencies delegated purchasing authority for goods and services costing less than \$25,000. However, ongoing services that could exceed the delegated purchase limit should be contracted through the appropriate State procurement process.

b. MCB was not providing sufficient oversight of procurement card use. We identified:

(1) Thirty-six (15%) of the 235 purchases, valued at \$47,815, appeared to be split to avoid the single purchase limits.

FIA and DMB policy prohibits the splitting of purchases to exceed procurement card transaction limits.

(2) Ten (4%) of the 235 purchases, valued at \$1,931, did not contain supporting documentation for the amount charged. As a result, MCB could not ensure and we could not verify the appropriateness of the purchases.

Cardholders are responsible for obtaining adequate documentation to support the purchases made with their cards, including sales receipts or vendor invoices.

(3) Eighteen (44%) of 41 payment cycles, for purchases totaling \$58,896, did not include verification of the receipt of goods and services by someone other than the cardholder or supervisor.

FIA policy requires that a third party, other than the cardholder or supervisor, verify that the purchased items were received by initialing the transaction log.

(4) Three (7%) of 41 cardholder transaction logs, for purchases totaling \$6,301, did not document the date that the item or service was received.

FIA policy requires that the cardholder document the date that the item or service was received by entering the date on the transaction log.

- (5) MCB supervisors did not always perform detailed reviews of procurement card purchases made by staff and did not retain procurement card documentation in their possession. For one of our sample billing cycles, the cardholder was allowed to retain the supporting documentation but was unable to locate it for audit purposes.

FIA policy requires that at the end of each two-week billing cycle, all receipts should be attached to the corresponding FIA procurement card transaction log sheet and then forwarded to the cardholder's supervisor for review.

- (6) Seven (12%) of the 60 MCB employees who had active procurement card accounts during our audit period did not have a sufficient amount of use to justify having a card assigned to them.

RECOMMENDATION

We recommend that MCB improve its internal control to ensure that the use of procurement cards is in compliance with FIA and DMB procurement card purchase procedures.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the recommendation and will comply with Department of Labor and Economic Development (DLEG) and DMB procurement card purchase procedures. MCB will conduct remedial training for individual staff who use the procurement cards inappropriately. MCB and DLEG will monitor all MCB procurement card transactions and will take steps to rescind any procurement cards from staff who continue to have procedural violations after receiving training.

FINDING

4. BEP Equipment Inventory Record

MCB did not comply with established equipment inventory control procedures for Business Enterprise Program (BEP) equipment. As a result, MCB could not account for its BEP equipment inventory. This could result in the misappropriation of assets.

DMB issued numerous directives to State agencies pertaining to equipment inventory controls and the recording and reporting of acquisition and disposal data

for financial reporting purposes. FIA incorporated these directives into its Administrative Manual.

Our review of the BEP equipment inventory records disclosed:

- a. MCB did not tag all applicable BEP equipment or maintain proper equipment inventory records.

The FIA Administrative Manual (AHM 441) requires that all equipment items costing more than \$5,000 be tagged and included in the agency's equipment inventory records. Additionally, MCB elected to tag equipment below the \$5,000 threshold for BEP.

We reviewed the equipment inventory at six separate BEP locations. We noted 15 equipment items that were not tagged and were not included in the BEP equipment inventory records.

- b. MCB did not request transfer authorizations and did not report additions and transfers of BEP equipment.

The FIA Administrative Manual (AHM 442) requires that location units transferring equipment must notify FIA's Inventory Control Unit (ICU) of the equipment transfer.

We attempted to verify the existence of 51 equipment inventory items at six separate BEP locations. We could not locate 33 (65%) equipment inventory items, and MCB could not provide documentation for the disposition of these equipment items.

We also noted 27 tagged equipment items that were not included in the BEP equipment inventory records for that location and for which BEP could not provide documentation of the transfer of the equipment to these locations.

- c. MCB did not request authorization to dispose of surplus, scrap, and worthless BEP equipment items.

The FIA Administrative Manual (AHM 445) requires that location units disposing of equipment provide written notification to ICU. ICU will then authorize the disposal by completion of a disposal request form.

We noted 22 instances in which MCB disposed of BEP equipment without the proper authorization or documentation.

- d. MCB did not submit all required annual equipment inventory reports during our audit period.

The FIA Administrative Manual (AHM 443) requires location units to annually conduct a physical inventory of equipment to ensure that all equipment is tagged and accounted for. Additionally, the location unit must submit to ICU an equipment inventory report documenting the completion of the physical inventory.

In fiscal year 2000-01, MCB did not submit the required reports for two separate BEP locations. In fiscal year 2001-02, ICU informed us that MCB did not submit the required reports for any of its BEP locations.

RECOMMENDATION

We recommend that MCB comply with established equipment inventory control procedures for BEP equipment.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the recommendation and informed us that it has implemented the following procedure for BEP equipment tracking: MCB support staff enter all new equipment in the BEP Facility Tracking System's equipment tracking module and then issue tags for the equipment. Those tags are then issued to promotional agents to be placed on the equipment (since May 2003, approximately 560 tags and retags have been generated and sent to promotional agents to be placed on equipment). If equipment is being moved or transferred, promotional agents are required to complete a transfer authorization prior to moving the equipment. The completed transfer authorization is then sent to MCB support staff to update the system. All surplus, scrap, and worthless BEP equipment is to be authorized prior to disposal. The information is entered in the BEP Facility Tracking System, a copy of that authorization is to be stored at MCB, and the information is reported to the DLEG Facility Management Division.

FINDING

5. Client Equipment Inventory Record

MCB did not comply with established procedures to monitor the assignment of MCB's equipment to vocational rehabilitation clients. As a result, MCB could not ensure that all assigned equipment purchases were being fully utilized by MCB's clients.

MCB vocational rehabilitation counselors may approve the purchase of adaptive equipment, such as computers, Braillewriters, closed circuit televisions, and other visual aids, for clients who need these items in order to meet established vocational goals.

The Vocational Rehabilitation Division policy manual requires that each regional office maintain a list of all equipment currently assigned to clients in the region. At the end of each fiscal year, the counselor or other designated staff member is responsible for documenting in the client's case file and on the officewide equipment record that the equipment is in the possession of the client and is being used as planned. If the equipment is no longer being used, the counselor is required to reclaim it and update the client's case file and officewide equipment inventory record.

Our review of 70 vocational rehabilitation client case files disclosed equipment purchases totaling approximately \$58,535.

During our visits to 6 of the 8 regional offices, MCB staff at each office informed us that an officewide equipment inventory record is not used to monitor equipment in the possession of clients. Rather, vocational rehabilitation counselors rely on the clients to inform MCB if the equipment is no longer necessary. Additionally, counselors become aware of equipment that is available for reassignment informally from other counselors.

RECOMMENDATION

We recommend that MCB comply with established procedures to monitor the assignment of MCB's equipment to vocational rehabilitation clients.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the recommendation and plans to implement a process that will allow MCB to better monitor the assignment of MCB's equipment to vocational

rehabilitation clients. Under the new procedure, equipment purchases for MCB clients over \$500 are recorded on an equipment registration log. These logs will be kept in each regional office with the entries recorded by support staff. The logs will contain a description of the equipment, date of purchase, date dispensed, client name, social security number, counselor, and purchase amount.

FINDING

6. Purchased Services

MCB did not comply with established State purchasing requirements. As a result, MCB could not document that its purchasing practices promoted the efficient use of resources and that MCB obtained these services at minimum cost.

FIA policy requires that all professional services exceeding \$10,000 be processed through the FIA Procurement Section, Business Services Division. The FIA Procurement Section determines whether to make the purchases under FIA's authority or to transmit it to DMB's Acquisition Services. Following this process ensures that purchased services and contracts are competitively bid, properly executed, and processed in accordance with State statutes and policies.

Our review disclosed that MCB purchased IL Program rehabilitation services totaling \$226,940 and \$263,263 for fiscal years 2000-01 and 2001-02, respectively, from a private rehabilitation center. We noted:

- a. All rehabilitation services for this grant program have been purchased from the same vendor. MCB could not provide documentation to support the purchase of these services from a sole source vendor.
- b. MCB did not enter into a contractual agreement with this rehabilitation center.
- c. MCB and FIA did not submit a negotiated contract to the State Administrative Board for review and approval.

We noted this condition in our prior audit. In response to the prior audit, MCB indicated that it agreed with the recommendation and that it was taking steps to comply.

RECOMMENDATION

TO HELP ENSURE THAT ITS PURCHASING PRACTICES PROMOTE THE EFFICIENT USE OF RESOURCES, WE AGAIN RECOMMEND THAT MCB COMPLY WITH ESTABLISHED STATE PURCHASING REQUIREMENTS.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the recommendation and informed us that it is in the process of obtaining a contract to purchase needed professional services from a private rehabilitation center. MCB will work with DLEG to ensure that this contract is obtained in accordance with established State purchasing requirements.

EFFECTIVENESS OF SERVICES PROVIDED TO OVERCOME VISUAL DISABILITY AND OBTAIN SELF-SUPPORT AND SELF-CARE

COMMENT

Audit Objective: To assess the effectiveness of MCB's services provided to individuals to enable them to overcome their visual disability and obtain the maximum degree of self-support and self-care.

Conclusion: **MCB was generally effective in providing services to individuals to enable them to overcome their visual disability and obtain the maximum degree of self-support and self-care.** However, we noted a reportable condition related to Independent Living (IL) Program case management procedures (Finding 7).

Noteworthy Accomplishments: MCB conducts mini-adjustment programs that provide an introduction to blind rehabilitation skills and services. These programs also encourage further rehabilitation training. MCB brings this training to the clients by conducting the programs in various locations throughout the State. This outreach method allows MCB to provide training to a large number of clients in a relatively short period of time. During our audit period, MCB held 6 programs annually at various locations with total attendance of 211 in fiscal year 2000-01 and 185 in fiscal year 2001-02.

FINDING

7. IL Program Case Management Procedures

MCB had not established policies and procedures for the case management of IL Program services.

Consequently, MCB is required to use an inefficient process to prepare required federal reports. With consistent policies and procedures, MCB would be better able to document the effectiveness of the IL Program.

MCB uses State and federal funds to provide IL Program services to individuals aged 55 or older who are blind, whose severe visual impairments make competitive employment extremely difficult to attain, but for whom independent living in their own homes or communities is feasible. Federal regulations detail the services that may be provided by the IL Program and require an annual reporting of the number and type of services provided.

In fiscal year 2001-02, MCB expended \$1,119,327 for services provided to 1,101 IL Program clients.

Our review of MCB case management procedures and 84 IL Program services case files noted:

- a. IL Program teachers were not always required to use the client tracking system to document services provided to IL Program clients (Finding 1).

Our review disclosed that because of the limited use of MCB's client tracking system:

- (1) MCB was dependent on extensive manual records for the preparation of required federal reports.
 - (2) MCB could not provide a complete list of IL Program clients for two regional offices.
- b. MCB did not document in the case file the services provided for 12 (14%) of 84 IL Program clients. Case file documentation should be maintained to substantiate the reasonableness of the service provided.

- c. MCB did not document in the case file for 14 (17%) of 84 IL Program clients that purchases made on behalf of the clients were necessary and reasonable. Case file documentation should be maintained to substantiate the purchase and the necessity of the purchase.

RECOMMENDATION

We recommend that MCB establish policies and procedures for the case management of IL Program services.

AGENCY PRELIMINARY RESPONSE

MCB agrees with the recommendation and informed us that it has implemented corrective action. Beginning June 1, 2003, all staff, including IL staff, were required to enter all clients into the System6 client tracking system. MCB staff run monthly caseload reports and verify that counselor caseloads and IL client totals are within the projected numbers for expected assigned clients. Now that all clients have been entered in the system, MCB will be able to automatically complete the IL federal reports. MCB does yearly case reviews. A component of the case review is to monitor the reasonableness of services and case file documentation. IL client cases will be included in MCB case reviews.

GLOSSARY

Glossary of Acronyms and Terms

| | |
|----------------------------------|---|
| BEP | Business Enterprise Program. |
| card holder billing cycle | Two weeks of transactions covering a period from a State of Michigan payday through the day before the next State payday. |
| DLEG | Department of Labor and Economic Growth. |
| DMB | Department of Management and Budget. |
| effectiveness | Program success in achieving mission and goals. |
| efficiency | Achieving the most outputs and outcomes practical with the minimum amount of resources. |
| FIA | Family Independence Agency. |
| goals | The agency's intended outcomes or impacts for a program to accomplish its mission. |
| ICU | Inventory Control Unit. |
| IL Program | Independent Living Program. |
| MCB | Michigan Commission for the Blind. |
| mission | The agency's main purpose or the reason that the agency was established. |
| objectives | Specific outcomes that a program seeks to achieve its goals. |
| 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.

procurement card A credit card issued to State employees for purchasing commodities and services in accordance with State purchasing policies.

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.

SSA federal Social Security Administration.

SSDI Social Security Disability Insurance.

SSI Supplemental Security Income.

type II transfer The transferring of an existing department, board, commission, or agency to a principal department established by Act 380, P.A. 1965 (Executive Organization Act of 1965). Any department, board, commission, or agency assigned to a type II transfer under Act 380, P.A. 1965, shall have all its statutory authority, powers, duties and functions, records, personnel, property, unexpended balances of appropriations, allocations or other funds, including the functions of budgeting and procurement, transferred to that principal department.