



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

NICK LYON  
DIRECTOR

October 23, 2018

Rick Lowe, Chief Internal Auditor  
Office of Internal Audit Services  
George W. Romney Building  
111 South Capitol, 8<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of Michigan Rehabilitation Services.

Questions regarding the summary table or corrective action plans should be directed to me at 517-241-4237 or MyersP3@michigan.gov.

Sincerely,

Signature Redacted

Pam Myers, Director  
Bureau of Audit

PM:kk

Enclosure

c: Office of the Auditor General  
House Fiscal Agency  
Senate Fiscal Agency  
Executive Office  
DHHS, Nick Lyon  
DHHS, Nancy Vreibel  
DHHS, Matthew Lori

House Appropriations Committee  
House Standing Committee  
Senate Appropriations Committee  
Senate Standing Committee  
DHHS, Farah Hanley  
DHHS, Geralyn Lasher  
DHHS, Karla Ruest

PERFORMANCE AUDIT OF  
MICHIGAN REHABILITATION SERVICES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OCTOBER 23, 2018

AUDIT RESPONSE

Approved: \_\_\_\_\_

*Farah A. Hanley*  
Farah A. Hanley, Senior Deputy Director  
Department of Health and Human Services

Date: \_\_\_\_\_

*10/23/18*



## **AUDIT REPORT SUMMARY**

DEPARTMENT: Health Policy, Regulation

AUDIT PERIOD: October 1, 2013 through April 30, 2016

REPORT DATED: May 31, 2018

### **DISPOSITION OF AUDIT RECOMMENDATIONS**

CITATIONS COMPLIED WITH	CITATIONS TO BE COMPLIED WITH	CITATIONS DHHS DID NOT AGREE WITH
	Finding 1 (04/01/2019)	
	Finding 2 (10/01/2019)	
	Finding 3 (12/28/2018)	
	Finding 4 (04/01/2019)	
Finding 5		
	Finding 6 (3/1/2019)	

**Audit Response**  
**Performance Audit**  
**2016 Michigan Rehabilitation Services**  
**Department of Health and Human Services**  
**October 1, 2013 through April 30, 2016**

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Recommendation 1:     Improvements needed in the process and documentation for payments issued directly to customers.

The OAG recommended that MRS improve its process and documentation for payments issued directly to customers to purchase goods or services.

Response:

MRS has completed, or is in the process of completing, several corrective actions:

- a. MRS has drafted an update to its Direct and Recurring Authorization policy. In the drafted version, MRS clearly delineates that a direct pay of up to \$500 is permissible through a counselor's authorization limit. For authorizations that are over \$500 and up to \$2,000, the direct pay would be approved by the Site Manager. For any direct pays over \$2,000, MRS will utilize a third - party payor. The drafted policy also clearly notes that multiple authorizations for a single service is not permissible. MRS has an anticipated completion date of December 28, 2018.
- b. The fiscal section of the policy manual is currently under revision to provide guidance and assure justification is documented. MRS will retrain field staff to the updated policy and work with managers to implement supervision for these elements. Concurrently, MRS is also reviewing AWARE protocols to determine if system controls could be utilized to verify documentation. MRS has an anticipated completion date of April 1, 2019.
- c. MRS has updated its policy to note that the counselor is to first put forth effort to obtain the receipt. If the receipt is not obtained, MRS has established other procedural safeguards to ensure the validity of the expenditures by requiring the counselor to utilize the Alternate Receipt of VR Goods form (RA-2920). MRS will retrain field staff to the updated policy and work with managers to implement supervision for these elements. MRS has an anticipated completion date of December 28, 2018.

Recommendation 2:     Improved documentation of comparable benefits and services pursued needed.

The OAG recommended that MRS sufficiently document that it pursued comparable benefits and services from other sources.

Response:

MRS has identified training needs specific to documentation of comparable benefits for field staff. This includes general counselor training on documentation and putting into place office documentation protocols for local review of comparable benefits and resources based on community availability. MRS will also implement additional supervisory oversight from initial application through case closure. MRS has an anticipated completion date of April 1, 2019 for training and October 1, 2019 for implementation of additional supervisory oversight.

Recommendation 3:     Improved documentation for competitive bids and price quotations needed.

The OAG recommended that MRS improve its documentation to support that it obtained the required number of competitive bids or price quotations when making purchases for its customers.

Response:

MRS drafted updates to the Competitive Bids and Price Quotations policy. The policy states that authorizations over \$3,000 require Site or District manager Approval. All required documentation and rationale for oversight of services and for price quotes and bids will be reviewed by the MRS manager before approval to purchase can occur. MRS has an anticipated completion date of December 28, 2018.

Recommendation 4:      Improvements needed in obtaining customer consent to IPE extensions.

The OAG recommended that MRS consistently and timely obtain the customers' consent to extend the completion of their IPEs beyond 90 days.

Response:

MRS has determined through case review and monitoring that greater training is needed to assure compliance with policy in relation to IPE employment extensions. MRS will work with the training unit and managers to train to this policy requirement. MRS will decide what programing indicators are available in its case management system to identify cases that are at risk of going beyond the 90-day requirement to better 'flag' cases prior to noncompliance. MRS has an anticipated completion date of April 1, 2019.

Recommendation 5:      Improvements needed in the management of appeal documentation.

The OAG recommended that MRS improve its management of appeal documentation to help ensure that information is consistently and readily accessible for customers, litigation, audits, and day-to-day operations and that customers receive timely decisions.

Response:

MRS has created a new tracking log which captures all necessary key appeal information. In addition, all hearing packets/files are now centrally located.

Recommendation 6:      Improvements needed in the monitoring of CILs.

The OAG recommended that MRS improve its CIL monitoring to help provide greater assurance that funds are used to support, develop, and expand services for disabled individuals.

Response:

MRS is continuing to strengthen the monitoring process by incorporating all recommended monitoring functions noted in this report. MRS has already implemented many of the recommended monitoring activities into the monitoring process.

MRS has completed, or is in the process of completing, several corrective actions:

- a. Completed the CIL compliance review tool. MRS anticipates that reviews of CILs will use part or all of the elements of the compliance tool by March 1, 2019.
- b. Implemented the peer review program, which is an on-site review of CILs by MRS employees.
- c. Strengthened the quarterly report and work plan reviews.
- d. As part of administrative policy, developed a desk review process to verify expenses submitted by CILs.
- e. As part of administrative policy, developing a financial review of the CIL process. MRS has an anticipated completion date for implementation by December 31, 2018.