

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Bureau of Services for Blind Persons
Department of Labor and Economic Opportunity

April 2020

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The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



Follow-Up Report

Bureau of Services for Blind Persons (BSBP)

Department of Labor and Economic Opportunity

Report Number:
641-0230-16F

Released:
April 2020

We conducted this follow-up to determine whether BSBP had taken appropriate corrective measures in response to the two material conditions noted in our February 2017 audit report.

Effective August 11, 2019, Executive Order No. 2019-13 transferred BSBP from the Department of Licensing and Regulatory Affairs to the Department of Labor and Economic Opportunity.

| Prior Audit Information | Follow-Up Results | |
|--|------------------------|-----------------------------|
| | Conclusion | Agency Preliminary Response |
| Finding #1 - Material condition Case file documentation needs improvement. Agency agreed. | Substantially complied | Not applicable |
| Finding #2 - Material condition Monitoring of Business Enterprise Program vending facilities needs improvement. Agency agreed. | Substantially complied | Not applicable |

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Doug A. Ringler, CPA, CIA
Auditor General

April 16, 2020

Mr. Jeff Donofrio, Director
Department of Labor and Economic Opportunity
300 North Washington Square
Lansing, Michigan

Dear Mr. Donofrio:

This is our follow-up report on the two material conditions (Findings #1 and #2) and the two corresponding recommendations reported in the performance audit of the Bureau of Services for Blind Persons, Department of Licensing and Regulatory Affairs. That audit report was issued and distributed in February 2017. Additional copies are available on request or at audgen.michigan.gov.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

BUREAU OF SERVICES FOR BLIND PERSONS

| | <u>Page</u> |
|--|-------------|
| Report Summary | 1 |
| Report Letter | 3 |
| Introduction, Purpose of Follow-Up, and Bureau Description | 6 |
| Prior Audit Findings and Recommendations, Agency Plan to Comply, and Follow-Up Conclusions | 7 |
| Findings: | |
| 1. Case file documentation needs improvement. | 7 |
| 2. Monitoring of Business Enterprise Program vending facilities needs improvement. | 9 |
| Follow-Up Methodology and Period | 11 |
| Glossary of Abbreviations and Terms | 12 |

INTRODUCTION, PURPOSE OF FOLLOW-UP, AND BUREAU DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the two material conditions* (Findings #1 and #2) and the two corresponding recommendations reported in our performance audit* of the Bureau of Services for Blind Persons (BSBP), Department of Licensing and Regulatory Affairs, issued in February 2017.

Effective August 11, 2019, Executive Order No. 2019-13 transferred BSBP from the Department of Licensing and Regulatory Affairs to the Department of Labor and Economic Opportunity.

PURPOSE OF FOLLOW-UP

To determine whether BSBP had taken appropriate corrective measures to address our corresponding recommendations.

BUREAU DESCRIPTION

BSBP's mission* is to provide opportunities to individuals who are blind or visually impaired to achieve employment and/or achieve maximum and meaningful independence in life through comprehensive rehabilitative services.

BSBP administers programs that offer Vocational Rehabilitation (VR), independent living, and employment training services to the blind and visually impaired citizens in Michigan through the following divisions:

- The Field Services Division provides VR and employment training services to VR clients.
- The Training Center Division provides employment and other individually tailored training services to VR, Independent Living Part B (IL Part B), and/or Independent Living Older Blind (ILOB) persons.
- The Administrative Services Division administers the Business Enterprise Program (BEP), as established by the federal Randolph-Sheppard Act and Sections 393.351 - 393.369 of the *Michigan Compiled Laws*, and provides assistance to the BEP operators*. As of September 30, 2019, 48 BEP operators managed 48 vending facilities across the State.

BSBP provided VR, IL Part B, and ILOB services to approximately 1,400 clients from October 1, 2018 through September 30, 2019.

* See glossary at end of report for definition.

PRIOR AUDIT FINDINGS AND RECOMMENDATIONS, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSIONS

FINDING #1

Audit Finding Classification: Material condition.

Summary of the February 2017 Finding:

BSBP had not obtained, completed, or timely developed required case file documentation to support \$680,000 of payments made to or on behalf of clients.

Recommendation Reported in February 2017:

We recommended that BSBP appropriately prepare and maintain all case file documentation to support services provided to VR, IL Part B, and ILOB clients.

AGENCY PLAN TO COMPLY*

On April 11, 2017, BSBP indicated that it issued a directive to all BSBP staff to adhere to the eligibility procedure and that it would take the following action steps:

- Correct any files identified in the audit with incomplete documentation by May 31, 2017.
- Continue to review internal case files.
- Address case file management procedures at the source through a Lean Process Improvement Project.
- Provide ongoing training at monthly teacher/counselor meetings.

FOLLOW-UP CONCLUSION

Substantially complied.

Our follow-up noted that BSBP:

- a. Substantially complied. BSBP maintained the required eye examination reports to support eligibility determinations for the 10 VR, 10 IL Part B, and 9 (90%) of the 10 ILOB clients that we reviewed.
- b. Complied. BSBP obtained VR client signatures on the 10 individual plans for employment (IPEs) and the 3 IPE amendments that we reviewed.
- c. Partially complied. For the 15 clients that we reviewed, BSBP obtained:
 - 12 (80%) college acceptance letters.
 - 100% of the applicable client's course curriculum.

* See glossary at end of report for definition.

- 5 (83%) of the 6 federal financial aid applications required for clients who participated in college-related services other than BSBP's training center.
- d. Substantially complied. BSBP completed plans or assessments within 90 days of the client's application and obtained the client's signature for 95% of the 20 IL Part B and ILOB plans or assessments that we reviewed.
- e. Substantially complied. BSBP completed 9 (90%) of the 10 VR client eligibility determinations that we reviewed within 60 days of the client's application. The remaining determination was 91 days late, a significant improvement from the exceptions noted in the prior audit report that ranged from 103 to 452 days late.
- f. Substantially complied. BSBP developed 9 (90%) of the 10 VR client IPEs that we reviewed within 90 days of the eligibility determination. The remaining IPE was 9 days late, a significant improvement from the exceptions noted in the prior audit report that ranged from 121 to 142 days late.

FINDING #2

Audit Finding Classification: Material condition.

Summary of the February 2017 Finding:

BSBP did not conduct timely BEP vending facility* site visits, fully document site visits conducted, ensure that BEP equipment repairs were resolved timely, or log BEP complaints, all of which would assist BEP operators to improve business management and maximize service delivery and profitability.

Recommendation Reported in February 2017:

We again recommended that BSBP increase its efforts to monitor and assist BEP operators with their vending facility operations.

AGENCY PLAN TO COMPLY

On April 11, 2017, BSBP indicated that it completed or will complete the following action steps:

- Implemented a site* visit checklist and would implement a managerial review of site visits to ensure compliance.
- Implemented a repair log and established an e-mail box to centralize operators' repair requests to ensure capture, logging, and follow-up.
- Will continue the vending machine leasing program roll-out, address training with telemetry, and monitor the vendor to ensure timely follow-up of installation and repairs.
- Instituted a complaint log.
- Implemented a risk-based audit process of the vending machine monthly report.

FOLLOW-UP CONCLUSION

Substantially complied.

BSBP established review processes to ensure timely site visits, operator equipment repairs, and complaint resolution. Specifically, our follow-up noted that BSBP:

- a. Complied. BSBP completed 100% of the site visits for the 10 vending facilities that we reviewed within the six-week requirement.
- b. Complied. BSBP documented its review of all five sections of the site visit checklist for 100% of the site visits for the 10 vending facilities that we reviewed.

* See glossary at end of report for definition.

- c. Partially complied. BSBP logged 493 repairs in fiscal year 2019. As of September 30, 2019, BSBP completed 464 (94.1%) repairs within 1 to 175 days and had 29 open repairs, as follows:

| Days | Completed Repairs | | Open Repairs | |
|---------|-------------------|---------|--------------|---------|
| | Number | Percent | Number | Percent |
| 1 - 15 | 271 | 58.4% | 18 | 62.1% |
| 16 - 30 | 80 | 17.2% | 8 | 27.6% |
| 31 - 60 | 87 | 18.8% | 2 | 6.9% |
| 61 - 90 | 15 | 3.2% | 1 | 3.4% |
| Over 90 | 11 | 2.4% | 0 | 0.0% |
| Total | 464 | 100.0% | 29 | 100.0% |

Compared with the completion rates noted in our February 2017 performance audit, although the number of open repairs significantly decreased, BSBP was less timely in completing repairs within 15 days. We noted that the majority of all repairs were completed by one vendor whose contract lacked specific requirements related to the timeliness of repair completion. Incorporating timeliness measures within its contracts may further assist BSBP in ensuring that all repairs are resolved in a timely manner.

- d. Complied. BSBP documented complaints and actions taken, including formal hearings, in response to complaints that it received from and in relation to BEP operators and their vending facilities.

FOLLOW-UP METHODOLOGY AND PERIOD

METHODOLOGY

We reviewed BSBP's corrective action plan; reviewed the follow-up report to our 2017 audit prepared by the Office of Internal Audit Services, State Budget Office; and interviewed BSBP personnel. Also, for:

a. Finding #1, we:

- Reviewed case files for 10 VR, 10 IL Part B, and 10 ILOB clients to determine whether documentation was maintained to support the clients' eligibility, the timeliness of eligibility determinations, and the timeliness and development of plans or assessments.
- Reviewed case files for 15 VR clients attending college to determine whether BSBP obtained acceptance letters, course curriculum, and federal financial aid applications required by BSBP's College Tuition policy.

b. Finding #2, we:

- Reviewed site visit documentation for 10 BEP vending facilities to determine if BEP promotional agents* conducted site visits of the operators' facilities at least every 6 weeks and sufficiently documented the results.
- Analyzed BSBP's BEP equipment repair log for repairs requested or completed from October 1, 2018 through September 30, 2019 to determine whether BSBP monitored the status of equipment repairs to ensure that all repairs were resolved in a timely manner.
- Reviewed BSBP's documentation of complaints from BEP operators for fiscal year 2019 to assess BSBP's resolution efforts.
- Reviewed BSBP's log of complaints made against BEP operators and vending facilities for fiscal year 2019 to determine whether BSBP took measures to address the complaints.

PERIOD

Our follow-up generally covered October 1, 2018 through September 30, 2019.

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

| | |
|-----------------------|--|
| agency plan to comply | The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan. |
| BEP | Business Enterprise Program. |
| BEP operator | A blind person whom BSBP licenses to operate an assigned vending facility. |
| blind person | A person whose central visual acuity does not exceed 20/200 in the better eye with correcting lenses or whose visual acuity, if better than 20/200, is accompanied by a limit to the field of vision in the better eye to such a degree that its widest diameter subtends an angle of no greater than twenty degrees. In determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual shall select. |
| BSBP | Bureau of Services for Blind Persons. |
| ILOB | Independent Living Older Blind. |
| IL Part B | Independent Living Part B. |
| IPE | individual plan for employment. |
| material condition | A matter that, in the auditor's judgment, is more severe than a reportable condition and 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. Our assessment of materiality is in relation to the respective audit objective. |

| | |
|-------------------|---|
| mission | The main purpose of a program or an entity or the reason that the program or the entity was established. |
| performance audit | An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. |
| promotional agent | BSBP employees who are representatives to the BEP operators and fulfill the supervisory role in BEP and perform the duties described in <i>Michigan Administrative Code R 393.21</i> . |
| site | The specific, physical location for each vending machine, cafeteria, snack bar, cart service, catering, coffee service, shelter, counter, or any other appropriate auxiliary service or equipment as BSBP may prescribe by rule as being necessary for the sale of articles or services and which may be operated by a blind licensee. |
| vending facility | One or more sites run by the same operator. A vending facility can include an automatic vending machine, cafeteria, snack bar, cart service, catering, coffee service, shelter, counter, or any other appropriate auxiliary service or equipment as BSBP may prescribe by rule as being necessary for the sale of articles or services and which may be operated by a blind licensee. |
| VR | Vocational Rehabilitation. |



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