



**Office of Inspector General
New Haven Development Center, Inc.**

Report #A-1516-028

November 2017

Executive Summary

In accordance with the Department of Education’s fiscal year (FY) 2016-17 audit plan, the Office of Inspector General (OIG) conducted an audit of contract #VR5171 between the Division of Vocational Rehabilitation (DVR) and the New Haven Development Center. The purpose of this audit was to determine if New Haven has sufficient internal controls to provide effective delivery of employment services in compliance with contract terms and DVR is effectively monitoring the contract.

During this audit, we noted that, in general, New Haven had sufficient controls in place and DVR provided effective oversight of the contract. However, there were instances where improvements could be made to strengthen some of these controls. For example, we cited instances where DVR did not conduct required quarterly monitoring; New Haven did not make timely contact with customers; New Haven did not submit monthly progress reports timely; New Haven did not submit, and DVR did not approve, invoices timely; and New Haven submitted a required quarterly report late and did not include all required documentation. The Audit Results section below provides details of the instances noted during our audit.

Scope, Objectives, and Methodology

The scope of this audit included an examination of employment services provided by New Haven Development Center under contract #VR5171 during the period of April 1, 2016, through March 31, 2017. We established the following objectives for our audit:

1. Determine if New Haven’s internal controls ensure effective delivery of employment services to DVR customers;
2. Ensure benchmark payments are made in accordance with contractual terms; and
3. Determine if DVR effectively manages and monitors the contract for compliance.

To accomplish our objectives we reviewed applicable laws, rules, and regulations; interviewed DVR and New Haven staff; reviewed policies, procedures, and related documentation; reviewed contract #VR5171; reviewed quarterly reports; reviewed a sample of program files; reviewed benchmark payments and related documents; and reviewed customer referrals.

Background

The Florida Vocational Rehabilitation Program is a federal/state program that works with people who have physical or mental disabilities to prepare for, gain, or retain meaningful employment. The program is authorized by the federal Rehabilitation Act of 1973, as amended through 1998 (“Act”), and Chapter 413, Part II, Florida Statutes. The U.S. Department of Education, Rehabilitation Services Administration (RSA) funds the program on a 4:1 ratio, or 78.7% federal dollars to 21.3% state general revenue.¹

The Florida Department of Education, Division of Vocational Rehabilitation (DVR), and the New Haven Development Center, Inc. entered into contract #VR5171 for the period of April 1, 2015, through March 31, 2018, to provide employment services to eligible DVR customers. The contract defines employment services as services provided to a DVR customer to assist them in achieving a positive employment outcome. Services may include pre-placement training, employment services, supported employment services, or on-the-job training services. The contract is an open-ended, fixed rate contract. DVR pays the provider a fixed rate for accomplishing benchmarks, as defined in the contract. During the period of April 1, 2016, through March 31, 2017, New Haven met service benchmarks for 26 active customers earning \$83,492.00.

Audit Results

Finding 1: DVR did not conduct required quarterly monitoring.

The DVR Employment Services Provider Monitoring Guidebook states, “Contract Monitoring is the process of ensuring that a Provider adequately performs a contracted service. When VR contracts with a Provider to deliver Employment Services VR is responsible for ensuring the work is performed satisfactorily and funds are used appropriately.” According to the Guidebook, DVR should assess risk annually and determine the frequency of monitoring based on the assigned risk. Those providers receiving a high risk evaluation will require quarterly data analysis, random sampling, and full monitoring annually. The Guidebook provides the tools and documents to use during the quarterly and annual contract monitoring.

DVR completed a Risk Assessment and Contract Monitoring Plan for the reviewed contract and rated New Haven as high risk. We determined DVR only performed one of the four (25%) required quarterly monitoring reports. The completed first quarter monitoring included data analysis, employment services contract case reviews, and interviews. The report revealed that New Haven changed the Individualized Plan for Employment (IPE) for the majority of the sampled customers; employment was not consistent with IPE goals; and not all parties had signed the pre-placement training reports and surveys. DVR did not provide recommendations to New Haven based on the monitoring results. DVR also did not complete the annual review or the quarterly monitoring for the second, third, and fourth quarters during the audit period.

¹ Contract #VR5171

The DVR contract monitoring unit previously employed two monitors. The monitor responsible for the New Haven contract resigned shortly before the first quarterly monitoring was due. The position was then reclassified and is no longer a monitoring position. The remaining contract monitor has taken on both caseloads. Lack of monitoring increases the risk that noncompliance with contract terms will go undetected. In addition, not communicating the results of the monitoring or providing improvement recommendations limits New Haven's ability to improve its processes.

Recommendation

We recommend DVR conduct quarterly and annual monitoring of the New Haven contract based on the risk evaluation. In addition, we recommend DVR promptly provide the results and the recommendations of the monitoring to New Haven and ensure corrective action has been initiated on noted deficiencies.

DVR Management Response

Concur. VR is currently revamping monitoring processes for Employment Service Providers. Under the new processes, the Provider will be made aware of results and recommendations at the end of each data analysis review. Monitoring schedules will continue to be driven by risk assessment.

Finding 2: New Haven did not make timely contact with customers.

Section C.2 (b), Attachment A of contract #VR5171 states, "The Provider shall begin regular contact with the Customer within two (2) weeks of Referral acceptance. If the Provider is unable to contact the Customer within the required two (2) weeks, they must notify the VR counselor in writing."

We sampled 13 of the 26 active customers who achieved a benchmark during the period of April 1, 2016, through March 31, 2017. We reviewed monthly progress reports (MPR) to determine whether New Haven began regular contact with the customers within two weeks of referral acceptance. We determined that New Haven did not contact two (15%) of the 13 sampled customers within the required timeframe; rather, they were 10 and 26 days past the two week window.

New Haven Development Center noted that they are sometimes unable to contact the customers due to changed phone numbers or addresses. In those cases, New Haven staff would contact the DVR counselor for an alternate number or address. We did not locate any notes of contact made to the DVR counselor for the two customers noted. When New Haven does not contact referred customers timely, it can negatively affect future customer employment.

Recommendation

We recommend New Haven begin regular contact with the customers within two weeks of referral acceptance in accordance with contract terms. If New Haven is unable to contact the customers, they should notify the VR counselor in writing to document contact attempts.

New Haven Management Response

Concur. New Haven Development Center will begin to contact customer within two weeks of accepting the referrals.

Finding 3: New Haven did not submit monthly progress reports timely.

Section C.2 (c), Attachment A of contract #VR5171 states, “The Provider shall complete a Monthly Progress Report (MPR) in REBA [Rehabilitation Electronic Billing Application] every month for each Customer they are actively serving. The MPR must include dates and details of all activities performed to support delivery of the services required on the Referral Form. The MPR must be submitted within thirty (30) days following the month in which services were rendered. Failure to submit MPRs within the required timeframe may result in MPR rejection and denial of benchmark payment. In the event a benchmark is reached between reporting periods an addendum must be attached to the most recent MPR listing details of any additional activities that resulted in achievement of the benchmark. The addendum and the MPR must be submitted to the VR Counselor with the NOA² Form.”

New Haven submitted 71 MPRs for the 13 sampled customers during the period of April 1, 2016, through March 31, 2017. We determined New Haven did not submit 22 of the 71 (30%) MPRs timely, ranging from two to 263 days late. In addition, New Haven did not contact two of the 13 sampled customers monthly as evidenced by MPR documentation. Both of the customers were missing one monthly progress report. Per New Haven, staff shortages due to financial reasons caused the MPR submission delays. Late or missing MPRs could lead to denial of benchmark payments due to lack of evidence of service delivery. In addition, lack of consistent monthly contact with the customers can have a negative impact on helping customers obtain and retain employment.

Recommendation

We recommend New Haven maintain monthly contact with customers and submit MPRs timely in accordance with contractual terms. We recommend DVR ensure New Haven submits all MPRs prior to benchmark payments and consider financial penalties for late MPR submissions.

DVR Management Response

Concur. The Provider Manager will not approve any benchmark payment without all required MPRs. Late MPR submission will be reflected on the Provider’s monitoring report(s). Chronic late submissions may lead to suspension or revocation of Provider status.

New Haven Management Response

Concur. New Haven Development Center will begin to contact customers and maintain monthly progress notes in accordance with contractual terms.

² Notification of Approval (NOA)

Finding 4: New Haven did not submit, and DVR did not approve, invoices timely.

Section E.4 (b), Attachment A of contract #VR5171 states, “The Provider shall submit a properly completed invoice via REBA, including all supporting documentation and information required on the invoice template, to the Contract Manager no later than fifteen (15) days after the NOA is approved by the VR Counselor.”

Section 215.422, Florida Statutes, states, “Approval and inspection of goods or services shall take no longer than 5 working days unless the bid specification, purchase order, or contract specifies otherwise.”

New Haven submitted 38 invoices for the 13 sampled customers during the period of April 1, 2016, through March 31, 2017. We determined New Haven submitted five of the 38 (13%) invoices late, ranging from 18 to 26 days after the VR counselor approved the notice of approval (NOA). We also determined the DVR contract manager approved five (13%) of the 38 submitted invoices nine days past the invoice submission date.

Per the contract manager, the late approvals were an oversight. Submitting and approving invoices late can delay payments to New Haven and delay services needed to assist customers in gaining and maintaining employment.

Recommendation

We recommend DVR timely approve invoices within five working days of receipt to ensure prompt payment to the provider. We recommend New Haven submit all invoices no later than 15 days after NOA approval in accordance with contract terms.

DVR Management Response

Concur. DVR will work to improve invoice processing time.

New Haven Management Response

Concur. New Haven Development Center will comply with contract of submitting invoices in a timely matter. (15) days.

Finding 5: New Haven submitted a quarterly report late and did not include all required documentation.

Section D.6., Attachment A of contract #VR5171 states, “The Provider shall submit the following quarterly reports to the Contract manager no later than thirty (30) days after the end of each quarter. For purposes of this Contract, quarters are defined as:

- 1st Quarter: April 1st – June 30th
 - 2nd Quarter: July 1st – September 30th
 - 3rd Quarter: October 1st – December 31st
 - 4th Quarter: January 1st – March 31st
- a) A listing of all staff currently engaged in the provision of services under this contract; and
b) A summary of all Employer recruitment activities the Provider has engaged in during the quarter.”

We reviewed the four quarterly reports submitted during the period of April 1, 2016, through March 31, 2017. We noted New Haven did not submit the employer recruitment activities for the fourth quarter. In addition, New Haven submitted the fourth quarterly report three days past the due date. The DVR contract manager was aware of the missing fourth quarter recruitment report and planned to note the deficiency during the next monitoring cycle. Lack of submitted employment recruitment activities could lead to New Haven not effectively providing services for future customer employment.

Recommendation

We recommend New Haven complete the required employment recruitment activities and submit the quarterly reports timely per the contract terms. We recommend DVR ensure New Haven submits the quarterly reports in a timely manner and include all required documents. If New Haven does not submit complete reports, DVR should promptly contact the provider and document the lack of compliance.

DVR Management Response

Concur. DVR will make regular contact with the Provider when the quarterly report is due. Late quarterly report submission will be reflected on the Provider's monitoring report(s). Chronic late submissions may lead to suspension or revocation of Provider status.

New Haven Management Response

Concur. As per contract New Haven Development Center will submit quarterly reports and all required documents within the time frame of the due dates.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the Department of Vocational Rehabilitation and staff, as well as the New Haven Development Center and staff, for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all personnel involved.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of section 20.055, F.S., and in accordance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Lacey Nichols and supervised by Tiffany Hurst, Audit Director.

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