



FLORIDA DEPARTMENT OF EDUCATION



Office of Inspector General

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Audit of Contracting for Employment Services in the Division of Vocational Rehabilitation

Overview

Our audit of contracted employment services in the Division of Vocational Rehabilitation (Division) identified noteworthy practices that can be considered by the Division and contract vendors. We also identified areas for improvement and made recommendations to Division management for strengthening internal controls and monitoring of contract vendors.

We recommend that Division management:

- Increase job site monitoring to verify that job placement has been secured for Vocational Rehabilitation (VR) clients, and determine the quality of the placements
- Require supervisors of VR clients to submit verification letters to VR counselors validating employment
- Continue efforts to address insufficient monthly progress reports submitted by contract vendors
- Provide counselors with quarterly progress reports of contract vendors so clients can make informed decisions on which vendor to select as required by the Rehabilitation Act of 1973
- Require all contract vendors submit level two background checks to vendor certification as required by Section, 397.451, F.S.
- Notify inactive contractors regarding termination after six-months of inactivity
- Clearly define the role of the contract manager and contract liaison

- Strengthen internal controls over verification of employment.

Objectives and Scope

The objectives of this audit were to determine whether Supported Employment and Employment Service rate contracts were awarded and executed in accordance with controlling laws, rules, policies, and good business practices; clients received services required by contract provisions; payments were made in accordance with contracted terms; the delivery of services was properly administered and monitored; and adequate internal controls were in place to mitigate fraud, waste, and abuse. The scope of this audit included an analysis of three contract vendors that received over \$100,000 in federal funds for federal fiscal year (FFY) 2008/2009 as well as the review of the operations of the Division of Vocational Rehabilitation. Two contract vendors were selected in area four, Lenli of Tampa VS248 and Supported Employment Plus, Inc. VS138. One contract vendor was selected in area one, Lakeview Centers, Inc. VS128.

This audit was performed in support of the Department's goals of quality efficient services with the purpose of promoting the strategic area of focus of aligning resources to strategic goals.

Background

At the time of our field work the Division of Vocational Rehabilitation employed 1,007 employees. In addition to headquarters offices in Tallahassee, the Division maintains six area offices, and 116 field offices located throughout the state. The Division's mission is to provide individually tailored rehabilitation and job training

services to disabled people who can overcome barriers to employment and want to work. The Division's goal is to enable clients to become self-sufficient through long-term employment. Presently, there are 187 rate contracts established by the Division. Rate contracts are paid upon completion of benchmarks set by the Division. The Supported Employment Contracts, which provide services to individuals with significant disabilities, must meet five benchmarks: Individual Career Plan; Job Placement; Job Stabilization; Transition; and 150-day Employment Outcome. The Employment Services Contracts, which provide services to individuals with less severe disabilities, must meet three benchmarks: Job Placement; 45-day Job Completion; and 90-day Job Completion. The Division is operating under an order of selection process due to resource limitations. Lenli of Tampa provides only employment services and Supported Employments Plus, Inc. and Lakeview Centers, Inc. provide employment services and supported employment services.

Methodology

This audit was conducted in accordance with *The International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. The audit team achieved these audit standards by:

- Reviewing invoices submitted in the Rehabilitation Information Management System (RIMS) in order to verify whether proper invoicing occurred
- Interviewing Area Directors, Contract Liaisons, Contract Managers, VR Counselors, Vendor Personnel, and other VR and vendor staff
- Conducting staff surveys and observing desktop procedures and internal controls
- Researching and reviewing applicable statutes, rules, manuals and procedures
- Examining invoices submitted by three selected contract vendors for Federal Fiscal Year (FFY) 2008/2009

- Confirming whether monthly progress reports were provided in a timely manner in accordance with the contract
- Reviewing the content of the monthly progress reports to verify that the client was provided supervision by the contractor job coach
- Verifying whether vendor personnel were certified and whether quarterly reports were submitted to the Division listing all new, current, and terminated employees
- Comparing invoices with client's Individual Plan of Employment (IPE) to confirm whether services were adequately provided and aligned with the client's employment goal
- Evaluating whether clients were able to make informed decision on the selection of a vendor in accordance with the Rehabilitation Act of 1973
- Testing controls to verify that deliverables were met under the rate contract provisions
- Conducting on-site job visits to verify placements, interview supervisors, and observe whether placement was in an integrated employment setting
- Reviewing Unemployment Insurance quarterly reports and comparing them to invoices submitted to the Division.

The basis of selection for reviewing deliverables from contract vendors was a random sample with a 95 percent confidence statistical rate and 5 percent margin of error. We reviewed 60 invoices for Supported Employment Plus, Inc., 20 invoices for Lenli of Tampa and 47 invoices for Lakeview Centers, Inc.

Previous Findings

We reviewed previous audit reports conducted by the Florida Department of Education, Office of Inspector General (OIG), and the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA). In 2007, OIG audit staff conducted an audit of the Division's contract procurement and

management and noted deficiencies in contract monitoring, effectiveness of monitoring, the need to streamline contract administration for rate contracts, insufficient documentation supporting rate contract expenditures and payments, and contractors performing services without a contract being executed. The Division of Vocational Rehabilitation concurred that management should ensure that contracts are effectively monitored, that management should streamline contract administration of rate contracts, and should establish a process to verify contract payments, ensure all Individual Plans for Employment (IPEs) are updated to reflect correct vendor(s), and accept and approve monthly progress reports received prior to payment.

In 2007, an OPPAGA review focused on employee turnover and barriers to employment outcomes. The report noted that the Division had provided significant measures to reduce employee turnover. The Division provided targeted and team-based pay increases and implemented an employee recognition program. While this report may have impacted personnel in 2007, it was observed during our current audit that counselors are paid low salaries and turnover remains high. OIG staff surveyed counselors and other VR personnel in area one and four. On average, turnover is about two-years with counselors earning a base pay of \$28,092.

Noteworthy Practices

A number of noteworthy practices were identified during our audit. Descriptions are included below.

1) The Tallahassee headquarters office has significantly improved training of field personnel. OIG staff surveyed personnel in the field and observed that personnel are generally satisfied with the training they have received from headquarters; however, counselors indicated that they would like more courses on mental health issues.

2) Contract monitoring personnel have developed strong monitoring tools for reviewing contract vendors; however, with limited staff resources the Division has been limited on the number of vendors monitored.

3) Of the three contract vendors reviewed, we observed that Lakeview Centers, Inc. provided many best practice examples for consideration by other vendors. Lakeview Centers, Inc. provided detailed monthly client progress reports, strong disaster and recovery plans, and low rate of clients losing jobs which may be attributed to job coaches frequently monitoring job placements and providing assistance to supervisors when needed.

Findings and Recommendations for Improvement

Under federal requirements the U.S. Department of Education requires the Division to monitor federal funds that have been distributed to contract vendors. The method of monitoring the funds should be risk-based, formalized and based on a combination of desk reviews, on-site visits, and other mechanisms for reviewing recipients of federal funds.

While federal funds are set aside for monitoring activities, in recent years there has been a significant limitation on the level of monitoring due to the amount of funds appropriated by the state legislature and limited legislative approval for new positions. Recruiting of qualified staff may be hindered by the lower salaries paid in state government. Currently, the Division has three contract managers to monitor six areas within the state. Each contract manager is assigned to monitor two areas. This situation has led to stretching current Division staff and limiting the amount of contracts monitored.

The primary focus of this audit was to verify employment of VR clients; observe monitoring practices of the Division; and evaluate internal controls of the Division and contract vendors. We noted the following conditions and provide recommendations to Division management for strengthening contract monitoring and Division operations.

1. Inactive contracts are not terminated timely.

At the time of our field work there were 187 active contracts in the Rehabilitation Information Management System (RIMS). Of these

contracts, 37 (20-percent) had been inactive for six-months or more. The inactive contracts have caused some confusion in the field for counselors. Section 4, Additional Terms and Conditions of the Rate Contract, states "This contract may be terminated by DOE/DVR if no referrals are accepted within a six-month period." During our audit field work we were informed that many vendors have become "inactive" due to the order of selection process and reduced economic levels causing many of them to go out of business. Due to the lack of system prompts in RIMS, contract monitoring, order of selection, and weak wording in the contract; contract managers are unaware when a contract has been inactive for six-months. As a result, counselors are making poor referrals and Division personnel are performing unnecessary administrative work.

We recommend the Division of Vocational Rehabilitation send notification letters to vendors notifying them of their six-months of inactivity and that the contract will be terminated after a year of inactivity. **We also recommend** that RIMS provide systems prompts to contract managers notifying them of inactive contracts.

Management Response: The Division of Vocational Rehabilitation currently provides RIMS updates on a monthly basis. These updates are posted to the VR INET on the first Monday of each month and include all changes in vendor status. This status includes, but is not limited to, the status of Rate Contract Providers. The VR INET is accessible to all VR staff, throughout the State. Additionally, it is current protocol for all Contract Managers to notify the Area Contract Liaisons of new and terminating contracts. This notification is typically done via email.

In addition to these notifications that are already in place, the Contract Section will implement a Contractor Status Check when a six-month period has passed in which there was no contract activity. The status check will consist of a letter requesting response from the contractor as to whether or not continuing to contract with the Division is desired, as well as the identification of any issues/problems they feel are impeding their providing of service. The

letter will also include information on outreach to the Field Offices within their area of service. Implementation of this status check letter is targeted for January 31, 2010.

2. VR clients have had limited information to make informed decisions on which vendor to select for employment services.

As required by the Rehabilitation Act of 1973, clients should have access to information to make an informed choice on which vendor to select for employment and supported employment services. We asked counselors in areas one and four: 1) how clients are counseled on which vendor to select for employment services; and 2) whether a vendor progress report that you provide to the client assist you in advising the client in selecting a vendor. After receiving 28 survey results from area four counselors and interviewing two counselors in area one and two counselors in area four it appears that clients are being provided limited information on making informed decisions on which vendor to select for employment and supported employment services. Based on the survey results, counselors are advising clients on selecting vendors based on familiarity with vendor, distance from client's home, and consumer needs (i.e. mental health issues), rather than allowing the client to make an informed decision on which vendor to select.

To assist clients on making an independent informed decision **we recommend** that the Division develop a quarterly progress report on each vendor. The quarterly progress report should include vendor name, success and duration of employment, specialization of vendor services (e.g. mental health issues) and number of clients currently being provided services. This report should be made available to all VR clients.

Management Response: Currently, VR Counselors provide customers with information on the contractors available to them for the service(s) for which they are being referred. The Division concurs with the recommendation of a quarterly performance report on contractors;

however, given the breadth of such a project coupled with the current staff workloads it is unlikely that the Division will have the staff capacity to implement this recommendation in the next year. The implementation of such a project will be brought to the DVR Senior Management Team.

3. Vendor certification should require level two background checks on all vendor personnel assisting VR clients.

As a requirement of vocational rehabilitation services, all vendors and their employees are required to be certified by the Division. Vendors must sign attestations stating they are a 501 (c) 3 not-for-profit organization and are certified to work with vocational rehabilitation clients and have completed the required education or field experience to place individuals with disabilities into the workforce. We examined current vendor certification requirements and found that vendor certification requires only a level one background check on vendor personnel. According to section 397.451, F.S., all service provider personnel who have direct contact with children receiving services or with adults who are developmentally disabled receiving services are subject to level two background screening as provided under chapter 435, F.S. The Division is ultimately responsible for the protection of clients and should verify that all vendor staff working with VR clients have completed level two background checks.

We recommend the Division consult with the Director of Administrative Services to determine the best process for obtaining verification of level two background checks on vendor staff.

Management Response: This finding will require further discussion with the Department. The F.S. referenced is specific to "...*children and individuals with Developmental Disabilities.*" While there are Rate Contract Providers that serve individuals with Developmental Disabilities, but not all of the Division's Rate Contractors provide services to individuals with Developmental Disabilities. For this reason, there is concern that the Division (and Department) does not have the statutory

authority to require the level two background screening for contractors.

OIG Comment: We realize that there may not be a simple answer to this issue but we believe it is in the best interests of vulnerable clients and the Department. We encourage the Division to pursue the topic with the appropriate parties

4. Vendor certification should require source documents for approval of vendor services.

After reviewing vendor certification requirements, it appears that source documents are not required for approval of vendor services. While vendor services require attestation for the omitted source documents, vendors are not always completing the attestations. During this audit it was observed that one vendor did not complete background checks on personnel until they were notified they were being audited, and another vendor had one employee with an expired car insurance record. As a result of vendors falsifying attestations, a liability has been created for the Department.

We recommend requiring all vendors to submit the following source documents at the time of application: copy of 501 (c) 3 not-for-profit status, copies of valid driver's license for all employees, and a copy of valid car insurance which includes insuring passengers being transported by the vendor.

Management Response: The Vendor Certification Unit (VC) will begin requiring source documentation on all new contractors. Additionally, the VC unit will begin collecting source documentation on existing contractors, with all documentation received prior to the end of the current contract period, September 30, 2011.

5. The role of the Contract Manager and Contract Liaison need to be clearly defined.

Based on interviews with the Contract Manager and Contract Liaisons in areas one and four, we determined there is some confusion on job responsibilities. The roles and responsibilities

are not defined in the contract for the Contract Manager and Contract Liaison. The Standard Terms and Conditions of the contract should be clearly defined within the contract. Due to unclear job responsibilities, the Contract Manager and Contract Liaison may be unsure of critical job functions.

We recommend the Division provide written policies and procedures to the Contract Manager and Contract Liaison regarding job responsibilities. **We also recommend** the Division amend Attachment C of the contract to include job responsibilities of the Contract Manager and Contract Liaison.

Management Response: The role of the Contract Manager and Contract Liaison has previously been addressed through face-to-face training, meetings with the Area Directors, and informational sheets sent via e-mail at the Contract Section and Field Services levels, including the revision of position descriptions. Additionally, a Contract Manager and Contract Liaison meeting has been scheduled for January 12, 2010. Role clarification will be included as an agenda topic. The current Rate Contract does include language addressing the role of the Contract Manager. Additional language will be included in order to clarify the roles and responsibilities as they relate to the contractor as the contract is between the Division and the Contractor. The additional language will be added to the *DVR Agrees To* section of the contract as opposed to attachment C. The targeted completion date of the contract amendment is February 28, 2010.

6. The content provided in the Monthly Progress Reports by vendors is inconsistent ranging from minimal to comprehensive.

We reviewed Supported Employment Plus, Inc., Lenli of Tampa and Lakeview Centers, Inc. file records, interviewed vendor and Division staff, and determined that the content provided in the monthly client progress reports varies significantly. Lakeview Centers, Inc. monthly progress reports should be used as a best practice example for other vendors to follow.

Lakeview Centers, Inc. job coaches provided detailed notes on meetings with clients, job site visits and discussions with supervisors. While the Division has provided a template to vendors to complete monthly client progress reports it appears vendors do not understand what content must be provided in the reports; and the Division does not require vendors to submit detailed reports.

We recommend the Division clearly define what level of detail should be included in the reports, provide written guidelines to vendors, and not accept insufficient monthly progress reports.

Management Response: A description and example of an adequate Monthly Progress Report is currently being developed and will be disseminated to all Contractors and Field Staff and will be made available on the VR INET and the Division's Website, rehabworks.org. Additionally, the example will be provided to all DVR Supervisors during the Statewide Supervisor Training January 12-14, 2010.

7. Internal controls for verification of employment are weak.

Our interviews of VR personnel and vendors in areas one and four as well as reviews of Notification of Approval (NOA) forms, Unemployment Insurance (UI) forms, and Monthly Progress Reports determined that the internal controls for verification of employment are weak.

In area four, we reviewed 60 invoices for Supported Employment Plus, Inc. and were unable to verify 10 percent of the invoices after reviewing UI forms, NOAs, Monthly Progress Reports and contacting employers directly. We also reviewed 20 invoices for Lenli of Tampa and questioned 25 percent of the invoices as the placements were in a non-integrated work setting. The process of submitting NOAs to VR counselors is being followed but the controls that are in place are insufficient for independently verifying employment. As a result, the Division is approving benchmark payments without consistent verification of employment. In area one, we reviewed 47 invoices of Lakeview Centers, Inc. and were able to verify 100% of

the invoices noting that Lakeview Centers, Inc. should be used as a best practice example for vendors.

We recommend the Division require vendors to request employers of clients to certify, in writing, client employment, pay rate, and average weekly work hours. The employer letter should be included with each NOA for submission of benchmark payment. **We also recommend** that the Division review on a quarterly basis the UI Quarterly Filings that are submitted to the Florida Department of Revenue to confirm placement for each client. If any discrepancies exist between the NOA and UI Quarterly Filing the contract liaison or job counselor should follow up with a job site visit to verify employment.

Management Response: The Division will begin utilizing its call center to make telephone contact with customers in order to verify place of employment, hours worked per week, and hourly wage. A random sample of customers employed will be extracted from the Division's Rehabilitation Information Management System (RIMS) on a monthly basis in order to provide the call center staff with the customer names. The RIMS extract will include customers from each of the six DVR Areas and be representative of all contract benchmarks. Training will be provided to the call center staff and a questionnaire developed to assist with the calls. The completed questionnaires will be provided to the appropriate contract managers for any necessary follow-up and for inclusion in the contract files. The verification telephone calls will begin prior to January 31, 2010.

8. DVR should proceed with plans for a digital imaging and storage document system for all client and vendor files.

DVR currently relies on paper files which creates operational inefficiencies through:

- Difficulty locating paperwork
- Duplication of paperwork
- Risk of losing paperwork

- Floor space required for storage
- Time consumed in accessing needed information

We recommend the Division implement a digital or computer based document storage and retrieval system.

Management Response: Currently, all executed contract documents are maintained in electronic format and accessible to all Contract staff. Additionally, the Division is currently in the process of developing a Request for Proposals (RFP) which will focus on the development of software that will accommodate electronic billing; including reports, for providers and the Division. This effort is extensive and funded with American Recovery and Reinvestment Act funds. For these reasons, the targeted date of completion is September 30, 2011.

OIG Comment: To clarify our observation regarding paper files, we were referring primarily to client monitoring progress reports and contract vendor certification documents. These documents are currently maintained in paper file format which creates operational inefficiencies for the Division.

Contract Vendor Observations

We observed significant variation in operations of Lenli of Tampa, Supported Plus, Inc. and Lakeview Centers, Inc. All three contract vendors are 501(c) 3 non-profit community based organizations that provide services to VR clients with an array of disabilities.

Lenli of Tampa, the smallest of the three organizations, has been the most affected by the economy due to the order of selection process that has been implemented by the Division. This is a one-person entity that provides only employment services to clients in the greater Tampa area; they primarily focus on working with VR clients that have committed felonies or are transients and have had significant difficulty maintaining steady employment.

Supported Employment Plus, Inc., the second largest of the three entities audited, provides employment services and supported

employment services to clients in the Tampa and St. Petersburg area. They currently employ five job coaches that focus on working with mentally disabled VR clients.

Lakeview Centers, Inc., the largest of the three audited entities, provides an array of services to VR clients. They provide employment, supported employment and vocational evaluation services to VR clients in the Pensacola area and surrounding counties.

We evaluated these vendors to determine their compliance with the terms and conditions of the contract. We tested controls by verifying that deliverables were met under the rate contract provisions; verified employment by conducting on-site job visits; interviewed supervisors; and observed whether placements were in an integrated employment setting.

We noted the following during the audit:

- In many instances, insufficient information was reported in Monthly Progress Reports
- Questionable costs associated with inappropriate placements and lack of supporting documentation
- Weak operational controls, evidenced by depending on paper files for clients, nonexistent disaster plans, and high turnover on job placements

The aforementioned observations are intended to assist management in establishing an effective control environment that will help ensure compliance with the contract terms and conditions. These issues are discussed in greater detail below.

a. Insufficient information reported in Monthly Progress Reports

Lenli of Tampa and Supported Employment Plus, Inc. provided inconsistent detail on the required client's monthly progress report. The inconsistency made it difficult to verify employment or to confirm whether the job coach was consistently monitoring the client's work placement. Lakeview Centers,

Inc. monthly progress reports should be used as a best practice example for other contract vendors to follow. The monthly progress reports provided sufficient detail to monitor job placements for VR clients. As recommended in finding six, the Division should clearly define what level of detail should be provided in the monthly progress reports, and provide additional training to contract vendors that provide insufficient monthly progress reports to Division counselors.

b. Questionable costs associated with inappropriate placements and supporting documentation

Lenli of Tampa and Supported Employment Plus, Inc. had questionable costs associated with inappropriate placements and supporting documentation. We have attached a descriptive appendix of the questionable and inappropriate placements associated with the above mentioned contractors. OIG observations are based on the following audit procedures performed:

- Examined a random sample of invoices, notification of approvals, and authorizations for billable services on VR clients referred to contractors from October 2008 through September 2009 (our sample was designed to provide a 95 percent confidence level and an error rate not exceeding 5 percent)
- Reviewed Unemployment Insurance (UI) earnings and wages reported by employers on VR clients
- Reviewed 100 percent of case files for clients that were randomly selected
- Contacted human resource personnel of client's employer to verify job placement
- Conducted on site job visits of questionable placements to verify employment
- Consulted with contractor's staff regarding job placements of clients

We were unable to verify 10 percent of Supported Employment Plus, Inc. placements and questioned 25 percent of Lenli of Tampa's placements as they were in non-integrated work settings. See appendix for details of questionable placements.

Management Response: As per Division protocol, referrals for both contractors with questionable placements have been suspended and the Contract Section has initiated follow-up monitoring activities. The results of the follow-up monitoring are attached to this response.

OIG Comment: While the Division indicates in its attached monitoring report that two questioned non-integrated placements were indeed integrated, OIG confirmed with Lakeview Centers, Inc., the parent company of Gulf Coast Enterprise, Inc., that the two questioned placements by Lenli of Tampa were in non-integrated settings. The Division also states in its monitoring report of Supported Employment Plus, Inc. that VR counselors verified five clients' questionable employment with Sell Direct, Inc. However, in June 2009, OIG e-mailed DVR Area 4 staff and was unable to confirm placements. We also reviewed UI Forms; attempted to conduct a site visit; and questioned management of Supported Employment Plus, Inc.; but were unsuccessful in confirming placements. See attached OIG appendix. The monitoring visits conducted by the Division resulted from our findings.

c. Contract vendors had weak internal controls

- All three contract vendors relied on paper files for their clients. Relying on paper files creates an operational inefficiency for the organization. **We recommend** that all three contract vendors consider a document imaging and storage system for their entity.
- Lenli of Tampa had no disaster plan and Supported Employment Plus, Inc. had a weak disaster plan. **We recommend** that both entities develop a disaster plan

that covers economic recovery, file recovery in computer crash, fire hazards, and other events.

- Lenli of Tampa and Supported Employment Plus, Inc. had high volume turnover of client job placement. **We recommend** that the Division counselor, vendor job coach, and job supervisor work closely to reduce client turnover. **We also recommend** that the Division have the VR techs and job coaches conduct job site visits on a monthly basis.

Management Response: The Division does not disagree with these recommendations; however, the Division does not have contractual authority to require the implementation of the recommendations. The recommendations will be shared with the contract vendors.

It should also be noted that the electronic invoicing project referenced in finding number eight should provide contractors with a vehicle to begin the development of electronic storage of documents.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge Division staff for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance provided by all personnel involved. We were impressed with the professionalism and dedication of Division staff.