



PAM STEWART
Commissioner



MIKE BLACKBURN
Inspector General

**FLORIDA DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

MEMORANDUM

To: Aleisa McKinlay, Director
Division of Vocational Rehabilitation

From: Mike Blackburn, Inspector General

Date: May 30, 2014

Subject: Audit of the Division of Vocational Rehabilitation's
contract with Goodwill Industries of Southwest Florida, Inc.

Attached are the preliminary and tentative issues and recommendations that may be included in Report A-1314-012, *Goodwill Industries of Southwest Florida, Inc.* In accordance with §20.055(5)(d), Florida Statutes, we are asking that you provide a response to these findings within 20 business days of the date of this memorandum.

To assist you in preparing your response, we have included the attached summary table. For each action that has been initiated, we will be contacting appropriate staff in an effort to verify the reported actions and assess whether those actions adequately address the findings and recommendations. For each action yet to be initiated or completed, please provide an anticipated completion date and contact name. Your response will be included in the final report.

Please provide a response to our issues and recommendations by June 27, 2014. If you have any questions or desire discussion on any items included in the preliminary issues and recommendations, please contact Janet Snyder by phone at 850-245-9416 or by email at janet.snyder@fldoe.org. Thank you for your assistance and cooperation.

MB/js

Attachment

cc: Cathy McEachron, Bureau Chief of Vendor and Contract Services
Linda Parnell, Bureau Chief of Field Services
Stephanie Wilson, Operations and Support Manager

Office of Inspector General
Goodwill Industries of Southwest Florida, Inc.

Report #A-1314-012

June 2014

Executive Summary

In accordance with the Department of Education's fiscal year (FY) 2013-14 audit plan, the Office of Inspector General conducted an audit of the Division of Vocational Rehabilitation's (DVR) contract with Goodwill Industries of Southwest Florida, Inc. (Goodwill) The purpose of the audit was to ensure DVR had sufficient internal controls in place to manage and monitor Goodwill's contract.

During this audit we noted that, in general, DVR has sufficient controls in place; however, there were instances where improvements could be made to strengthen some of these controls. For example, we cited instances where customers were inappropriately placed or employment positions did not match goals in the customer's individualized plan of employment (IPE). We found instances where monthly reports and invoices were not submitted timely. We also noted contract monitoring was not completed in accordance with department policies and procedures. The Findings and Recommendations section below provides details of the instances noted during our audit.

Scope, Objectives, and Methodology

The scope of this audit included DVR customers that were provided services through the contract with Goodwill for the period of July 1, 2013 through March 31, 2014. We established the following objectives for our audit:

1. Determine whether client services were being provided in accordance with applicable laws, rules and regulations, as well as contractual terms and conditions;
2. Ensure payments were made in accordance with contractual terms; and
3. Determine if DVR was effectively managing and monitoring the contract for compliance.

To accomplish our objectives, we reviewed applicable laws, rules and regulations; interviewed appropriate DVR staff; reviewed contract VJ902 and its amendment; reviewed policies and procedures; reviewed a sample of customer files; and reviewed a sample of invoices and supporting documents. The information and documents used to evaluate the project were

obtained from the DVR contract managers, DVR counselors, the Rehabilitation Electronic Billing System (REBA), and the Rehabilitation Information Management System (RIMS).

Background

Goodwill Industries International is registered as a 501(c)(3) non-profit organization. They provide employment, job training and other community-based programs for people with disabilities, people who lack education or job experience, and others facing challenges finding employment. The first southwest Florida Goodwill store was opened in 1959. Goodwill Industries of Southwest Florida, Inc. operates 27 retail and donation centers in southwest Florida. Their service areas include Charlotte, Collier, Lee, Hendry, and Glades counties.

The Department of Education (DOE) entered into contract VJ902 with Goodwill for the period of October 1, 2011 through September 30, 2014. The purpose of the contract is to provide a method for funding the delivery of employment services, supported employment services, and/or on-the-job training (OJT) for customers of DOE/DVR. The total amount of funds is based on total services needed and purchased through the terms of the contract. The contract allows for established payment amounts to be made to Goodwill as benchmarks are met for each type of service provided. As of March 2014, Goodwill had received \$813,208 in payments for this contract.

Upon acceptance of a referral from DVR, Goodwill assists the customer in locating a job within his/her requested area. Goodwill submits monthly progress reports (MPRs) to the counselor to document the progress of the customer. Notification of approvals (NOAs) are required for invoicing purposes and are sent by Goodwill to the counselors for approval once a benchmark has been achieved. When the counselor has approved the NOA, REBA sends notification to Goodwill of its approval. Goodwill then submits the invoice to the contract manager to be reviewed and approved for payment. There are four benchmarks for employment services, five benchmarks for supported employment services, and two benchmarks for OJT services.

Findings and Recommendations

Finding 1: Customer employment positions do not match IPE goals

Contract VJ902, attachment A, section I.E.1. states, “the Contractor shall furnish services directed at achieving an employment outcome consistent with the definitions, terms and conditions of the Contract, DOE/DVR Referral Form, IPE, and Customer choice.”

Contract VJ902, attachment A, sections I.B.1.b and I.B.2, state that placement starts when the customer begins working on a job in an integrated setting for competitive compensation, and the job matches the stated employment outcome on the IPE.

We reviewed a sample of customers' IPEs to determine if their employment position matched their goals. We also reviewed invoices and supporting documentation to determine if payments were inappropriately approved for customers whose employment position did not match IPE goals. Of the 18 sampled customers who were placed by Goodwill, seven (39%) of the customers' employment positions did not match the goals on their IPEs at the time of payment. Goodwill was paid for 15 benchmarks for those seven customers.

We were informed the employment goal desired by the customer is sometimes not available. The customers are therefore placed in a job outside their desired field and the IPE is amended accordingly. The IPEs are not always amended timely and the contract manager often approves invoices based on verbal confirmation from the counselor that the IPE will be amended to reflect the employment position of the customer. Our review disclosed that three of the seven IPEs mentioned above were amended at some point after approval and payment for the benchmarks, while four IPEs had not been amended to reflect the customers' employment positions.

The practice of approving invoices with insufficient documentation of provided services is not in compliance with contract terms. It can also result in customers not receiving the services that were agreed upon in their IPEs and Goodwill being paid for benchmarks where services requested had not been met.

Recommendation

We recommend the counselors verify the employment position of the customer matches the employment goal in the approved IPE prior to approving the notice of approval (NOA). We further recommend counselors place the signed IPE in RIMS so it can be reviewed by the contract manager prior to approval of invoices.

Management Response

Concur. Since the time of this audit, procedures have been implemented to remedy this situation. A signed IPE amendment is now required with the NOA. Payment will not be made for placements not matching the customer's job goal without a signed IPE amendment.

Finding 2: Customers were placed in a business owned by the contractor without approval

Section 6 of the contract amendment states, “The Contractor must obtain written approval from the DOE/DVR Counselor and Area Supervisor prior to hiring a Customer for any position in a business owned by the Contractor.” The intent of the amended language was to prevent providers from hiring customers to work in non-integrated settings.

We reviewed a sample of customers’ NOAs through REBA and RIMS to determine whether Goodwill had placed customers in a business owned by Goodwill without receiving appropriate approval. Eighteen of the 26 sampled customers were placed in employment or OJT training. Of the 18 customers placed, 10 customers were placed within Goodwill. Goodwill did not receive appropriate approval before placing any of the 10 customers in a business owned by Goodwill, though payments were rejected by the contract manager for one of these customers.

The placement of customers in a business owned by Goodwill without the appropriate approval results in noncompliance with contract terms and an increased possibility of customers being employed in non-integrated settings.

Recommendation

We recommend DVR enhance procedures to ensure Goodwill does not place customers in an employment position with Goodwill prior to receiving appropriate approval from the counselor and area supervisor. We further recommend the contract managers confirm the approval when reviewing the invoice for payment.

Management Response

Concur. VR is in the process of enhancing our registration process for all employment service providers. Part of the process will soon include collecting the names and addresses of all businesses owned by the contractor. This will allow the Contract Manager to determine whether or not prior approval should have been obtained. Contract Managers will reject invoices which do not have the necessary prior approval.

Finding 3: Monthly reports were not submitted timely

Section 4 of the contract amendment states, “The Contractor must submit a DOE/DVR Monthly Progress Report (MPR) to the DOE/DVR Counselor each month for all active Customers, beginning with referral acceptance. The Monthly Progress Report must include the dates and details of activities performed to validate the delivery of services on the DOE/DVR Referral form and be submitted within 30 days following the month services were rendered.” Contract

VJ902, attachment A, section V.A.2. further states that payments under this contract will not be approved or paid until “the monthly progress reports are completed and delivered to the DOE/DVR Counselor.”

We reviewed the monthly reports for a sample of customers to determine if the counselors were ensuring timely receipt of the reports as required by the contract. There should have been 96 monthly reports submitted for the sampled 26 customers. Thirteen reports were not submitted at all, and ten reports were not submitted within the required timeframe, ranging from 25 days to 131 days late.

The counselors do not track the receipt of monthly reports. They instead wait until receipt of an NOA, at which time they ensure all monthly reports have been submitted, and request the missing reports from Goodwill at that time.

We were able to verify that Goodwill was not paid for any benchmarks without the required monthly reports. However, the untimely submission of monthly reports hinders the counselors’ ability to verify services were provided and progress was made toward the customers’ goals.

Recommendation

We recommend DVR develop controls to ensure counselors are consistently monitoring the timely receipt of monthly reports for all active customers and reviewing the reports for documentation of progress.

Management Response

Concur. Counselors will monitor timely receipt of monthly reports. Language will also be written into the new rate contract that limits the time allowed for submission. Additionally, VR will pursue building safeguards into REBA to prevent submission after the contractually allowed time period.

Finding 4: NOAs were not timely reviewed by counselors

Contract VJ902, attachment A, section I.F.1.d) states that the “DOE/DVR Counselor has ten (10) business days from receipt of the NOA to review, inspect, and validate that a benchmark meets the terms and conditions of the contract for payment and return the NOA to the Contractor with the decision.”

We reviewed NOAs for the 26 sampled customers, as well as counselors’ notes, to determine if the NOAs were reviewed and approved by the counselors in the required timeframe. A total of

61 NOAs were submitted by Goodwill for the sampled customers. Of the 61 NOAs, 15 (25%) were not reviewed by the counselor within 10 business days, ranging from 13 to 71 business days late.

The NOAs must be efficiently reviewed and approved by the counselors in order for Goodwill to submit invoices more timely. The untimely review of NOAs results in noncompliance with contract terms on the part of DVR, and could additionally result in noncompliance on the part of the contractor.

Recommendation

We recommend DVR develop procedures to ensure the counselors complete the review and approval of NOAs within 10 days as mandated by the contract. The regular review of monthly reports, as noted in our previous finding and recommendation, would facilitate more efficient reviews of the NOAs.

Management Response

Concur. The current loose controls over the submission of monthly progress reports directly relates to this situation. Language will also be written into the new rate contract that limits the time allowed for submission of NOAs. This will allow VR Area Management to better monitor counselor compliance with the ten (10) day review requirement currently established.

Finding 5: Invoices were not submitted timely

Section 5 of the contract amendment states, “The contractor shall request payments on a monthly basis through the submission of properly completed invoices to the Contract Manager. The request for payment must be made within thirty (30) days following the end of the month in which services were rendered... DOE/DVR reserves the right to refuse payment for invoices submitted more than ninety (90) days after service is rendered.”

We reviewed the submitted invoices for the 26 sampled customers to determine if invoices were submitted within the required timeframe. A total of 60 invoices were submitted by Goodwill for the sampled customers during the period of our audit. Thirty of the 60 invoices submitted (50%) were not submitted within 30 days following the end of the month in which services were provided, ranging from 13 days to 177 days late. Fifteen of those 30 invoices were submitted more than 90 days after services were rendered.

There were some situations where the late submission of the invoice was due to the untimely review of the NOA by the counselor, as Goodwill cannot submit invoices until they have

received notification that the NOA has been approved by the counselor. This may have occurred with five of the 30 late invoices.

Untimely submission of invoices impacts the contract manager's ability to ensure services were provided and benchmarks were met by Goodwill in accordance with contract terms. It also has the potential of impacting DVR's funding abilities if invoices are submitted for payment in the following fiscal year.

Recommendation

We recommend DVR enforce the terms and conditions of its contract with Goodwill. We also recommend that DVR amend its contract in order to remove potential barriers to Goodwill's compliance with invoice submission. Language DVR should consider adding includes requirements for submission of the NOAs within a specified period of time after a benchmark is met, and for submission of the invoice within a specified period of time after the NOA has been approved.

Management Response

Concur. Language will be written into the new rate contract to address timely invoice submission. However, on numerous occasions, the General Counsel's Office has issued the opinion that, legally, DVR is required to pay if services are rendered regardless of when the invoice is submitted. We will continue to work with the General Counsel's Office to develop language they believe we can enforce.

Finding 6: DVR did not effectively monitor the contract

Attachment A, section I.F.1.f of the contract states, "The degree and frequency of monitoring Contractual Services will be in accordance with the policies of the DOE/DVR. The Contract will be monitored at least once during the contract period or more frequently should risk level increase."

The Contract Monitoring Unit Guidebook (CMU Guidebook) requires contract managers to complete a risk valuation for each contract and to prepare a contractor monitoring plan within 30 days of execution of a contract. The Contract Management & Accountability Workshop Training Manual & Handbook (contract training manual) additionally requires monitoring techniques and timetables to be clearly defined in the monitoring plan and states, "Each contract manager is responsible for planning contract monitoring activities with the contractor... the monitoring plan should reflect a scope of review that is commensurate with the contractor's risk level."

A risk assessment was completed for contract VJ902, resulting in a risk rating of medium. A monitoring plan was also prepared, though it is not specific and does not provide for monitoring that is commensurate with the contractor's risk level. The monitoring plan only indicates that desk top monitoring will be conducted annually, based on available resources and/or risk level.

The Contract Training Manual requires the contract manager to document all monitoring activities and the outcomes, and to periodically prepare a written report. The report should include at a minimum a description of contract services, date and location of monitoring, comments from the contractor, summary of findings, areas needing corrective action, reasons, and recommendations. Additionally, Effective Monitoring Procedures require the contract manager (or whoever completed the desk review) to certify and date a document indicating that the contractor was monitored, and provide the findings and recommendations.

At the time of this audit, there had been no contract monitoring activities or on-site visits for contract VJ902. DVR was unable to produce any reports or records that would document monitoring activities for this contract. There may be misunderstandings as to what constitutes contract monitoring activities, which differ from contract management activities. There also does not appear to be clear communications regarding who is responsible for the monitoring activities, as evidenced by contradictions found in the CMU Guidebook.

The absence of documented monitoring activities hinders DVR's ability to ensure contractors are satisfactorily meeting the performance requirements of their contracts. If contracts are not properly monitored, DVR could be paying for incomplete or inadequate services.

Recommendation

We recommend DVR update policies and procedures to ensure effective monitoring of its contracts and clearly delineate responsibilities of the contract managers and staff of the Contract Monitoring Unit.

Management Response

Concur. Monitoring efforts have increased considerably just since the time of this audit. We are currently in the process of monitoring thirty-four (34) high dollar rate contracts. Policies and procedures are being updated now.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the Division of Vocational Rehabilitation 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 Tiffany Hurst and supervised by Janet Snyder, CIA, CGAP, Audit Director.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at 850-245-0403. Copies of final reports may be viewed and downloaded via the internet at <http://www.fldoe.org/ig/auditreports.asp#F>. Copies may also be requested by telephone 850-245-0403, by fax 850-245-9419, and in person or by mail at Department of Education, Office of the Inspector General, 325 West Gaines Street, Suite 1201, Tallahassee, FL 32399.

June 9, 2014

Mike Blackburn, Inspector General
Florida Department of Education
Office of Inspector General
325 West Gaines Street, Suite 1201
Tallahassee, FL 32399

Dear Mr. Blackburn,

I am in receipt of your letter, dated May 30, 2014, which contains the preliminary and tentative issues and recommendations that may be included in Report A-1314-012, *Goodwill Industries of Southwest Florida, Inc.* Thank you for allowing me the opportunity to respond to the findings in that report. This letter serves as my response to those findings.

Goodwill Industries of Southwest Florida, Inc. has a strong partnership with the Division of Vocational Rehabilitation (DVR) for contracted services. To improve that partnership, ensure compliance with our contractual obligations, and better serve our community, we have developed the below action plan. The plan addresses each finding in the report.

Finding 1: Customer employment positions do not match IPE goals

Should a customer select an employment position that does not match the individualized plan of employment (IPE) goals, the Goodwill employee will immediately notify the DVR counselor. If the DVR counselor and the customer choose to amend the IPE goals, the Goodwill employee will work with the DVR to ensure that an amended IPE is generated and the Goodwill employee will obtain a copy of that amended IPE from the DVR Counselor, before the customer begins the employment position. If it is decided that the new desired employment position will not change the IPE goals, the Goodwill employee will work with the DVR Counselor and the customer to collaboratively determine how services will move forward (i.e., continue to look for employment to match the IPE goals).

Finding 2: Customers were placed in a business owned by the contractor without approval

Goodwill employees will submit the Goodwill "Prior Approval Form" whenever a DVR customer is interested in any position in a business owned by Goodwill. If such a position is not approved by the DVR counselor and the Area Supervisor, Goodwill will not submit the Notification of Approval (NOA) for services.

Mission:

Goodwill Industries of Southwest Florida is committed to serving people with disabilities and disadvantages by offering life-changing opportunities to achieve independence.



Mr. Blackburn
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Finding 3: Monthly reports were not submitted timely

Goodwill employees will submit all Monthly Progress Reports (MPR's) in a timely manner. Goodwill will implement a new procedure to ensure timely submissions. Under this new procedure, the Contract Coordinator (Robin Antone), from Goodwill's Community Support Services (CSS) Department, will check and ensure that Monthly Progress Reports are submitted within thirty (30) days of rendered services.

Finding 4: NOAs were not timely reviewed by counselors

Goodwill employees will notify the DVR counselor, via e-mail, when NOAs have been submitted. Additionally, Goodwill employees will conduct any necessary follow up to ensure NOAs are being reviewed in a timely manner.

Finding 5: Invoices were not submitted timely

Goodwill has implemented a benchmark tracking system to ensure timely submissions of NOAs and Invoices by Goodwill employees. The Contact Coordinator and Program Manager, from Goodwill's CSS Department, oversees this tracking system for each Goodwill employee.

Finding 6: DVR did not effectively monitor the contract

Goodwill will continue to be available and accommodating to the DVR with all contractual monitoring.

We look forward to the continued support of the Inspector General and the DVR to provide contractual services to our community. Should you have any questions or desire discussion on any items included in this response, please contact Fred Richards, Vice President of Community Support Services, by phone at (239) 995-2106, ext. 2224, or by email at fredrichards@goodwillswfl.org. Thank you for your assistance and cooperation.

Sincerely,



Tom Feurig
President/CEO

Mission:

Goodwill Industries of Southwest Florida is committed to serving people with disabilities and disadvantages by offering life-changing opportunities to achieve independence.

