A Performance Audit of the Division of Rehabilitation Services Cost Controls

Report Highlights Concerns that the Vocational Rehabilitation Program

Lacks Program Oversight in Four High-Risk Areas

The Utah Division of Rehabilitation Services ("DRS" or "division") facilitates vocational rehabilitation services to clients whose disabilities prevent them from gaining or retaining meaningful employment. Client disabilities—which constitute or result in "a substantial impediment to employment"—could include either a mental health disorder or a physical disorder.

One of the underlying purposes of vocational rehabilitation is to help clients to become self-sufficient rather than rely on other forms of government assistance. While this eligibility program has proven successful in many individual circumstances, it can also be seen as an entitlement program by some clients who may take advantage of it.

This audit report identifies four deficiencies or findings that, once corrected, will improve the division's cost controls while providing greater counselor and district accountability for the use of program funds. It does not appear that the division has been the subject of a performance audit in its 92 years of existence.

Finding 1: Noncompliance with Policy Leads to Questionable Vehicle Modifications

DRS counselors did not fully comply with policy in any of the 15 non-farm vehicle modifications authorized during calendar years 2010 through 2012. Among other concerns, it is not clear from any of the vehicle modification authorizations whether the modifications were the least costly alternative. Several vehicle modification authorizations—including one to a DRS employee—seem unnecessary when considering other options. Division counselors authorized an average of approximately $172,000 per year in vehicle modifications during calendar years 2010 through 2012. Division counselors may have unnecessarily authorized $143,000 in vehicle modifications during this period.

Example: DRS Counselors Violated Multiple Policies When Authorizing A $63,000 Vehicle Modification for a Division Employee. A DRS counselor became a vocational rehabilitation client two years after beginning employment with the agency due to concerns that insufficient transportation might limit his ability to retain his employment. According to documentation in his case file, however, DRS counselors violated several policies in the vehicle modification authorization process. The vehicle modification may not have been necessary if the DRS had followed its policy and considered viable alternatives.

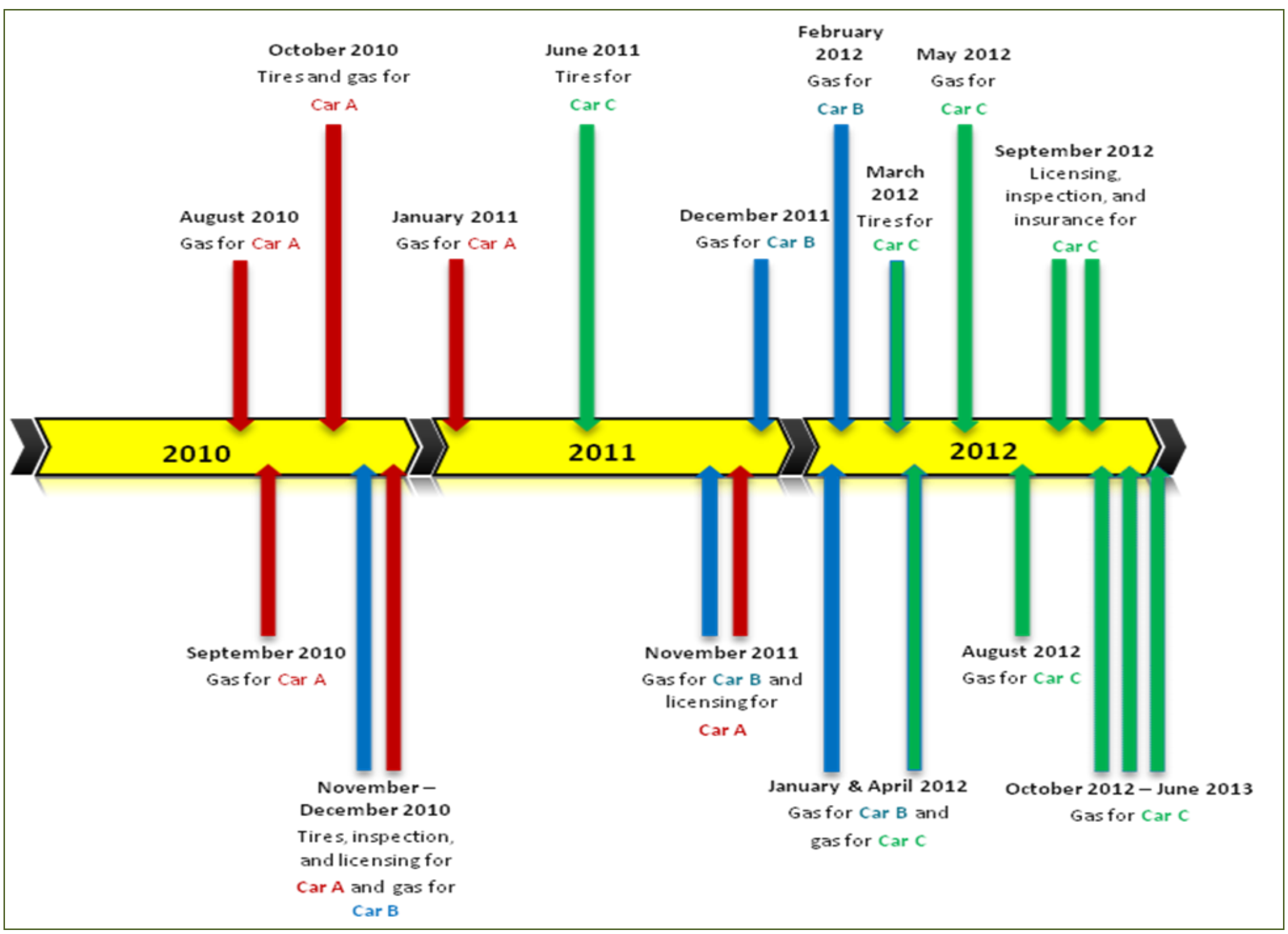
Finding 2: Noncompliance with Direct Authorization Policy Increases Fraud Risks

The division does not enforce existing controls designed to ensure that direct payments to clients are used for their intended purpose, questioning the use of almost $350,000 over a three-year period. The division could improve oversight and controls to prevent misuse of funds by (1) eliminating direct payments to clients unless absolutely necessary, (2) documenting justification for the use of direct payments, (3) ensuring that direct payments to clients coincide with the client's individual plan for employment, and (4) verifying the use of direct payments through receipts and other necessary reviews. Without verifying documentation, the division cannot properly ensure that more than $350,000 in direct authorizations from 2010 through 2012 were used to accomplish its mission of assisting clients with disabilities obtain stable employment.

Example: DRS Counselors Failed to Collect and Verify Receipts After Authorizing $4,000 Directly to a Client for a Medical Insurance Deductible and Out of Pocket Expenses. Between two installments, there is no verification for how the client used approximately $2,500 of the $4,000 directly authorized for the use of covering out-of-pocket medical expenses. None of the client files reviewed for this audit contained adequate documentation to support direct authorizations.

Example: Some Maintenance Authorizations Appear To Be Used for Normal Living Expenses
Even though these funds should not be used for everyday living expenses, it appears that many maintenance authorizations were for normal living expenses such as housing, food, and transportation. One client received maintenance authorizations for three different vehicles over a two year time period, including one that was registered in the name of another person. The counselor authorized funds to the client to pay for services such as tires, gas, insurance, and vehicle registration for these three vehicles, as shown in Figure 2.4.

Figure 2.4 **Timeline for Vehicle-Related Maintenance Authorizations.** The DRS Counselor Authorized Multiple Services for a Client's Three Vehicles.



Source: Office of the Utah State Auditor Analysis of DRS Case File

Finding 3: DRS Could Reduce Costs and Improve Controls by Contracting Medical Functions

The division paid more than $5 million for 29,594 medical expenditure authorizations during calendar years 2010 through 2012. The division pays more for medical procedures than other government programs, such as Medicaid and Medicare. The DRS medical fee schedule is based on approximately 150 percent of Medicaid, but it appears that the division must sometimes pay even more when a specific provider monopolizes a region. The division could have reduced medical costs by approximately $612,000 per year if it had used the Medicaid rate for medical claims rather than using its current fee schedule. Contracting with the state Division of Health Care Financing (Medicaid) could improve controls over medical authorizations, decrease costs by charging lower rates and through economies of scale, improve client options, and reduce administrative overhead. Several other state entities already rely on Medicaid to process their medical claims. In Utah, both the Department of Human Services and the Department of Corrections either contract with or coordinate with Medicaid to reduce costs.

Finding 4: Identity Verification Could Support Client Employment and Reduce Potential Fraud

The division counselors do not verify applicants' identity by requesting identification documents, which increases the risk of fraud and identity theft while also prolonging unemployment for some clients. Several vocational rehabilitation agencies in other states require identification documents before services are authorized while agencies in other states do it as a best practice. Because the division's goal is to help clients find employment, we recommend that the division require identification documents prior to Individual Plan for Employment (IPE) implementation. This will ensure that clients (1) are properly identified, (2) are eligible to obtain employment in the United States, and (3) possess necessary documentation to accept employment.

Vocational rehabilitation agencies in three of the six intermountain states surveyed require proof of identification in order to verify an applicant's eligibility to work in the United States. Agencies in the other three states surveyed claim to document proof of identification as a best practice even though it is not required by policy. Figure 4.2 shows the differences in state practices for verifying applicants' identification.

Figure 4.2 Other Intermountain States Verify Client Identification

State	Requires Identification Documents	Verifies Identity as a Best Practice	Does Not Verify Client Identity
Arizona	X		
Colorado	X		
Idaho		X	
Nevada	X		
New Mexico		X	
Utah			X
Wyoming		X	

Source: OUSA Survey of Vocational Rehabilitation Services of Intermountain States

Visit **auditor.utah.gov** for further details or to access a copy of the entire audit report and summary presentation materials.