Audit Highlights

Highlights of performance audit report on the Rehabilitation Division issued on October 6, 2014. Report # LA14-18.

Background

The Rehabilitation Division provides services to address disability assessment, training, treatment, and job placement for disabled Nevadans; bridging the gap between disability and self-sufficiency. The Division's mission is to bring Nevadans together to promote barrier-free communities in which individuals with disabilities have equal access to opportunities for quality work and self-sufficiency. The Division is comprised of three bureaus, which include Vocational Rehabilitation, Services to the Blind and Visually Impaired, and Disability Adjudication.

The Division is primarily funded through federal grants and general fund appropriations. Total revenues for fiscal year 2013 amounted to nearly $40.5 million. Expenditures from the same time period were nearly $39.4 million. The bureaus of Vocational Rehabilitation and Services to the Blind and Visually Impaired accounted for $21.6 million in revenues and $20.7 million in expenditures during fiscal year 2013. The Division provides vocational rehabilitation and blind and visually impaired services from 15 offices located throughout the State.

Purpose of Audit

The purpose of our audit was to determine whether the Division (1) ensured vocational rehabilitation and blind and visually impaired service payments were properly approved, paid, monitored, and in accordance with Individual Plans of Employment, and (2) ensured Individual Plans of Employment were approved in accordance with Division policies and procedures.

This audit focused on the Division's vocational rehabilitation and blind and visually impaired services between July 1, 2011, and March 31, 2013. We expanded our scope to prior fiscal years and through June 30, 2013, for dental services.

Audit Recommendations

This audit report contains 12 recommendations to improve oversight, policies and procedures, and controls over rehabilitation services provided to participants.

The Division accepted the 12 recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on January 6, 2015. In addition, the six-month report on the status of audit recommendations is due on July 6, 2015.

Rehabilitation Division

Department of Employment, Training and Rehabilitation

Summary

The Rehabilitation Division (Division) does not have adequate controls to ensure payments for vocational rehabilitation services are properly approved, paid, monitored, and in accordance with Individual Plans of Employment (IPE). In addition, the Division does not always ensure IPEs are approved in accordance with policies and procedures. For example, our review of rehabilitation activities found certain offices provided dental services at higher occurrence rates and as the sole or primary service. Had these offices incurred dental service rates similar to other offices, dental expenditures would have been $900,000 lower for fiscal years 2009 to 2013. These activities were not discovered by the Division because certain staff perform all of the functions for participant rehabilitation with little required oversight. Furthermore, when management review is required it is not always obtained and documented. These issues warrant stronger controls and review to ensure vocational rehabilitation activities are proper and utilized as intended.

The Division lacks controls over transportation activities to prevent or detect misuse, abuse, or fraud. Specifically, custody of negotiable fuel cards was not adequate, documentation supporting the distribution of cards and passes was deficient or nonexistent, and the Division failed to obtain and review receipts and mileage logs to ensure invoices and assistance provided participants was reasonable and proper. Our review of fuel cards and bus passes for the Southern District found the Division could not provide documentation detailing which participant, if any, received the fuel card or pass in 272 of 404 (67%) instances. These unaccounted for fuel cards and passes were worth nearly $19,000 of $24,000 reviewed. Transportation assistance can easily be misused and failure to establish adequate controls and enforce existing policies limits the Division's ability to ensure services are being used for intended purposes.

Key Findings

Certain offices provided dental services at significantly higher occurrence rates than expected. For instance, the Ely office provided dental services to 41% of participants while most offices provided dental services to less than 7%. Nearly $378,000 or 35% of total service costs for the Ely office during fiscal years 2009 to 2013 were for dental services. (page 8)

Participants receiving dental services typically have a primary disability other than dental used for determining eligibility for vocational rehabilitation services. In several instances, dental services were the only, or vast majority, of all services rendered when other significant disabilities were noted for determining eligibility. (page 10)

Rehabilitation counselors are responsible for nearly all rehabilitation case activities with little required oversight by management. Current approval levels allow counselors to approve 97.6% of all expenditures resulting in a lack of adequate oversight of counselor duties required for a sound system of control. Counselors determine eligibility, prepare and approve IPEs, and approve invoices with little oversight. Implementing compensating controls or segregating counselor duties will reduce the risk of fraud and abuse occurring. (page 13)

Payments made from an outside bank account used to pay participants and vendors who are not established in the state accounting system were not always accurate or properly documented. Our review of eight direct purchases for a total of $16,909 identified four (50%) for $11,299 that were not adequately supported or properly authorized in the IPE. (page 16)

IPEs were not always approved by the proper authority within the Division. The Division has adopted approval levels regarding the estimated amount to be spent on an IPE but relies entirely on counselors to submit IPEs needing management approval for review and the Division does not track whether approval is granted. (page 18)

Fuel cards and bus passes purchased in bulk were not inventoried or safeguarded upon receipt and not always tracked or logged when distributed to technicians or participants. Additionally, a periodic count and reconciliation of these negotiable items was not conducted. (page 23)

Of the 60 direct fuel purchases reviewed, we could not find a signed participant receipt for 41 (68%). In one instance, the Division paid for the same purchase twice when it was duplicated on an invoice from a fuel retailer. (page 24)

Division staff rarely require participants to account for fuel assistance received in either the Northern or Southern Districts. Out of 84 fuel assistance transactions, mileage logs were not collected for 78 (93%). Mileage logs are a critical control to ensuring state and federal resources are being used for their intended purpose and participants are receiving assistance for approved services only. (page 25)

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