

An Audit Report on

The Rehabilitation Commission's Vocational Rehabilitation Program

June 2003

Report No. 03-037



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The Rehabilitation Commission's Vocational Rehabilitation Program

Overall Conclusion

The Rehabilitation Commission's (Commission) procedures for delivering vocational rehabilitation services generally ensure that clients receive intended services at cost-effective prices. Our audit indicated that the Commission has a good system in place to establish service plans for individual clients and to ensure that it delivers services in accordance with the plans. However, the Commission has not achieved the General Appropriations Act (77th Legislature) target for the number of clients successfully employed.

The Commission lowered its own target for this measure by 8 percent in fiscal year 2002 and by 21 percent in 2003. The Commission met its target in 2002 and has worked with legislative staff to align its state targets for the 2004-2005 biennium with its targets for fiscal year 2003. Although Texas did not meet its state target, it compares favorably with six other large states' vocational rehabilitation programs.

Errors in the Commission's performance data resulted in an overstatement of the number of significantly disabled clients served in fiscal year 2002.

The Commission generally reported reliable financial information in its Legislative Appropriations Request, although we identified a minor issue with its methodology for estimating expenditures.

Vocational Rehabilitation Strategy

Rehabilitate and place people with disabilities in competitive employment or other appropriate settings, consistent with informed consumer choice and abilities.

Vocational Rehabilitation Funding

- The 77th Legislature appropriated \$163 million to the Commission in fiscal year 2002 for its Rehabilitation Services strategy.
- Of that amount, \$127 million (78 percent) is federal funding.

Summary of Information Technology Review

The Commission has adequate controls over its Rehabilitation Services System (RSS) and its local area network. RSS is a critical part of the vocational rehabilitation service delivery process. The Commission's rehabilitation counselors use RSS to track the services they provide their clients. Supervisors and managers use RSS to conduct reviews and to track overall performance. To further strengthen controls over RSS, the Commission should require difficult-to-guess passwords, limit access to its server room, and finalize and test its disaster recovery plan.

Although we identified some inaccurate data, these inaccuracies were the result of counselors keying the information incorrectly or not maintaining documentation for the information. We did not identify instances of RSS introducing errors into the data.

Our audit did not cover any of the Commission's other automated systems.



Detailed Results

Chapter 1

The Commission Serves Vocational Rehabilitation Clients According to Its Plans, but It Did Not Meet the State Target for Clients Rehabilitated and Employed in Fiscal Year 2002

Overall, the Commission's procedures for delivering vocational rehabilitation (VR) services generally ensure that clients receive intended services at cost-effective prices. The Commission has a good system in place to establish service plans for individual clients and to ensure that it delivers services in accordance with the plans. However, the Commission is not meeting the state target for Number of Clients Rehabilitated and Employed. The Commission cites turnover among its VR counselors as one of the reasons for not meeting the target, but its turnover work group may not be addressing all the causes of turnover.

Additionally, some of the Commission's performance information is not reliable. The number of significantly disabled clients that the Commission reports to the State is not accurate, and the Commission does not obtain support for client earnings data that it uses to quantify the benefits of its VR program.

Chapter 1-A

The Commission Generally Ensures Delivery of Planned Vocational Rehabilitation Services at Cost-Effective Prices

Commission Counselors Develop a Service Plan with Each Client

After the Commission determines that a client is eligible, the counselor and client jointly create an Individualized Plan for Employment, which becomes the basis for service delivery to that client. The Commission adequately monitors these plans to ensure that they fully consider the strengths, interests, and capabilities of the clients and that the planned employment outcomes are consistent with the jobs available in the clients' geographical areas. Additionally, the Commission conducts monitoring to ensure that services the clients subsequently receive are consistent with the plans.

The Commission Monitors Service Delivery

The Commission's statewide monitoring plan covers all phases of the VR process and delegates case review responsibilities to multiple levels of program management. The Commission summarizes case review results quarterly for all five regions, and executive and regional management use these results to identify and correct problems with case management.

In general, the Commission's reviews identify errors and insufficient documentation in case files. Some weaknesses are discussed in Chapter 1-C.

Counselors Make Purchases According to Guidelines and at Reasonable Prices

We tested a sample of fiscal year 2002 VR client service expenditures and found no significant errors. Due to the nature of the Commission's contracting for client services, we focused on all VR client services, not just those purchased through contracts.

For appropriation year 2002, the Commission reports that it contracted for about 40 percent of VR client services expenditures. The Commission contracts for client goods and services through a non-competitive, open enrollment process. Any provider who wants to do business with the Commission may enter into a contract with it as long as the provider meets the Commission's provider standards. In addition, federal regulations encourage the use of a broad provider base and require client participation in the selection of providers of goods and services. Therefore, the Commission's contracts do not promise exclusivity or volume for the providers.

The Commission includes purchasing reviews as part of its monitoring system and reports that it conducted about 15,000 formal reviews in fiscal year 2002. Each review tests compliance with a number of state, federal, and Commission guidelines for purchasing.

Chapter 1-B

The Commission Did Not Meet the State's Target for Number of Eligible Clients Rehabilitated and Employed in Fiscal Year 2002

The Commission did not meet the State's target for the Number of Eligible Clients Rehabilitated and Employed for fiscal year 2002 and reports that it is not on track to meet the target for fiscal year 2003. The Commission lowered its internal targets for both years (see Table 1). The Commission attributes the need for lower targets to economic conditions and turnover, and it expects that reducing targets will help to lower turnover among VR counselors by decreasing their caseloads.

Table 1

Targets for the Number of Clients Rehabilitated and Employed			
Fiscal Year	State Target	Commission Internal Target	Actual Performance
2002	25,206	23,190 (92% of state target)	23,900
2003 (September 2002 - February 2003)	25,257	20,000 (79% of state target)	13,557 (first six months of FY 2003)

Source: State targets are from the General Appropriations Act (77th Legislature). Internal targets were provided by the Commission. Actual Performance data are from ABEST (2002) and the Commission (2003).

It is worth noting that the Commission had significantly more clients successfully employed in federal fiscal year 2001 than any other large state (see Table 2).

The Commission experiences high turnover rates in its VR counselor position, ranging from 32 percent in fiscal year 2000 to 24 percent in fiscal year 2002.¹ As

¹ Source: State Classification Office of the State Auditor's Office (SAO)

Although the turnover rate has fallen in recent years, turnover at the Commission is still about three times higher than it is on average for the same position in six other large states, as Table 2 shows. In addition, Texas's starting salary is the lowest of the comparison group, although the Commission does hire experienced counselors at a higher pay rate. The average caseload for Texas counselors is the third heaviest among the seven large states.

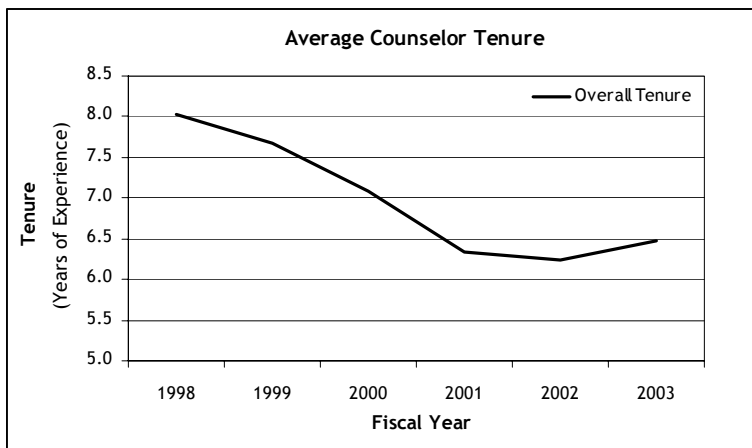
Table 2

Comparison of Texas's Vocational Rehabilitation Counselor Data with Data from Six Other Large States for 2002 (Unaudited Information)							
	Texas	California ^a	New York	Michigan	Ohio ^a	Pennsylvania ^a	Illinois ^a
Turnover Rate	24%	6.5%	5.2%	12.9%	7.2%	8.0%	5.5%
Counselor Starting Salary	\$30,432	Unavailable	\$36,527	\$32,115	\$34,424	\$32,623	\$33,828
Average Active Cases/Counselor	142	91	186	120	146	125	130
Clients Employed	23,900	12,620	14,576	7,068	6,862	10,384	8,967

^a These states' rehabilitation agencies provide services to blind clients in addition to the general rehabilitation population.

Source: The Commission provided the information on Texas, except for the turnover rate, which comes from the State Classification Office at the SAO. Each of the other states responded to a survey in November 2002 and a follow-up in March 2003. State fiscal years may vary. This information is unaudited and presented for informal comparison.

Figure 1



Source: Unaudited data from the Commission and the State Classification Office

The Commission does a good job of posting and filling counselor positions as they become vacant. The average number of counselors the Commission employs has remained roughly constant over the periods of highest turnover. However, one effect of high turnover is a significant overall decrease in counselor experience. The average tenure of Commission counselors has fallen about 20 percent since 1998, when the average counselor had slightly more than 8 years of experience (see Figure 1). Currently, the average counselor has about 6.5 years of experience.

With a slowing economy and tight job market, counselors' experience may be more important than ever for the Commission's efforts to find jobs for its clients.

While the Commission has established a work group to address high turnover in its VR counselor position, it has focused almost exclusively on compensation issues. Compensation issues must be analyzed given that the starting salary for the Commission's VR counselors is approximately 10 percent lower than the average

starting salary for counselors in five other large states. However, the Commission has not sufficiently considered other contributing factors.

The Commission has evaluated information from the exit survey offered to all exiting state employees (administered by the SAO) that indicates that other factors may contribute to turnover. Of the Commission's exiting employees who completed the survey, 21 percent list working conditions as the reason for their departure, compared with only 8.5 percent of employees exiting all state agencies. In addition, 58 percent of the Commission's exiting employees state they are willing to work for the Commission again, compared with 76 percent of all exiting state employees. However, the work group has not focused on factors such as employee relations with management and internal policies and procedures, which almost half of exiting employees said they would have liked to change at the Commission.

Recommendation

The Commission's work group on turnover should consider factors such as employee relations with management and internal policies and procedures as it examines ways to reduce turnover.

Management's Response

TRC agrees that all factors need to be considered for reducing VR counselor turnover. However TRC disagrees with the implication that TRC has focused exclusively on employee compensation issues. For example, documentation from the March 27th meeting of the Recruitment and Retention Workgroup notes that employee relations with management and internal policies and procedures are being assessed in an effort to reduce turnover. These issues included: adjusting the methodology of assigning new counselors' performance outcomes; more fully acknowledging staff performance in developing achievable outcomes, referrals, IPEs, and closures for the probationary period; revising the policy regarding VRC transfers and tailoring the program to reduce employee job stresses. TRC also has used the University of Texas' Survey of Organizational of Excellence along with the SAO's recent exit survey, which has yet to have a multiyear analysis since it began collecting employees ratings and comments September 2001.

The Recruitment and Retention Workgroup expects to complete a final report with recommendations to executive management by June 30th.

Auditor's Follow-Up Comment

The Commission did not provide the State Auditor's Office with documentation of this meeting, which occurred late in our fieldwork, or any other documentation that indicated that the goal of the work group had changed. The stated goal of the work group at the time of our fieldwork was: *A financial compensation system, which enhances the recruitment and retention of VRCs and DEs (vocational rehabilitation counselors and disability examiners).*

Although the State Auditor's Office has not received documentation to confirm the Commission's assertion, we acknowledge that the issues covered in the March 27, 2003, meeting are appropriate areas of focus for reducing turnover.

Chapter 1-C

Some of the Commission's Client Information Is Not Reliable

Errors in clients' significant disability coding and earnings data affect the accuracy of the Commission's performance information. As a result, users of the performance information are getting inaccurate information on the number of significantly disabled clients served and the changes in clients' earnings resulting from VR services.

Significant Disability. The Commission uses the number of significantly disabled clients it serves in state and federal performance measures, as well as internal measures to support management decisions. Because the Commission does not prioritize clients according to the seriousness of their disabilities, but serves all eligible clients on an equal basis, it is important that the Commission accurately gauge how much it directs its efforts toward clients who have the greatest need for services.

The Commission overstated the number of significantly disabled clients that it serves. Our testing of a sample of closed cases indicated that 9 percent of clients coded as significantly disabled should not have been, according to Commission policy.

Additional analysis of all cases closed in fiscal year 2002 showed that about 20 percent (approximately 9,000 out of 45,000) of clients coded as significantly disabled did not receive at least six months of services, which is the minimum length of service the Commission expects a significantly disabled client will need (see criteria in text box below).

The Commission's policy requires counselors to reassess *most* cases coded as significantly disabled once the cases are closed. However, the policy does not require counselors to reassess cases closed after the client was determined eligible but before the counselor and client developed a plan for services. Almost 70 percent of the 9,000 cases mentioned above are of this type. Because there are no service plans for these cases, there is very little information to indicate whether services were expected to last for more than six months. However, the Commission includes these cases in its calculation of the state outcome measure of all eligible clients served who have significant disabilities, even though it is not feasible for the Commission to reassess whether or not the significant disability coding is justified. The effect is an overstatement of the percent of significantly disabled clients served.

Criteria for Significant Disability

To be considered significant, a disability must meet all of the following criteria:

- Seriously limit mobility, communication, self-care, self-direction, interpersonal skills, work tolerance, or work skills
- Must be an impediment to employment
- Is expected to require multiple VR services for more than six months after the client is determined eligible

Earnings Data. The Commission does not ensure that client earnings data are reliable. We tested a sample of the Commission's fiscal year 2002 cases for clients who achieved employment and found that 14 percent of cases (10 of 70) did not have

documentation to support the clients' earnings at closure. Ten percent (7 of 70) did not have documentation to support the clients' earnings at application. The Commission's policies and procedures require proof of income at application; however, our testing indicated that counselors routinely accept a client's attestation as proof.

In its Strategic Plan, the Commission reports the difference between clients' earnings at application and their earnings at closure as a broad measure of the cost-effectiveness of the VR program. The Commission reports that successfully employed clients earn about 3.5 times more than when they entered the program. Even though the Commission recognizes the difficulty in verifying earnings, it reports program benefits with the assumption that earnings data are correct. Earnings are also the basis for federal and state performance measures.

Data integrity checks in the automated system that tracks client data (Rehabilitation Services System) were not sufficient to identify several instances where data appeared to be in error. We identified the following examples through an analysis of client data:

- Clients who worked at least 40 hours per week at application but earned only \$1 per week
- Clients who worked at least 20 hours per week at application but earned less than \$25 per week

In addition, the Commission's monitoring plan does not consider whether earnings at application and closure are supported with more than client attestation. If monitoring does identify errors like the ones discussed above, the information is usually not corrected before the Commission uses incorrect data to report performance.

Recommendations

The Commission should:

- Ensure that counselors designate as significantly disabled only those clients who meet all the criteria for this designation.
- No longer include in its state measure of percentage of significantly disabled clients served those cases closed before a service plan was developed.
- Make use of data input controls in the Rehabilitation Services System for critical data elements such as significant disability and earnings.
- Not report the difference between client earnings at application and client earnings at closure as a measure of cost-efficiency if earnings data are unreliable.

Management's Response

- **TRC agrees.** TRC will continue to review significant disability designation as per policy of our VR statewide monitoring plan. Additionally, new policy defining and procedures for recording functional limitations in RehabSys related to significant disability and order of selection is complete; implementation is scheduled beginning September 2003. The functional limitation component of the disability specification will provide for additional data collection and enable subsequent refinement of definitions of significance. TRC will also include validation of the significance variable for all VR cases closed after eligibility in the agency's annual data verification project.
- **TRC agrees,** however since the methodology was modified with the leadership offices, we will need to work with these offices to obtain agreement with the modification to the current methodology of reporting percent significant for this non-key State performance measure.
- **TRC agrees.** TRC will continue to make use of the RehabSys automated prompts and edits relating to significant disability and earnings. For example:

if weekly earnings >0 then weekly hours must be >0;

if weekly hours >0 then weekly earnings must be >0;

if weekly earnings \$3,000 or greater, prompt: Are you sure client is earning more than \$3,000 a week?

if weekly hours > 80, prompt: Weekly hours worked should be greater than 00 and less than 80.

if client receiving SSI / SSDI, significant disability = Y.

- **TRC agrees** that TRC data must be reliable.

Chapter 2

The Commission's Legislative Appropriations Request Is Generally Reliable and Accurate

Overall, revenues and expenditures reported in the Commission's Legislative Appropriations Request (LAR) for fiscal years 2004 and 2005 are reliable. However, the Commission can strengthen its methodology for reporting expenditure information.

In preparing its LAR for fiscal years 2004 and 2005, the Commission used expenditure information as of September 2001 instead of the most recent expenditure data available at the time the Commission submitted its LAR in August 2002.

This methodology did not affect estimates for the larger strategies. However, the Commission underestimated expenditures in two small strategies and overestimated expenditures in three small strategies, for a net total underestimation of about

\$600,000 (less than 1 percent). The largest effects were in expenditures for the Promote Independence strategy, which the Commission underestimated by \$586,808 (17 percent), and the Transitional Planning strategy, which the Commission overestimated by \$43,839 (11 percent).

Because the 2001 expenditures the Commission reported are the basis for subsequent years in the LAR, these inaccuracies affect the reasonableness of 2004–2005 budget requests for the Commission’s smaller strategies.

Recommendation

The Commission should use the most current expenditure information available in developing budget requests.

Management’s Response

TRC agrees. While methodology did produce an overall accuracy of over 99 percent, we agree that it is best to use the most current data available in making fiscal projections.

Chapter 3

Automated Controls Are Generally Strong, but There Are Some Opportunities for Improvement

Overall, the Commission takes adequate steps to safeguard its local area network and the data in its Rehabilitation Services System (RSS). However, the Commission could improve its efforts to protect its data and equipment.

Password Security. RSS allows employees to create passwords that could be easy for an unauthorized user to guess. The passwords can be short, and previous passwords can be reused. Easy-to-guess passwords put all of the data in RSS, such as information about clients’ rehabilitation needs and employment, at risk for unauthorized access and disclosure. RSS has security features that reject passwords that do not meet certain criteria, but the Commission has not activated these features. Texas Administrative Code (TAC), Title I, Part 10, Chapter 202.7 (c)(4), requires agencies to use industry best practices on password usage.

Server Room Access. The Commission does not adequately limit access to the server room, which contains the computers that run the local area network. We identified 29 access cards that the Commission should have deactivated. When we brought this to the Commission’s attention, staff members started to deactivate cards promptly.

In addition, the Commission has not established a process with the Texas Building and Procurement Commission (TBPC) to be notified when TBPC employees no longer need access to the Commission’s server room. We found that 14 TBPC employees had access to the Commission’s server room for routine building

maintenance. However, when 10 of these employees left TBPC, the Commission was not notified.

TAC, Title I, Part 10, Chapter 202.2 (1), requires agencies to protect their information technology assets from unauthorized access. Giving current employees unnecessary or excessive access to the computer center creates a risk that one of them could intentionally or accidentally commit a harmful act, such as disabling a server. Additionally, former employees could do significant damage to the computer center if their access is not removed promptly.

Disaster Recovery Plan. The Commission's disaster recovery plan is still in draft form, has not been approved by executive management, and has not been tested. TAC, Title I, Part 10, Chapter 202.6 (5)(E), requires agencies to test their disaster recovery plans annually. In addition, the plan does not provide for the recovery of servers that the Commission maintains for other agencies or address how the Commission will coordinate recovery efforts with those agencies. An incomplete and untested disaster recovery plan could result in significant delays in providing services to clients in the event of a disaster because almost all case file information is now kept in the automated systems.

Recommendations

The Commission should:

- Set a minimum length for passwords according to industry best practices, require a mix of letters and numbers, and prohibit the reuse of passwords.
- Review access lists frequently, and block access to terminated employees and other individuals who no longer require access to server rooms.
- Finalize and annually test its disaster recovery plan.

Management's Response

- **TRC agrees.** *Since April 21, 2003, TRC has implemented new password rules for our enterprise applications consistent with the industry best practices. At a minimum, the new rule requires each password to be at least 6 characters and a mixture of characters and numbers. Currently passwords expire after 90 days. Prohibiting the reuse of passwords will be addressed with the migration of our enterprise applications to a web architecture.*
- **TRC agrees and notes the following improvements and mitigating controls.**

TRC Employees:

When a TRC employee terminates or transfers to a new position, managers submit a TRC-260 form notifying Computer Support Accounts Management of access changes. Accounts Management creates a Help Ticket generating appropriate assignments to IT staff for deletion/change of access permissions. As a follow-up verification, the Human Resources Department provides a

monthly report to the Director of Enterprise Systems. This report is compared to the Secure Card Holder Access list. Any access for a terminated employee is removed at this verification step.

Non-TRC State Employees:

When Facilities Department is made aware of the termination of a Texas Building and Procurement Commission (TBPC) employee, they notify the Director of Enterprise Systems via e-mail. Access is deleted. In order to delete access to TBPC employees that do not notify Facilities, Automated Services performs a monthly review of the Secure Card Holder Access list to identify inactivity. Access for cards that have not been used for six months is removed.

Providers:

Automated Services provides access to a few trusted technicians that provide support under the maintenance contract with the TRC. If access is required, an employee of Automated Services accompanies providers. Provider access is deleted at completion of the contract.

- **TRC agrees** and has charted an implementation plan. While TRC’s agency wide Disaster, Emergency and Recovery plan (DEAR) is tested twice a year, a more technical testing of the IT disaster recovery plan is scheduled as follows:

Task	Responsible Party	Target Date
Identify TRC staff who can declare a disaster by notifying our current vendor	TRC	2/24/03
Confirm with vendor the moving of the recovery site to Dallas and Oklahoma	Vendor	7/1/03
Prepare final Disaster Recovery Plan	TRC	7/15/03
Obtain approval of Automated Services Disaster Recovery Plan	TRC Management	8/1/03
Schedule test date for recovery with vendor	TRC & vendor	8/15/03

Finally, we have a clarifying comment regarding the following report statement: In addition, the plan does not provide for the recovery of servers that the Commission maintains for other agencies (TDOA, ECI, HHSC) or address how the Commission will coordinate recovery efforts with those agencies.

TRC’s interagency contracts state that TRC will provide the support and assistance to develop policies and procedures and recovery operations for the servers, local and wide area network, and recovery operations for the desktop. However it is the responsibility of those agencies to develop and submit the plan to the Department of Information Resources.

Management's Response



Texas Rehabilitation Commission

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June 4, 2003

A. Kent Waldrep, Jr.
BOARD CHAIR

VERNON "MAX" ARRELL
Commissioner

Mr. Larry Alwin, State Auditor
Texas State Auditor's Office
Robert E. Johnson, Sr. Building
1501 N. Congress Avenue
Austin, Texas 78701

Dear Larry:

As you requested, we are providing written responses and action plans regarding your recommendations.

We appreciate your positive overall conclusions about our core Vocational Rehabilitation program (VR). Your audit team found that TRC's procedures to award and monitor purchased client-service contracts ensured that services were delivered as intended, that prices were cost-effective, and that financial information was generally reliable and accurate. This provides us with useful information and additional assurance that our VR program is prepared to face the challenges of the next biennium.

We are already in the process of implementing your recommended improvements. The only contingency would be any potential funding constraints or other issues as Texas' health and human service agencies reorganize and consolidate functions. However we do not anticipate any barriers or delays in fully implementing your suggestions.

Your recommendations are listed in italics, followed by our responses:

1. *The Commission's work group on turnover should consider factors such as employee relations with management and internal policies and procedures as it examines ways to reduce turnover.*



An Equal Opportunity Employer



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Response: TRC agrees that all factors need to be considered for reducing VR counselor turnover. However TRC disagrees with the implication that TRC has focused exclusively on employee compensation issues. For example, documentation from the March 27th meeting of the Recruitment and Retention Workgroup notes that employee relations with management and internal policies and procedures are being assessed in an effort to reduce turnover. These issues included: adjusting the methodology of assigning new counselors' performance outcomes; more fully acknowledging staff performance in developing achievable outcomes, referrals, IPEs, and closures for the probationary period; revising the policy regarding VRC transfers and tailoring the program to reduce employee job stresses. TRC also has used the University of Texas' *Survey of Organizational of Excellence* along with the SAO's recent exit survey, which has yet to have a multiyear analysis since it began collecting employees ratings and comments September 2001.

The Recruitment and Retention Workgroup expects to complete a final report with recommendations to executive management by June 30th.

2. **The Commission should:** (a) *Ensure that counselors designate as significantly disabled only those clients who meet all the criteria for this designation;* (b) *No longer include in its state measure of percentage of significantly disabled clients served those cases closed before a service plan was developed;* (c) *Make use of data input controls in the Rehabilitation Services System for critical data elements such as significant disability and earnings;* and (d) *Not report the difference between client earnings at application and client earnings at closure as a measure of cost-efficiency if earnings data are unreliable.*

(a) Response: TRC agrees. TRC will continue to review significant disability designation as per policy of our VR statewide monitoring plan. Additionally, new policy defining and procedures for recording functional limitations in RehabSys related to significant disability and order of selection is complete; implementation is scheduled beginning September 2003. The functional limitation component of the disability specification will provide for additional data collection and enable subsequent refinement of definitions of significance. TRC will also include validation of the significance variable for all VR cases closed after eligibility in the agency's annual data verification project.

(b) Response: TRC agrees, however since the methodology was modified with the leadership offices, we will need to work with these offices to obtain agreement with the modification to the current methodology of reporting percent significant for this non-key State performance measure.





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(c) Response: TRC agrees. TRC will continue to make use of the RehabSys automated prompts and edits relating to significant disability and earnings. For example:
if weekly earnings >0 then weekly hours must be >0;
if weekly hours >0 then weekly earnings must be >0;
if weekly earnings \$3,000 or greater, prompt: Are you sure client is earning more than \$3,000 a week?
if weekly hours > 80, prompt: Weekly hours worked should be greater than 00 and less than 80.
if client receiving SSI / SSDI, significant disability = Y.

(d) Response: TRC agrees that TRC data must be reliable.

Additional TRC Comment regarding the term "significant disability": In addition to responding to your second recommendation, TRC provides the following comments to your Overall Conclusion Section (executive summary) and Section 1-C. TRC disagrees with the word "overstatement" and recommends for accuracy adding the word "eligible" before client in the statement. Your report states:

*"Errors in the Commission's performance data resulted in an overstatement of the number of significantly disabled clients served in fiscal year 2002."
(Overall Conclusion section)*

The issue has to do with the context and complexity of the term "significant disability." TRC's coding of significant disability is done in compliance with the federal regulations and specific RSA monitoring guidance.

With the implementation in October 2001 of new federal guidelines, the level of significant disability is no longer solely focused on the functional limitations of an eligible client with a disability. Rather the federal schema for defining significant disability now requires a focus on factors related to the expected complexity (*multiple services*) and duration (*extended length of time*) of VR services needed to achieve and maintain an employment outcome (severity of case).

Over 66 percent of the 9,000 cases the SAO identified as "incorrectly coded" for significant disability were for eligible clients who did not have a plan initiated. According to federal law, these cases met the definition of "significant" because at the point where significant disability is determined the individuals were "expected" to require multiple services over an extended period of time. That is, at the time eligibility for VR services was determined, VR counselors expected these cases to require multiple services for at least 6 months.





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However, the cases were subsequently closed prior to plan (IPE) implementation. Consequently, because no services were delivered after an IPE was developed, the VRC's original expectation for multiple services delivered over an extended period of time remains uncontested.

The SAO's conclusion that these cases were incorrectly coded as significant because there was less than 6 months between eligibility determination and closures is incorrect as no facts are offered to disprove the VRC's expectations. VR cases can be closed for a variety of reasons outside the counselors' control including death, institutionalization, refusal of services, failure to cooperate, moved out of state, etc. Had IPEs been developed and implemented for these cases in question, TRC maintains that the VRC's initiation expectation of complexity and duration would have occurred.

The remaining 3,000 cases identified by the SAO represent only 2.4 percent of the 124,070 eligible VR clients served by TRC in 2002. While this could be identified as a technical "overstatement", TRC maintains that the SAO emphasis on this does not present adequate explanation.

Finally, the finding addresses a technical issue regarding only one of TRC's fifteen performance measures for the VR program—and it is a non-key performance measure.

3. ***The Commission should use the most current expenditure information available in developing budget requests.***

Response: TRC agrees. While methodology did produce an overall accuracy of over 99 percent, we agree that it is best to use the most current data available in making fiscal projections.

4. ***The Commission should: (a) Set a minimum length for passwords according to industry best practices, require a mix of letters and numbers, and prohibit the reuse of passwords; (b) Review access lists frequently, and block access to terminated employees and other individuals who no longer require access to server rooms; (c) Finalize and annually test its disaster recovery plan.***





(a) Response: TRC agrees. Since April 21, 2003, TRC has implemented new password rules for our enterprise applications consistent with the industry best practices. At a minimum, the new rule requires each password to be at least 6 characters and a mixture of characters and numbers. Currently passwords expire after 90 days. Prohibiting the reuse of passwords will be addressed with the migration of our enterprise applications to a web architecture.

(b) Response: TRC agrees and notes the following improvements and mitigating controls.

TRC Employees:

- o When a TRC employee terminates or transfers to a new position, managers submit a TRC-260 form notifying Computer Support Accounts Management of access changes. Accounts Management creates a Help Ticket generating appropriate assignments to IT staff for deletion/change of access permissions. As a follow-up verification, the Human Resources Department provides a monthly report to the Director of Enterprise Systems. This report is compared to the Secure Card Holder Access list. Any access for a terminated employee is removed at this verification step.

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- o Automated Services provides access to a few trusted technicians that provide support under the maintenance contract with the TRC. If access is required, an employee of Automated Services accompanies providers. Provider access is deleted at completion of the contract.

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Finally, we have a clarifying comment regarding the following report statement: *In addition, the plan does not provide for the recovery of servers that the Commission maintains for other agencies (TDOA, ECI, HHSC) or address how the Commission will coordinate recovery efforts with those agencies.*

TRC's interagency contracts state that TRC will provide the support and assistance to develop policies and procedures and recovery operations for the servers, local and wide area network, and recovery operations for the desktop. However it is the responsibility of those agencies to develop and submit the plan to the Department of Information Resources.

We appreciate the work of your audit staff. Please contact my staff and me if you need further information prior to finalizing and publishing your report.

Respectfully,

Vernon M. Arrell
Commissioner

cc: Board Members of the Texas Rehabilitation Commission
A. Kent Waldrep, Jr., Chairman
Beverly Stribling, Vice Chairman
Matthew Doyle, Audit Committee Chairman
Diane Novy, Ph.D., Secretary
Lance L. Goetz, M.D.
Susan Riley, SAO Audit Manager
Scott Boston, SAO Project Manager



Other Information

Objectives, Scope, and Methodology

Objectives

Our objectives for this audit were to analyze and test the Rehabilitation Commission's (Commission) financial, contracting, and human resources systems and processes to determine whether:

- Financial information is reliable and accurate.
- Procedures used to award and monitor purchased client-service contracts ensure intended services at cost-effective prices.
- Funds for contracted services are spent in compliance with state and federal requirements.

Scope

Our scope included vocational rehabilitation (VR) performance information, human resource data, and information technology related to the VR program at the Commission. We also reviewed financial information reported in the Commission's Legislative Appropriations Request for the 78th Legislature.

Methodology

Information collected to accomplish our objectives included the following:

- Interviews and other communications with Commission staff, Comptroller of Public Accounts staff, and Legislative Budget Board staff
- Performance information in the Rehabilitation Services System case management system that the Commission reports to the federal government and to the State
- Turnover information from the State Classification Office at the State Auditor's Office
- Financial information from the Commission's accounting system and Uniform Statewide Accounting System
- Performance and human resource information provided by VR programs in other states
- Policies and procedures relating to the VR process
- Federal guidelines applicable to the VR process
- Review of literature on VR, including federal and state audit reports and academic papers

Procedures and analyses performed included the following:

- Tests of support for selected client and financial information
- Exploratory data analysis of client information
- Analytic review of financial information

Criteria used included the following:

- Texas statutes and Texas Administrative Code
- Policies and procedures adopted by the Commission
- Federal laws and regulations

Project Information

Fieldwork was conducted from October 2002 through April 2003. The audit was conducted in accordance with generally accepted government auditing standards.

The following members of the State Auditor's staff performed the audit work:

- Scott Boston, MPAff (Project Manager)
- Tracy Waite (Assistant Project Manager)
- Thomas Crigger, MBA
- Vanessa Perez
- Patricia Perme, CPA
- John Swinton, MPAff, CGFM
- Serra Tamur, MPAff, CISA
- Max Viescas, CPA
- Leslie Ashton, CPA (Quality Control Reviewer)
- Susan A. Riley, CPA (Audit Manager)
- Frank N. Vito, CPA (Audit Director)

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The Honorable Rick Perry, Governor

Rehabilitation Commission

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Mr. Matthew Doyle, Board Member
Dr. Lance L. Goetz, Board Member
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Ms. Beverly Stribling, Board Member
Mr. Vernon M. Arrell, Commissioner



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