



State of Louisiana

OFFICE OF

STATE INSPECTOR GENERAL

LOUISIANA REHABILITATION SERVICES

Report by

Inspector General Bill Lynch

Prepared for

Governor M.J. "Mike" Foster, Jr.

April 25, 2000

File No. 1-99-0112



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Inadequate planning and monitoring were major factors leading to a \$9 million projected deficit in operations of the Louisiana Rehabilitation Services Vocational Rehabilitation Program during fiscal year 1999. To offset the projected deficit the agency stopped providing services to new applicants, shifted funds from other sources and received additional state funds to obtain more federal matching funds.

A review of the agency's operations also revealed other management problems, which included the following:

1. Federal overseers observed that LRS may be applying too liberal a standard in determining who qualifies for "severely disabled" assistance.
2. Certain counselors were allowed to approve substantial expenditures without supervisory approval.
3. Field personnel failed to provide information timely to the central office on approved applications.
4. Members of an advisory council are also affiliated with organizations providing services to the agency.
5. The agency's computer system was unable to provide accurate reports on some of its operations.

Background

Louisiana's Vocational Rehabilitation program is administered through the Department of Social Services' Louisiana Rehabilitation Services (LRS) office. The program is a federal and state funded career development program for individuals with disabilities. May Nelson has been the director of LRS since January, 1992. She also served as director from January 1987 to April 1988.

During state fiscal year 1999, the LRS program expended about \$79.3 million. The program has about 515 employees costing about \$14.3 million. LRS has eight

regional offices located in the following areas of the state:

Baton Rouge	New Orleans
Shreveport	Monroe
Alexandria	Houma
Lafayette	Lake Charles

The goal of the program is reaching an employment outcome for individuals with disabilities. An employment outcome is defined as the individual entering the mainstream labor market to the greatest extent possible in a job that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice.

To achieve the program's goal, services such as payment of tuition, job placement and job coaching, and purchases of assistive technology devices are provided to seriously disabled individuals

The program is funded with 78.7% federal funds and 21.3% state funds. Program services expenditures for the past five federal fiscal years are as follows:

<u>Federal Fiscal Year</u>	<u>Amount</u>
1994	\$28,126,830
1995	27,748,435
1996	28,138,565
1997	36,896,556
1998	46,614,727

The state program is overseen at the federal level by the Rehabilitation Services Administration (RSA). The RSA monitors the program through yearly reviews and periodic on-site monitoring.

Results of the latest RSA periodic on-site reviews are outlined in federal reports dated June 1, 1999, and Sept. 30, 1999. The RSA found program strengths as well as compliance problems during the reviews. RSA findings are summarized later in this report.

The Rehabilitation Act of 1973, as amended, outlines the broad guidelines the state must comply with in administering its program. The state is required to submit a three year

state plan for federal approval outlining the specific rules and regulations under which the state's program will be administered. The state is given great latitude in determining its specific rules and regulations.

The Legislative Auditor's Office is currently conducting a review of LRS operations. The Office of the State Inspector General and the Legislative Auditor's Office worked together to avoid duplication of effort.

Inadequate Planning and Monitoring

The federal government makes available to each state, in the form of grants, specific amounts of money on a matching basis of 78.7 per cent to 21.3 per cent state funds for the rehabilitation programs. LRS receives the federal grant each federal fiscal year which begins Oct. 1, and ends Sept. 30, of the following year. The state fiscal year begins July 1, and ends June 30, of the following year. The difference between the two fiscal years creates a three month period, July 1, to Sept. 30, in which LRS is using state funds appropriated for the next twelve months to match federal grant funds expiring Sept. 30. A state might not appropriate enough funds to draw down all of the available federal funds. Such is the case with Louisiana.

The following is a schedule showing the amount of federal funds available over a five year period beginning in 1995, the amount of state funds needed to draw down all of the funds, and the actual amount appropriated by the legislature:

State Fiscal Year	Federal Funds Available	Amount of State Funds Needed to Draw Down All Federal Funds	Amount of State Funds Appropriated
1995	\$56,751,504	\$15,728,066	\$12,615,427
1996	56,071,266	15,539,547	13,462,365
1997	61,211,225	16,964,031	14,231,895
1998	64,959,053	18,002,700	14,373,009
1999	61,523,906	17,050,686	14,699,871

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LRS expenditures for client services, which contains 53 categories, remained stable at approximately \$28 million for FFY 1994 through 1996. Expenditures for client services increased during FFY ending Sept. 30, 1997, to \$36,896,555 an increase of \$8,757,991 over the previous FFY. Over \$7.5 million of the increase in expenditures can be traced to the following thirteen client service categories:

Client Services	Amount Expended FFY 96	Amount Expended FFY 97	Increase	Percent Increase
Vocational Evaluation	1,407,838	2,340,779	932,941	66.27%
College	8,945,322	10,442,093	1,496,771	16.73%
Trade/Technical/Nursing School	1,124,816	1,388,999	264,183	23.49%
Job Development/Placement	465,916	634,688	168,772	36.22%
Other Training	489,202	836,569	347,367	71.01%
Supported Employment - Job Development*	810,521	1,389,537	579,016	71.44%
Supported Employment - Job Coach*	2,313,482	3,680,103	1,366,621	59.07%
Maintenance**	1,404,330	2,021,735	617,405	43.96%
Transportation	615,441	1,265,491	650,050	105.62%
Books Supplies & Training	556,644	758,658	202,014	36.29%
Home Modifications	102,897	175,116	72,219	70.19%
Assistive Technology Device	185,694	890,388	704,694	379.49%
Assistive Technology Service	13,503	121,468	107,965	799.56%
TOTAL	18,435,606	25,945,624	7,510,018	40.74%

* These services are provided by private vendors. Eight of these vendors have an employee which serves on the Rehabilitation Council.

** Maintenance is defined as additional costs incurred for room and board while the client is participating in a plan of vocational rehabilitation services.

Expenditures for client services again increased between FFY 1997, and FFY 1998, from \$36,896,555 to \$46,614,727 an increase of \$9,718,172. The majority of this increase, approximately \$9 million, is found in virtually the same client service categories listed above. These categories are as follows:

Client Services	Amount Expended FFY 97	Amount Expended FFY 98	Increase	Percent Increase
Vocational Evaluation	2,340,779	2,716,123	375,344	16.04%
College	10,442,093	13,207,487	2,765,394	26.48%
Trade/Technical/Nursing School	1,388,999	2,083,888	694,889	50.03%
On-Site Training*	764,701	1,244,680	479,979	62.77%
Job Development/Placement	634,688	976,677	341,989	53.88%
Supported Employment - Job Development*	1,389,537	1,590,297	200,760	14.45%
Supported Employment - Job Coach*	3,680,103	5,071,013	1,390,910	37.80%
Maintenance**	2,021,735	2,914,621	892,886	44.16%
Transportation	1,265,491	1,797,910	532,419	42.07%
Books Supplies & Training	758,658	1,144,158	385,500	50.81%
Home Modifications	175,116	332,871	157,755	90.09%
Small Business Enterprise	95,231	212,468	117,237	123.11%
Assistive Technology Device	890,388	1,505,614	615,226	69.10%
TOTAL	25,847,519	34,797,807	8,950,288	34.63%

* These services are provided by private vendors. Eight of these vendors have an employee which serves on the Rehabilitation Council.

** Maintenance is defined as additional costs incurred for room and board while the client is participating in a plan of vocational rehabilitation services.

Although expenditures for client services had increased substantially over the previous two years, management failed to take appropriate action to reduce spending.

Service Providers

The goal of Louisiana Rehabilitation Services is to help individuals with disabilities attain and retain employment in the open job market. To achieve this goal, service providers from the private sector are hired to assess the needs of the disabled individuals, assist them in finding a job, and work with them in varying degrees of assistance to learn and carry out their work requirements. The project has varying degrees of success.

Between FFY 94 and FFY 98, the cost of supported employment services jumped dramatically from \$1.6 million to \$7.1 million, an increase of \$5.5 million or 343 percent. The biggest jump occurred between FFY 96 and FFY 97 when the costs increased \$2 million or 56 percent.

During the same period of time, the number of clients receiving the services grew from 631 to 2,482, an increase of 1,851 or 293 percent.

Despite the large growth in the supported employment program, LRS management did not institute a program to hold down costs until July, 1999. The office faced as much as a \$9 million projected deficit during FY 99, which ended June 30, 1999.

There were two major areas affecting the program which were inadequately handled by the administration.

1. Rate setting, the system used to determine the amount of compensation paid to service providers.
2. Methodology, the method of determining the basis by which compensation is made to service providers.

Regarding the previous system, the federal report dated June 1, 1999, stated:

“No evidence exists that the state agency has established a rate setting methodology that is fair and equitable.”

It also stated:

“This rate setting practice can, and does, result in disparate payment rates for the same service to the same vendor in different geographic regions in the state.”

Rate Setting

Prior to July, 1999, regional managers were responsible for rate setting, rather than it being centralized at the central office. According to management at LRS as well as regional managers, no formal rate setting training was made available to the regional managers. This resulted in different payments for the same type of services from region to region and even within a region.

Although providers were required to submit cost information, which was crucial information used to determine the rate paid to the provider, the regional managers were not trained in analyzing the cost information. Therefore, no true analysis was performed to determine if the provider was overstating costs nor was the provider required to submit support documentation. This inadequate process put the regional managers in a position of approving rates based largely on their subjective opinion of reasonableness and not on verified actual costs.

This system pays a higher hourly rate to companies with higher operations costs without verifying that the companies are being operated efficiently.

Rates varied statewide and within regions as follows:

- Rates for assessment services varied statewide from a flat rate of \$300 to \$800. The rate varied within the New Orleans region from \$350 to \$800.
- Rates for placement services varied statewide from a flat rate of \$1,200 to \$2,806. The rate varied within the Alexandria region from \$1,200 to \$2,410.
- Rates for job coaching varied statewide and within the Shreveport region from \$21.22 per hour to \$38.58 per hour.

Ms. Nelson recognized the problem with the system as early as January, 1997. She

cited the problem in a notice to the regional managers. The memo said:

“The agency is seeking to establish a uniform rate-setting structure which, when completed, will assist you in establishing equitable rates of payments.”

In December, 1997, Madlyn Bagneris, then Secretary of DSS, sent out a memo stating she wanted to have the Bureau of Rate Setting in the Office of the Secretary calculate and coordinate rates for all programs within the DSS. The memo also stated a task force was being set up to identify what activities must be in place to implement the redesign by July 1, 1998. Rate setting centralization was never implemented.

In February, 1998, LRS hired Terry McGee as program coordinator in charge of rate setting. He was given the responsibility of creating a new rate setting system for LRS. Mr. McGee submitted a proposal for a new rate setting system. The plan was not implemented.

In December, 1998, rate setting responsibilities were transferred to Mr. McGee.

No effective measures were taken until July 1, 1999, when LRS instituted a temporary program which attempted to address the rate setting problem. Changes included transferring the rate setting responsibility from the regional managers to the central office and setting a flat rate on the purchase of supported employment services. The new rates only apply to new or amended service plans for clients.

According to Mr. McGee, the reason for the new program in July was that LRS had run out of funds and needed a way to save money for the future of the program.

2. METHODOLOGY

There are different schools of thought on whether a private provider should be paid on a fee for service basis or an outcome basis. Prior to July, 1999, the method of compensation was on an hourly basis or a combination of a flat fee and an hourly basis. There is some contention that this method eliminates an incentive for service providers to

produce results, since they are paid whether or not the client retains a job.

Another problem found in examining the previous payment method is that LRS does not make any verification of hours charged by the service providers.

Under the old system, a provider was paid a flat fee for job placement and an hourly rate for coaching, in most cases. The flat rate and hourly fee varied because of the subjective nature of setting the rates.

It was not unusual for a provider to be paid \$12,000 to \$15,000 for a job placement and coaching case. The majority of the fees paid are made up of hourly billings.

The temporary system instituted in July, 1999, bases payments of fees on outcomes. The provider is paid a percentage of the total flat rate based on specific outcomes. For example:

20% - \$1,300: Placement (Client has worked for at least 3 days).

20% - \$1,300: 4 weeks after placement.

30% - \$1,950: Extended follow along (Begins when the job coach is on the job 25% of the time or less.)

30% - \$1,950: Successful closure.

According to Ms. Nelson, the above plan was to be used until a permanent system is developed. The agency is seeking federal funding to develop a plan.

Conclusions:

1. Although expenditures for client services increased substantially during federal fiscal years 1997 and 1998, LRS management was slow to take appropriate action to reduce spending. As a result, in 1999, the program faced a projected \$9 million budget deficit forcing management to place needy disabled applicants on a waiting list for three months.
2. Lack of an adequate rate setting system for supported employment services resulted in great disparities in rates paid to vendors for the same service. Although LRS management recognized the need for a uniform rate setting system as early as

January, 1997, management was slow to follow through in creating an adequate system.

Recommendation:

1. Management should take steps to enable program costs to be monitored so projections can be made regarding future program costs. When rises in program costs are projected, management could then institute lessor cuts in program services and avoid budget deficits.

Liberal Designation of “Severely Disabled”

The June 1, 1999, federal review report states that LRS provides vocational rehabilitation services through an Order of Selection, servicing only consumers classified as severely disabled or the most severely disabled. Service record review and discussions with state agency staff lead federal reviewers to conclude that the LRS may be using its designation of severely disabled too liberally.

Conclusion:

1. LRS may be using the designation of severely disabled too liberally.

Recommendation:

1. LRS should strive to serve individuals who are truly severely disabled.

Lack of Adequate Supervision

The Louisiana Rehabilitation Services has developed criteria used to determine eligibility for services. The State Plan states that the state agency determination of an applicant's eligibility for vocational rehabilitation services is based only on the following requirements:

1. A determination that the applicant has a physical or mental impairment.
2. A determination that the applicant's physical or mental impairment constitutes or results in a substantial impediment to employment for the applicant.
3. A presumption, in accordance with 34 CFR 362.42(a)(2), that the applicant can benefit in terms of an employment outcome from the provision of vocational rehabilitation services.
4. A determination that the applicant requires vocational rehabilitation services to prepare for, enter into, engage in, or retain gainful employment consistent with the applicant's strengths, resources, priorities, concerns, abilities, capabilities, and informed choice.

Since 1988, LRS has been operating under an Order of Selection for Services Policy. This policy targets services first to individuals with the most severe disabilities according to criteria determined by the state agency.

Under this process, clients are placed in one of three groups depending on the severity of their disability.

Prior to 1999, the criteria for being placed in each group was as follows:

- Group I: The individual's severe physical or mental impairment seriously limits three or more functional capacity areas, i.e., mobility, motor skills, communication, self-care, self-direction, interpersonal skills, work tolerance, and work skills.

Group II : The individual's severe physical or mental impairment seriously limits one or two functional capacity areas.

Group III : Clients not in group I or II.

As a result of the budget crisis in FY 1999, the criteria was changed as follows:

Group I: The individual's significant physical or mental impairment seriously limits four or more functional capacity areas.

Group II : The individual's severe physical or mental impairment seriously limits three or more functional capacity areas.

Group III: Clients not in group I or II.

Louisiana's State Plan lists the services provided to qualified individuals as follows:

1. Assessment for determining eligibility and priority for services;
2. Assessment for determining vocational rehabilitation needs;
3. Vocational rehabilitation counseling and guidance;
4. Referral and other services to help applicants and eligible individuals secure needed services from other agencies and to advise those individuals about client assistance programs established under 34 CFR 370;
5. Physical and mental restoration services;
6. Vocational and other training services, including personal and vocational adjustment training, books, tools, and other training materials, except that no training in an institution of higher education may be paid for with Title I funds unless the individual and the designated State unit make maximum efforts to secure grant assistance from other sources to pay in whole or in part for the training;
7. Maintenance;
8. Transportation in connection with the rendering of any vocational rehabilitation service;

9. Vocational rehabilitation services to family members if necessary to enable the individual to achieve an employment outcome;
10. Interpreter services for individuals who are deaf and tactile interpreting services for individuals who are deaf-blind;
11. Reader services, rehabilitation teaching services, and orientation and mobility services for individuals who are blind;
12. Recruitment and training services to provide new employment opportunities in the fields of rehabilitation, health, welfare, public safety, law enforcement, and other appropriate public service employment;
13. Job search and placement assistance and job retention services;
14. Supported employment services;
15. Personal assistance services;
16. Post-employment services;
17. Occupational licenses, tools, equipment, initial stocks, and supplies;
18. Rehabilitation technology, including vehicular modification, telecommunications, sensory, and other technological aids and devices;
19. Transition services; and
20. Other goods and services determined necessary for the individual with a disability to achieve an employment outcome.

Counselor Supervision

In state fiscal year 1998-99, the program provided services to 17,754 individuals at a cost of \$47,252,139.

As of August, 1999, LRS had 152 counselors assigned caseloads. A counselor may also be a Vocational Rehabilitation client. The counselor's responsibilities include but are not limited to determining client eligibility for services, and in conjunction with the client, determining the client's needs and developing an individualized plan for employment.

The counselors have different levels of authority. Of the 152 counselors, 78 are on independent approval status which grants them a higher level of approval authority.

The recent federal review of LRS found that "No previous policy or administrative requirement existed before April 13, 1999, for State Office review or approval of "high cost" Individualized Plans for Employment exceeding a specified cost level."

The federal report cited a consumer service record in which "... federal reviewers observed many deficiencies relating to Federal and State requirements." The report states that, "the consumer record in question is a glaring example of Counselor deficiency in following Federal and State policies and insufficiency in supervisory reviews to ensure that Federal and State requirements are met."

In our opinion, the lack of adequate supervision and review of cases handled by counselors on independent approval status creates a control weakness which could result in undetected abuse or fraud.

A counselor on independent approval status is granted the complete authority and responsibility over all casework to include eligibility, the planning and provision of services, client purchases up to \$10,000 per item, and closures.

In order to obtain independent approval status, a counselor must:

1. Be employed with the agency for at least two years;
2. Meet employment outcome quotas; and
3. Demonstrate satisfactory independence, dependability, professional growth and knowledge of the labor force.

Individuals are approved for services, Individualized Plans for Employment are created, and expenditures up to \$10,000 per item are made by independent approval status counselors without supervisory approval. In essence, without any supervisory approval, these counselors can authorize the spending of tens of thousands of dollars on an individual they independently determined was eligible for services.

Case Review

- A client, who is also a supervisor in an LRS regional office, applied for assistance in February, 1999. As an employee of LRS, he was required to obtain a master's degree. The counselor, who was under the supervision of the client/employee, determined his (client/employee) home computer system needed updating in order to complete his education. LRS spent approximately \$12,000 on a new home computer as well as about \$2,000 training him on its use.

When determining the ability of this client/employee to contribute, the counselor used income and liability figures supplied by the client/employee. The client/employee listed his monthly tax liabilities as \$3,856 or \$42,272 per year, an overstatement based on his income. The counselor did not question the figures and determined the client/employee was not able to contribute to the cost of the computer. The counselor's decision was approved by another supervisor who also did not question the figures.

Information supplied by LRS indicates that during FY 98-99, LRS had 14 employees who were also clients. Other than the case cited, none of the employees had a supervisory or subordinate relation with the counselor handling his/her case.

- Two days after a client obtained a job at a state agency, the client requested LRS funding of about \$22,000 for van modifications. Although the counselor was aware that the client had obtained the job, the client did not list salary income when requesting the funding. The client did not have to contribute to the cost of the van modifications, as required by policy. LRS stated that the job income was not listed because the client did not actually receive any pay from the job until several weeks after the plan was signed. However, LRS made no payments for van modifications for the client until five months after the plan was signed.
- A client attending college was approved to receive LRS funding for medication. The client submitted information to his counselor indicating the cost of his medication was \$203 per month. Receipts were not required in this case and LRS funded this amount.

However, the client told an investigator from the Office of State Inspector General that he had a pharmacist friend who provided his medication to him for \$52 per month.

Conclusions:

1. The lack of supervision exercised over counselors granted independent approval status creates a control weakness over the expenditures of funds by these counselors.

2. A federal review conducted in May, 1999, concluded that no previous policy or administrative requirement existed before April, 1999, for state office review or approval of “high cost” plans. The federal review found many deficiencies relating to federal and state requirements and that some client records were examples of counselor deficiency in following federal and state policies and insufficiency in supervisory reviews.
3. LRS’ case management system allowed a subordinate employee to manage a case involving the employee’s supervisor.

Recommendations:

1. LRS should re-evaluate its policy regarding the authority granted to counselors on independent approval status.
2. LRS should institute a higher level of supervision at the region level as well as the state office level to insure expenditures comply with policy and are not abusive.
3. LRS should develop written procedures outlining the process for approving benefits for employees who are also clients. The procedures should include a mandate that cases involving LRS employees be assigned to a management level employee.
4. LRS policy should require clients to provide documentation to support representation that effect the level of funding provided by LRS.

Failure by Field Personnel to Provide Data Timely

In January, 1999, management projected a \$4 million deficit in its operating funds after reviewing its vocational rehabilitation program expenditures for the first half of the fiscal year. To deal with this problem, a directive was issued in February to the regional field staff to remove from proposed budget expenditures any items not expected to be made during the fiscal year. This resulted in freeing up \$5,892,771 to cover actual expenditures.

At the time of the fiscal crisis, LRS was serving persons in two of three categories, the “most severely disabled” and the “severely disabled.” On March 10, LRS began withholding services to severely disabled persons who did not already have a signed individualized plan for services.

What management was unaware of at the time, was the fact that regional counselors had not entered into the central computer system new cases that had been accepted by them through the early part of the fiscal year. When counselors learned of the pending funds shortage they began entering all of their back held cases, severely aggravating the existing situation. This is an indication of a severe lack of communication between central management and field personnel.

The reason for holding back entering new cases was an effort by counselors to avoid duplication of application work. Under the system, applications for which no expenditures were made in a certain period of time had to be resubmitted in full. In order to avoid the paper work involved in a resubmission, the counselors simply waited until an expenditure was to be made before entering the case.

When the late filing of committed cases occurred, LRS took additional steps to deal with the greater problem, doing the following:

1. Refused new clients through the end of the fiscal year June 30, 1999.
2. Added program income amounting to \$1,295,402 to the budget. Program income is a reimbursement from Social Security for clients eligible for social security benefits under Title II or Title XVI of the Social Security Act who receive LRS services.

3. Transferred surpluses from other categories totaling \$1,020,000.
4. Obtained additional state funding totaling \$550,000 to match \$3,140,610 in federal funds. This was not the first time the legislature had to act because of LRS budget problems. As recently as state fiscal year 1995, LRS prepared two budget adjustments to request a total of \$3,127,182 of state funds to match \$9,877,262 of federal dollars.

These actions brought the total of additional funds applied to the LRS program to \$6 million.

Conclusion:

1. The failure by field personnel to provide data timely resulted in state office not being aware of the extent of the budget problems until late in the fiscal year.

Recommendation:

1. LRS management should take steps to ensure field personnel provide data timely.

Appearance of Conflict of Interest

The Federal Rehabilitation Act of 1973, as amended, requires the establishment of a State Rehabilitation Council in order to be eligible for financial assistance. The Act requires the Council contain at least one representative from each of the following categories:

- Statewide Independent Living Council
- Parent training and information center

- Client assistance program
- Vocational rehabilitation counselor
- Community rehabilitation program service provider
- Business, Industry, and Labor
- Disability advocacy groups
- Current or former applicants, or recipients of vocational rehabilitation services
- State Department of Education
- State workforce investment board

Executive Order EWE 94-3 established the Governor's State Rehabilitative Advisory Council within the Executive Department, Office of the Governor. The executive order required the council be composed of individuals representing the categories listed in the Federal Act.

Governor Mike Foster issued executive order MJF 96-43, which recreated the Governor's Rehabilitation Advisory Council and established the Council within the Department of Social Services. Council members are appointed by the Governor to serve a three year term. No member can serve more than two consecutive full terms. The Council consist of thirty members representing the categories listed above with nineteen of the members representing the following:

- Disability advocacy groups
- Parents or guardians of individuals with disabilities
- Current or former applicants or recipients of vocational rehabilitation services

Members do not receive compensation or a per diem for their services or their attendance at meetings. They do receive actual travel expenses in accordance with state and federal guidelines, and upon the approval of the Commissioner of Administration.

The Council works with the Department of Social Services, Louisiana Rehabilitation Services, program director to assure the services provided by the agency meet the needs of the individuals targeted by the state rehabilitation program.

Federal regulations require the representation of at least one service provider on the Council. The regulations do not restrict the total number of service providers serving on the Council.

Since the Council was reorganized in 1994, there have been at least thirteen different members who have worked for Community Rehabilitation Program service providers. The Council as of July, 1999, had eight members associated with service providers. These eight members represent approximately one-third of the total Council members.

A recent Federal report has expressed concern in the number of service providers serving on the Council in regards to the existence of potential conflict of interest, or at least the appearance of a conflict of interest. The Federal report states:

“While the Rehabilitation Act does not ‘limit’ the number of providers who may serve on the [Council], one could reasonably question what constitutes an appropriate level of representation by vendors or representatives of providers who serve on the Council in an advisory capacity to the State agency. Appointing aggregate vendors (or their representatives) proportionate to one-third of the Council’s membership could reasonably cause one to challenge the existence of a potential conflict of interest and the corresponding influence that such a coalition could exercise on matters related to the administration, management, operation, and development of policy for the [Vocational Rehabilitation] program.”

This office agrees with the Federal report, as Council members are in contact with and work closely with LRS management.

LRS payment records were reviewed for approximately seventy Community Rehabilitation Program service providers. The following chart indicates the total dollar amount received from LRS during calendar year 1998 by the eight service providers represented on the Council. Also included in the chart is the overall ranking by dollar amount received by the eight service providers.

Vendor	Location	\$ Amount	Rank
Summit Employment Services	New Orleans	810,060	2
Affiliated Blind of La.	Lafayette	716,486	3
La. Center For The Blind	Ruston	641,075	4
Progressive Employment Options	Shreveport	614,053	5
Advantage Employment	Bossier City	252,805	14
Red River Employment	Shreveport	215,433	19
BIMS Operations Division	Berwick	135,181	23
Access To Meaningful Employment	Metairie	98,642	33

Council records list one member as the representative of a Community Rehabilitation Program service provider. The other seven members are shown as and qualify as a representative for one of the other categories listed, such as a current or former recipient.

Conclusions:

1. The Louisiana Rehabilitation Council has eight members who are associated with service providers. This creates an appearance of a potential conflict of interest.
2. A federal review expressed concern over the number of service providers serving on the council.

Recommendation:

1. The governor should evaluate the appropriateness of having such a large number of members connected with service providers.

Lack of Adequate Automated Support System

During our review of LRS, various program cost reports were requested from the Office of Information Services which is under the DSS Office of the Secretary. The reports often took two to three weeks to be run and the information on the reports was often inaccurate. On one report in particular, a column of numbers that spanned several pages was added incorrectly. This report was run several times by Information Services and was never accurate.

LRS funds computer programmer(s) in Information Services based on the percentage of time the programmer(s) spends working on the LRS system.

According to LRS personnel, due to a shortfall in salary money in state fiscal year 1999, DSS stopped funding premium pay to computer personnel, causing many of the programmers to leave for other jobs. This resulted in a shortage of programmers. DSS sent a letter to LRS stating that effective March 11, 1999, programmers working on the LRS system would be working on a new child care system for DSS. LRS was restricted from requesting special reports from Information Services. As a result, during the time of the LRS budget crisis, management was unable to obtain special reports which could have aided them in managing the crisis.

Conclusions:

1. A problem exists in the production of reliable program financial reports by the Department of Social Services data processing section. Some reports received by auditors from the Office of State Inspector General contained incorrect and misleading information.
2. A shortage of programmers in the Office of Information Services resulted in LRS management being restricted from obtaining special reports which could have aided them in managing the budget crisis.

Recommendation:

1. The Department of Social Services should determine the cause of the data processing problem and take steps to insure accurate reporting.

Dual Payments for College

The state has a dilemma on its hands regarding the dual funding of college expenses to disabled persons by both the rehabilitation service and the Tuition Opportunity Program (TOPS).

Federal authorities have decided that TOPS is not a merit based assistance program and therefore, LRS clients are not eligible to have their college tuition funded by LRS since TOPS funding is available for the tuition.

Records we have been able to gather show that in state fiscal year 1999, at least 72 persons have received tuition aid from both at a cost of \$171,000 to LRS. The number and dollar amounts may be greater, but the Department of Social Services computer system has been unable to produce accurate reports.

At present, LRS is denying payment if a person has received funds from TOPS. However, a number of appeals have been made and hearing officers in twelve cases have ruled that the TOPS program is merit based and the state must pay the LRS funds.

Unless the federal authorities change their position, which is possible, in order for clients to continue receiving funds from both sources, the state would have to use state funds only for the LRS funding.

Prior to providing any vocational rehabilitation service to an eligible individual, LRS must determine whether comparable services and benefits are available under any other program, unless such a determination would interrupt or delay:

1. the progress of the individual toward achieving the employment outcome identified in the individualized plan for employment of the individual;

2. an immediate job placement; or
3. the provision of such service to any individual at extreme medical risk.

Comparable benefits do not include awards and scholarships based on merit.

In 1998, Louisiana initiated the Tuition Opportunity Program for Students (TOPS) which financially assists students meeting certain criteria. Although the program was widely promoted prior to its initial funding, LRS management did not seek guidance at that time from the federal RSA regarding the effect TOPS would have on clients requesting college tuition funding through the Vocational Rehabilitation program.

LRS management took the position that the program would continue to fund tuition for a client even though the client qualified for TOPS funding. During state fiscal year 1999, LRS expended at least \$171,000 * coded as tuition payments for about 72 * clients who also qualified for TOPS funding. In many cases, LRS issued a check payable to the client in the amount equal to the cost of tuition. At least \$98,000 * was expended in this manner. In the other cases, LRS issued the check to the school. In these cases, the funds were credited to the client's student account at the school along with any other funding from other sources such as TOPS. After tuition and other fees were paid, the student account balance would be refunded to the client.

In a letter dated May 18, 1999, LRS management requested guidance from RSA as to whether TOPS was a comparable service. RSA determined that TOPS was a comparable service and that a client could not receive funding from both LRS and TOPS. In response to the RSA determination, on July 9, 1999, May Nelson issued a memorandum to regional managers notifying them that LRS funding could not be utilized to supplement TOPS for tuition.

As of Dec. 10, 1999, fifteen clients have appealed the decision and hearings have been completed. Hearing officers have ruled in favor of the client in twelve cases and in favor

* Due to the unreliability of the information supplied DSS Office of Information Services, these numbers may be understated.

of LRS in only three cases. In the majority of cases ruled in favor of the client, the hearing officer concluded that TOPS is a merit based award and should not be considered a comparable service. LRS management expects numerous appeals in this matter.

The conflict between RSA's determination that TOPS is not merit based and rulings by hearing officers places LRS management in a dilemma regarding whether or not to fund tuition for TOPS recipients. As long as RSA maintains its position, any tuition funding for TOPS recipients would have to be made with state funds only. DSS legal counsel is currently reviewing the matter to determine if the department should appeal the cases found in favor of the client.

Conclusion:

1. LRS is facing a legal dilemma regarding tuition funding for TOPS recipients.

Recommendation:

1. LRS should seek a solution to this dilemma that is in the best interest of the state and the disabled population.

Federal Reviews

During fiscal year 1998, the federal Rehabilitation Services Administration (RSA) conducted an On-Site Review of the Louisiana Rehabilitation Services. On May 26-28, the RSA conducted a fiscal review of the agency. During both reviews, the RSA identified problems with the program. We feel that many of the problems directly contributed to the budget crises faced by LRS during FY 1999. The following is a summary of the these problems:

- The average cost of purchased services in Louisiana is relatively high, averaging over \$6,000 per individual achieving an employment outcome in both 1996 and 1997. This average cost is almost twice the national figure. The report states LRS should ensure that this high cost is justified and that the high average cost of purchased services is related to achievement of good employment outcomes.
- It was evident during the federal review of service records that some consumers are being classified as “severely disabled” in accordance with agency policies, but not in keeping with the intent of the Rehabilitation Act of 1973, as Amended, and with the definition of “individual with a severe disability” contained in the Act. Reviewers noticed that the method used by counselors to apply the Order of Selection seemed to be addressing the needs of many non-severely disabled.
- LRS was serving a group of individuals who needed, primarily, one medical service to retain employment. In many instances, there was no documentation of Counseling and Guidance or Placement Services provided by LRS. LRS policy requires that to be eligible for services, an individual must need one or more services in addition to Counseling and Guidance or Placement Services. The size of this group is estimated between 5 and 10 percent of the total service population.
- LRS provides vocational rehabilitation services through an Order of Selection, servicing only consumers classified as severely disabled or the most severely disabled. Service record review and discussions with State agency staff lead Federal reviewers to conclude that the LRS may be using its designation of severely disabled too liberally.
- Inefficient fiscal control and fund accounting procedures to assure proper disbursement of, and accounting for, federal funds received under the consolidated grant.
 1. The fiscal unit, in collaboration with appropriate senior program executive personnel, does not conduct a comprehensive review and analysis of the annual budget requests submitted by regional managers.

2. No previous policy or administrative requirement existed before April 13, 1999, for State Office review or approval of “high cost” Individualized Plans for Employment exceeding a specified cost level.
3. Regional managers are not held fiscally accountable to operate within their allocated budgets.

The federal report stated, “It is reasonable to conclude in view of the current fiscal crisis that state agency personnel did not adequately project revenues, number of individuals with disabilities who would apply for services and be determined eligible, and the projected costs of serving those individuals along with the projected costs of administering the program.”

- Improper and inefficient administration of funds in accordance with the authorizing statutes and implementing regulations for those programs under which funds are to be used and administered.
 1. Appropriate regional field staff assigned responsibility for inputting obligations and expenditures into the fiscal information system database did not input these obligations and expenditures in a timely fashion.
 2. State office fiscal personnel do not routinely monitor fiscal data inputs by regional field personnel into the information system database.
 3. Problems exist related to the State agency’s method of administration regarding obligations of Federal funds.
 4. Rehabilitation Counselor Associates have the dual responsibilities of inputting obligations and expenditures.
 5. Insufficient fiscal staffing exists for the LRS to conduct routine on-site financial reviews of service records and fiscal practices at the field level. Additionally, a need exists for staff development and in-service training for current agency fiscal personnel.
 6. The LRS computer software financial information database system needs enhancement to afford agency personnel immediate access to valuable financial data for monitoring agency expenditures.

7. The LRS has no centralized rate setting procedures in the State office to establish a systematic, uniform, and competitive rate setting system that would be more cost effective to State agency's operations.
- Inaccurate disclosure of financial results and financial reporting data of financially assisted activities in accordance with the financial and reporting requirements of the grant.
 1. The Chief Accountant does not always accurately follow fiscal reporting procedures in terms of RSA reports. Additionally, the Chief Accountant did not appear to have a good grasp of fiscal reporting procedures to RSA.
 - Existence of potential conflict of interest, or at least the appearance of a conflict of interest by some members of the state rehabilitation council.

The On-Site Review also found that the state agency has exemplary policies and/or practices in the following areas:

- competitive employment outcomes for persons with disabilities, especially individuals with severe disabilities;
- streamlined approach to organizational development;
- policies on transitioning;
- procedural manual for training and orienting new staff;
- consumer handbook;
- policy on Informed Choice;
- State Rehabilitation Advisory Council that functions as an active partner in advising the State agency in making policy decisions;
- working relationship with the Client Assistant Program that may serve as a model for other States to replicate;

- comprehensive System for Personnel Development plan;
- efforts to expand the use of supported employment programming; and
- successful management model of the Business Enterprise Program.

Conclusion:

1. Two federal reviews revealed numerous weaknesses as well as strengths in the LRS program.

Recommendation:

1. LRS management should take steps to correct the weaknesses outlined in the federal reports.

Response:

LRS management response is attached.

BL/DM/lk

File No. 1-99-0112



M. J. "MIKE" FOSTER, Jr.
GOVERNOR

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J. RENE AUSTIN-DUFFIN
SECRETARY

March 16, 2000

Mr. Bill Lynch
State Inspector General
P.O. Box 94095
Baton Rouge, LA 70804-9095

Dear Mr. Lynch:

Reference: File No. 1-99-0112

Enclosed are the revised responses to the draft report concerning your office's review of Louisiana Rehabilitation Services. If you have any questions, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "May Nelson".

May Nelson
Director

MN/afi
Enclosure

cc: J. Renea Austin

Client Services	Number of Clients Receiving Services FFY 1997	Number of Clients Receiving Services FFY 1998	Increase	Percent Increase	Amount Expended FFY 1997	Amount Expended FFY 1998	Increase	Percent Increase
Vocational Evaluation	3,651	4,114	463	12.68%	2,340,779	2,716,123	375,344	16.04%
College	5,740	6,860	1,120	19.51%	10,442,093	13,207,487	2,765,394	26.48%
Trade/Technical/ Nursing School	1,160	1,436	276	23.79%	1,388,999	2,083,888	694,889	50.03%
On-Site Training	395	506	<111>	<28.10%>	764,701	1,244,680	479,979	62.77%
Job Development/ Job Placement	660	866	206	31.21%	634,688	976,677	341,989	53.88%
Supported Employment/ Job Development	682	781	99	14.52%	1,389,537	1,590,297	200,760	14.45%
Supported Employment/ Job Coach	819	1,098	279	34.07%	3,680,103	5,071,013	1,390,910	37.80%
Maintenance	2,200	2,693	493	22.41%	2,021,735	2,914,621	892,886	44.16%
Transportation	2,184	2,847	663	30.36%	1,265,491	1,797,910	532,419	42.07%
Books, Supplies, and Training	1,693	2,370	677	39.99%	758,658	1,144,158	385,500	50.81%
Home Modifications	31	44	13	41.94%	175,116	332,871	157,755	90.09%
Small Business Enterprise	11	18	7	63.64%	95,231	212,468	117,237	123.11%
Assistive Technology Device	372	530	158	42.47%	890,388	1,505,614	615,226	69.10%
TOTAL					25,847,519	34,797,807	8,950,288	34.63%

NOTE: While the report considered the increased cost for supported employment services and recognized the growth in the number of clients receiving supported employment services, the agency must point out that a change in the federal regulations required that the clients be in employment 90 days, as opposed to the previous stipulation of only 60 days, before a case could be closed as successful. This change resulted in an increase in charges of fee-for-service providers of both supported employment and on-site services, as well as additional 30 days of supervisory time on the part of LRS personnel.

In addition to the cost increase of serving present consumers, there were additional cost increases as a result of the 1992 amendments to the Rehabilitation Act. Notably impacted were the number of clients served and type and cost of services. Changes in the Rehabilitation Act during 1992 and their impact on LRS services are summarized as follows:

1. Sixty (60) day Eligibility Determination (Section 361.41 of the Federal Regulations) - Prior to the 92 Amendments, there were no time frame requirements for determining eligibility. With the 92 Amendments, LRS was mandated to make an eligibility determination within 60 days of application. This resulted in consumers becoming eligible for cost service within a shorter time frame.
2. Presumption of Benefits (Section 361.42(a)(2) & (3) of the Federal Regulations)- This change resulted in increased cost for assessments, as social security beneficiaries were presumed to benefit from services, unless LRS obtained clear and convincing evidence that the individual was incapable of benefitting from vocational rehabilitation services in terms of an employment outcome. Therefore, LRS had an increased demand for vocational assessments to meet this mandate.
3. Client Choice (Section 361.52 of the Federal Regulations) - Consumers were empowered to make choices with regard to their selection of vocational goals, rehabilitation objectives, services, and services providers. This empowerment effected an increase in LRS expenditures.
4. Technology - Scope of Service (Section 361.48 of the Federal Regulations) - LRS was mandated to provide a broad range of services and to increase the scope of rehabilitation technology services at each stage of the rehabilitation process, including but not limited to vehicle modification, as well as telecommunication, sensory, and other technological aides and devices. Technology is very costly.
5. Transition Services (Section 361.5 of the Federal Regulations) - LRS was mandated to provide transition services for secondary school students with disabilities to enhance transition from school to post-secondary activities such as post-secondary education, vocational training, and integrated employment including supported employment and/or independent living. Transition counselors are assigned to all secondary schools and students are transitioned to LRS prior to graduation to prevent a gap in services. This has resulted in one of our largest increases in number of eligible clients and the number of clients requesting college training.
6. Condition for case closure went from 60 days to 90 days (The Rehabilitation Act of 1973 as Amended by the Rehabilitation Act Amendments of 1993, Section 102, (5)(A). This requirement mandated an additional 30 days of cost services for some clients.

LRS' RESPONSES TO CONCLUSION/RECOMMENDATIONS OF THE INSPECTOR GENERALS INVESTIGATION

● INADEQUATE PLANNING AND MONITORING

Conclusion 1: Although expenditures for client services increased substantially during federal fiscal years 1997 and 1998, LRS management was slow to take appropriate action to reduce spending. As a result, in 1999, the program faced a projected \$9 million budget deficit which forced management to place needy disabled applicants on a waiting list for three months.

LRS Response: The agency does not agree with this conclusion. As far back as February, 1995 the agency implemented specific cost containment measures to off set the impact of federally unfunded mandates and the increase in number of referrals in certain disability categories.

The agency implemented the following policy/procedures changes to ameliorate the budgetary impact of the 1992 Amendments:

1. February 1995 - LRS amended its Order of Selection Policy by implementing procedures that further defined the agency's guidelines relative to functional capacity limitations. This step was taken to ensure that only those individuals who are truly severely disabled were classified as such and to assure that only truly severely disabled individuals received cost services under the Agency's Order of Selection Policy. LRS also revised its policy on Applicant/Client Appeal Rights to include timelines for conducting administrative reviews and fair hearings. (It is noted that services must continue during the fair hearing process.)
2. LRS set a cap on expenditures to clients wishing to establish their own small businesses. Expenditures were limited to no more than \$20,000. In addition, clients were required to contribute at least 20% toward the cost.
3. June 1995 - LRS implemented a "Grant Policy" as a cost-containment measure relative to determining costs of activities assisted by LRS grants to institutions of higher education, hospitals, non-profit organizations, and state and local governments. Cash match is required and no-cost client services must be provided during the one-year grant period.
4. August 1995 - LRS tightened eligibility for cost services based upon a "needs test" to ensure that the consumer participates in the cost of those services. LRS required a "budget analysis" as part of the needs test. Concurrently, LRS revised the procedures to further define the scope of support services provided, such as room and board, transportation, books, supplies, etc.
5. October 1996 - LRS revised its Order of Selection policy for Vocational Rehabilitation Services. LRS eliminated Category IV of the Order of Selection, a category which had allowed for the provision of "no-cost" services of guidance, counseling and job placement for non-severely disabled individuals. A trend had developed in which "no cost" cases were eligible for cost services if the need arose after eligibility.
6. Effective August 1998, LRS implemented more stringent procedures to ensure that counselors would more aggressively pursue comparable benefits in the post-secondary

setting for those clients who require support services (including auxiliary aids and services) in the classroom.

Conclusion 2: Lack of an adequate rate setting system for supported employment services resulted in great disparities in rates paid to vendors for the same service. Although LRS management recognized the need for a uniform rate-setting system as early as January, 1997, management was slow to follow through in creating an adequate system.

LRS Response: The agency does not agree with this conclusion.

In 1994 the agency established a written formula for determining rates paid to supported employment providers. The formula continued to be in effect until an interim flat rate system was established in 1999.

The process of implementing a rate setting system which applied to all service providers was an ongoing process.

Recommendation I: Management should take steps to enable program costs to be monitored so projections can be made regarding future program costs. When rises in program costs are projected, management could then institute lesser cuts in program services and avoid budget deficits.

LRS Response: The agency agrees with this recommendation.

Management will modify the current practice of determining fiscal policy revisions based upon a single annual projection report. Executive Management will review trends in spending related to referrals, service categories, and provider types on a quarterly basis to determine the need to implement cost containment policies.

Management has put procedures in place to ensure that the annual program data input into the system is done timely and is accurate so that fiscal projection data are valid.

● DUAL PAYMENTS FOR COLLEGE

Conclusion 1: LRS is facing a legal dilemma regarding tuition funding for TOPS recipients.

LRS Response: The agency agrees with this conclusion.

Recommendation 1: LRS should seek a solution to this dilemma that is in the best interest of the state and the disabled population.

LRS Response: The agency agrees with this recommendation and is seeking a resolution. LRS is receiving technical assistance from the Department to resolve the conflict between federal and state law.

Although the agency agrees with the recommendation that the policy issue needs to be resolved, Management feels compelled to address the issue related to possible dual payments because in the past students were not required to apply TOPS funds toward tuition.

On August 31, 1998, Management sent a program directive to the regional offices with the decision that LRS will assist eligible clients receiving TOPS funding; however, the TOPS funding shall be applied to the clients' other mandatory costs of college attendance.

Management requested assistance from the Rehabilitation Services Administration on May 18, 1999, due to the challenge from the Federal Client Assistant program on behalf of LRS clients. The request from the Client Assistance Program (CAP) to exempt the use of TOPS funds was based on their determination that TOPS is a merit based scholarship and therefore should not be applied by LRS in any manner to students' costs of attendance at a university.

● LIBERAL INTERPRETATION OF DEFINITION OF "SEVERELY DISABLED"

Conclusion 1: LRS may be using the designation of severely disabled too liberally.

LRS Response: The agency has promulgated policy which for the second time in a five year period increased the functional limitations related to a designation of significantly disabled.

Recommendation 1: LRS should strive to serve individuals who are truly significantly disabled.

LRS Response: LRS agrees with this recommendation.

For the second time during the period 1995 to 1999, LRS has changed its order of selection to ensure that the most significantly disabled are served first and all others are placed on a waiting list pending the availability of funds.

● LACK OF ADEQUATE AUTOMATED SUPPORT SYSTEM

Conclusion 1: A problem exists in the production of reliable program financial reports by the Department of Social Services data processing section. Some reports received by auditors from the Office of State Inspector General contained incorrect and misleading information.

Conclusion 2: A shortage of programmers in the Office of Information Services resulted in LRS management being restricted from obtaining special reports which could have aided them in managing the budget crisis.

Recommendation: The Department of Social Services should determine the cause of the data processing problem and take steps to ensure accurate reporting.

LRS Response: The agency agrees with this recommendation.

LRS has requested and been awarded a technical assistance grant through RSA to study and make recommendations for an automated support system that will meet the needs of LRS. Software AG was selected as the provider and a study is currently underway. The study will be completed in January and recommendations should be received shortly thereafter.

The Secretary of the Department of Social Services appointed the Assistant Director of Information Services to the management team working with Software AG to develop an appropriate automated system for the agency.

● LACK OF ADEQUATE SUPERVISION

Conclusion 1: The lack of supervision exercised over counselors granted independent approval status creates a control weakness over the expenditures of funds by these counselors.

Conclusion 2: A federal review conducted in May, 1999, concluded that no previous policy or administrative requirement existed before April, 1999, for state office review or approval of "high cost" plans. The federal review found many deficiencies relating to federal and state requirements; it found that some client records were examples of counselor deficiency in following federal and state policies and insufficiency in supervisory reviews.

Conclusion 3: LRS' case management system allowed a subordinate employee to manage a case involving the employee's supervisor.

Recommendation 1: LRS should re-evaluate its policy regarding the authority granted to counselors on independent approval status.

LRS Response: The agency agrees with this recommendation.

Annual case reviews of independent approval status caseloads were required, however, this proved not to be sufficient. In December, 1998, the agency submitted a request to Civil Service to redefine the classification and expectation of professional level rehabilitation counselors. Included as a part of this request is the elimination of the independent approval status for counselors.

Recommendation 2: LRS should institute a higher level of supervision at the regional level, as well as the state office level, to insure expenditures comply with policy and to assure that they are not abusive.

LRS Response: The agency agrees with this recommendation.

All cases will be reviewed by the district supervisors and, when appropriate, by the regional managers. State office will do an annual random review of cases in each region.

Recommendation 3: LRS should develop written procedures outlining the process for approving benefits for employees who are also clients. The procedures should include a mandate that cases involving LRS employees be assigned to a management level employee.

LRS Response: The Agency agrees with this recommendation.

Recommendation 4: LRS policy should require clients to provide documentation to support representation that affects the level of funding provided by LRS.

LRS Response: The agency agrees with this recommendation.

Consumers are now required to document income through tax returns, statements from employers, etc.

Note: Please see attached responses to case record reviews.

● FAILURE BY FIELD PERSONNEL TO PROVIDE DATA TIMELY

Conclusion 1: The failure by field personnel to provide data timely resulted in state office not being aware of the extent of the budget problems until late in the fiscal year.

LRS Response: The agency agrees with this conclusion.

Recommendation 1: LRS management should take steps to ensure field personnel provide data timely.

LRS Response: The agency agrees with this recommendation. LRS provided training (July, 1999) to the regional managers to enable them to track their budget on a daily basis. In addition, LRS is performing random samplings of obligations and payments to ensure accurate and timely entry of data by field personnel.

● APPEARANCE OF CONFLICT OF INTEREST IN LOUISIANA REHABILITATION COUNCIL

Conclusion 1: The Louisiana Rehabilitation Council has eight members who are associated with service providers. This creates an appearance of a potential conflict of interest.

Conclusion 2: A federal review expressed concern over the number of service providers serving on the council.

LRS Response: The agency is in agreement with these conclusions.

Recommendation 1: The Governor should evaluate the appropriateness of having such a large number of members connected with service providers.

LRS Response: The agency is in agreement with the recommendation.

The agency will follow the recommendations of the Governor.

● FEDERAL REVIEW FINDINGS

Conclusion 1: Two federal reviews revealed numerous weaknesses as well as strengths in the LRS program.

LRS Response: The agency agrees with this conclusion.

Recommendation 1: LRS management should take steps to correct the weaknesses outlined in the federal report.

LRS Response: The agency has taken measures to address the findings. Please see the attached approval letter of our corrective action from United States Department of Education Rehabilitation Services Administration.

Pages 14 and 15 regarding case reviews

Case #1

Comment: A client, who is also a supervisor in an LRS regional office, applied for assistance in February, 1999. As an employee of LRS, he was required to obtain a master's degree. The counselor, who was under the supervision of the client/employee, determined his (client/employee) home computer system needed updating in order to complete his education. LRS spent approximately \$12,000 on a new home computer as well as about \$2,000 training him on its use.

When determining the ability of this client/employee to contribute, the counselor used income and liability figures supplied by the client/employee. The client/employee listed his monthly tax liabilities as \$3,856 or \$42,272 per year, an overstatement based on his income. The counselor did not question the figures and determined the client/employee was not able to contribute to the cost of the computer. The counselor's decision was approved by another supervisor who also did not question the figures.

Response: The regional manager and client/employee acknowledges that there was a mistake. They have provided a statement which provides an explanation of the noted error.

Case #2

Comment: Two days after a client obtained a job at a state agency, the client requested LRS funding of about \$22,000 for van modifications. Although the counselor was aware that the client had obtained the job, the client did not list salary income when requesting the funding. The client did not have to contribute to the cost of the van modifications, as required by policy. LRS stated that the job income was not listed because the client did not actually receive any payment from the job until several weeks after the plan was signed. However, LRS made no payments for van modifications for the client until five months after the plan was signed.

Response: The income was not counted at the time the RS-14 and Plan was completed as the client had not yet received any income from her new job. The memo requesting approval dated November 7, 1999, from the LRS counselor to the regional manager indicated that the client would not actually be receiving any income from her new job until the end of November and the services on the Plan were needed for the client to maintain her employment. The Plan was approved by the regional manager. This was an acceptable procedure at that time.

Case #3

Comment: A client attending college was approved to receive LRS funding for medication. The client submitted information to his counselor indicating the cost of his medication was \$203 per month. Receipts were not required in this case and LRS funded this amount.

However, the client told an investigator from the Office of State Inspector General that he had a pharmacist friend who provided his medication to him for \$52 per month.

Response: LRS funded the client's medication as the client stated to the counselor that his cost was \$203.00. During that period of time, LRS policy did not require verification of expenses. However, the policy did state that counselors should use their discretion and judgement to determine the need to verify and document this information.

LRS now requires verification of expenses.

LOUISIANA REHABILITATION SERVICES' RESPONSE TO INSPECTOR GENERAL'S DRAFT REPORT

The agency feels it is important that the Inspector General's report notes that over a five year period all available federal funds were not matched by the state and, therefore, were not available for client services expenditures.

The agency feels the grid on pages 3 and 4 is not a complete assessment of the factors related to the increase in cost services to clients. The following additional information should have been considered. (Data is in shaded columns.)

Client Services	Number of Clients Receiving Services FFY 1996	Number of Clients Receiving Services FFY 1997	Increase	Percent Increase	Amount Expended FFY 1996	Amount Expended FFY 1997	Increase	Percent Increase
Vocational Evaluation	2,445	3,651	1,206	49.33%	1,407,838	2,340,779	932,941	66.27%
College	4,936	5,740	804	16.29%	8,945,322	10,442,093	1,496,771	16.73%
Trade/Technical/ Nursing School	971	1,160	189	19.46%	1,124,816	1,388,999	264,183	23.49%
Job Development/ Placement	465	660	195	41.94%	465,916	634,688	168,772	36.22%
Other Training	243	359	116	47.74%	489,202	836,569	347,367	71.01%
Supported Employment/Job Development	413	682	269	65.13%	810,521	1,389,537	579,016	71.44%
Supported Employment/Job Coach	572	819	247	43.18%	2,313,482	3,680,103	1,366,621	59.07%
Maintenance	1,725	2,200	475	27.54%	1,404,330	2,021,735	617,405	43.96%
Transportation	1,767	2,184	417	23.60%	615,441	1,265,491	650,050	105.62%
Books, Supplies, and Training	1,362	1,693	331	24.30%	556,644	758,658	202,014	36.29%
Home Modifications	28	31	3	10.71%	102,897	175,116	72,219	70.19%
Assistive Technology Device	57	372	315	552.63%	185,694	890,388	704,694	379.49%
Assistive Technology Services	31	134	103	332.26%	13,503	121,468	107,965	799.56%
TOTAL					18,435,606	25,945,624	7,510,018	40.74%