Office of Inspector General
Service Source

Report #A-1516-025 **January 2017**

Executive Summary

In accordance with the Department of Education's fiscal year (FY) 2015-16 audit plan, the Office of Inspector General (OIG) conducted an audit of contracts #14-135 and #14-136, between the Division of Vocational Rehabilitation (DVR) and Service Source. The purpose of this audit was to ensure DVR and Service Source have sufficient internal controls to provide Vocational Rehabilitation services to the assigned workforce regions.

During this audit, we noted that, in general, DVR and Service Source have sufficient controls in place. However, there were instances where improvements could be made to strengthen some of these controls. For example, we cited instances where Service Source did not meet all monthly and yearly deliverables, and did not provide justification for all unmet monthly deliverables; DVR omitted a penalty from contract #14-135, Amendment 1; DVR calculated penalties inaccurately; and DVR did not enforce the requirement for Service Source to submit quarterly budget reconciliations. The Audit Results section below provides details of the instances noted during our audit.

Scope, Objectives, and Methodology

The scope of this audit included an examination of contracts #14-135 and #14-136 between DVR and Service Source and interactions for the period of December 1, 2015, through May 31, 2016. We established the following objectives for our audit:

1. Determine if DVR effectively manages and monitors the contracts for compliance.
2. Determine if Service Source is providing Vocational Rehabilitation services to clients in accordance with applicable laws, rules, regulations, and terms of the contracts.

To accomplish our objectives we reviewed applicable laws, rules, and regulations; reviewed contract #14-135, Amendment #1, and contract #14-136; interviewed appropriate department and Service Source staff; reviewed policies and procedures; reviewed a sample of customer records and the related Rehabilitation Information Management System (RIMS) documentation; reviewed training agendas and attendance logs; reviewed invoices, contract expenditures, and related documents; and attended a DVR new counselor training class.

Background

The Florida Vocational Rehabilitation (VR) Program is a federal/state program that works with people with disabilities to prepare for, gain, or retain meaningful employment. The U.S. Department of Education (78.7%) and Florida's general revenue (21.3%) fund the VR program. Federal funding is contingent upon adherence to the State Plan approved by the U.S. Department of Education. The State Plan is DVR's contract with the federal government explaining how DVR helps people with disabilities find employment. The State Plan requires DVR to provide services throughout the state.

34 CFR Chapter III Part 361.25 requires each state to provide statewide Vocational Rehabilitation coverage. Section 287.0571 of the Florida Statutes states, "…that each state agency focus on its core mission and deliver services effectively and efficiently by leveraging resources and contracting with private sector vendors whenever vendors can more effectively and efficiently provide services and reduce the cost of government".

DVR contracts with Service Source to ensure provision of vocational rehabilitation services throughout the state. The services are defined as those necessary to assist the individual with a disability in preparing for, securing, retaining, or regaining employment. Service Source is a non-profit agency whose mission is to deliver exceptional services to individuals with disabilities through innovative and valued employment, training, habilitation, housing, and support services.

Through the contracts, Service Source provides privatized VR services to Workforce Areas 7, 8, 9, 20, 23L, 23O (contract #14-135, Amendment #1), and 10 (contract #14-136). Contract #14-135, Amendment #1 is a combination fixed price/cost reimbursement contract not to exceed $15,249,406.00 for the three-year contract term from January 1, 2014, through December 31, 2016. Contract #14-136 is a combination fixed price/cost reimbursement contract not to exceed $2,629,288.00 for the three-year contract term from April 1, 2014, through March 31, 2017.

Audit Results

Finding 1: Service Source did not meet all required yearly deliverables.

Contract #14-135, Amendment #1, and contract #14-136 include yearly deliverable requirements for each Service Source unit. See table 1.

Table 1: Yearly Deliverable Requirements

Yearly Deliverables	Yearly Requirements						
	Contract #14-135 , Amendment #1						Contract #14-136
	Region 7	Region 8	Region 9	Region 20	Region 23L	Region 23O	Region 10
Number of pre-eligibility determinations	150	400	350	550	50	400	350
Number of individuals in gainful employment	36	96	84	132	12	96	84
Number of IPEs written	N/A	N/A	N/A	N/A	N/A	N/A	252
Percentage of pre-eligibility determinations completed within 60 days following the sumbission of a complete application.	95%	95%	95%	95%	95%	95%	95%
Percentage rate of gainful employment per region, per contract year	45%	45%	45%	45%	45%	45%	45%
Percentage of IPEs developed within the timeline established by DVR policy	95%	95%	95%	95%	95%	95%	95%

We compared the yearly deliverable requirements for contracts #14-135, Amendment #1, and #14-136, to the yearly final invoices (December 2015 for #14-135 and March 2016 for #14-136). Our comparisons included the following yearly deliverables: number of individuals in gainful employment, number of pre-eligibility determinations, number of IPEs written[1], percentage of pre-eligibility determinations completed within 60 days, percentage rate of gainful employment, and percentage of IPEs developed within the required timeframe.

Service Source did not meet the annual minimum requirements for 19 of the 36 (53%) reviewed deliverables. See table 2.

Table 2: Achievement of Required Yearly Deliverables

Yearly Deliverables	Region 7A	Region 8H	Region 9A	Region 20A	Region 23L	Region 23O	Region 10
Pre-eligbility Determinations							
Number of Yearly Pre Eligibility Determinations Completed	171	322	344	526	131	502	412
Yearly Contractual Requirements	150	400	350	550	50	400	350
Achieved Yearly Requirements?	Y	N	N	N	Y	Y	Y
Percentage of pre-eligibility determinations recommended within 60 days following the sumbission of a complete application.	100%	99%	99%	99%	88%	98%	97%
Yearly Contractual Requirements	95%	95%	95%	95%	95%	95%	95%
Achieved Yearly Requirements?	Y	Y	Y	Y	N	Y	Y
Gainful Employment							
Number of individuals in gainful employment	39	58	71	113	12	48	34
Yearly Contractual Requirements	36	96	84	132	12	96	84
Achieved Yearly Requirements?	Y	N	N	N	Y	N	N
Percentage rate of gainful employment per region, per contract year	46%	35%	57%	43%	44%	18%	42%
Yearly Contractual Requirements	45%	45%	45%	45%	45%	45%	45%
Achieved Yearly Requirements?	Y	N	Y	N	N	N	N
IPEs							
Number of IPEs written	N/A	N/A	N/A	N/A	N/A	N/A	379
Yearly Contractual Requirements	N/A	N/A	N/A	N/A	N/A	N/A	253
Achieved Yearly Requirements?	N/A	N/A	N/A	N/A	N/A	N/A	Y
Percentage of IPEs developed within the timline established by DVR policy	98%	93%	96%	80%	72%	71%	92%
Yearly Contractual Requirements	95%	95%	95%	95%	95%	95%	95%
Achieved Yearly Requirements?	Y	N	Y	N	N	N	N

Service Source provided written justifications (order of selection, reassignment of caseloads, advent of the Workforce Innovations and Opportunity Act, and personnel issues) as well as requests for suspension of the penalties for not meeting the required minimum deliverables. DVR waived the penalties for the ten instances where units did not meet the minimum number and percentages of individuals placed in gainful employment, due to order of selection and case closures. DVR did not waive the penalty for the three instances where units 8H, 9A, and 20A

[1] The annual deliverable for number of IPEs written is only required in contract #14-136.

did not meet the minimum number requirement for pre-eligibility determinations. DVR did not waive the penalty for the instance where unit 23L did not meet the percentage of pre-eligibility determinations recommended within 60 days following the submission of a completed application. DVR also did not waive the penalty for Unit 10A[2] not attaining the required 95% of IPEs written within 90 days of eligibility determination, as this is a federal measure that is within the control of the contractor and could be fulfilled.

Service Source's failure to meet the required annual deliverables could result in customers not attaining employment outcomes and not receiving services in a timely manner.

Recommendation

We recommend that Service Source enhance its processes to ensure they meet all deliverable requirements. We recommend DVR review the requirements for subsequent contracts to ensure that the deliverable amounts are achievable.

DVR Management Response

Concur. DVR and Service Source will be developing new contracts within the next six months. DVR will ensure that the deliverable amounts are achievable.

Service Source Management Response

Concur. Relative to the initial finding, not meeting the number of pre-eligibility determinations, I have the following comments, some of which we have discussed. There exists a significant issue with DVR performance reports wherein the final PBPB reports we use to reconcile contractual numbers to not match a number of other reports the system generates, nor do they match the numbers that the DVR Counselor Analysts document every month relative to performance. I have discussed this with the DVR leadership and one suggestion is that moving forward we begin to use the analyst reports as they have definitively signed off on the work performed. Region 20A is a very large unit and we missed by only 24, having 11 counselor FTE's and a significantly large goal. Region 8H is a different matter as the restructuring of the unit responsibilities by the then Area Director had a deleterious effect on our case sizes and therefore performance, however we have renegotiated some of our responsibilities in the region and in calendar year 2016 we have met the pre-eligibility goal. We did miss our goal for pre-eligibility compliance within 60 days in Region 23L, however there are mitigating circumstances in this region. This region does not have a DVR Counselor Analyst on site, nor are we staffed for a supervisory position, which necessarily slows down the review process. I will address this during our next contract negotiating session as well as with the DVR. As noted in your report the number and percentage of gainful employment was waived as a result of changing DVR priorities. We are continually monitoring our processes and we certainly need to come to an agreement with the DVR as to which numbers are the most reliable and accurate. Too, where there are inequities relative to our meeting certain goals, these need to be addressed and

[2] Due to the omitted penalty in contract #14-135, Amendment 1, Service Source was not required to submit a justification for the four instances where the requirement of 95% of IPEs written in 90 days was not met under contract #14-135. See finding 2.

discussed with the DVR. In regions where timeframes were not met Service Source needs to review our own alert parameters to managers to more effectively manage these outcomes. Significant to the 90 day IPE goals that were missed, in the regions where we currently operate the DVR also did not meet this goal. In several regions, we were only off by 2-3 percentage points and surpassed the DVR area average performance. This measure is extremely difficult to track on a regional and monthly basis and we are dependent on DVR reports, which come out monthly. Too, the RIMS system does not asterisk an appropriate waiver as it does for 60-day acceptance waivers, so there is a question of how the compliance count calculates. Additionally, we cannot track individual employee compliance as the system does not report on this, so it is not possible to initiate corrective action on those individuals who are most deficient in this area in the unit. This is definitively an issue where we will ask to have this measure removed from our contract in our upcoming negotiations.

Finding 2: DVR omitted a penalty from Amendment #1, Contract #14-135.

Contract #14-135 and Amendment #1 require Service Source to develop 95% of Individual Plans for Employment (IPE) within the required timeframe, unless granted an extension by DVR.

Contract #14-135 states, "The Contractor shall complete 95% of all IPEs within one-hundred-twenty (120) days of a completed application as specified in Section C.3. Deliverables & Minimum Service Levels. The percentage will be calculated based on the actual number of IPEs written during the Contract year. Should the Contractor fail to meet this standard, the Contractor's December invoice (the last invoice submitted for each contract year) will be reduced by $100 for each IPE that was not completed within one-hundred-twenty (120) days of receipt of completed application." Amendment #1 did not include the penalty for failing to develop 95% of IPEs within the required timeframe.

We reviewed the final yearly invoice for contract #14-135 (December 2015), and determined that four Service Source units were not compliant with the requirement for 95% of IPEs to be developed within the required timeframe, but were not penalized due to the omitted penalty in Amendment #1. The omission resulted in $22,900.00 of penalties not being assessed to Service Source for this unmet yearly deliverable. See table 3.

Table 3: Unassessed Penalties

Unit	Meets 95% requirement?	Number of IPEs written	Number of IPEs developed within required timeframe	Percent of IPES completed within required timeframe	Number of IPEs not developed within timeframe	Penalty that would have been assessed
7A	Y	151	148	98%	N/A	None
8H	N	278	258	93%	20	$2,000.00
9A	Y	272	261	96%	N/A	None
20A	N	461	371	80%	90	$9,000.00
23L	N	80	58	72%	22	$2,200.00
23O	N	329	232	71%	97	$9,700.00
					Total	$22,900.00

DVR agreed that the omission of the penalty for IPEs developed within the required timeframe was an oversight and should have been included in Amendment #1. DVR amended contract #14-135 in order to remove the deliverable requirement for the number of IPEs written and its associated penalty, and mistakenly removed the penalty requirement for the percentage of IPEs developed within the required timeframe as well. Due to the omission of the penalty, Service Source was not required to complete, and did not provide justifications for, the unmet deliverables.

Recommendation

We recommend DVR improve their amendment review process to ensure all contractual requirements, penalties, and deliverables are accurately included in amendments prior to approval and execution. We also recommend DVR ensure the appropriate penalties are included in all future contracts.

DVR Management Response

Concur. DVR and Service Source will be developing new contracts within the next six months. Desk procedures and monitoring tools will be created to improve the amendment review process. The new contracts will include the appropriate penalties as needed.

Finding 3: DVR calculated penalties inaccurately.

Contract #14-135, Amendment #1 includes penalties for not meeting required annual deliverables. Per Contract #14-135, Amendment #1, “The Contractor shall complete 95% of all Pre-eligibility determinations within sixty (60) days of receipt of a completed application as specified in Section C.3, Deliverables & Minimum Service Levels. The percentage will be calculated based on the actual number of Pre-eligibility determinations achieved during the contract year. Should the Contractor fail to meet this standard, the Contractor’s December invoice (the last invoice submitted for each contract year) will be reduced by $100 for each determination that was not completed within sixty (60) days of completed application."

We reviewed the final annual invoice for contract #14-135 (December 2015) to ensure Service Source met all required deliverables and to determine if DVR assessed the correct amount for penalties if the deliverables were not met. Service Source reported that they did not meet the required 95% of pre-eligibility determinations completed within 60 days for area 23L and did not request to have the penalty waived. DVR agreed that the penalty was appropriate.

After reviewing the penalties, we determined that DVR inaccurately calculated the penalty amount for the unmet pre-eligibility determinations in region 23L. Region 23L attained an 88% rate of pre-eligibility determinations within 60 days, which was less than the 95% requirement. The region achieved 131 pre-eligibility determinations for the year and completed 115 determinations within the required 60 days (88% of the 131 pre-eligibility determinations) leaving 16 pre-eligibility determinations not completed within the required timeframe. Per the contract, DVR should have reduced the invoice by $100 for each determination not completed on time, for a total of $1,600 in penalties. DVR penalized Service Source $900, based on 95% of the total amount completed minus the amount completed within 60 days (.95 x 131= 124; 124 – 115 = 9; 9 x $100 = $900). DVR under penalized Service Source by $700.00. DVR stated that the penalty was correct for the contract #14-135 December 2015 invoice, but DVR based their calculations on subtracting the number of IPEs obtained from 95% of the required amount.

Contract #14-136 also includes penalties for not meeting required minimum annual deliverables. Per Contract #14-136, "The Contractor shall complete 95% of all IPEs within one-hundred-twenty (120) days of receipt of a completed application as specified in Section C.3, Deliverables & Minimum Service Levels. The percentage will be calculated based on the actual number of IPEs written during the Contract year. Should the Contractor fail to meet this standard, the Contractor's December invoice (the last invoice submitted for each contract year) will be reduced by $100 for each IPE that was not completed within one-hundred-twenty (120) days of receipt of completed application."

We reviewed the final invoice for contract #14-136 (March 2016) [11-01-09] to ensure Service Source met the required deliverables and to determine if DVR assessed the correct amount for penalties if the deliverables were not met. Service Source reported that they did not meet the deliverables for the percentage of IPEs developed within the required timeframe and requested that the penalties be waived. DVR did not agree to waive the penalty.

Per the March 2016 invoice, Unit 10A completed 92.9% of the IPEs within the required timeframe, which was less than the 95% requirement. The unit developed 379 IPEs for the year and completed 350 IPEs within the required timeframe (92.3% of the 379 developed IPEs), leaving 29 IPEs not completed within the required timeframe. Per the contract, DVR should have reduced the invoice by $100 for each IPE not completed within the required timeframe for a total penalty of $2,900. The invoice showed that DVR based their calculations on 382 IPEs and inaccurately calculated a total penalty of $3,100. (382=.923 x 413. 413-382 = 31. 31 x $100 = $3,100 penalty). DVR over penalized Service Source by $200.00.

DVR agreed that they calculated the penalty for the contract #14-136 March 2016 invoice inaccurately. DVR mistakenly used 382 IPEs in the assessed penalty calculation due to an adjustment of the numbers in a RIMS report.

The miscalculated penalties resulted in Service Source not being assessed the appropriate penalty amounts for unmet contractual requirements.

Recommendation

We recommend DVR implement a review process to ensure they calculate penalties correctly and in compliance with contractual requirements.

DVR Management Response

Concur. DVR will develop a process of checks and balances to ensure all penalties, if applicable, are calculated correctly.

Finding 4: Service Source did not meet all required monthly deliverables and did not provide justification for all unmet monthly deliverables.

Contract #14-135, Amendment #1, and contract #14-136 include monthly deliverable requirements for each Service Source unit. See table 4.

Table 4: Monthly Deliverable Requirements

Monthly Deliverables	Monthly Requirements						
	Contract #14-135, Amendment #1						Contract #14-136
	Region 7	Region 8	Region 9	Region 20	Region 23L	Region 23O	Region 10
Number of pre-eligibility determinations	8	22	19	30	3	22	19
Number of individuals in gainful employment	2	5	5	7	1	5	5
Number of IPEs written	N/A	N/A	N/A	N/A	N/A	N/A	14

Both contracts #14-135 and #14-136 state, "in the event the Contractor fails to meet the monthly minimum service levels, a written justification shall be included in the invoice stating the reason for the shortage and a plan to meet the minimum levels in subsequent months."

We compared the monthly deliverable requirements for contracts #14-135, Amendment #1, and #14-136, to the invoices for the sampled months of December 2015 and March 2016. Our comparisons included the following monthly deliverables: number of pre-eligibility determinations, number of individuals in gainful employment, and number of IPEs written.

We found that Service Source met the monthly deliverable requirements reviewed for pre-eligibility determinations and number of IPEs written. Service Source did not meet seven of the fourteen (50%) deliverable requirements for gainful employment for the months of December 2015 and March 2016 for the two contracts. See table 5.

Table 5: Achieved Monthly Deliverables

Monthly Deliverables	Region 7A		Region 8H		Region 9A		Region 20A		Region 23L		Region 23O		Region 10	
Pre-eligbility Determinations	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16
Number of Monthly Pre Eligibility Determinations Completed	22	25	33	24	46	30	59	64	16	12	42	31	29	46
Monthly Contractual Requirements	8	8	22	22	19	19	30	30	3	3	22	22	19	19
Achieved Monthly Requirements?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Gainful Employment														
Number of individuals in gainful employment	3	1	7	8	8	1	11	4	2	2	3	2	3	4
Monthly Contractual Requirements	2	2	5	5	5	5	7	7	1	1	5	5	5	5
Monthly Yearly Requirements?	Y	N	Y	Y	Y	N	Y	N	Y	Y	N	N	N	N
IPEs														
Number of IPEs written	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36	35
Monthly Contractual Requirements	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14	14
Achieved Monthly Requirements?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y

One of the seven (14%) unmet monthly deliverable amounts had no justification for the shortages. The March 2016 invoice for contract #14-135 reported Unit 23O did not meet the minimum requirement for individuals gainfully employed and did not contain a justification for the shortage. Service Source provided written justifications, the reason for the shortages (order of selection, reassignment of caseloads, advent of the Workforce Innovations and Opportunity Act, and personnel issues) and plans to meet the minimum levels in subsequent months for the remaining six unmet deliverables.

Service Source's failure to meet the required monthly deliverables could result in customers not attaining employment outcomes and not receiving services in a timely manner. Service Source did not provide justification for all unmet monthly deliverables, and DVR did not request justification, which indicates a lack of monitoring of these deliverables by DVR.

Recommendation

We recommend that DVR review all submitted invoices to ensure Service Source meets all monthly deliverable requirements, and if they are not met, an appropriate justification is included with a plan for meeting the requirement in subsequent months. We recommend that Service Source enhance its processes to ensure they meet all deliverable requirements, and an appropriate justification and a plan for meeting the requirement in subsequent months is included when they do not meet deliverable requirements.

DVR Management Response

Concur. Desk procedures and monitoring tools have been created, and will be revised as needed to ensure that Service Source is in compliance with the monthly deliverable requirement as required by contract.

Service Source Management Response

Concur. This finding indicated there were several instances where we did not report on all required monthly minimums with an explanation. We have three sets of eyes looking at these reports on a monthly basis who are involved in the reporting process and in most instances when this occurred the error was caught well before any billing was submitted. I myself will be more diligent in this area as I am responsible for generating the response. In a number of regions, the monthly was unmet but the annual goal was ultimately met. Often when the monthly minimum is unmet, I review performance to date to ensure that we are not falling behind on the annual goal. We do address the issue but can include more detail in the future if required. Not all goals currently in the contracts are reasonable due to the changing nature of VR. We could not anticipate the need to immediately close cases negatively that were not currently active due to the DVR needing a more accurate assessment of their budgetary needs. Order of selection was another variable. The new RSA requirement to serve transitional youth with pre-employment services and 504 students is a federal mandate; however, these cases will take a significant effort on the part of my staff with no anticipated outcomes. These issues and others will be a focal point of negotiations to try and attain more equity in the outcomes so that we may reasonably achieve all required outcomes. We will again also review our own internal review process to reviews areas where we might improve.

Finding 5: DVR did not enforce the requirement for Service Source to submit quarterly budget reconciliations.

Contract #14-135 and #14-136 require Service Source to submit a quarterly budget reconciliation to DVR no later than thirty (30) days after the end of each of the first three quarters of each contract year.

During the scope of the audit, Service Source was required to submit quarterly budget reconciliations for the January to March 2016 quarter for contract #14-135 and the October to December 2015 quarter for contract #14-136. We requested these two quarterly budget reconciliations and DVR stated they had not required Service Source to submit them.

Subsequent to our inquiry, DVR requested and received the quarterly budget reconciliations for the January to March 2016 quarter for contract #14-135, and the October to December 2015 quarter for contract #14-136 from Service Source.

DVR agreed that they had not enforced the requirement for Service Source to submit quarterly budget reconciliations. DVR not enforcing the requirement for Service Source to submit quarterly budget reconciliations and not reviewing the submitted reconciliations could lead to unallowable expenditures going undiscovered.

Recommendation

We recommend DVR ensure Service Source submits quarterly budget reconciliations. We also recommend DVR review the reconciliations to ensure expenditures are in accordance with the contractual requirements.

DVR Management Response

Concur. Desk procedures and monitoring tools have been created, and will be revised as needed to ensure that DVR is requiring quarterly budget reconciliations as required by contract.

Closing Comments

The Office of the Inspector General would like to recognize and acknowledge the DVR Office and staff and the Service Source staff for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all personnel involved.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of section 20.055, F.S., and in accordance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by William Bull and supervised by Tiffany Hurst, Audit Director.

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