#348

Report To
The Mississippi Legislature

An Accountability Assessment of the Mississippi Department of Rehabilitation Services

November 12, 1996

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Regarding MDRS's utilization of state resources, PEER found that:

- Although MDRS has complied with the U. S. Department of Education's Inspector General's recommendation to develop internal control policies, MDRS has not implemented procedures to enact these policies.
- The Department of Finance and Administration has allowed MDRS's Executive Director to receive travel reimbursements for departmental business without submitting proper documentation.
- When consolidating Jackson-based operations into its Madison County office, MDRS paid approximately $101,140 for modular furniture which did not meet bid specifications.

The PEER Committee

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The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

An Accountability Assessment of the Mississippi Department of Rehabilitation Services

November 12, 1996

The PEER Committee

Mississippi Legislature

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Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

SENATORS
WILLIAM W. CANON
Chairman
HOB BRYAN
BOB M. DEARING
EZELL LEE
JOHNNIE E. WALLS, JR.

TELEPHONE:
(601) 359-1226

FAX:
(601) 359-1420

P. O. Box 1204
Jackson, Mississippi 39215-1204

Max Arinder, Ph.D.
Executive Director

REPRESENTATIVES
WILLIAM E. (BILLY) BOWLES
Vice Chairman
ALYCE G. CLARKE
Secretary
HERB FRIERSON
TOMMY HORNE
MARY ANN STEVENS

OFFICES:
Professional Building
222 North President Street
Jackson, Mississippi 39201

November 12, 1996

Honorable Kirk Fordice, Governor
Honorable Ronnie Musgrove, Lieutenant Governor
Honorable Tim Ford, Speaker of the House
Members of the Mississippi State Legislature

At its meeting of November 12, 1996, the PEER Committee authorized release of the report entitled **An Accountability Assessment of the Mississippi Department of Rehabilitation Services.**

Bill Canon

Senator Bill Canon, Chairman

This report does not recommend increased funding or additional staff.

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List of Exhibits

An Accountability Assessment of the Mississippi Department of Rehabilitation Services

Executive Summary

November 12, 1996

Introduction

The Mississippi Department of Rehabilitation Services provides vocational rehabilitation services to persons with physical and mental disabilities or handicaps. Because Mississippi's pool of potentially eligible adults is so large (70.8 severely work-disabled adults per 1,000 members of the working-age population [aged 16-64], based on 1990 census information), MDRS must identify the individuals most in need of and most likely to benefit from its services and must provide its services as efficiently and effectively as possible.

In response to a legislative request, PEER reviewed MDRS's utilization of resources in the accomplishment of its legislative mission and sought to:

- determine what needs MDRS should be meeting and its legislatively intended purpose;
- determine whether policymakers can rely on the information MDRS provides to demonstrate its effectiveness in meeting these needs and accomplishing this purpose; and,
- address allegations of misuse of state resources by MDRS employees.

After receiving additional legislative requests during the course of fieldwork, PEER modified its review of MDRS's utilization of resources to include a review of expenditures in two specific areas. Legislators requested that PEER staff review MDRS's Executive Director's travel expenses for compliance with state law and procedures and MDRS's purchase of modular office furniture in 1994.*

*On November 5, 1996, the Executive Director of MDRS, Mrs. Nell Carney, announced her resignation effective December 31, 1996, citing health reasons. PEER staff had completed field work and MDRS had reviewed PEER's draft report prior to the resignation announcement. Ms. Carney's resignation changes nothing relative to PEER's report.

Overview

MDRS has not properly implemented a management information system which allows for valid and reliable collection of data on clients served, duration of services, clients rehabilitated, and cost per client served. As a result, MDRS cannot accurately monitor its performance nor use existing data to demonstrate the adequacy of its performance to the Legislature. At present, any conclusions on MDRS's program effectiveness would be based on purely anecdotal information and should not be relied on as a basis for policymaking.

Regarding MDRS's utilization of state resources, PEER found that:

- Although MDRS has complied with the U. S. Department of Education's Inspector General's recommendation to develop internal control policies, MDRS has not implemented procedures prohibiting misuse of agency resources. This creates a poor internal control environment and places federal and state funds at risk.
- The Department of Finance and Administration has allowed MDRS's Executive Director to receive travel reimbursements for departmental business without submitting proper documentation.
- When consolidating Jackson-based operations into its Madison County office, MDRS paid approximately $101,140 for modular furniture which did not meet bid specifications.

Recommendations

1. The Legislature should require MDRS to provide information that answers the policy questions presented in this report in the agency's annual report to the Legislature.

   To do so, MDRS should implement a comprehensive management information system incorporating procedures to help ensure data integrity and collect data elements necessary for policy analysis. Such elements should include, but should not be limited to:

- the number of potential clients by severity by region by county;
- the number of rehabilitated clients retained in employment after one year;
- the number of clients rehabilitated versus the number of potential clients to be served;
- the increase in lifetime earnings of rehabilitated clients for every Vocational Rehabilitation or Vocational Rehabilitation for the Blind dollar expended;
- the impact on the state's tax base for every $1,000 income of rehabilitated clients; and,
- the amount of Vocational Rehabilitation case service funds expended on rehabilitated clients referred to Vocational Rehabilitation or Vocational Rehabilitation for the Blind by Disability Determination Services versus the estimated savings in Social Security Disability Insurance payments.

2. MDRS should submit a status report to the Senate and House Public Health and Welfare committees by January 15, 1997, as to the utilization of System 5 as an agency-wide central data base. This report should address steps taken by MDRS to insure the validity and reliability of data entered into the system and steps the agency will take, if necessary at that time, to establish agency-wide reporting and management's utilization of such reports for program improvements.

3. MDRS should immediately develop specific internal procedures which will restrict the use of equipment, supplies, and time to Vocational Rehabilitation-related use only in accordance with the U.S. Department of Education's Inspector General's 1993 recommendation.

4. The Department of Finance and Administration should require MDRS's Executive Director to comply with DFA policies and procedures and state travel laws.

5. MDRS's Executive Director should comply with all state travel regulations and laws and MDRS travel policies. In addition, MDRS should not submit requests for travel reimbursement to DFA which do not comply with all state travel policies.

6. MDRS, in conjunction with the Department of Finance and Administration, Bureau of Purchasing, should determine the exact amount MDRS overpaid for modular furniture which did not meet bid specifications from MISSCO and should institute the proper legal procedures for obtaining a refund in this amount with interest.

For More Information or Clarification, Contact:

PEER Committee
P. O. Box 1204
Jackson, MS 39215-1204
(601) 359-1226
http://www.peer.state.ms.us

Senator William Canon, Chairman
Columbus, MS (601) 328-3018

Representative Billy Bowles, Vice-Chairman
Houston, MS (601) 456-2573

Representative Alyce Clarke, Secretary
Jackson, MS (601) 354-5453

An Accountability Assessment of the Mississippi Department of Rehabilitation Services

Introduction

Authority

In accordance with MISS. CODE ANN. Section 5-3-57 (1972), the PEER Committee reviewed the Mississippi Department of Rehabilitation Services, hereinafter referred to as MDRS, in response to a legislative request.

Scope and Purpose

Pursuant to receiving a legislative request for an investigation of alleged misuse of state resources by the director of MDRS, the PEER Committee authorized an assessment of the department's accountability in providing rehabilitation services. PEER reviewed MDRS's utilization of resources in the accomplishment of its legislative mission and sought to:

- determine what needs MDRS should be meeting and its legislatively intended purpose;
- determine whether policymakers can rely on the information MDRS provides to demonstrate its effectiveness in meeting these needs and accomplishing this purpose; and,
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Method

During the course of its review, PEER:

- analyzed federal and state laws governing MDRS and the provision of rehabilitative services to disabled citizens;
- conducted site inspections at four district offices;
- analyzed case management data for the period July 1, 1991, through May 15, 1996;
- reviewed MDRS's Vocational Rehabilitation *Policy Manual*; Office of Vocational Rehabilitation for the Blind *Procedures Manual*, Human Resource *Development Policy*, and, Executive Director's Memoranda (1993-present);
- reviewed performance indicators for the Office of Vocational Rehabilitation, Office of Vocational Rehabilitation for the Blind, and Office of Disability Determination;
- reviewed MDRS's Executive Director's travel for the period January 25, 1993, through May 15, 1996; and,
- reviewed the events surrounding MDRS's purchase of modular furniture for its Madison office.

Overview

MDRS has not properly implemented a management information system which allows for valid and reliable collection of data on clients served, duration of services, clients rehabilitated, and cost per client served. As a result, MDRS cannot accurately monitor its performance nor use existing data to demonstrate the adequacy of its performance to the Legislature. At present, any conclusions on MDRS's program effectiveness would be based on purely anecdotal information and should not be relied on as a basis for policymaking.

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Background

History of MDRS

The federal Rehabilitation Act of 1973, as amended in 1986 and 1992, authorizes the Vocational Rehabilitation Basic Support Program to provide vocational rehabilitation services to persons with physical and mental disabilities or handicaps. The federal government's Office of the Assistant Secretary for Special Education and Rehabilitative Services, Department of Education, is responsible for the administration of the program, which it does through the Rehabilitation Services Administration (RSA) and its regional offices. Each state administers the Basic Support Program through an agency designated to manage the Vocational Rehabilitation program in that state. This agency, through the State Plan, is required to adopt policies and methods relevant to the fiscal administration and control of the Vocational Rehabilitation program. The State Plan must assure reliable accounting for the nature and amount of charges claimed against grants to the state.

Since 1983, responsibility for provision of rehabilitation services in Mississippi has shifted from the Department of Education to a free-standing rehabilitation agency (1983), to the Department of Human Services (1989), then back to a free-standing agency (1991). Prior to 1983, Mississippi's Vocational Rehabilitation program was a part of the Mississippi Department of Education. The Legislature created the Department of Rehabilitation Services in 1983 with two divisions--Vocational Rehabilitation and Disability Determination. Mississippi Vocational Rehabilitation for the Blind operated as a separate state agency from 1975 through 1989. The vocational rehabilitation program and Mississippi Vocational Rehabilitation for the Blind became components of the Department of Human Services in 1989. The general vocational rehabilitation program and disability determination services were under the Office of Vocational Rehabilitation, while the Vocational Rehabilitation Agency for the Blind was established as a separate division.

The Legislature created the Mississippi Department of Rehabilitation Services in February 1991 to begin operations July 1, 1991. MISS. CODE ANN. Section 37-33-153 (1972) required that the department be organized into the following offices: Office of Vocational Rehabilitation; Office of Disability Determination Services; Office of Handicapped Services; and, Office of Vocational Rehabilitation for the Blind. 1992 brought the elimination of the Office of Handicapped Services and the creation of the Office of Special Services for Individuals with Disabilities as well as the Office of Support Services. MDRS reorganized in 1994, replacing the Office of Special Services for Individuals with Disabilities with the Office of Independent Living.

MDRS is governed by the State Board of Rehabilitation Services, consisting of two appointed members and the following five state officials: the Executive Director of the State Department of Health, the Executive Director of the State Department of Mental Health, the State Superintendent of Education, the Director of the Division of Vocational and Technical Education of the State Department of Education, and the Executive Director of the Department of Human Services.

Need for Rehabilitation Services

The 1990 Census reported the number of people sixteen and older who reported having any of four kinds of long-term disability--a limited ability to work, an inability to work, any difficulty in going outside the home, and/or any difficulty with personal care. Two recent reports contain analyses of Mississippi's data on work and long-term disabilities.

In 1995, the Vocational Rehabilitation Advisory Council, formed in response to requirements of the Rehabilitation Act of 1973, recommended that MDRS study the changing trends and needs of the clients qualifying as disabled. The department contracted for the study with Dr. Larry Logue of Mississippi College to provide projections of Mississippi's disabled population based on 1990 census data. Dr. Logue's study, entitled "The Disabled Population in Mississippi, 1995-2005," found that the size of all four of the identified disability groups in Mississippi is projected to grow faster than the population as a whole from 1995 to 2005, with personal care difficulties increasing the fastest. Logue found that the makeup of Mississippi's population is expected to change. The white population is growing older, while the African-American population is greatly increasing in the middle ages and sharply falling after sixty. Nonwhites have higher rates of disability and their growing numbers will result in an expanding disabled population.

The U. S. Department of Education's National Institute on Disability and Rehabilitation Research utilized the 1990 Census, the 1990 Current Population Survey (CPS), and the 1988-90 National Health Interview Survey (NHIS). The report began by stating that disability is highly related to socioeconomic, cultural, and environmental conditions. The states and the District of Columbia differ widely in the wealth, educational attainment, racial and ethnic composition, and social beliefs of their populations, and in their natural physical environments. Thus, rates of disability vary by region and from state to state. Mississippi is located within a "disability belt" that runs through Appalachia and the Mississippi Valley. This region has the highest rate of Social Security disability beneficiaries in the country among people of working ages with severe disabilities. This study found the following:

- An adult in Mississippi is three times as likely as one in Alaska to have difficulty in mobility or self-care.

- An elderly person in Mississippi is twice as likely as one in South Dakota to have difficulty in mobility or self-care.

- A person in Mississippi is about 2.8 times as likely as one in Wyoming to be limited in major activity.

- Mississippi had the fourth-highest (109.8) rate of work limitation per thousand population in 1990, a slight reduction from its 1980 third-highest (117.6) rate.

- Mississippi had the third-highest (70.8) rate of severe work disability per thousand population in 1990. Mississippi is tied with Louisiana for 35th place on nonsevere work disability (39.0).

- Mississippi had the highest (104.1) rate of mobility or self-care limitations per thousand population in persons sixteen years of age or older, the second-highest rate (70.1) of mobility or self-care limitations per thousand population in persons sixteen years to sixty-four years of age or older, and the highest (276.9) rate of mobility or self-care limitations per thousand population in persons sixty-five years of age or older.

- According to the 1988-90 National Health Interview Survey, Mississippi has the highest rate (199.2) of any activity limitation per thousand people of all ages. Mississippi ranks 33rd (42.9) in nonmajor activity limitation, but ranks first (156.3) in major activity limitation.

Thus, although data is not available by type of disability or on a lower level than statewide, it is evident that Mississippi, compared to other states, has a large disabled population, including many with severe disabilities that limit major activities.

With 70.8 severely work-disabled adults per 1,000 members of the working-age population (aged 16 to 64), Mississippi has approximately 110,306 severely disabled working-age adults. (Not all of these individuals can benefit from the vocational rehabilitation services offered by MDRS.) At present funding levels, MDRS estimates that it cannot serve all the rehabilitation needs of Mississippi residents, but it is meeting the needs of all who apply and are determined to be eligible for services. Because Mississippi's pool of potentially eligible adults is so large, MDRS must identify the individuals most in need of and most likely to benefit from its services and must provide its services as efficiently and effectively as possible.

Client Services

In accordance with MDRS's vocational rehabilitation policies, to be eligible to receive Vocational Rehabilitation services, individuals must have a "physical or mental impairment which constitutes a substantial impediment to employment," and they must also have the potential for getting and keeping a job as a result of vocational rehabilitation intervention. To be determined rehabilitated, an individual with a disability must have been, as a minimum:

(1) determined to be eligible for vocational rehabilitation services;

(2) provided an assessment for determining eligibility and vocational rehabilitation needs and counseling and guidance as essential vocational rehabilitation services;

(3) provided appropriate and substantial vocational rehabilitation services in accordance with the individualized written rehabilitation program; and,

(4) determined to have achieved and maintained a suitable employment goal for at least sixty days.

MDRS provides rehabilitation services to clients through nine districts throughout the state (see Exhibit 1, page 8). District offices are staffed with Vocational Rehabilitation counselors and assistants, as well as staff specialized for assistive technology, blind and deaf counseling services, and transition services (school to work). As shown on Exhibit 2, page 9, MDRS operated under six offices at the time of this review: Human Resource Development, Finance and Information Management, Administrative Services, Vocational Rehabilitation for the Blind, Disability Determination Services, and Vocational Rehabilitation. Below is an overview of the purpose and responsibilities of the Offices of Vocational Rehabilitation, Vocational Rehabilitation for the Blind, and Disability Determination Services, the three offices which provide direct client services.

Office of Vocational Rehabilitation

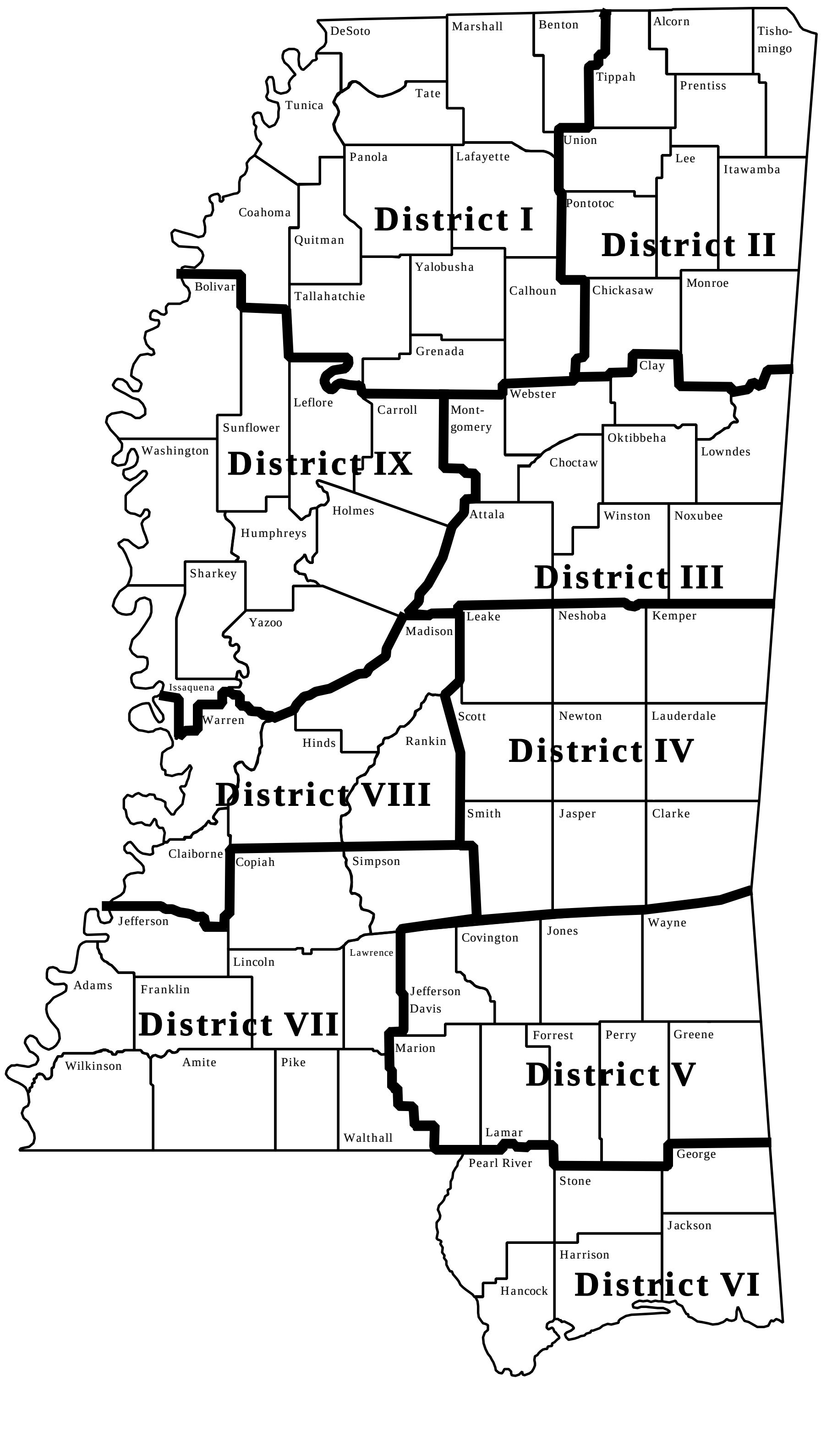
MDRS counselors develop an individualized written rehabilitation plan for each individual who is determined to be eligible for rehabilitation services. Services available through the Office of Vocational Rehabilitation include: medical assistance, psychological/psychiatric intervention, physical and occupational therapy, vocational evaluation, personal adjustment training, counseling and guidance, job placement, assistive technology, prosthetic and orthotic devices, educational assistance, and job training. Appendix A, page 31, lists programs operated by the Office of Vocational Rehabilitation.

Office of Vocational Rehabilitation for the Blind

This office provides vocational rehabilitation, independent living, and supported employment services on a statewide basis to eligible blind and visually impaired persons so that they can achieve vocational and personal independence at a level commensurate with their ability. Appendix B, page 33, lists programs operated by the Office of Vocational Rehabilitation for the Blind.

Exhibit 1

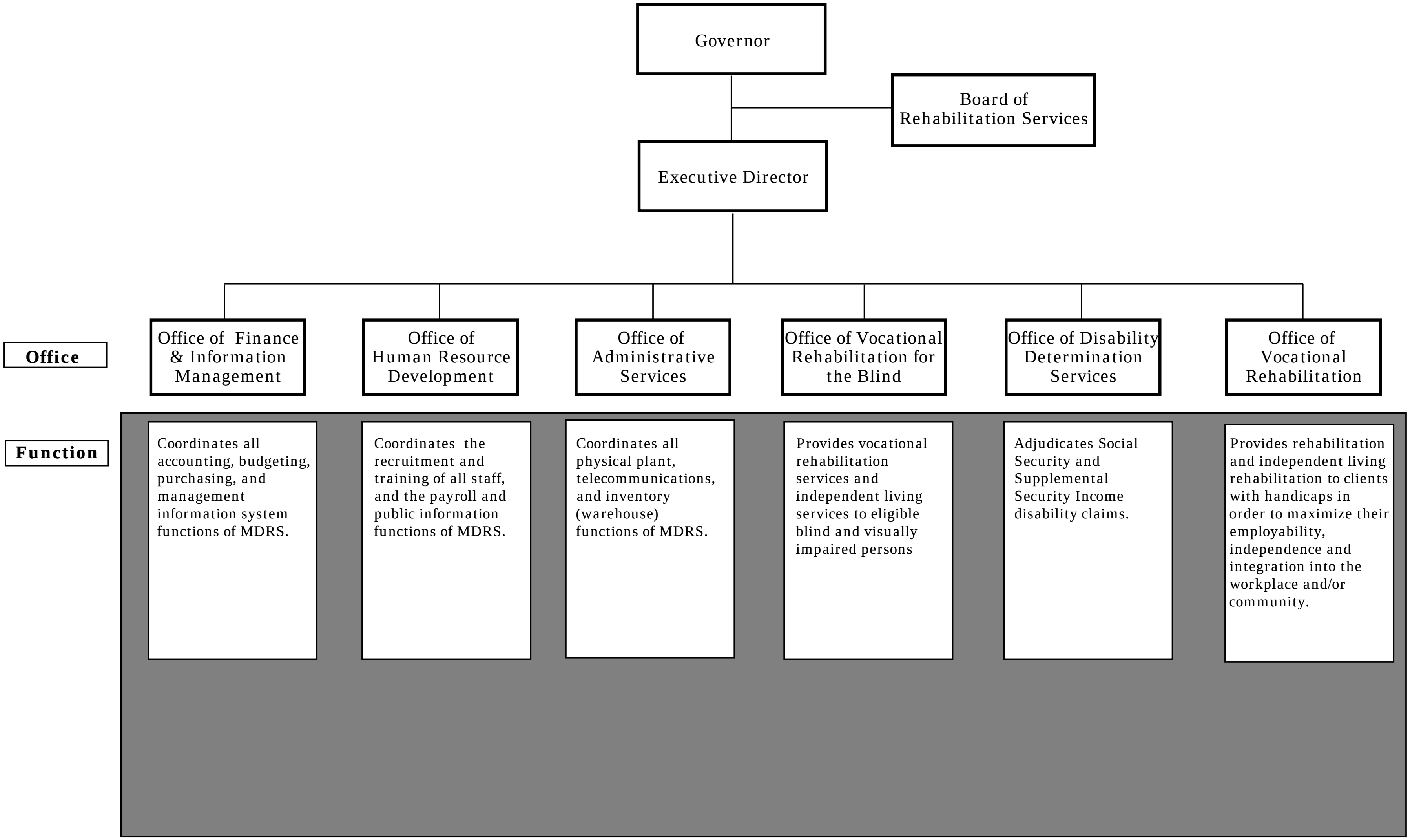
MDRS Service Districts
Fiscal Years 1992-1996



SOURCE: Mississippi Department of Rehabilitation Services.

Exhibit 2

Organizational Structure and Major Functions of the Mississippi Department of Rehabilitation Services As of July 1, 1996



SOURCE: MDRS's Fiscal Years 1997 and 1998 budget requests.

Office of Disability Determination Services

The Office of Disability Determination Services is a state agency under contract, as specified by federal regulations, to perform disability determinations for the Social Security Administration. This office processes claims for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). SSDI does not consider an individual's income or resources and usually involves only claims for adults. SSI has income and resource limitations and involves claims for both children and adults. The Office of Disability Determination Services, whose operations are centralized in MDRS's Madison office, refers any disability applicant who may be eligible for rehabilitation services to the Office of Vocational Rehabilitation or the Office of Vocational Rehabilitation for the Blind.

Legislative Intent of Rehabilitation Services

Federal Law

The Rehabilitation Act of 1973 as Amended by the Rehabilitation Act Amendments of 1992's purposes are to:

> *empower individuals with disabilities to maximize employment, economic self-sufficiency, independence, and inclusion and integration into society through: comprehensive and coordinated state-of-the-art programs of vocational rehabilitation; independent living centers and services; research; training; demonstration projects; and, the guarantee of equal opportunity...to ensure that the Federal Government plays a leadership role in promoting the employment of individuals with disabilities, especially individuals with severe disabilities, and in assisting States and providers of services in fulfilling the aspirations of such individuals with disabilities for meaningful and gainful employment and independent living.*

The Rehabilitation Act of 1973 as Amended by the Rehabilitation Act Amendments of 1992 defines "individual with a disability" as any individual who has a physical or mental impairment which substantially limits one or more of such person's major life activities, including employment, and who can benefit in terms of employment from vocational rehabilitation services. An "individual with a <u>severe</u> disability" is a person who "has a severe physical or mental impairment which seriously limits one or more functional capacities (such as mobility, communication, self-care, self-direction, interpersonal skills, work tolerance, or work skills) in terms of employment outcomes." This includes physical or mental disabilities resulting from, but not limited to, amputation, blindness, cancer, deafness, head injury, heart disease, mental retardation, muscular dystrophy, musculo-skeletal disorders, neurological disorders, spinal cord conditions, specific learning disabilities, end-stage renal disease, or another disability or combination of disabilities determined on the basis of an assessment.

According to federal law, MDRS is to serve a broad spectrum of disabled individuals whose physical or mental condition impairs their individual ability to work or to live.

State Law

MISS. CODE ANN. Section 37-33-152 (1972) declares the policy of the state to be to:

> *. . .provide rehabilitation services, to the extent needed and feasible within resources available, to eligible disabled and/or handicapped individuals throughout the state, to the end that they may engage in useful and remunerative occupations and live independently to the extent of their capabilities, thereby increasing their social and economic well-being and that of their families, and the productive capacity of this state and nation, also thereby reducing the burden of dependency on families and taxpayers.*

MISS. CODE ANN. Section 37-33-13 defines "handicap" as "a physical or mental condition which constitutes, contributes to or if not corrected will probably result in an impairment to occupational performance or independent living capacity." The section defines "disabled individual" as "any disabled person who has a substantial handicap." MISS. CODE ANN. Section 37-33-53 (1972) defines "blind individual" as "any person with insufficient vision to perform tasks for which sight is essential."

Thus, according to state law, MDRS is to serve blind and handicapped individuals whose physical or mental condition impairs their ability to work or to live.

MDRS Goals and Objectives

MDRS's FY 1996 Strategic Management Plan includes the following mission statement:

> *It is the mission of the Offices of Vocational Rehabilitation and Vocational Rehabilitation for the Blind to provide timely and quality vocational rehabilitation services to individuals with disabilities leading to employment, independence, and integration into the mainstream of Mississippi society. The Offices of Vocational Rehabilitation and Vocational Rehabilitation for the Blind embrace the concepts of consumer input, consumer choice, expansion of services, outreach to minorities, and accountability in its mission.*

MDRS developed five goals towards the attainment and fulfillment of the above mission:

Goal 1: Increase employment opportunities for people with disabilities.

Goal 2: Increase services to individuals with disabilities.

Goal 3: Improve quality, which includes timeliness, of planned rehabilitation services.

Goal 4: Achieve efficiency and accountability.

Goal 5: Develop and implement a program of transition services for youth with disabilities.

MDRS Resources Available to Fulfill Legislative Intent

As shown in Exhibit 3, page 13, MDRS is primarily funded through federal grants awarded to Mississippi through the U. S. Department of Education, Rehabilitation Services Administration. These federal funds are divided between the Office of Vocational Rehabilitation and the Office of Vocational Rehabilitation for the Blind on a formula basis of 79% to 21%, respectively. Vocational Rehabilitation's Basic Support Grant, which accounts for the majority of its funds and must be matched by non-federal funds, is matched on a percentage ratio of 78.7% federal to 21.3% non-federal monies. Other grant programs are funded in ratios of 90% federal to 10% non-federal monies, with some grant programs being 100% federally funded. The Office of Disability Determination is one hundred percent federally funded through the Social Security Administration.

MDRS now utilizes fewer personnel to provide services to clients than it has in recent years (see Exhibit 4, page 14). MDRS has reduced its workforce by 294 positions since 1992. The Office of Vocational Rehabilitation has historically employed the most personnel, having employed 487 personnel in FY 1996 as compared to 320 personnel in all other offices. As discussed in the finding on page 16, MDRS's failure to establish a valid and reliable management information system prevented PEER staff from analyzing the effects of such reductions in positions on the provision of case services to clients.

Exhibit 3

MDRS Expenditures and Revenues
Fiscal Years 1992 to 1996

Expenditures	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Personal Services					
Salaries and Fringes	$26,686,168	$26,332,878	$25,773,015	$27,702,518	$27,103,688
Travel	$654,601	$617,723	$616,661	$760,307	$539,223
Contractual Services	$6,240,868	$6,592,432	$8,348,376	$8,653,456	$7,455,283
Commodities	$549,585	$526,441	$526,561	$671,339	$427,786
Capital Outlay					
Other Than Equipment	$10,904	$25,846	$13,500	$79,473	$10,855
Equipment	$636,035	$1,043,528	$2,341,375	$2,169,660	$660,388
Subsidies, Loans & Grants	$21,030,711	$21,976,094	$25,660,645	$27,230,841	$22,553,520
Total Expenditures	$55,808,872	$57,114,942	$63,280,133	$67,267,594	$58,750,743
Revenues					
General Funds	$4,914,446	$5,342,414	$7,114,625	$8,030,927	$8,332,534
Special Funds	$50,894,426	$51,772,528	$56,165,508	$59,236,667	$50,418,209
Total Funds	**$55,808,872**	**$57,114,942**	**$63,280,133**	**$67,267,594**	**$58,750,743**

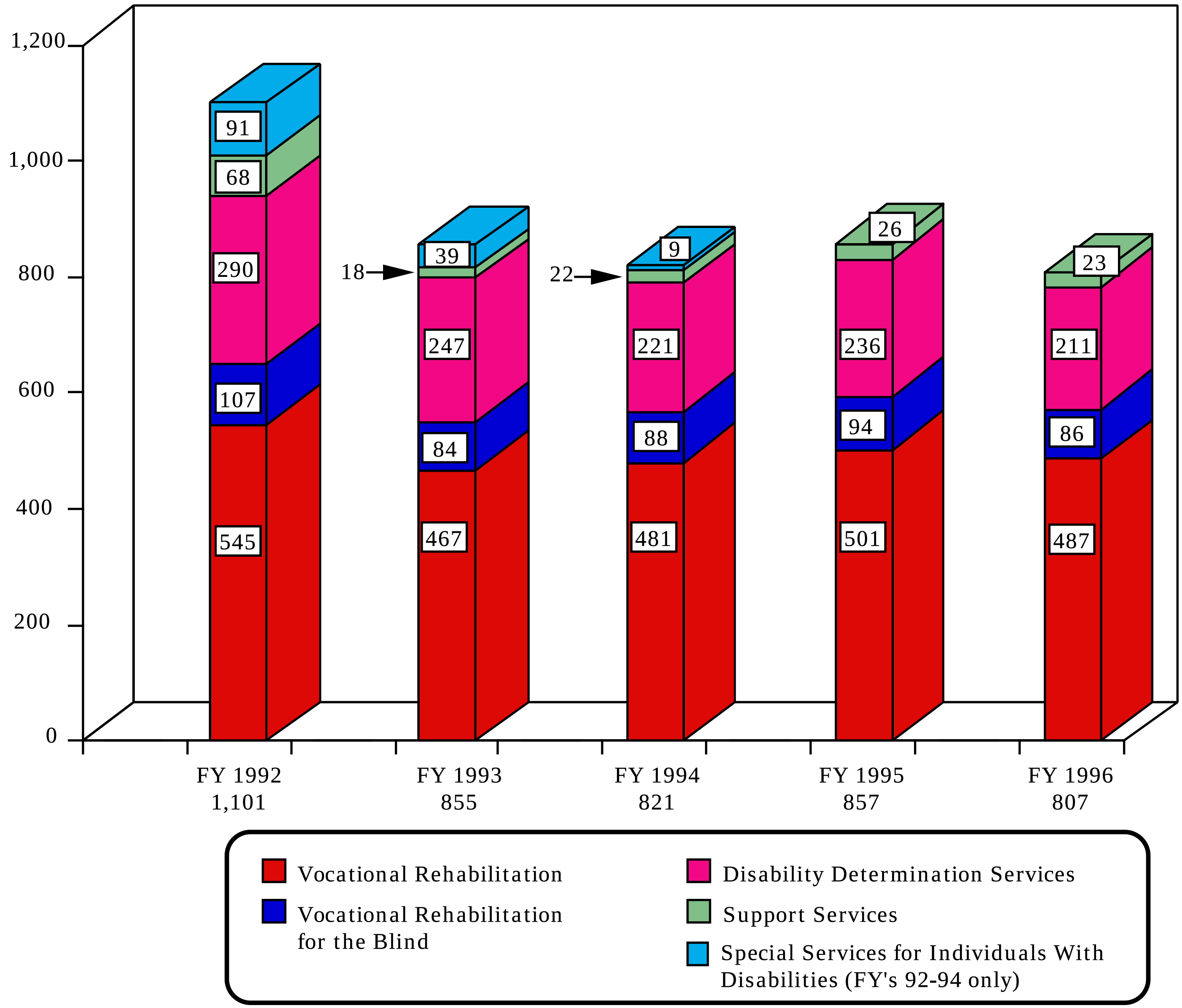
MDRS Expenditures by Program
Fiscal Years 1992 to 1996

Program	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Vocational Rehabilitation	$28,855,822	$30,619,841	$34,944,512	$36,340,350	$32,413,769
Vocational Rehabilitation for the Blind	6,512,625	6,381,303	7,582,618	8,583,504	7,235,639
Support Services	1,864,388	1,145,019	1,388,269	1,672,115	1,528,802
Disability Determination	18,576,037	18,968,779	19,364,734	20,671,625	17,572,533
Total Expenditures	**$55,808,872**	**$57,114,942**	**$63,280,133**	**$67,267,594**	**$58,750,743**

SOURCE: FY 1992 - 1997 Budget Reports and MDRS FY 1998 Budget Request.

Exhibit 4

MDRS Positions by Program, Fiscal Years 1992-1996



SOURCE: PEER analysis of FY 1992 Budget Report and State Personnel Board FY's 1993-1996 documents.

Evaluability and Accountability of MDRS

Nature of Program Evaluation

Program Indicators

Program evaluation involves measuring program performance through analysis of resource expenditures, program activities, and program outcomes. Policymakers, managers, and staff utilize program evaluation to change program resources, activities, or objectives in order to improve program performance. In planning program evaluations, evaluators must consider the feasibility and costs of evaluation designs against the probable benefits of the evaluation results in improving program performance.

When designing program evaluations intended to improve program performance, evaluators identify the program's goals, objectives, and performance indicators (i.e., types of evidence) by which the program will be measured. Evaluators also identify the data sources to be used for measurements, comparisons, and analysis. Four problems generally occur at this point in planning: (1) evaluators and intended users of the evaluation cannot agree on the goals, objectives, side effects, and performance criteria to be used in the evaluation; (2) goals and objectives of the program are unrealistic given the resources that have been committed to the program and the program activities; (3) relevant information on program performance is not available; and, (4) administrators are unwilling to change the program on the basis of evaluation information.

Collecting information alone is not sufficient for improving program performance. Improving program performance requires results-oriented management which is directed at producing demonstrable improvements in the performance and results of programs. Results-oriented management is the purposeful use of resources and information to achieve measurable progress toward program outcome objectives related to program goals. One evaluation tool which offers such information is evaluability assessment.

Evaluability Assessment

In considering the evaluability of an agency or program, an evaluator must ask two questions: (1) Can policymakers rely on the agency's information system to provide accurate information on activities and effectiveness; and, (2) if not, can an evaluation using other data sources be conducted efficiently?

In assessing a program, an evaluator documents the feasibility of measuring program performance and estimates the likelihood that program objectives will be achieved. In documenting the flow of resources, clients, and program performance information, evaluators determine what program performance information could be developed in a full-scale evaluation.

Evaluators are also able to determine the likelihood that program objectives will be achieved. The emphasis is on actual, rather than intended, program results.

One possible conclusion of an evaluability assessment is that the evaluation is premature because the program is not managed for results. If this is the case, evaluators should recommend that program managers initiate a program design effort to define the measurable objectives and explicit, testable assumptions linking expenditures, program activities, intended outcomes, and the intended impact on the needs addressed by the program.

Poor data does not necessarily terminate the potential for a program's evaluation. The evaluator must determine the efficiency and feasibility of utilizing alternate data sources or means of evaluation. The evaluator often determines that the costs of doing such outweigh the potential benefits of the evaluation and recommends deferring the evaluation pursuant to the agency's implementation of a valid and reliable management information system.

MDRS's Accountability Information

Some legislators have recently expressed interest in determining whether MDRS's performance has improved or declined over the past several years. However, MDRS's database for the five-year period under consideration is so flawed that neither MDRS managers nor outside reviewers can use it to compile accurate reports on client services or outcomes.

MDRS's management information system does not provide policymakers accurate information on agency activities and effectiveness.

An effective management information system should collect, organize, and present information for use by agency management in planning and decisionmaking. Such systems can identify how clients have changed as a result of services provided by the agency in measurable terms to increase agency accountability. One purpose of this review was to determine if MDRS measures its own effectiveness--i.e., whether it manages for results. An effective outcome monitoring system must report indicators that either measure desired outcomes or are clearly relevant and linked to the achievement of those outcomes.

PEER determined that MDRS does not manage its programs for results and, thus, MDRS cannot demonstrate its accountability for use of state resources. Although the agency has developed program objectives, it has not identified key indicators which realistically measure the agency's accomplishment of such objectives. Further, MDRS has not properly implemented a management information system which allows for valid and reliable data collection regarding such indicators, and, thus, the analysis of the agency's performance.

Lack of Critical Data Elements and Data Integrity Problems--As shown in Exhibit 5, pages 20 and 21, MDRS's current management information system collects data relevant to only eight of the thirteen indicators PEER considers critical to analyzing the agency's outputs and outcomes and data relevant to only nine of the twelve indicators for determining the agency's efficiency. MDRS's current management information system represents an improvement over the old system because it now has clearly defined data fields necessary to use in measuring performance.

Both MDRS's new system, System 5, and its former system, System 36, possess(ed) data integrity problems. MDRS cannot verify the validity of data in System 36. System 5 does not have an adequate security system. For example, it does not have password controls--i.e., each employee is not granted a unique security access code which is trackable. Although menu options differ for action which may be taken for different staff levels (i.e., counselor, district manager, central office), personnel may sign on under another name and make changes to files. This security weakness could interfere with managers' detection of case management problems.

MDRS managers acknowledged a major deficiency in its accountability system in 1994 (System 36). In justifying the need for a new management information system, MDRS's Executive Director stated that "the current system is inadequate due to data integrity problems created by a lack of cohesive design by data processing personnel who have since left the department." MDRS planned to have the new system implemented agency-wide by December 31, 1994.

The system MDRS purchased, System 5, has some potential for effectively compiling data on service outputs, effectiveness, and efficiency. However, MDRS and its contractor are more than twelve months behind schedule in launching a fully functional replacement system. Although MDRS had software installed in all of its district offices, MDRS could not utilize System 5 as a central database because it could not compile agency-wide reports as of September 1, 1996. MDRS required Vocational Rehabilitation and Vocational Rehabilitation for the Blind counselors to utilize System 5 beginning August 15, 1995. As of October 1996, System 5 contained all case management information for FY 1996 but did not contain a clean master file of clients prior to August 15, 1995. Also, even when it is fully implemented, System 5 will not provide information on several important indicators of effectiveness and efficiency.

Reliable and valid historical data is critical to tracking MDRS's accomplishment of its intent and purpose. Historical data could be analyzed and interpreted to depict the changes in MDRS's provision of rehabilitation services to citizens of Mississippi through the years. Historical data would provide the information necessary to conduct a trends analysis to determine the impact of changes in policy, resources, or external conditions on the provision of services.

MDRS cannot insure the validity and reliability of data prior to FY 1996, because System 5's database is built on converted System 36 data, which MDRS's Executive Director admitted possessed data integrity problems. Weaknesses with the validity and reliability of MDRS's data occurred because of MDRS's and its predecessor agencies' failure through the years to ensure data integrity, including under the old System 36. The agency's problems with historical data on its past and current clients began long before data conversion to System 5 began. However, software contractors' attempts to load the agency's old, defective data into the new system revealed the extent of the agency's long-term data inadequacies. System 36's data set contained numerous case files on the same client. In addition, when questioned by PEER staff as to the accuracy and reliability of FY 92 through FY 95 data, MDRS's Management Information System (MIS) staff stated that the data is not accurate and that MDRS decided to implement a new management information system because the agency knew the electronic data did not match the original hard copy case files.

Further, PEER determined that the collection of valid statewide data on an ad hoc basis to arrive at an evaluative judgment about trends in MDRS's effectiveness was not feasible in this case. Potential data integrity problems and difficulty in obtaining the relatively old data needed for a trend analysis precluded even an ad hoc analysis of trends in services and program effects. PEER could not rely on the original paper case management files because of the lack of thoroughness of such files. At present, any conclusions on MDRS's program effectiveness would be based on purely anecdotal information and should not be relied on as a basis for policymaking.

Effects of Inadequate Management Information--With it current data problems, MDRS cannot conduct a valid and reliable annual evaluation, as required by Section 101 (a) (19) of The Rehabilitation Act of 1973 as Amended in 1992 and with 34 CFR 361.17 (c), of the effectiveness of the state's vocational rehabilitation program in achieving service goals and priorities as established in the agency's State Plan. In addition, although MDRS's Executive Director cited potential for untimely reporting to the federal government as a likely consequence if MDRS's proposal for System 5 had not been approved, MDRS submitted its RSA II report, which was due January 31, 1996, on March 15, 1996. MDRS MIS personnel informed PEER that they had to obtain extensions until April 30, 1996, for other reports due to data problems with System 5. MDRS MIS personnel also admitted that the federal reports were filled with inaccurate data due to data integrity and System 5 implementation problems, but justified such inaccuracies by stating that, as of May 1996, RSA had not reviewed MDRS's year-end FY 1994 reports. Personnel stated that MDRS would send RSA a "good copy" of the FY 1995 data reports when "the data gets cleaned up."

In addition to submitting inaccurate data to the federal government, MDRS cannot verify the accuracy of the information reported to the Mississippi Legislature as to the agency's effectiveness. MDRS has presented key performance indicators and measures in its annual reports and budget requests to the Legislature since FY 1992 based on data for which the agency cannot insure validity and reliability. MDRS must begin to manage for results and can initiate such management by collecting and utilizing valid and reliable data as to the agency's resources, activities, outcomes, and impact.

Exhibit 5

Accountability Capability of MDRS (FY 1992-Present)

Data Item	System 36 (FY's 92-95)		System V (FY 96 - Present)			
	Capability to collect	Clear definition	Capability to collect	Clear definition	Collected Manually	**Need for implementation**
What are MDRS's outputs?						
Identification & serving of eligible clients						
No. of civic and medical groups addressed					√	
No. of potential clients eligible for service					√	
No. of clients served by service	√		√			
Allocation of personnel resources based on need						
No. of potential clients by severity by region and county						√
Allocation of resources at state, region and county levels	√	√	√	√		
Equitable workload of rehab counselors						
Caseload by region and county levels	√	√	√	√		
What are MDRS's outcomes?						
Progress in rehabilitating clients						
No. of clients rehabilitated	√	√	√	√		
No. of rehabilitated clients retained in employment after one year						√
Percent of rehabilitants earning at least minimum wage	√		√	√		
No. of clients whose cases are closed without rehabilitation	√	√	√	√		
Program effectiveness of meeting the state's rehab services needs						
No. of applicants determined to be eligible	√	√	√	√		
No. of clients rehabilitated v. no. of potential clients						√
No. of clients rehabilitated v. no. of eligible clients	√	√	√	√		

NOTE: Data should be collected/reported for "Severely disabled" and "Non-severely disabled."

SOURCE: PEER analysis of MDRS Management Information Systems.

Exhibit 5 (continued)

Data Item	System 36 (FY's 92-95) Capability to collect	System 36 (FY's 92-95) Clear definition	System V (FY 96 - Present) Capability to collect	System V (FY 96 - Present) Clear definition	Collected Manually	**Need for implementation**
How efficient is MDRS?						
Cost effectiveness of program						
Cost per applicant determined ineligible	√		√	√		
Cost per eligible client served but not rehabilitated	√		√	√		
Cost per client rehabilitated	√		√	√		
Impact on state economy						
Avg. annual salary increase of rehabilitated client	√		√			
Increase in lifetime earnings of rehabili-tated client for every VR or VRB dollar						√
Impact on state tax base for every $1,000 income of rehabilitated client						√
Impact on Social Security's Disability Insurance						
No. of DDS referrals to MDRS	√	√	√	√		
No. of DDS referrals determined eligible	√	√	√	√		
No. of DDS referrals rehabilitated	√	√	√	√		
VR case service funds expended on rehabilitated DDS referrals v. estimated SSDI savings						√
Average length of case service						
Length of service for all cases by phase	√		√	√		
Length of service for rehabilitated cases	√		√	√		

MDRS's Utilization of Resources

At the onset of this review, PEER staff received allegations and complaints from legislators of misuse of state resources by MDRS employees. Specifically, these allegations focused on a lack of internal controls over resources, misuse of travel funds, and excessive travel by MDRS's Executive Director, and MDRS's payment for goods which it did not receive.

Although MDRS has complied with the U. S. Department of Education's Inspector General's recommendation to develop internal control policies, MDRS has not implemented procedures prohibiting misuse of agency resources.

At the onset of this review, PEER staff received allegations that MDRS maintenance employees, utilizing MDRS equipment, supplies, and resources, had performed construction and maintenance work at the private home of MDRS's Executive Director. While reviewing MDRS policies for internal controls which would safeguard against such misuse of state resources, PEER noted that the United States Department of Education, Office of Inspector General, had issued an "Audit of the Internal Control Environment and Appearance of Conflicts of Interest in the Mississippi Department of Vocational Rehabilitation" on July 27, 1993. The Inspector General conducted this audit, which encompassed federal fiscal years 1990, 1991, and 1992, to determine if employees' potential conflicts of interest violated federal laws and whether equipment purchased with federal funds was used for unauthorized purposes. MDRS managers, directors, and supervisors had participated in activities that gave the appearance of conflicts of interest. These employees were officers or members of special interest groups whose operational and political agendas included activities that appeared to conflict with employees' responsibilities at MDRS. The Inspector General found that such conditions resulted from a poor internal control environment and had placed federal funds at risk. The Inspector General found that employees had used agency equipment for non-agency activities (specifically using MDRS equipment, supplies, and staff time to create, print, or copy documents for political lobbying) and recommended that MDRS "develop specific internal policies which will restrict the use of equipment, supplies, and time to Vocational Rehabilitation related use only. . . ."

Federal regulations require grant recipients to safeguard assets (34 CFR 80.20), but rely on state laws and policies to see that assets are used only for authorized purposes (34 CFR 80.32(b)). Internal controls are policies, procedures, and practices established or encouraged by management to safeguard assets, ensure accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Although maintenance employees confirmed that they have worked on their own time for MDRS's Executive Director, as well as other MDRS employees, PEER found no evidence of misuse of state resources. The maintenance employees stated that they used their own equipment to perform the work. MDRS's Executive Director provided copies of canceled personal checks written to the employees as compensation for their work. The dates on which maintenance workers reported working for MDRS's Executive Director matched the dates of her canceled personal checks for their work.

PEER staff also received an anonymous complaint that a counselor assistant was using state resources for personal matters. Specifically, the complaint alleged that the counselor assistant used state equipment, made long-distance phone calls, and conducted personal work for the American Legion on state time. The employee admitted to making personal copies and to using the fax machine, which involved long-distance line charges, on state time on behalf of the American Legion, but stated that long-distance facsimiles and phone calls were charged to her calling card. The employee agreed to make restitution for personal copies made with state equipment. When PEER staff asked the employee's district manager what type of internal controls he had implemented to prevent such misuse of state resources, he replied that such internal controls didn't exist, rather it is basically an honor and trust system.

Section IV, D, of MDRS's *Standards of Conduct* prohibits use of agency property of any kind for other than officially approved activity and prohibits the unauthorized use of agency property for personal use. However, when PEER staff inquired as to internal controls in place to prevent the use of state property for personal matters, MDRS personnel responded that, in practice, the controls have not been implemented. Although MDRS has issued written policy to address internal controls, MDRS is not enforcing such policies. Failure to enforce such policies could result in non-compliance. Internal controls such as the review of monthly phone bills or the daily recording of copier use could prevent the use of state resources for personal matters.

Although the purpose of MDRS's *Standards of Conduct* is to prescribe consistent, appropriate conduct for all agency employees, the department's written policies and standards must be enforced in order to be effective. All of the effects of MDRS's lack of internal controls may never be known due to a lack of monitoring for such effects. Improper utilization and oversight of agency resources place federal and state funds at risk.

The Department of Finance and Administration has allowed MDRS's Executive Director to receive travel reimbursements without submitting the proper documentation.

MISS. CODE ANN. Section 25-3-41 (1972) establishes guidelines for travel reimbursement of officers and employees of the State of Mississippi, and of any department, institution, board, or commission thereof. The section also authorizes the Department of Finance and Administration (DFA) to promulgate rules and regulations for economical travel expenses authorized under the section. DFA has established a State Travel Program to ensure fairness and consistency in the application and administration of travel expense reimbursement and to reduce and control the state's costs related to all components of official state business travel.

PEER staff received a request to review and analyze the MDRS Executive Director's travel expenses to determine if such expenses were incurred in accordance with state law and MDRS policies and procedures. PEER would normally hold an agency's administrative office and DFA jointly accountable for ensuring compliance with DFA policies. However, in the case of an executive director, only DFA can enforce travel controls because administrative personnel are subject to the directives of the individual seeking reimbursement. PEER reviewed forty-six travel transactions of the MDRS Executive Director for the period January 25, 1993 (the beginning of the current Executive Director's tenure), through May 15, 1996, and found that DFA had allowed MDRS's Executive Director to receive travel reimbursement without submitting the proper documentation related to conference-related travel. (These violations of state travel policy are procedural in nature. PEER does not conclude that MDRS's Executive Director received monies to which she is not entitled.)

Both DFA and MDRS have policies regarding travel reimbursements. DFA travel policy 108 requires state employees to attach copies of conference or seminar literature showing the conference hotel and rate when such conference rates are offered and the employee, rather than the state contract travel agent, makes the hotel reservations. MDRS Human Resource Development Policy 93-09, effective April 15, 1993, requires that out-of-state conference agendas or pamphlets showing registration fees, including the conference hotel, be included when an employee submits a travel voucher for reimbursement. MDRS enacted this policy in order to "use the best practices and techniques available within the Department, consistent with the training needs and the availability of funds, to increase the skills, knowledges, and abilities of DRS employees required for the performance of their current duties and those which they could be reasonably expected to perform in the future."

DFA did not require MDRS's Executive Director to comply with DFA policies and procedures requiring the attachment of copies of conference literature when she, rather than the state contract travel agent, made hotel reservations for eleven conference-related trips she made from January 25, 1993, through May 15, 1996. The Director of DFA's Office of Fiscal Management acknowledged that DFA should not have paid the requests for reimbursement without the proper documentation. She also stated that reimbursements occurred because the auditor in charge of reviewing MDRS's travel reimbursements was not aware of the waiver or conference brochure policy. Reimbursements for these trips totaled $4,097, including $2,830 for lodging.

Further, MDRS's Executive Director did not comply with MDRS Human Resource Development Policy 93-09 for these eleven and an additional four conference-related trips she made when she did not include out-of-state conference literature with her travel vouchers, regardless of whether MDRS or the state travel agent made hotel reservations. Reimbursement for these additional four trips totaled $2,097, for total reimbursement for the fifteen trips of $6,194.

PEER also identified instances of non-compliance with DFA policy which did not total significant sums of money, but violated state travel policy. MDRS's Executive Director claimed non-taxable meal expenses totaling $121.44, although such meals should have been claimed as taxable due to there being no overnight travel involved. In April 1993, the Executive Director claimed reimbursements totaling $85.42 for meals purchased for other MDRS employees without justifying the meals as being business- or work-related.

DFA has not enforced policies that ensure that MDRS's Executive Director complies with state and agency policies and procedures regarding travel. Such policies and procedures are in place to ensure fairness and consistency in the application and administration of travel expense reimbursement and to reduce and control the state's costs related to all components of official state business travel. These interests cannot be promoted or advanced if agencies do not hold all employees to these policies and procedures.

When consolidating Jackson-based operations into its Madison County office, MDRS paid approximately $101,140 for modular furniture which did not meet the bid specifications issued by MDRS nor the bid submitted by MISSCO.

Prior to January 1994, MDRS offices of the Executive Director, Disability Determination, Vocational Rehabilitation, and Vocational Rehabilitation for the Blind were all housed in separate locations. MDRS centralized and consolidated all of these Jackson-based operations into its present location in Madison in January 1994. As part of this move, the Social Security Administration committed approximately four million dollars toward the purchase of modular furniture for the new building and for a new data management system for the Office of Disability Determination Services.

MDRS issued a Request for Proposals (RFP) in the fall of 1993 for the purchase of Steelcase 9000 modular equipment for the formation of office cubicles in the Madison building. The RFP's bid specifications provide in its "General Requirements" for, but were not limited to, the following:

- minimum full face Noise Reduction Coefficient (NRC) acoustical rating of .65 on fabric panels;

- work surfaces with a true radius edge front where a single piece of laminate is rolled to create this radius. Vinyl, bullnose, or T molding square edge was not acceptable; and,

- all binder bins, shelves, center drawers, and pedestals had to be constructed of steel.

The RFP provided that all items to be offered as equal to the product specified in the RFP had to be approved by MDRS five working days prior to bid opening, scheduled for November 9, 1993. The MISSCO Corporation requested that Herman Miller Series III furniture be approved as equal. After reviewing

Herman Miller promotional literature, MDRS informed all interested bidders, via a memo dated November 2, 1993, that it had approved the following system furniture as equal to general requirements: Steelcase 9000 Enhanced System, Herman Miller Series III, and Haworth Places Systems. Panels in these series had to meet or exceed the NRC acoustical rating of .65 for fabric panels.

MDRS received three bids in response to the RFP, the lowest of which was MISSCO's bid in the amount of $767,428 for providing new Herman Miller Series III System Furniture and allowing MDRS a trade-in of $45,000 for its existing Steelcase System Furniture, for a total bid amount of $722,428. The product list submitted by MISSCO as part of its bid listed K1130 panels from the Herman Miller catalog as sound-reducing structural panels. MISSCO installed the modular furniture in January and February of 1994. The Department of Finance and Administration issued a warrant payable from MDRS fund 63330 (Vocational Rehabilitation Service Funds) to MISSCO for $722,428 on March 10, 1994.

Surprised that MISSCO's bid was over twenty-five percent lower than the next lowest bid, a representative of Haworth, Inc., arranged with MDRS personnel to inspect the installed modular furniture in April 1994. Upon doing so, he discovered that MISSCO had installed K1120 non-acoustical panels rather than K1130 acoustical panels as called for in the RFP. In correspondence dated June 21, 1994, MDRS's Executive Director informed Mr. Randolph Peets, President of Mississippi School Supply, that the substitution of K1120 panels for the bid K1130 panels was absolutely unacceptable to MDRS. She requested MISSCO replace the installed panels with those specified in MISSCO's bid. MDRS's Executive Director formed a team of senior management personnel to review the matter. After a survey of the modular furniture, the team informed the Executive Director on June 24, 1994, of its findings, including:

- the installed fabric covered panels did not meet the acoustical requirements of the RFP;

- the installed top caps and side rails were plastic rather than metal as called for in the RFP;

- the installed work surfaces had a square edge rather than a true radius edge as called for in the RFP;

- the installed center drawers and binder bins were plastic rather than steel as called for in the RFP; and,

- the flipper lid of the bin installed recessed across the top of the unit rather than into the unit and the bin did not have a rear lip as required.

The State Auditor's Office informed MDRS in July 1994 that a complaint had been made regarding the bid for modular furniture and requested MDRS's response as to whether MDRS was taking any action regarding the matter. MDRS retained the Garrison Barrett Group, Inc., of Birmingham, Alabama, to assess the installed modular furniture's compliance with bid specifications. In its report of September 19, 1994, the Garrison Barrett Group found that the installed Herman Miller Action Office Series III fabric covered panels (item K1120) had a NRC value of 0.10 rather than the required .65. Herman Miller Action Office Series III acoustical panels (item K1130), specified on MISSCO's product list submitted with its bid, have a NRC value of .70. The Garrison Barrett Group also found that MISSCO installed a plastic center drawer rather than metal and that MISSCO should have provided a metal pencil drawer in order to comply with the bid documents.

Inner Office, Inc., which had submitted an unsuccessful bid for the modular furniture, requested a written determination from the Department of Finance and Administration (DFA) in March 1995 as to what steps had been taken to correct MISSCO's non-compliance with its bid. DFA responded that it would not take any action on the matter until reviews of the situation by the Offices of the State Auditor and the Attorney General were complete.

Although she stated in a August 9, 1994, letter to Dr. Ed Ranck, Executive Director of the Department of Finance and Administration, that "some of that equipment did not meet the specific requirements of the bid request" and stated in correspondence dated June 21, 1994, to Mississippi School Supply that the substitution of non-acoustical panels for the bid acoustical panels was "absolutely unacceptable" to MDRS, MDRS's Executive Director told PEER staff in an August 1996 interview that she felt the agency received the furniture it paid for.

The MDRS Executive Director's explanation of events surrounding MISSCO's installation of the modular furniture conflicted with the above-mentioned documentation obtained by PEER staff regarding the matter. The Executive Director stated that the agency first became aware of the situation after receiving a letter from Inner Office, Inc., claiming that the installed furniture did not meet bid specifications. The Executive Director said that although MDRS personnel reviewed the matter and determined that MDRS received the furniture it paid for, confusion as to the acoustical standards for the bid led to MDRS's hiring of a consultant to decide whether the acoustics of the installed furniture complied with bid specifications. Upon receiving the consultant's report, which the Executive Director said she considered inconclusive, the agency referred the matter to the State Auditor's Office. According to MDRS's Executive Director, the State Auditor's Office determined that MDRS received the goods it paid for, but referred the matter to the Attorney General's Office for further review.

MDRS did not exercise due diligence in insuring that the furniture it received complied with bid specifications. MDRS's administrative personnel did not fulfill their responsibility of assuring that public funds were expended only when the specified goods were delivered. After acknowledging, as noted in the above-mentioned documentation, that the panels received did not comply with bid specifications, MDRS personnel failed to resolve the dispute.

PEER could not determine the exact amount paid by MDRS for K1130 panels when MISSCO actually installed K1120 panels because MISSCO submitted a nonitemized invoice. Based upon price lists in the Herman Miller systems furniture catalog, acoustical panels (K1130's) cost approximately thirteen to fifteen percent more than non-acoustical panels (K1120's). Fourteen percent of MISSCO's bid of $722,428 totals $101,140, which PEER estimates MDRS paid for goods it did not receive from MISSCO. MISSCO did not replace the materials which did not meet its own bid specifications and product list, although the company admitted that the installed items were in non-compliance with specifications. Although MDRS's own reviewers concluded that MISSCO had substituted inferior panels, MDRS did not demand a refund, which PEER staff estimates would total approximately $101,140, when MISSCO failed to replace the inferior panels with the product MDRS had specified and paid for.

Office of the State Auditor's Investigations Division personnel informed PEER staff that the Auditor's Office referred the matter to the Civil Litigation Division of the Attorney General's Office after determining that MDRS received panels which did not meet bid specifications. Audit personnel estimated that MDRS paid approximately $200,000 more than it should have for the panels. Audit personnel also reported that MDRS's Executive Director stated that the federal government would not allow MDRS to interrupt work for the amount of time that it would take to replace the panels. Office of the Attorney General personnel reported that, subsequent to receiving a complaint from an independent party, not the State Auditor's Office, its White Collar Crime Division did not find any evidence of criminal wrongdoing when it investigated the matter in 1995. Neither the State Auditor's Office nor the Attorney General's Office had active cases on the subject at the time of this report. However, as of October 24, 1996, the inferior panels had not been replaced and MISSCO had not refunded the difference between the cost of the panels they agreed to provide and the cost of the panels delivered.

Recommendations

1. The Legislature should require MDRS to provide information that answers the policy questions presented in Exhibit 5 of this report (pages 20 and 21) each year in the agency's annual report to the Legislature.

   To do so, MDRS should implement a comprehensive management information system incorporating procedures to help ensure data integrity and collect data elements necessary for policy analysis. Such elements include, but should not be limited to:

   - the number of potential clients by severity by region by county;
   - the number of rehabilitated clients retained in employment after one year;
   - the number of clients rehabilitated versus the number of potential clients to be served;
   - the increase in lifetime earnings of rehabilitated clients for every Vocational Rehabilitation or Vocational Rehabilitation for the Blind dollar expended;
   - the impact on the state's tax base for every $1,000 income of rehabilitated clients; and,
   - the amount of Vocational Rehabilitation case service funds expended on rehabilitated clients referred to Vocational Rehabilitation or Vocational Rehabilitation for the Blind by Disability Determination Services versus the estimated savings in Social Security Disability Insurance payments.

2. MDRS should submit a status report to the Senate and House Public Health and Welfare committees by January 15, 1997, as to the utilization of System 5 as an agency-wide central database. This report should address steps taken by MDRS to insure the validity and reliability of data entered into the system and steps the agency will take, if necessary at that time, to establish agency-wide reporting and management's utilization of such reports for program improvements.

3. MDRS should immediately develop specific internal procedures which will restrict the use of equipment, supplies, and time to Vocational Rehabilitation-related use only in accordance with the U. S. Department of Education's Inspector General's 1993 recommendation.

4. The Department of Finance and Administration should require MDRS's Executive Director to comply with DFA policies and procedures and state travel laws.

5. MDRS's Executive Director should comply with all state travel regulations and laws and MDRS travel policies. In addition, MDRS should not submit requests for travel reimbursement to DFA which do not comply with all state travel policies.

6. MDRS, in conjunction with the Department of Finance and Administration, Bureau of Purchasing, should determine the exact amount MDRS overpaid for modular furniture which did not meet bid specifications from MISSCO and should institute the proper legal procedures for obtaining a refund in this amount with interest.

Appendix A

Programs Operated by MDRS's Office of Vocational Rehabilitation

Within the Department of Rehabilitation Services, the Office of Vocational Rehabilitation includes, but is not limited to, the following specialized programs:

Allied Enterprises: provides vocational assessment, job training, and actual work experience through a network of seventeen transitional community rehabilitation facilities throughout the state.

Assisted Living Program: provides personal care attendants to disabled citizens.

Supported/Transitional Employment Program (STEP): serves severely disabled persons for whom traditional services have been unsuccessful by providing intensive support in placement, job training, and on-the-job assistance.

Comprehensive Evaluation Center: provides intensive and highly technical assessment services using a wide range of test batteries and computerized testing.

Deaf Services Program: provides post-secondary educational assistance (interpreters, note-takers, etc.) to deaf and hard-of-hearing clients.

Hospital Rehabilitation Centers Program: provides surgery, radiology, physical/occupational/respiratory/speech therapies, nursing, social services, dietetics, biomedical engineering, psychological evaluations, and tutoring at four centers throughout the state. Personnel located at the Mississippi Methodist Rehabilitation Center coordinate vocational rehabilitation services for eligible clients.

Alcohol Treatment Program: rehabilitates clients with a primary diagnosis of alcohol dependence.

Assistive Technology: provides guidance and purchasing assistance in the acquisition and placement of devices, appliances, and other equipment which may help individuals with disabilities in their daily lives.

Project START (Success Through Assistive/Rehabilitative Technology): provides information on assistive technology to consumers in order to make informed decisions about available equipment and works closely with school districts to evaluate needs of children.

Project GROW (Gaining Respect, Opportunities and Work): improves and expands rehabilitation services to persons with specific learning disabilities in rural areas.

Project OPTIONS (Opportunities and Placements for the Traumatically Injured Overcoming Negative Stigmas): educates the general public in traumatic brain injuries and assists in the successful placement in and maintenance of jobs by survivors of traumatic brain injuries.

Appendix B

Programs Operated by MDRS's Office of Vocational Rehabilitation for the Blind

The Office of Vocational Rehabilitation for the Blind provides services through three major programs:

Field Services: prepares blind or visually impaired Mississippians for employment commensurate with their skills/abilities in the existing labor market.

Business Enterprise Program: establishes vending facilities across the state on federal, state, and commercial property which are operated by severely visually impaired persons who are licensed as qualified vendors.

Facility Program: assists clients in making personal and vocational adjustments to blindness in facilities throughout the state, including the Addie McBryde Rehabilitation Center in Jackson (services to adults who are severely visually impaired), Ellisville Rehabilitation Center (services to clients with multiple disabilities), the Allied Personal Adjustment Center of Tupelo (APAC), and Signature Works, Inc.

Other programs operated by the office include, but are not limited to:

Independent Living Services: provides peer group counseling, assistive technology evaluation, adjustment services, mobility training, personal management, and training in the techniques of daily living to clients with the goal of enabling the clients to care for themselves.

Supportive Employment: assists persons with severe visual disabilities who are traditionally considered to be unemployable to be placed into integrated employment settings through the provision of intensive on-the-job training.

Rehab Technology: provides services throughout the state to businesses and employers utilizing technology to remove barriers encountered by disabled individuals in the workplace (e.g., proper lighting of a workstation).

State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES
1281 Highway 51 - Madison, MS 39110
Mailing Address:
Post Office Box 1698
Jackson, MS 39215-1698

Dr. Nell C. Carney, Executive Director

Telephone: (601) 853-5100
Voice or TDD

October 30, 1996

The Honorable William W. Canon
Mississippi State Senate
704 Sylvan Road
Columbus, Mississippi 39702

Dear Senator Canon:

The following is the MDRS response to the draft report on the review of MDRS Utilization of Resources by PEER.

A sizable portion of this report addresses the installation and operation of a new case management system at MDRS, System 5. This system had been on-line and running only six and a half months when PEER began the review. As with all complex systems, time in use is required to reach maximum functional capacity and to determine where the glitches exist. We believe that we can demonstrate to the Legislature that System 5 is being utilized statewide and that it is accomplishing those tasks for which it was purchased.

The PEER report also suggests that management at MDRS is not result oriented. Nothing could be more wrong. The two federal funding agencies, Social Security and the Rehabilitation Services Administration require results in order to continue funding.

We have responded to each recommendation in further detail and would welcome an opportunity to meet with the PEER Committee to further discuss our concerns about this report.

Sincerely,

Nell C. Carney

Nell C. Carney

Enclosure

Affirmative Action/Equal Opportunity Employer

1. The Legislature should require MDRS to provide information that answers the policy questions presented in this report in the agency's annual report to the Legislature.

To do so, MDRS should implement a comprehensive management information system incorporating procedures to help ensure data integrity and collect data elements necessary for policy analysis. Such elements include, but should not be limited to:

The number of potential clients by severity by region by county;

MDRS RESPONSE

Our automated system, VR System 5, does not provide a way to record this information. While this data may be available through census reports or other sources, incorporating it into System 5 by modifying the software would be expensive and needless. If the data is available, it can be maintained electronically outside System 5 and combined with System 5 information using external reporting mechanisms.

MDRS has completed a design on a demographics study which will provide information on potential clients as well as information on all Mississippians with disabilities. (Copy of demographics design attached).

The number of rehabilitated clients retained in employment after one year;

MDRS RESPONSE

Federal rules require MDRS to track a client for 60 days after the client obtains employment. At that point, the client is considered rehabilitated and the case is closed, with no further information recorded in System 5. Therefore, within System 5, we have no way to track clients' employment record beyond 60 days. Conceivably, this information could be obtained from the Employment Security Commission.

The number of clients rehabilitated versus the number of potential clients to be served;

MDRS RESPONSE

If the information described in the first recommendation in this section can be obtained, this percentage could be reported.

The increase in lifetime earnings of rehabilitated clients for every Vocational Rehabilitation or Vocation Rehabilitation for the Blind dollar spent;

MDRS RESPONSE

Clients' earnings at the time of application and the time of closure are recorded in System 5. Earnings beyond the 60-day employment period are not recorded. While obtaining earnings records beyond the 60-day period may be possible from Employment

Security Commission records, estimating the lifetime earnings of former clients would require an extensive and expensive actuarial study.

The impact on the state's tax base for every $1,000 income of rehabilitated clients; and

MDRS RESPONSE

This recommendation does not require that total "lifetime" earnings be projected since it deals with a $1,000 increment in earnings. However, determining the impact of $1,000 in earnings on state and local tax collections would require an analysis to be performed by an organization with the appropriate economic forecasting knowledge and skills. It is possible that the University Research Center or a similar organization could perform the required analysis.

The amount of Vocational Rehabilitation case service funds expended on rehabilitated clients referred to Vocational Rehabilitation or Vocational Rehabilitation for the Blind by Disability Determination Services versus the estimated savings in Social Security Disability Insurance payments.

MDRS RESPONSE

System 5 records the clients referred to the Disability Determination Service and the costs of VR services provided to those clients can be determined and reported. However, VR does not normally know the amount of SSDI payments that a client is receiving. While information relative to the amount of SSDI a client is receiving at the time of referral should be available from the Social Security Administration, determining the total amount of savings over a client's lifetime would, once again, require an extensive actuarial study.

2. MDRS should submit a status report to the Senate and House Public Health and Welfare committee by January 15, 1997, as to the utilization of System 5 as an agency-wide central data base. This report should address steps taken to insure the validity and reliability of data entered into the system and steps the agency will take, if necessary at that time, to establish agency-wide reporting and management's utilization of such reports for program improvements.

MDRS RESPONSE

MDRS will submit the requested report.

3. MDRS should immediately develop specific internal procedures which will restrict the use of equipment, supplies and time to Vocational Rehabilitation related use only in accordance with the U.S. Department of Education's Inspector General's 1993 recommendation.

MDRS RESPONSE

The 1993 report and recommendations of the Inspector General of the U.S. Department of Education resulted from an investigation conducted in 1992 and covering the years 1990-1992. The investigation was conducted as a result of allegations that Department of Rehabilitation staff were using Vocational Rehabilitation resources to promote the Rehabilitation Association of Mississippi (RAM) and the Mississippi Coalition of Citizens with Disabilities. The report is replete with citations of use by MDRS staff of equipment and time to advance these two organizations.

The activities reviewed in this report took place prior to the present Executive Director's tenure at the Mississippi Department of Rehabilitation Services.

When the Inspector General's Report was received by MDRS in July 1993, an immediate response including a corrective action plan was prepared and forwarded to the appropriate federal authorities.

The corrective action plan included internal policy and controls to safeguard the Vocational Resources of MDRS against misuse by employees. The plan was accepted by the U.S. Department of Education; and one year later, a follow-up review by the Rehabilitation Services Administration resulted in a letter from the Regional Commissioner indicating that appropriate controls were in place. Documents containing the corrective action plan, Standards of Conduct Policy, correspondence, and Executive Director's Memoranda are attached for information and clarity.

4. The Department of Finance and Administration should require MDRS's Executive Director as well as all other agency directors to comply with DFA policies and procedures and State travel laws.

MDRS RESPONSE

This recommendation seems to stem from a regulation that says "conference literature" will be submitted by individuals seeking travel reimbursement for attending conferences. In questioning PEER staff, we were informed that agendas, hotel brochures and other literature should have been submitted with travel.

Checking with other agency directors, the Executive Director has found that no one seems to know about this regulation. Therefore, we have written a letter to the appropriate staff person in DFA requesting that MDRS be informed about exactly what is required to be submitted.

The travel reimbursement requests of the Executive Director are prepared by the Executive Assistant and reviewed by the Director of Financial Management, both of whom are long term employees of State Government. Obviously, neither of these two individuals knew about the regulation either.

While the policies for the use of equipment, supplies and time have been developed and implemented, detailed procedures to be followed in enforcing those policies have not been reduced to writing. The necessary procedures will be developed, reduced to writing, and distributed.

In the area of long distance telephone charges, it should be noted, that, while lacking widely-distributed detailed procedures, the Office of Internal Audit conducts an on-going review of long distance calls. The telephone system in the Madison facility tracks and logs every outgoing call, and has the capability to produce various reports of calling activity. Every quarter, Internal Audit runs a report for the previous three months and reviews all long distance calls made from the Madison system. In addition, Internal Audit reviews all long distance calls charged on state-issued Calling Cards every month.

5. MDRS's Executive Director should comply with all state travel laws and regulations and MDRS travel policies. In addition, MDRS should not submit requests for travel reimbursement to DFA which do not comply with all State travel policies.

MDRS RESPONSE

This recommendation implies that the MDRS Executive Director has failed to follow travel laws, regulations, and policies although the report clearly states that the Executive Director did not benefit from any of the travel. All receipts were attached to appropriately completed travel reimbursement requests. Certainly, there was no attempt by the Executive Director to fail to comply with all state travel laws, regulations, and policies. All "conference literature" including agendas, publications, etc. related to all of the Executive Director's travel are on file in the Executive Assistant's files and available for review.

The PEER report merges information about the Executive Director's travel with information about the Inspector General's Report of 1993, implying the two issues are related. They are not, the Inspector General's Report of 1993 covered a period from 1990 to 1992. The present Executive Director did not begin work with MDRS until January 1993.

6. MDRS, in conjunction with the Department of Finance and Administration, Bureau of Purchasing, should determine the exact amount MDRS overpaid for modular furniture which did not meet bid specifications from MISSCO and should institute the proper legal procedures for obtaining a refund for this amount with interest.

MDRS RESPONSE

It has not been established that MISSCO was overpaid for the modular furniture. A review by an independent firm, a review by the State Auditor's Office and the Office of Attorney General has not established that overpayment was made. PEER contends that MDRS received non-acoustical panels and paid for acoustical panels. MISSCO alleges that MDRS paid for non-acoustical panels. The PEER report states that they were "told" that the Executive Director had stated that the panels could not be replaced because the Social Security Administration would not allow work to stop in the DDS Program. This "hearsay" statement is totally false. What was stated by the Executive Director was that replacing the panels and rewiring a new modular system would interrupt work in the DDS to the extent that the goals for workload processing established by the Social Security Administration could not be met.

The U.S. Attorney is now investigating the purchase of the modular furniture. It is hoped that this investigation will determine if MDRS paid for the panels that were received. If and when it is established that MDRS overpaid for the panels, we will actively pursue repayment with interest. Documentation in the files will demonstrate that the Bureau of Purchasing provided <u>no</u> support or assistance to MDRS in this matter. The PEER report also suggests that the Executive Director's answers in an interview with PEER staff did not match the documented information with regard to this issue. The Executive Director began her remarks by saying she was responding from memory and did not have someone present to read the file to her at that time. The discrepancies, if any are minor.

Supporting Documentation for MDRS's response is available in PEER offices.

PEER Staff

Director

Max Arinder, Executive Director
Ava Welborn

Administration and Support Division

Steve Miller, General Counsel and Controller

Shirley Anderson
Thelisa Chapman
Louwill Davis
Sam Dawkins
Ann Hutcherson
Larry Landrum
Mary McNeill
Bonita Sutton

Evaluation Division

James Barber, Division Manager
Kathleen Sullivan, Division Manager

Mitchell Adcock
Michael Boyd
Ted Booth
Katherine Stark Frith
Barbara Hamilton
Dale Hetrick
Kevin Humphreys
Kelly Lockhart
Joyce McCants
David Pray
Pam Sutton
Linda Triplett
Larry Whiting