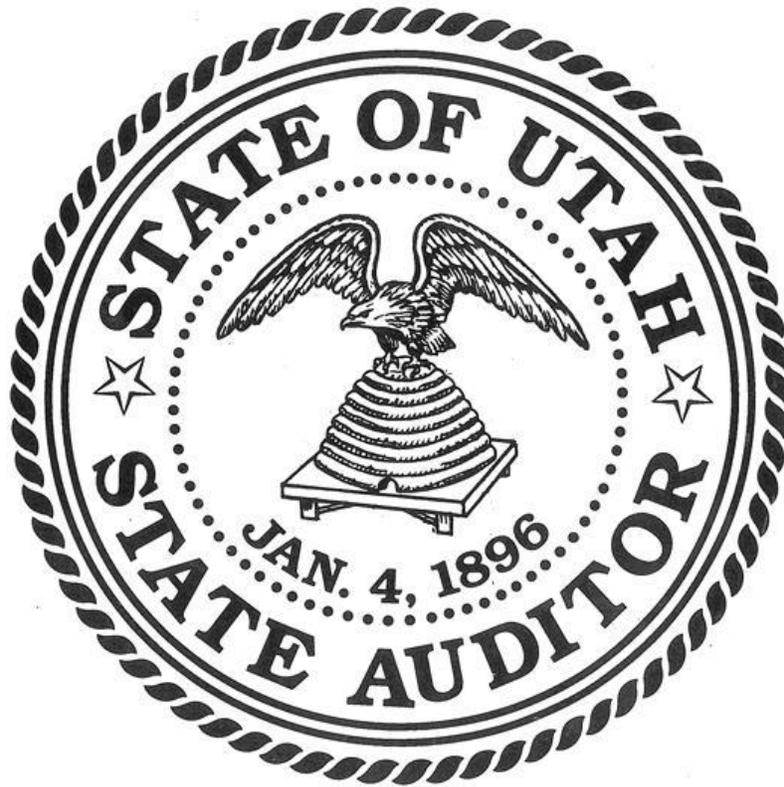


# Performance Audit No. 13-03

## A Performance Audit of The Division of Rehabilitation Services Cost Controls



### OFFICE OF THE UTAH STATE AUDITOR

David Pulsipher, CIA, CFE  
Rachel Dyer, MPA  
Nick Purse, JD, MPA

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OFFICE OF THE  
**UTAH STATE AUDITOR**

12 September 2013

The Office of the Utah State Auditor has conducted *A Performance Audit of the Division of Rehabilitation Services* (“DRS” or “division”) *Cost Controls* and presents its findings herewith. The DRS facilitates vocational rehabilitation services to clients whose disabilities prevent them from gaining or retaining meaningful employment. Client disabilities—which constitute or result in “a substantial impediment to employment”—could include either a mental health disorder, such as mental retardation, depression, anxiety, anger, or attention deficit hyperactivity, or a physical disorder, such as paraplegia, multiple sclerosis, or limb loss.

One of the underlying purposes of vocational rehabilitation is to help clients to become self-sufficient rather than rely on other forms of government assistance. While this eligibility program has proven successful in many individual circumstances, it can also be seen as an entitlement program by some clients who may take advantage of it.

This performance audit reviewed cost controls intended to prevent the misuse of vocational rehabilitation funds. Audit work, which commenced in April 2013 and concluded in July 2013, included the following:

- Analysis of division authorizations during calendar years 2010, 2011, and 2012.
- Comparison of vocational rehabilitation policies and procedures from six surrounding states (Arizona, Colorado, Idaho, Nevada, New Mexico, and Wyoming).
- A review of client case files.
- Discussions with division staff.

It appears that the vocational rehabilitation program lacks program oversight, specifically in four high-risk areas: vehicle modifications, direct authorizations, medical authorizations, and identity verification. **Finding 1** shows that division counselors rarely follow vehicle modification policy, leading to questionable division expenditures. **Finding 2** illustrates that inadequate controls over direct authorizations allowed multiple questionable authorizations. **Finding 3** identifies ways to lower medical costs while improving cost controls through the use of existing state resources. **Finding 4** addresses concerns caused by not verifying client identity prior to authorizing the use of division funds.

Due to the significance of the concerns cited in these four findings, combined with the differing roles between the vocational rehabilitation program and the State Office of Education, **we recommend that the Legislature evaluate the current organizational alignment and reporting structure for the state's vocational rehabilitation program to ensure appropriate oversight and mission alignment.**

This audit was performed in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. We recognize and appreciate the cooperation of the State Office of Rehabilitation management and staff throughout the course of this audit.

Sincerely,

David S. Pulsipher, CIA, CFE  
Performance Audit Director

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# Executive Summary

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This audit report identifies four deficiencies that, when corrected, will improve the Division of Rehabilitation Services' ("DRS" or "division") cost controls while providing greater counselor and district accountability for the use of program funds. It does not appear that the division has been the subject of a performance audit in its 92 years of existence.

## **Finding 1: Noncompliance with Policy Leads to Questionable Vehicle Modifications**

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DRS counselors did not fully comply with policy in any of the 15 non-farm vehicle modifications authorized during calendar years 2010 through 2012. Among other concerns, it is not clear from any of the vehicle modification authorizations whether the modifications were the least costly alternative. Several vehicle modification authorizations—including one to a DRS employee—seem unnecessary when considering other options. Division counselors authorized an average of approximately \$172,000 per year in vehicle modifications during calendar years 2010 through 2012.

Additionally, the DRS does not necessarily reclaim assets when a client changes his/her employment objective. Improved oversight, greater coordination with public transportation agencies, and enhanced counselor training will help to focus DRS resources on the most beneficial authorizations.

## **Finding 2: Noncompliance with Direct Authorization Policy Increases Fraud Risks**

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The division does not enforce existing controls designed to ensure that direct payments to clients are used for their intended purpose, questioning the use of almost \$350,000 over a three-year period. The division could improve oversight and controls to prevent misuse of funds by (1) eliminating direct payments to clients unless absolutely necessary, (2) documenting justification for the use of direct payments, (3) ensuring that direct payments to clients coincide with the client's individual plan for employment, and (4) verifying the use of direct payments through receipts and other necessary reviews.

Though some districts authorize fewer direct payments to clients than others, disparity in direct payments demonstrates a need for greater division-wide oversight. Improved oversight would help to limit direct authorizations and reduce division risks of fraud, waste, and abuse.

### **Finding 3: The DRS Could Reduce Costs and Improve Controls by Contracting Medical Functions**

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The division could have reduced medical costs by approximately \$612,000 per year if it had used the Medicaid rate for medical claims rather than using its current fee schedule. Contracting with the state Division of Health Care Financing (Medicaid) could improve controls over medical authorizations, decrease costs by charging lower rates and through economies of scale, improve client options, and reduce administrative overhead.

### **Finding 4: Identity Verification Could Support Client Employment and Reduce Potential Fraud**

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DRS counselors do not verify applicants' identity by requesting identification documents, which increases the risk of fraud and identity theft while also prolonging unemployment for some clients. Several vocational rehabilitation agencies in other states require identification documents before services are authorized while agencies in other states do it as a best practice. Because the division's goal is to help clients find employment, we recommend that the division require identification documents prior to Individual Plan for Employment (IPE) implementation. This will ensure that clients (1) are properly identified, (2) are eligible to obtain employment in the United States, and (3) possess necessary documentation to accept employment.

# Table of Contents

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<b>Executive Summary</b> .....	<b>5</b>
<b>Table of Contents</b> .....	<b>7</b>
<b>Background</b> .....	<b>9</b>
<b>Finding 1: Noncompliance with Policy Leads to Questionable Vehicle Modifications</b> .....	<b>11</b>
DRS Counselors Do Not Document Alternatives To Expensive Vehicle Modifications .....	11
Several Vehicle Modifications Appear Unnecessary.....	12
Greater Coordination with Public Transportation Authorities Could Reduce Expensive Vehicle Modification .....	16
DRS Counselors Do Not Necessarily Verify Income and Assets Prior to Authorizing Services .....	17
DRS Clients Do Not Necessarily Return Assets Upon Changing Employment Objectives.....	18
Recommendations .....	20
<b>Finding 2: Noncompliance with Direct Authorization Policy Increases Fraud Risks</b> .....	<b>21</b>
Existing Policy Contains Controls to Deter Misuse of Direct Authorizations .....	21
Requirements for Maintenance Authorizations Add Additional Controls.....	22
The DRS Could Reduce Fraud Risks by Limiting Direct Authorizations to Clients .....	23
Direct Authorizations Do Not Always Coincide with Employment Objectives .....	25
Incomplete Verification and Receipt Collection Leads to Questionable Uses of Division Funds .....	26
Some Maintenance Authorizations Appear to Be Used for Normal Living Expenses.....	27
A Small Percentage of Counselors Account for A Large Share of the Direct Authorizations.....	29
Recommendations .....	31
<b>Finding 3: The DRS Could Reduce Costs and Improve Controls by Contracting Medical Functions</b> .....	<b>33</b>
The DRS Pays Significantly More than Medicaid and Medicare for Medical Services .....	33
DRS Counselors Approved Claims Not on the Medicaid Fee Schedule .....	34
DRS Counselors Paid Claims That Are Not in its Fee Schedule .....	34
Other States Bill the Medicaid Rate for Vocational Rehabilitation.....	35
Processing Division Medical Claims Through Medicaid Could Reduce DRS Costs and Improve Controls .....	36
Recommendations .....	36

**Finding 4: Identity Verification Could Support Client Employment and Reduce Potential Fraud.....37**

    The DRS Does Not Verify Clients’ Eligibility to Work in United States..... 37

    Other States Require Copies of Identification Documents ..... 39

    Identification Documents Are Necessary for Employment ..... 40

    Recommendation..... 41

**Appendix A .....43**

**Appendix B .....47**

**Appendix C .....51**

**Agency Response .....59**

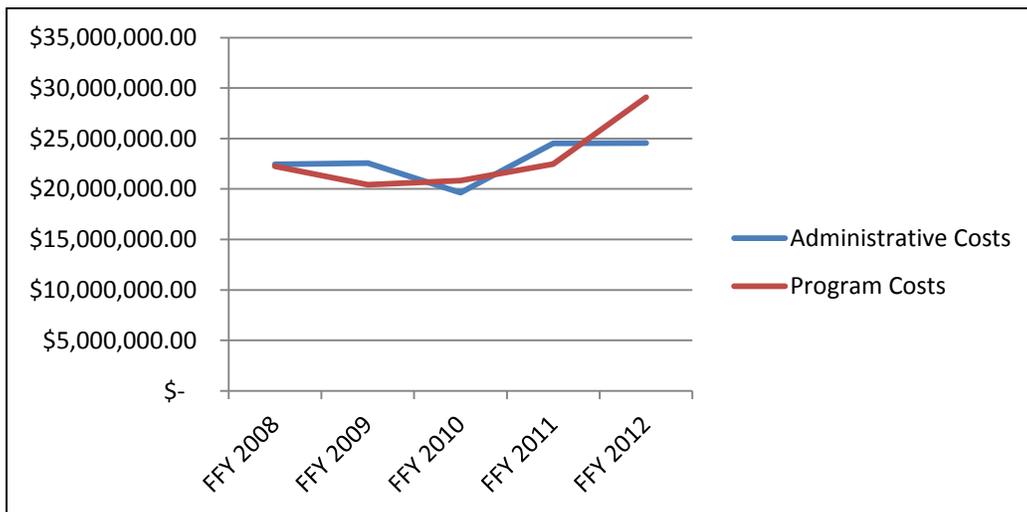
# Background

Vocational rehabilitation, a federal initiative administered by individual state programs, was established in Utah in 1921 to assist persons with disabilities to obtain meaningful employment. Due to its federal organizational structure in the Department of Education, the Utah State Office of Rehabilitation (USOR) reports to the State Board of Education. However, only 24 percent of the vocational rehabilitation programs in other states are organizationally positioned in state departments of education. More than half of state vocational rehabilitation programs are located in their departments of human/social services or labor/workforce, while nine states have separate vocational rehabilitation agencies (see Appendix A for a list of vocational rehabilitation agencies for all states).

The USOR consists of the following four divisions:

- Rehabilitation Services (“division” or DRS)
- Services for the Blind and Visually Impaired
- Services for the Deaf and Hard of Hearing
- Disability Determination Services

The DRS, which was the subject of this performance audit, is the largest USOR division and is funded through the federal *Workforce Investment Act*. The federal government provides 78.7 percent of the funding for program costs and administration costs, based on the state’s ability to provide the remaining 21.3 percent. The following table shows the division’s administrative and program costs since 2008.



Source: Utah State Office of Rehabilitation

The division received approximately \$42 million in federal funds in federal fiscal year 2012, based on appropriating approximately \$11 million in state funds.

According to the DRS, its mission “...is to assist and empower eligible individuals with disabilities to achieve and maintain meaningful employment.” To that end, the division assists its clients to receive the following services:

- Counseling
- Medical/psychological treatment
- Job Placement
- Follow-up services
- Other services (interpreters, readers, transportation, licenses and fees, equipment, etc.)

The division is divided into the following 10 districts that oversee vocational rehabilitation for given geographical regions (district office in parenthesis):

- Central Utah (Payson)
- Davis (Layton)
- Eastern Utah (Price)
- Northern Utah (Logan)
- Ogden
- Provo
- Salt Lake Downtown
- South Valley (South Jordan)
- Southern Utah (St. George)
- Valley West (Taylorsville)

Vocational rehabilitation is governed by part 361 of the *United State Code of Federal Regulations* (CFR) section 34 and the *Utah State Office of Rehabilitation Act* (*Utah Code* 53A-24). According to the 34 CFR 361.1,

*...the Secretary [of the Department of Education] provides grants to assist States in operating statewide comprehensive, coordinated, effective, efficient, and accountable programs... [d]esigned to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice, so that they may prepare for and engage in gainful employment.*

34 CFR 361.42 outlines the following criteria for eligibility to receive vocational rehabilitation services:

- The applicant “...has a physical or mental impairment”
- The impairment “...results in a substantial impediment to employment”
- The applicant could “...benefit in terms of an employment outcome...” from vocational rehabilitation services
- “[T]he applicant requires vocational rehabilitation services to prepare for, secure, retain, or regain employment...”

An applicant who is eligible for Social Security benefits is presumed eligible for vocational rehabilitation services if the person could benefit from vocational rehabilitation services and is capable of employment. Division policy requires a rehabilitation counselor to verify disabilities that are not “self-evident” for clients who have not already been deemed eligible for Social Security benefits. Verification could include “appropriate diagnostic information” such as reviewing medical records or ordering a medical consultation.

In federal fiscal year 2012, the United States Department of Education (USDOE) reported that 35 states and the District of Columbia required an order of selection, which restricted the amount of vocational rehabilitation clients based on the severity of their disability. An order of selection may be used if a state does not provide enough state funding to receive the full federal match. Utah has never used an order of selection and regularly receives an additional allocation of federal funds that are not used by other states due to state fund appropriations exceeding the level required to draw the initial maximum of federal funding.

The USDOE also reports that the USOR spent almost \$4,900 on purchased services for each employment outcome, almost 15 percent less than the national average for vocational rehabilitation programs that include general and blind rehabilitative services. The USOR had 4,637 eligible individuals per one million citizens in FY 2012, which was among the highest of any vocational rehabilitation program in the country and more than double the national average. A summary of the USDOE report can be found in Appendix B.

Some individual client case file documents are stored in paper files while other documents are retained in an electronic case management system called IRIS. Typically, counselor notes are kept in IRIS, though some notes are printed and placed in the paper file. Receipts, signed documents, among other documents, remain only in the paper file due to data storage limitations with IRIS. Inconsistent document storage practices among districts contributed to difficulties in identifying some documents within case files. The division is in the process of remedying these concerns by designing an electronic case management system that allows for improved documentation and storage.

## Finding 1

# Noncompliance with Policy Leads to Questionable Vehicle Modifications

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Division of Rehabilitation Services' ("division" or "DRS") counselors did not fully comply with policy in any of the 15 non-farm vehicle modifications authorized during calendar years 2010 through 2012. Among other concerns, it is not clear from any of the vehicle modification authorizations whether the modifications were the least costly alternative. Several vehicle modification authorizations—including one to a DRS employee—seem unnecessary when considering other options. Division counselors authorized an average of approximately \$172,000 per year in vehicle modifications during calendar years 2010 through 2012.

Additionally, the DRS does not necessarily reclaim assets when a client changes his/her employment objective. Improved oversight, greater coordination with public transportation agencies, and enhanced counselor training will help to focus DRS resources on the most beneficial authorizations.

## DRS Counselors Do Not Document Alternatives To Expensive Vehicle Modifications

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It is unclear whether any of the 15 vehicle modifications authorized during calendar years 2010 through 2012 were the least costly alternative. On average, the division paid \$34,000 for each non-farm vehicle modification, some of which may have been avoided if the rehabilitation counselor had considered less costly alternatives. Division policy states that "[t]ransportation services... must be **necessary, appropriate, and at the least possible cost** to the State of Utah" (emphasis included in policy). Full text of the transportation policy can be found in Appendix C.

Further, DRS policy prioritizes the use of transportation options:

1. Consideration to existing individual transportation options (family, friends, etc.)
2. Use of public transportation
3. Private transportation options
4. Vehicle purchase and/or modification

DRS counselors only documented consideration for individual transportation options or public transportation on 40 percent of the non-farm vehicle modifications authorized during calendar years 2010 through 2012.

Policy further clarifies that "[t]ransportation is **not a stand-alone service**, and must be provided only when **necessary** for the eligible individual to access other vocational rehabilitation services leading to employment" (emphasis included in policy). Federal regulations appear to define "service" to include the eligibility assessment, determination of needs, and referral to other services. All of these "services" are required to authorize services provided to eligible clients;

therefore, it does not appear possible to provide “stand-alone services” to eligible clients. However, the inclusion of the division’s emphasized disallowance of transportation as a “stand-alone service” in policy appears to prohibit transportation services as a *post-eligibility determination* stand-alone service. Additionally, division transportation policy also restricts transportation services to “the *eligible* individual to access other vocational rehabilitation services leading to employment” (emphasis added). Forty-seven percent of non-farm vehicle modifications included in the analysis were post-eligibility stand-alone services to eligible clients that were not connected to any other post-eligibility services.

Several other states have policy that forbids transportation as a stand-alone service. For example, North Carolina’s vocational rehabilitation policy states, “[t]ransportation is not a stand-alone service and must be tied to the provision of other services identified in the Individual Plan for Employment.” Similarly, Indiana vocational rehabilitation policy classifies transportation as a “supporting service” that “cannot be provided at any time as a stand-alone, single service or to support another supporting service.”

Though there may be differing opinions on whether the division’s prohibition on transportation as a stand-alone service should include pre-eligibility services, the intent of the policy appears to address services provided after a person becomes an eligible client. Several cases included in this finding demonstrate concerns with transportation authorizations provided as the only services to clients after the eligibility determination.

Additionally, none of the case files for the 15 vehicle modifications reviewed documented the least costly alternatives. It appears that less costly alternatives exist in several of these cases, which could have reduced DRS program costs.

## **Several Vehicle Modifications Appear Unnecessary**

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Division counselors may have unnecessarily authorized \$143,000 in vehicle modifications since 2010. Rehabilitation counselors did not comply with several policies when approving four vehicle modifications, including one to a DRS employee. Considering comparable benefits, such as public transportation, educating clients on the limited life of tangible assets such as vehicles, and accepting the lowest bid could have potentially reduced transportation costs. Due to the expensive nature of vehicle modifications, we recommend district directors review each vehicle modification request prior to authorization to ensure that a less costly benefit does not exist.

**DRS Counselors Violated Multiple Policies When Authorizing a \$63,000 Vehicle Modification for a Division Employee.** A DRS counselor became a vocational rehabilitation client two years after beginning employment with the agency due to concerns that insufficient transportation might limit his ability to retain his employment. According to documentation in his case file, however, DRS counselors violated several policies in the vehicle modification authorization process. The division could have potentially eliminated the need for vehicle modifications by complying with existing policy.

The *U.S. Code of Federal Regulations* (CFR) allows employed persons to receive vocational rehabilitation assistance if their disability threatens their job security. However, in this specific case it does not appear that the DRS employee who received vocational rehabilitation assistance was in jeopardy of losing his job. It appears that he was assigned a position that required him to travel to various outreach locations even though his disability prevented him from driving without accommodations; however, it was possible for his job assignment to be adjusted to limit such travel. Based on his performance appraisals in his personnel file, it is unlikely that the division would have terminated his employment instead of reassigning him to a position that did not require travel.

It also appears that the employer, which also happens to be the division in this case, should have made reasonable accommodations to the employee's job duties if his disability limited his ability to perform his job. Federal code prohibits termination without making reasonable accommodation for a disability. 29 CFR 1630.9(a) states,

*It is unlawful for a covered entity<sup>1</sup> not to make reasonable accommodation to the known physical or mental limitations of an otherwise qualified applicant or employee with a disability, unless such covered entity can demonstrate that the accommodation would impose an undue hardship on the operation of its business.*

Therefore, it appears to be the responsibility of the employer to make reasonable accommodations for an employee whose disability prevents him from fulfilling his job duties.

In this case, the division should have made arrangements with the client's employer—who also happens to be the DRS—to reassign the employee rather than authorize a vehicle modification that may not have been necessary for him to retain employment.

Additionally, it appears from this client file that the division violated multiple policies in this authorization:

- *Transportation Should Not Be a Post-Eligibility Stand-Alone Service.* According to the client file, transportation services were the only services requested and cited in the signed individual plan for employment. As previously mentioned, however, policy appears to forbid transportation as a post-eligibility stand-alone service. This vocational rehabilitation client already had a full-time job with the DRS and, therefore, did not require any further services to help him obtain meaningful employment.
- *The Division Did Not Document Consideration of Less Costly Alternatives.* As previously mentioned, division policy requires counselors to document less costly modes of transportation—including family, friends, public transportation, and other private

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<sup>1</sup> 29 CFR 1630.2(b) defines "covered entity" as, "...an employer, employment agency, labor organization, or joint labor management committee."

transportation—prior to authorizing vehicle modifications. In this specific case, however, there is no evidence that demonstrates compliance with this requirement.

- *The Assistive Technology (AT) Report Was Not Completed Prior to Vehicle Modification.* AT assessments are intended to “...focus on identifying the most cost-effective alternatives that meet a client’s needs.” While the client’s file contains an AT referral from the DRS, it does not contain a report or recommendations for a vehicle modification. Without an official AT report, it is unclear whether the vehicle modifications performed were necessary and adequate for the client.
- *Proper Approval Was Not Documented.* Transportation policy requires counselors to “...immediately notify and consult with their supervisor at the first discussion regarding transportation related AT and/or vehicle modifications.” However, there is no documentation in the client file that demonstrates discussion with a supervisor. Additionally, a purchase of this amount must also be approved on various levels within the division, including the field services director.
- *DRS Counselors Did Not Consider Public Transportation Options, as Required by DRS Policy.* The Utah Transit Authority (UTA) offers several transportation options within a short distance of the client’s home, including a route that goes from within .5 miles of the client’s home to his place of employment. Due to the proximity of the client’s home to the bus routes, UTA’s paratransit services could transport the client to and from the bus stop, if needed. Though many division employees have cited concerns with UTA’s paratransit services, the counselor should have considered and documented other comparable benefits, such as the possibility of receiving a ride from family or friends from the client’s home to the bus stop.

While public transportation may not be as convenient as owning a vehicle, it appears to be a reasonable option that was not given adequate consideration prior to authorizing costly vehicle modifications.

Other vehicle modifications further demonstrate concerns created by not following existing policy.

**The DRS Modified a Second Vehicle for a Client Within 10 Years.** As previously mentioned, transportation policy appears to prohibit transportation services as a post-eligibility “stand-alone service.” However, the DRS approved a \$23,000 vehicle modification for an employed client who received a vehicle modification from the division ten years earlier. The client claimed that his previously modified van was beginning to fall into disrepair after traveling 149,000 miles. The client claimed that he would not be able to retain his current employment unless the division modified a new van for him. The DRS counselor did not document less costly alternatives nor was an AT assessment documented for this client.

This case demonstrates concerns with the limited-term nature of purchasing assets that will eventually need to be replaced. We recommend that the division create guidelines for assisting clients to prepare to purchase new assets at the end of the asset's functional life rather than relying on the vocational rehabilitation program to purchase new assets at the end of their functional lives.

**A DRS Counselor Approved a Higher Bid at the Request of the Client.** The client requested a vehicle modification in order to have reliable transportation from home to a university campus. Following purchasing policy, the DRS counselor obtained the necessary bids. However, instead of selecting the lowest bid, the DRS counselor allowed the client to select a company with a higher bid because, “[t]he client has done a considerable amount of research and spoke[n] to both vendors and has made an informed choice of [company].”

It appears that DRS policy does not require counselors to accept the lowest bid, based on the concept known as “informed choice.” Division policy states that,

*USOR policy is to enable clients to make informed choices regarding goals, services, and service providers. As much as possible, the client should make these choices rather than USOR staff. Our role is to assist the client by providing options, information and counsel including information about state and federal rules related to purchases so that clients can make informed decisions.*

While “informed choice” is supported by federal regulations, it may also cause the division to pay more for goods and services than necessary. Regular supervisory reviews of all vehicle modifications would help to ensure that the division complies with the federal requirements of “informed choice” while also maximizing the value of expended funds.

**Public Transportation Options Could have Replaced a \$56,000 Vehicle Modification.** A DRS client of two years requested a vehicle modification to help him commute to a college campus. This client, who is a quadriplegic, claimed that he regularly spends more than four hours each day commuting by bus to the campus, which is only 3.5 miles from his house.

However, UTA has a bus route that goes directly from a bus stop near the client's home to the college campus every 15 minutes. Each one-way trip takes under 15 minutes from origin to destination. Additionally, UTA's paratransit buses could arrange to transport the client the 0.4 miles from his home to the bus stop, if needed. However, the client claims that UTA's paratransit buses are unreliable, arriving up to 15 minutes early or 36 minutes late and causing him to miss his classes.

There is no indication that the DRS counselor verified the client's lengthy commute claims, nor is there documentation on researching potential public transportation options. Improved coordination with UTA could help to alleviate some of these concerns in the future and, in some cases, prevent expensive vehicle modifications.

## **Greater Coordination with Public Transportation Authorities Could Reduce Expensive Vehicle Modification**

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As previously mentioned, DRS counselors are required to search for and document less costly modes of transportation—including public transportation—prior to authorizing vehicle modifications. However, counselors and clients frequently cite concerns with the reliability of UTA’s paratransit system as the reason for not using public transportation along the Wasatch Front. UTA’s paratransit system,

*...is a service of the Utah Transit Authority, for people with physical, cognitive or visual disabilities who are functionally unable to independently use the UTA fixed route bus service either all of the time, temporarily or only under certain circumstances.*

Paratransit is a federally-mandated program that provides rides for UTA passengers whose travel origin or destination is within 0.75 miles of a bus or train stop and is the most heavily subsidized service that UTA offers. Typically, a paratransit bus will transport the passenger from the pick-up point to a nearby bus or train station where the passenger will transfer to a bus or train for the remainder of the trip. All UTA buses and trains are compliant with the Americans with Disabilities Act.

A one-way trip costs UTA approximately \$35, though the fare collected from the passenger is only \$4. Paratransit buses will generally wait for the passenger for five minutes after the scheduled pick-up time. UTA passengers could be suspended from service for one week if they miss three scheduled pick up times during a 30-day period.

Several case files for vocational rehabilitation clients who received vehicle modifications cite concerns that UTA’s paratransit system is inflexible, unreliable, and inconsistent. For example, one client claims that the paratransit buses sometimes arrive over 30 minutes later than the scheduled time, which can frequently leave the client waiting in unfavorable conditions. This particular client cannot easily regulate temperature, which makes waiting in extreme temperatures uncomfortable and hazardous to his health.

Notes in other client files indicate that paratransit services have either been suspended or restricted due to a client missing their scheduled pick up times. While it does appear that the UTA paratransit system is inflexible, the client should also assume some of the responsibility to be at the designated pick up location on time.

It appears that public transportation options existed for at least three of the 15 vehicle modifications reviewed. Combined, the division spent approximately \$130,000 to modify these three vehicles. Rather than providing a costly vehicle modification when a client reports concerns with a public transportation agency’s policies and procedures, we recommend that the DRS counselors document reasonable efforts to alleviate the concerns with the agency prior to

approving a vehicle modification. It does not appear that the division and UTA have had direct discussions regarding these concerns, which could potentially be resolved.

Additionally, we recommend that the DRS research and document other potential solutions to assist clients receive transportation from their homes or places of employment to a bus stop prior to authorizing vehicle modifications. For example, a client's family member could potentially transport him from his home to a bus stop rather than relying on paratransit services. The division could have potentially avoided \$130,000 in vehicle modifications if it could have developed reasonable solutions to concerns with UTA's paratransit system rather than modifying vehicles.

## **DRS Counselors Do Not Necessarily Verify Income and Assets Prior to Authorizing Services**

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DRS clients are required to declare income and account balances prior to receiving services; however, VR policy does not require counselors to verify a client's income and assets. Verification of assets may have decreased the DRS contribution to a recent vehicle modification.

**A DRS Counselor Did Not Document Noteworthy Donations Raised to Help a Client.** After an accident resulted in a significant disability, the injured person sought the assistance of the division to provide expensive modifications to the client's house and vehicle. The client's case file documents community efforts to raise funds—allegedly more than \$50,000—to increase the client's accessibility. According to the client file, however, the client's spouse—a state employee whose employment gave him insight to intimate knowledge of the division and its programs—refused to disclose the funds raised. The division contributed \$39,000 to modify a vehicle and install an elevator in the home.

According to the client file, the client and her spouse refused to disclose funds donated through private efforts, despite multiple attempts by the counselor. Notes in the client file also document significant home improvements for which the client was seeking reimbursement. While the division does not reimburse costs for items or services not previously authorized, the file documents concerns that the client would not completely disclose assets and income. The client's financial participation would have increased if she reported additional assets or income. Therefore, failing to disclose donations raised by the community potentially allowed her to receive vocational rehabilitation funds to which she may not have otherwise been entitled.

Similar to other cases previously mentioned, the DRS counselor also authorized a vehicle modification without exploring other transportation options, including family, friends, co-workers, or public transportation. It is unclear whether a \$16,000 vehicle modification was the least costly option without documenting comparable benefits.

We are concerned that funds intended to be used to assist people to gain or retain meaningful employment were expended on an elevator in the home of client whose job was not in jeopardy.

The client was granted one year of leave from her employment to recover from the accident, but her employer was holding her job for her until she could return. It does not appear that the presence of an elevator in her home would be a significant factor in her ability to retain her employment. If such a feature were indeed needed, it should be clearly documented in the case file along with evidence demonstrating that it is the least costly option to accomplish its desired outcome in retaining employment.

## **DRS Clients Do Not Necessarily Return Assets Upon Changing Employment Objectives**

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As with other services, DRS counselors authorize vehicle modifications as a means to accomplish an employment objective determined by the client and approved by the DRS counselor. However, it appears that the division does not necessarily attempt to collect assets if a client changes their employment objectives, though the client equipment receipt form states their potential obligation upon changes to the employment plan. The form, which is signed by the client, states,

*I agree to return this equipment to the USOR if:*

- a. I no longer use the equipment in connection with my training and/or employment;*
- b. The equipment is no longer of significant benefit to my training and/or my employment;*
- c. Or upon request by the Vocational Rehabilitation Counselor.*

The division, however, does not always enforce this requirement. Failure to enforce this requirement may enable clients to take advantage of the situation, as demonstrated in the following examples.

**A Client Changed the Employment Objective to “Homemaker” Shortly After Receiving Vehicle Modifications.** The client received a \$13,000 truck modification to assist him in obtaining employment as a “construction manager.” According to notes in the client file, the client told the DRS counselor that he had two job opportunities that were highly likely if he had transportation. However, the client did not get either job position and decided to change his job goal to homemaker eight months after receiving the vehicle modifications. Though a modified truck might have been necessary to obtain employment under the original employment objective, a rehabilitation counselor may not have determined that it was necessary to obtain or retain the modified employment objective.

We are concerned that DRS clients could receive an asset based on one employment objective, only to change the goal without consideration to the necessity of the DRS-funded asset for the new employment plan. While it may not always be feasible to recoup all assets upon changing an employment objective, we recommend that the DRS enforce policies that require the return of an

asset if the client changes the employment objective and the counselor determines that the asset is not necessary for the revised objective.

**A DRS Client Received a \$37,000 Vehicle Modification One Year Before Receiving a \$700,000**

**Settlement.** Despite changing his vocational plans from becoming a business management professional to an entrepreneur after receiving the settlement, the DRS did not make any attempt to reclaim assets. Additionally, this client's file claims that the client, "...gives [himself] a \$750 monthly salary so it doesn't reduce his benefits."

Similar to other vehicle modifications, there is no evidence that the DRS counselor researched less costly alternatives prior to authorizing the service. The district director expressed reservations about the authorization, stating,

*Do the disadvantages of [paratransit] justify the expenditure of such a large amount from VR? I am not sure it does.*

Though the district director eventually approved the vehicle modification request, his question demonstrates the need to compare a vehicle modification with other comparable benefits prior to authorization.

## Recommendations

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1. We recommend that the Division of Rehabilitation Services district directors review each vehicle modification request to ensure that a less costly benefit does not exist prior to authorization.
2. We recommend that the Division of Rehabilitation Services conduct regular reviews of high-cost authorizations, such as vehicle modifications. These reviews should be done by someone outside of the approval process.
3. We recommend that the Division of Rehabilitation Services create guidelines for assisting clients to prepare to purchase new assets at the end of the asset's functional life rather than relying on the vocational rehabilitation program to purchase new assets.
4. We recommend that the Division of Rehabilitation Services document efforts to alleviate the concerns with a public transportation agency prior to approving a vehicle modification when public transportation is a reasonable transportation option.
5. We recommend that the Division of Rehabilitation Services research and document other potential solutions to assist clients receive transportation from their homes or places of employment to a public transportation stop or other pick-up location prior to authorizing vehicle modifications.
6. We recommend that the Division of Rehabilitation Services verify income and assets, when necessary, prior to authorizing services.
7. We recommend that the Division of Rehabilitation Services enforce policy that requires return of an asset if the client changes his/her employment objective and the counselor determines that the asset is not necessary for the revised objective.

## Finding 2      **Noncompliance with Direct Authorization Policy Increases Fraud Risks**

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The Division of Rehabilitation Services (“DRS” or “division”) does not enforce existing controls designed to ensure that direct payments to clients are used for their intended purpose, questioning the use of almost \$350,000 over a three-year period. The division could improve oversight and controls to prevent misuse of funds by (1) eliminating direct payments to clients unless absolutely necessary, (2) documenting justification for the use of direct payments, (3) ensuring that direct payments to clients coincide with the client’s individual plan for employment, and (4) verifying the use of direct payments through receipts and other necessary reviews.

Though some districts authorize fewer direct payments to clients than others, disparity in direct payments demonstrates a need for greater division-wide oversight. Improved oversight would help to limit direct authorizations and reduce division risks of fraud, waste, and abuse.

### **Existing Policy Contains Controls to Deter Misuse of Direct Authorizations**

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The DRS authorized almost \$350,000 in direct payments to clients during calendar years 2010, 2011, and 2012. A counselor may authorize direct payment to a client—rather than paying a vendor directly—as a last resort when the selected vendor will not accept payment from the division and when no comparable alternative exists. Some vendors refuse to become registered vendors with the DRS because payment may be prolonged, for example. DRS policy dictates the circumstances under which funds may be authorized directly to clients:

*Authorizing funds directly to a client should be a **last resort** only after having **exhausted all efforts** to authorize directly for goods or services. In the event that the VR Counselor, in their professional judgment determines a good or service is **necessary to enable the eligible individual to engage in their VR program**, and **cannot make direct authorization to the entity** providing the good or service, the VR Counselor may consider issuing an authorization for funds directly to the client. Consultation with the **director supervisor** is necessary and the reason for making a direct authorization **must be documented** in the client record. In addition, the VR Counselor and client **must document that the funds were used for the goods or services intended** through [sic] obtaining receipts totaling the amount authorized to the client. (emphasis added)*

By not adhering to these controls cited in DRS policy, the division can lose control over how a client uses the funds, exposing the division to an increased likelihood of fraud, waste, and abuse.

## Requirements for Maintenance Authorizations Add Additional Controls

Approximately 92 percent of direct authorizations to clients during this time were coded as “maintenance.” Maintenance authorizations are used for a wide variety of purposes and warrant tighter controls due to the potential for misuse. Without proper controls in place, the division is not able to verify that the funds authorized to clients are necessary to accomplish the employment objective. The *United States Code of Federal Regulations* limits maintenance expenditures:

*Maintenance means monetary support provided to an individual for expenses, such as food, shelter, and clothing, that are in excess of the normal expenses of the individual and that are necessitated by the individual's participation in an assessment for determining eligibility and vocational rehabilitation needs or the individual's receipt of vocational rehabilitation services under an individualized plan for employment.*

In addition, DRS policy states that, “The intent of Congress was to clarify that the provision of maintenance **must** be tied to other services under an Individual Plan for Employment (IPE) and is intended to cover **only** the added costs of participating in rehabilitation **not** everyday living expenses.” (emphasis included in policy)

Figure 2.1 summarizes the necessary requirements for direct authorizations to clients as well as the requirements for maintenance authorizations. Since most direct authorizations to clients (92 percent) are coded as “maintenance” authorizations, most direct authorizations must meet the requirements from both lists.

**Figure 2.1 The DRS’s Authorization Control Summary**

Requirements for <i>Direct Authorization</i> to Client	Requirements for <i>Maintenance</i> Authorizations
1. The counselor has exhausted all efforts to authorize directly [to the vendor] for goods or services	1. The need for maintenance must be documented
2. Consultation with the direct supervisor	2. The need for maintenance must be in addition to normal living expenses
3. Reason for making direct authorization to client must be documented in client record	3. The need for maintenance must be a direct result of the client participating in an approved vocational rehabilitation program
4. Counselor and client must document funds were used for intended purpose through obtaining receipts totaling the amount authorized to the client	4. The services authorized will only be provided in conjunction with another IPE service

Source: OUSA analysis of DRS policy

It appears that these controls for direct authorizations and client maintenance are rarely followed, which increases the potential for client fraud. We are concerned that none of the direct authorizations reviewed fully comply with division policy, raising concerns regarding the use of division funds. Additionally, several cases in which the client received maintenance assistance raise concerns regarding the use of such authorizations and the connection to the client employment objectives. Implementation of recommendations in this finding will help to ensure that DRS funds are used to promote the division’s objective of helping those with disabilities to obtain stable employment.

## **The DRS Could Reduce Fraud Risks by Limiting Direct Authorizations to Clients**

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Making payments directly to an authorized vendor is the strongest control to minimize fraud and ensure that division funds are used for their intended purpose. DRS policy requires counselors to only authorize direct funds to a client as a “last resort” and after they have “exhaust[ed] all efforts to authorize directly for goods or services.”

In order to register an entity as an authorized DRS vendor, a counselor must obtain the vendor name, address, and tax identification number. In many cases, alternative vendors exist if the vendor selected by the client refuses to become an authorized vendor. Policy requires the rehabilitation counselors to document in the client file the reason for a direct authorization. If applicable, the rehabilitation counselor should also include information about why someone chooses not to become a vendor or why alternatives do not exist.

It does not appear, however, that some division counselors are directly authorizing funds as a last resort, which increases the risk of misuse of funds. Wide disparity in direct authorizations by district and by counselor demonstrates the need for greater oversight to ensure that direct payments to clients are indeed made as a last resort. Figure 2.2 highlights the general inconsistency in the direct authorization process statewide. The data highlighted in red represents the highest percentage per category and the data highlighted in blue represents the lowest percentage per category.

**Figure 2.2 The DRS District Comparison Chart**

District	% of Total District Authorizations that Were Direct Authorizations	% of Total District Clients that Received Direct Authorizations	% of Total District Funds Expended
Central Utah	1.26%	6.51%	0.87%
Eastern Utah	0.70%	4.68%	0.74%
South Valley	0.70%	4.18%	0.57%
Provo	0.67%	3.95%	0.47%
Southern Utah	0.66%	5.58%	0.66%
Northern Utah	0.53%	3.28%	0.33%
SL Downtown	0.51%	3.03%	0.72%
Davis	0.48%	3.21%	0.51%
Valley West	0.46%	4.07%	0.48%
Ogden	0.18%	1.69%	0.42%
<b>State Average</b>	<b>0.57%</b>	<b>4.04%</b>	<b>0.57%</b>

Source: OUSA analysis of DRS data for calendar years 2010 through 2012

Figure 2.2 shows that the Central Utah district authorized more direct payments to clients than any other district. Additionally, a higher percent of the Central Utah district’s clients received direct authorizations than any other district, and the district authorized almost three times the amount of funds as the Northern Utah district.<sup>2</sup>

In contrast to the Central Utah district, the Northern Utah district rarely authorizes direct payments. Instead, counselors in this district appear to make concerted efforts to register almost all vendors with which they conduct business. This practice limits direct authorizations and increases assurance that division funds are used for their intended purpose. Figure 2.3 contrasts some of the differences between the Northern Utah district and the Central Utah district.

<sup>2</sup> The Central Utah district is compared to the Northern Utah district because of similarities in client and district demographics.

**Figure 2.3**

**The Central Utah District Authorizes Direct Payments to Clients More Frequently than the Northern Utah District**

	Central Utah	Northern Utah	District Average
Total Direct Authorizations	181	59	111
Total Authorizations	14,347	11,179	19,593
<b>% of Total District Authorizations Allocated Directly to Clients</b>	<b>1.26%</b>	<b>0.53%</b>	<b>0.57%</b>
Total Clients that Received Direct Authorizations	97	33	67
Total Clients	1,490	1,006	1,669
<b>% of Total District Clients that Received Direct Authorizations</b>	<b>6.51%</b>	<b>3.28%</b>	<b>4.04%</b>
Total Funds Authorized Directly to Clients	\$38,971.17	\$14,907.71	\$34,733
Total Funds Authorized	\$4,454,558.71	\$4,479,356.80	\$6,049,288
<b>% of Total District Funds Authorized Directly to Clients</b>	<b>0.87%</b>	<b>0.33%</b>	<b>0.57%</b>
Total DRS Counselors	10	8	13

Source: OUSA analysis of DRS data from calendar years 2010 through 2012

The disparity between the Central Utah district and the Northern Utah district raises concerns over the necessity of directly authorizing funds to clients as frequently as is done in the Central Utah district. Reducing the number of direct authorizations will decrease fraud risks and improve the accountability of the use of division funds. Improved oversight, including regular supervisory reviews of direct authorizations and counselor training may limit direct authorizations.

DRS counselors do not regularly document attempts to create vendors and explain why certain providers refuse to register as division vendors. Due to reduced division risk by authorizing payments directly to an authorized vendor, we recommend that the division ensure that counselors document every effort to use only authorized vendors. In cases in which using an authorized vendor is not possible, we recommend that the division ensure that rehabilitation counselors document efforts to create an authorized vendor, including justification for why the selected vendor cannot become an authorized vendor.

**Direct Authorizations Do Not Always Coincide with Employment Objectives**

DRS policy specifies that direct payment to a client should only be used as a last resort and “the reason for making a direct authorization must be documented in the client record.” Our review of selected cases showed a general lack of justification for providing funds directly to the client rather than to the selected vendor. Additionally, direct authorizations do not always appear to assist the client attain their employment objective.

In one case, for example, a client was given over \$8,000 in several payments over a four-month period for “maintenance for self-employment.” The client file did not document the intent of these authorizations nor was there a documented attempt to register specific vendors. Without any other details about the intended use of the authorizations and why it was necessary to authorize payment directly to the client, it is unclear whether the authorizations were necessary to accomplish the employment objective.

Additionally, receipts for these authorizations are not logically found in the case file. Various bank statements and receipts are found in separate locations in the case file, but it is not clear with which authorization they are associated. Because the authorizations were not specific in their intended purposes, it is difficult to verify if funds were used for their intended purpose. By requiring the reason for authorizing payment directly to the client, counselors and clients may be able to recognize situations where direct authorizations to clients could be avoided. We recommend that DRS counselors properly document the reason for authorizations made directly to clients.

## **Incomplete Verification and Receipt Collection Leads to Questionable Uses of Division Funds**

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It appears that DRS counselors rarely verify the uses of direct authorizations by documenting receipts in the client files, even though DRS policy requires that the “[c]ounselor and client must document that the funds were used for the goods or services intended through [sic] obtaining receipts totaling the amount authorized to the client.” Without verification, the division cannot properly determine that more than \$350,000 in direct authorizations from 2010 through 2012 were used to accomplish its mission of assisting clients with disabilities obtain stable employment. Though several similar examples could be provided, the following two examples illustrate concerns that may arise by not following the division policy requiring verification of the use of direct authorizations.

**DRS Counselors Failed to Collect and Verify Receipts After Authorizing \$4,000 Directly to a Client for a Medical Insurance Deductible and Out-of-Pocket Expenses.** The counselor directly authorized two installments—one for \$1,500 and the other for \$2,500—to cover “...the insurance deductible and out-of-pocket expense so the client’s insurance will pay for a needed surgery.” Though it is likely that the medical provider would have become an authorized vendor, the file does not adequately document any such attempt, nor does it document appropriate reasons why the provider would not register as an authorized vendor.

The counselor did not document receipts, or any other attempt to verify the use of the first installment of \$1,500. Receipts from the second installment indicate that the client used approximately \$1,500 of the \$2,500 allocation to cover the intended costs. Between the two installments, there is no verification for how the client used approximately \$2,500 of the \$4,000 directly authorized for the use of covering out-of-pocket medical expenses.

**DRS Counselors Did Not Document the Use of Funds Issued to Client for a Graduate Management Admissions Test (GMAT) Preparation Course and Test.** Although proper supervisory approval was documented for the direct authorization to the client to pay for the course, the counselor did not document how the \$700 authorization was used nor were receipts collected. The counselor did not document registration for the course nor is there any record of the counselor's attempt to register the course provider as an authorized vendor. Finally, there is no record within the client file verifying that the client did indeed participate in the preparation course and take the GMAT.

This case becomes more concerning when the client stopped meeting with the DRS counselor shortly after receiving the authorization. Therefore, the counselor closed the case without resolving the client's use of the direct authorization.

Due to the increased risk of fraud and waste inherent in a direct authorization, we recommend that counselors document that the funds were used for the goods or services intended through the collection and verification of receipts totaling the amount authorized to the client. The division should then require repayment of any difference between the amount authorized and the amount actually spent by the client. We also recommend that supervisors regularly review direct authorizations to ensure proper compliance with the receipt and reconciliation requirements.

## **Some Maintenance Authorizations Appear To Be Used for Normal Living Expenses**

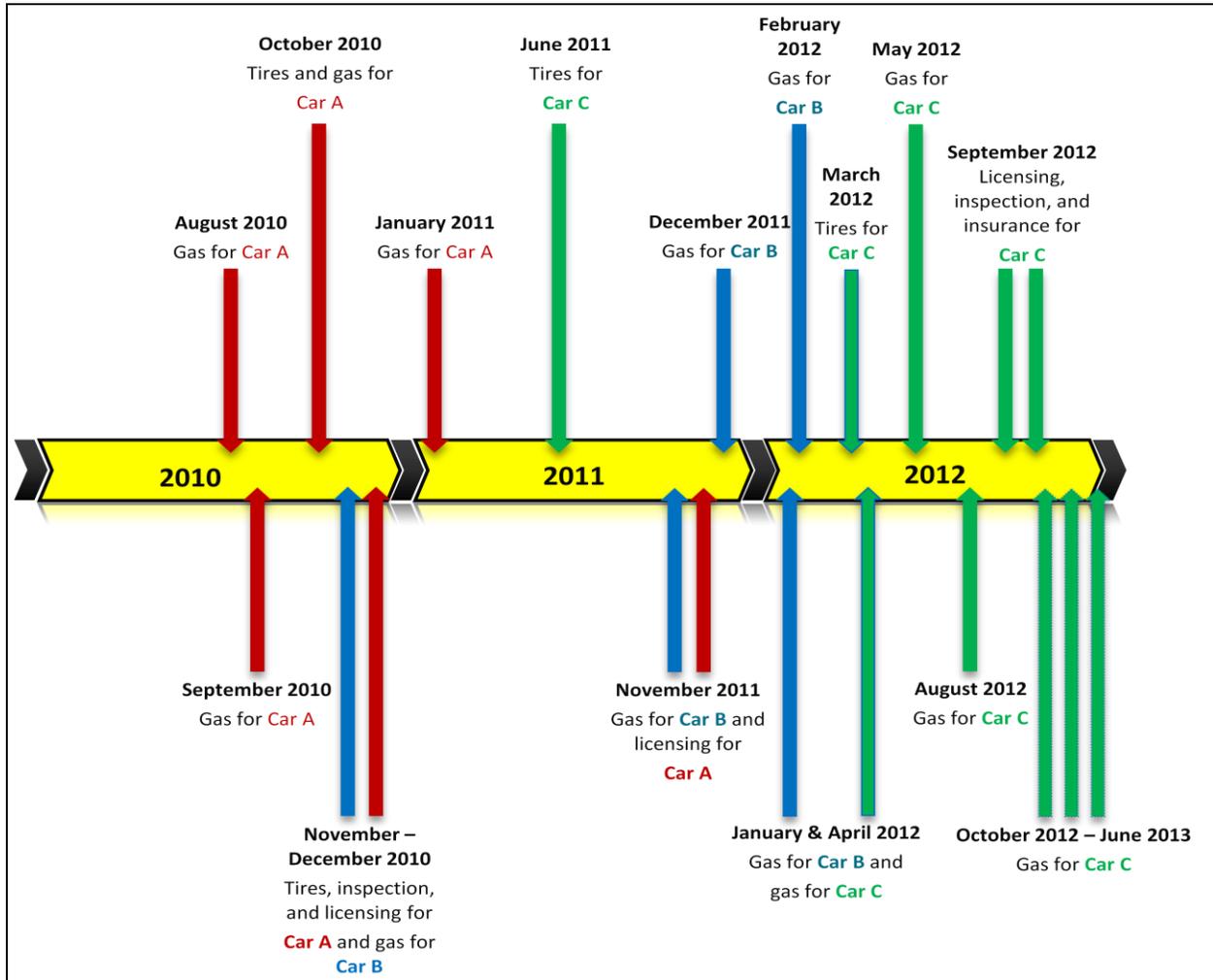
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Congress clarified its intent for the use of maintenance expenditures and specified that it should not be used for everyday living expenses. However, it appears that many maintenance authorizations were for living expenses such as rent, gas for transportation, and vehicle registration. Additionally, some clients received living expenses that do not appear to be related to an employment goal.

For example, one client received maintenance authorizations for three different vehicles (1998 Honda Civic, Toyota Camry, and 2004 Toyota Tacoma) over a two-year time period. The counselor authorized almost \$4,000 to the client to pay for services such as tires, gas, insurance, and vehicle registration for these three vehicles, as shown in Figure 2.4.

**Figure 2.4**

**Timeline for Vehicle-Related Maintenance Authorizations.** The DRS Counselor Authorized Multiple Services for a Client’s Three Vehicles.



Source: UOSA analysis of a DRS client file

The vocational rehabilitation client appears to have owned and used all three vehicles shown in Figure 2.4 simultaneously during the two-year period. It is unclear from this client’s file why he needed new tires for multiple vehicles to accomplish his employment objective of “graphic designer.” We are concerned that the division authorized these services, which are considered normal living expenses, on three vehicles for the same client.

Finally, in this case we found that the registration of at least one vehicle was in the name of an individual other than the client. Without documented justification or explanation, it is unclear if these funds were used for the client or the client’s family, friends, or associates. We recommend that the DRS ensure that counselors properly document that the need for maintenance assistance is above and beyond the client’s normal living expenses, as required by policy. We also recommend that the division ensure that counselors only authorize goods or services for vocational rehabilitation clients.

## A Small Percentage of Counselors Account for A Large Share of the Direct Authorizations

Eight percent of counselors accounted for more than 30 percent of all direct authorizations during calendar years 2010 through 2012. These same counselors accounted for more than 25 percent of the total number of clients that received direct authorizations and 30 percent of the total funds directly authorized to clients. These three measures highlight the percent of a counselor’s direct authorizations as reflected in that individual counselor’s total authorizations, client base, and fund allocations. The top ten counselors’ percentages for each measure far exceed the statewide average for each measure, as shown in Figure 2.5.

**Figure 2.5 Top Ten Counselors for Each Measure**

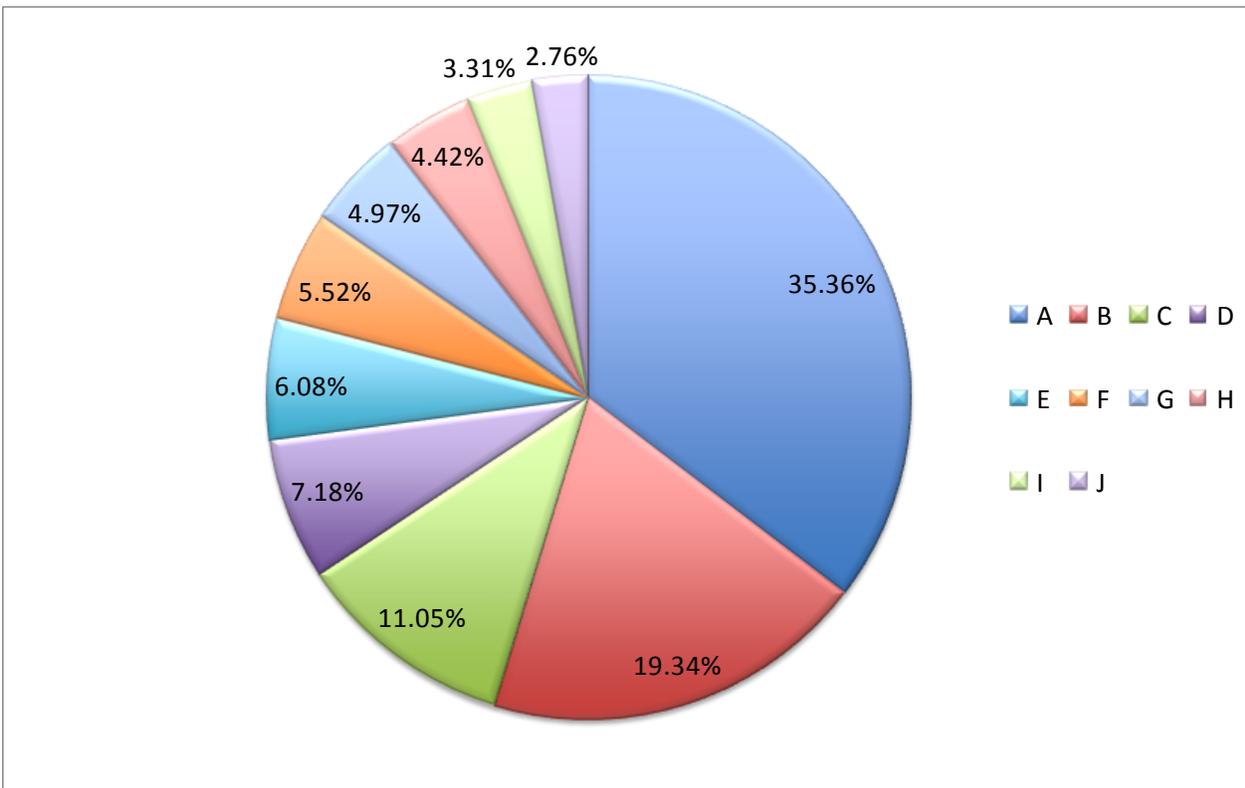
% of Counselor Authorizations that were Direct Authorizations		% of Counselor Clients that Received Direct Authorizations		% of Counselor Funds that were Directly Authorized to Clients	
Eastern Utah A	3.56%	South Valley C	15.93%	Salt Lake A	3.51%
Salt Lake A	3.36%	Salt Lake A	15.79%	Eastern Utah A	3.24%
Central Utah A	3.17%	Eastern Utah A	15.15%	Central Utah A	2.76%
Provo A	2.88%	Central Utah A	13.45%	Southern Utah D	2.53%
Eastern Utah B	2.75%	South Valley B	12.33%	Provo A	2.12%
South Valley A	2.50%	Southern Utah B	11.16%	South Valley B	2.12%
Central Utah B	2.06%	Southern Utah D	11.11%	South Valley C	2.09%
Central Utah C	1.83%	Southern Utah C	10.89%	Central Utah C	1.93%
South Valley B	1.52%	Northern Utah A	9.21%	Ogden B	1.77%
Valley West A	1.39%	Eastern Utah B	8.96%	Salt Lake B	1.65%
<b>Statewide</b>	<b>0.57%</b>	<b>Statewide</b>	<b>4.04%</b>	<b>Statewide</b>	<b>0.57%</b>

Source: OUSA analysis of DRS data for calendar years 2010 through 2012

Though these counselors represent a minority of counselors statewide, Figure 2.5 demonstrates an overall lack of accountability in several districts. It also shows that some counselors may prefer to authorize payment for services directly to clients rather than going through the formal process intended to minimize fraud, waste, and abuse.

Further, two counselors accounted for more than 50 percent of all direct authorizations in the Central Utah district—the district with the highest number of direct authorizations—during the same time. Figure 2.6 shows the percent of direct authorizations by counselor in the Central Utah district.

**Figure 2.6 Central Utah Direct Authorizations by Counselor**



Source: OUSA analysis of DRS data for calendar years 2010 through 2012

The vast differences between counselors in the same district underscore the need for increased supervisory oversight. We recommend that the division distribute semi-annual direct authorization reports to district directors to be used to detect counselors that may be providing a high percentage of direct authorizations to clients.

## Recommendations

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1. We recommend that the Division of Rehabilitation Services regularly review direct authorizations to ensure that counselors document every effort to only use authorized vendors.
2. We recommend that the Division of Rehabilitation ensure that counselors document efforts to create an authorized vendor or justify why the selected vendor cannot become an authorized vendor in cases in which using an authorized vendor is not possible.
3. We recommend that the Division of Rehabilitation Services ensure that counselors properly document that the need for maintenance assistance is above and beyond the client's normal living expenses.
4. We recommend that the Division of Rehabilitation Services ensure that counselors properly document the reason for direct authorizations.
5. We recommend that the Division of Rehabilitation Services require repayment of any difference between the amount directly authorized and the amount actually spent by the client or change its policy to only reimburse authorizations after purchase.
6. We recommend that the Division of Rehabilitation Services ensure that counselors only authorize goods or services for vocational rehabilitation clients.
7. We recommend that the Division of Rehabilitation Services distribute semi-annual direct authorization reports to district directors to be used to detect counselors that may be providing a high percent of direct authorizations to clients.

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## Finding 3 **The DRS Could Reduce Costs and Improve Controls by Contracting Medical Functions**

The Division of Rehabilitation Services (“DRS” or “division”) could have reduced medical costs by approximately \$612,000 per year if it had used the Medicaid rate for medical claims rather than using its current fee schedule. Contracting with the state Division of Health Care Financing (Medicaid) could improve controls over medical authorizations, decrease costs by charging lower rates and through economies of scale, improve client options, and reduce administrative overhead.

### **The DRS Pays Significantly More than Medicaid and Medicare for Medical Services**

It appears that, due in part to its limited bargaining power and narrow provider pool in some rural locations, the division pays more for medical procedures than other government programs, such as Medicaid and Medicare. The DRS medical fee schedule is based on approximately 150 percent of Medicaid, but it appears that the division must sometimes pay even more when a specific provider monopolizes a region. The division paid more than \$5 million for 29,594 medical expenditure authorizations during calendar years 2010 through 2012. Figure 3.1 shows the differences between the six most commonly identified medical procedures—for which Medicaid provides services—authorized by division counselors during calendar years 2010 through 2012.

**Figure 3.1 The Division Pays More Than Medicaid**

CPT Code	Procedure	DRS Rate	Utah Medicaid Rate (Traditional)	Percent Difference
99213	Outpatient Visit	\$78.66	\$51.65	53.2%
99203	Outpatient Visit	\$116.84	\$76.87	52.0%
99214	Outpatient Visit	\$118.22	\$75.93	55.7%
99205	Outpatient Visit	\$227.24	\$145.87	55.8%
99204	Outpatient Visit	\$179.86	\$117.64	52.9%
99215	Outpatient Visit	\$159.16	\$101.81	56.3%

Source: OUSA analysis of DRS and Medicaid fee schedules

The division pays approximately 54 percent more for these high-frequency medical claims than Medicaid would have paid. Among medical claims authorized by the division and available to Medicaid recipients, it appears that the division generally pays approximately 55 percent more than Medicaid would have paid. Therefore, the division could have reduced costs by approximately \$612,000 per year if they had used the Medicaid rate for medical authorizations. The division could realize additional savings by authorizing only medical procedures that are approved by Medicaid.

## DRS Counselors Approved Claims Not on the Medicaid Fee Schedule

Approximately 33 percent of the 2,599 medical authorizations reviewed from calendar year 2010 through 2012 were procedures that Medicaid would not reimburse, including the most commonly authorized procedure in the sample—the psychiatric diagnostic interview examination (CPT Code # 90801). It is unclear whether there are comparable codes that may be billed to Medicaid or whether these transactions were necessary to fulfill the purposes of the division.

Figure 3.2 shows the four most common DRS-authorized medical procedures that Medicaid does not cover. These four procedures were among the 10 most commonly approved procedures during the evaluation period.

**Figure 3.2 Medical Procedures Commonly Authorized by the Division**

CPT Code	Procedure	DRS Rate	Utah Medicaid Rate (Traditional)	Utah Medicaid Rate (Primary Care Network)
90801	Psychiatric Exam	\$200.10	Discontinued	Discontinued
90805	Psychotherapy	\$92.00	Discontinued	Discontinued
90862	Pharmacologic Management	\$73.14	Discontinued	Discontinued
90802	Interactive Psych Interview	\$212.52	Discontinued	Discontinued

Source: OUSA analysis of DRS and Medicaid fee schedules

It appears that the division frequently authorizes services not provided by Medicaid. While some of these procedures may be unique to vocational rehabilitation and necessary to accomplish the mission of the division, Medicaid may have less costly alternatives to provide similar services. Though the division’s mission may differ from that of Medicaid, greater coordination with Medicaid should help the division to authorize only medical procedures that are used and approved by other government healthcare programs.

## DRS Counselors Paid Claims That Are Not in its Fee Schedule

Division counselors, though not necessarily familiar with medical procedures, can authorize medical procedures outside of the DRS fee schedule. In these instances, counselors are instructed to (1) contact providers to obtain a procedure cost that is a customary or reasonable reimbursement under the Medicaid or Medicare rate and (2) consult with supervisors to ensure that the DRS is comfortable with the rate. Because the DRS fee schedule is based on Medicare rates, procedures outside this fee schedule are likely not covered by Medicare.

Generally, neither DRS counselors nor their supervisors are trained to diagnose the medical necessity of medical procedures, nor are they trained to negotiate the best rate from a medical provider. Additionally, both Medicaid and Medicare are somewhat comprehensive in authorized medical procedures and require prior authorization from medical professionals before to paying medical claims outside of approved procedures. Therefore, the division does not have adequate

controls to prevent (1) a counselor from authorizing medical procedures that are medically unnecessary or (2) unreasonable medical fees for services that are not in the DRS fee schedule.

We recommend that the division require counselors to consult with an independent medical professional prior to authorizing medical procedures outside of the division’s medical fee schedule. This could be accomplished by contracting with the state Division of Health Care Financing (Medicaid) to process all medical claims.

### **Other States Bill the Medicaid Rate for Vocational Rehabilitation**

While some intermountain state vocational rehabilitation programs process medical claims similarly to the DRS, Nevada and Arizona both use the Medicaid rate as a basis for paying medical claims. Nevada’s vocational rehabilitation fee schedule has only been in place since January 2013, and management claims to have experienced some early resistance from providers. Arizona’s vocational rehabilitation medical fee schedule has been in place for 10 years with minimal reported opposition. Figure 3.3 displays the basis for vocational rehabilitation fee schedules for other intermountain states.

**Figure 3.3 Western State Vocational Rehabilitation Fee Schedules**

State	Fee Schedule Basis
Arizona	Based on the Medicaid rate
Colorado	Originally based on Worker’s Compensation, but now based on a formula
Idaho	Usual, customary and reasonable charges for services provided
New Mexico	None (provider rates, no discount)
Nevada	Based on the Medicaid rate (negotiable)
<b>Utah</b>	<b>150 percent of the Medicaid rate</b>
Wyoming	None (best possible rates)
Montana	Based on the Worker’s Compensation fee schedule

Source: OUSA analysis of other states’ policies

There does not appear to be a consensus best practice among surrounding states; however, it does appear that contracting with Medicaid to process medical claims for vocational rehabilitation clients in Utah could lower payment rates while improving overall controls to prevent fraud, waste, and abuse.

## **Processing Division Medical Claims Through Medicaid Could Reduce DRS Costs and Improve Controls**

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As previously mentioned, the relatively limited number of vocational rehabilitation procedures performed by medical providers restricts the division's ability to negotiate the lowest rates. This concern is magnified in rural communities where limited access to specialized medical providers further decreases the division's bargaining power. These limitations sometimes also require the division to pay more for certain medical procedures than allowed in the DRS fee schedule. Contracting with Medicaid to process medical procedures would alleviate these concerns while also granting access to an expanded network of medical providers who have agreed to pay a given rate. Additionally, contracting with Medicaid could potentially provide access to medical professionals employed by the state to consult with DRS counselors and provide a framework to determine the medical necessity of certain client requests.

Several other state entities already rely on Medicaid to process their medical claims, reducing overhead and increasing controls that ensure that the entities are paying the proper amount for medical services. The Department of Human Services contracts with Medicaid to process medical claims for juveniles. The Department of Corrections and several county jails recently began coordination with Medicaid to process off-site medical claims for incarcerated individuals.

In most cases, it appears that contracting with Medicaid to process medical claims would (1) reduce the cost of medical care by paying a lower rate; (2) increase patient options through an expanded network of providers; (3) decrease risks of fraud, waste, and abuse; (4) improve internal access to medical professionals to advise on complex issues; and (5) minimize entity overhead while utilizing existing state resources. We believe that the division could realize similar benefits as other state entities by contracting with Medicaid to process all medical claims through its claims processing system.

## **Recommendations**

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1. We recommend that the Division of Rehabilitation Services contract with the state Division of Health Care Financing (Medicaid) to process all medical claims and to provide necessary consultation.
2. We recommend that the Division of Rehabilitation Services require counselors to consult with an independent medical professional prior to authorizing medical procedures outside of the division fee schedule.
3. We recommend that the Division of Rehabilitation Services adopt and use the traditional Medicaid fee schedule for all medical authorizations, as allowed by federal regulations.

## **Finding 4**

# **Identity Verification Could Support Client Employment and Reduce Potential Fraud**

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Division of Rehabilitation Services (“DRS” or “division”) counselors do not verify applicants’ identity by requesting identification documents, which increases the risk of fraud and identity theft while also prolonging unemployment for some clients. Several vocational rehabilitation agencies in other states require identification documents before services are authorized while agencies in other states do it as a best practice. Because the division’s goal is to help clients find employment, we recommend that the division require identification documents prior to Individual Plan for Employment (IPE) implementation. This will ensure that clients (1) are properly identified, (2) are eligible to obtain employment in the United States, and (3) possess necessary documentation to accept employment.

### **The DRS Does Not Verify Clients’ Eligibility to Work in United States**

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The division’s Client Services Manual requires I-9 eligibility of its participants. Specifically, policy states,

*Public Law 104-208 mandates that it is unlawful to employ an unauthorized immigrant. Although there is nothing in the Rehabilitation Act or regulations requiring citizenship, an individual who cannot be legally employed in the United States would not be eligible for Vocational Rehabilitation services because they would not be capable of obtaining an employment outcome. It is, therefore, USOR policy that an individual with a disability in addition to the eligibility criteria outlined in the [Rehabilitation] Act must be I-9 eligible in accordance with the Immigration and Naturalization Service.*

Requirements for the I-9 form include one document from List A, such as a passport or permanent resident card, or a combination of one selection from List B and one selection from List C such as a driver’s license and a social security card, as shown in Figure 4.1.

**Figure 4.1 Form I-9 List of Acceptable Documents**

List A Documents that Establish Both Identity and Employment Authorization	List B Documents that Establish Identity	List C Documents that Establish Employment Authorization
<ul style="list-style-type: none"> <li>• U.S. Passport or U.S. Passport Card</li> <li>• Permanent Resident Card or Alien Registration Receipt Card</li> <li>• Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa</li> <li>• Employment Authorization Document that contains a photograph (Form I-766)</li> <li>• For a nonimmigrant alien authorized to work for a specific employer because of his or her status:               <ul style="list-style-type: none"> <li>a. Foreign passport: and</li> <li>b. Form I-94 or Form I-94A that has the following:                   <ul style="list-style-type: none"> <li>(1) The same name as the passport; and</li> <li>(2) An endorsement of the alien’s nonimmigrant status as long as that period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form.</li> </ul> </li> </ul> </li> <li>• Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI</li> </ul>	<ul style="list-style-type: none"> <li>• Driver’s license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address</li> <li>• ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address</li> <li>• School ID card with photograph</li> <li>• Voter’s registration card</li> <li>• U.S. Military card or draft record</li> <li>• Military dependent’s ID card</li> <li>• U.S. Coast Guard Merchant Mariner Card</li> <li>• Native American tribal document</li> <li>• Driver’s license issued by a Canadian government authority</li> </ul> <p><b>For persons under 18 who are unable to present a document above:</b></p> <ul style="list-style-type: none"> <li>• School record or report card</li> <li>• Clinic, doctor, or hospital record</li> <li>• Day-care or nursery school record</li> </ul>	<ul style="list-style-type: none"> <li>• A Social Security Account Number card, unless the card includes one of the following restrictions:               <ul style="list-style-type: none"> <li>(1) NOT VALID FOR EMPLOYMENT</li> <li>(2) VALID FOR WORK ONLY WITH INS AUTHORIZATION</li> <li>(3) VALID FOR WORK ONLY WITH DHS AUTHORIZATION</li> </ul> </li> <li>• Certification of Birth Abroad issue by the Department of State (Form FS-545)</li> <li>• Certification of Report of Birth issued by the Department of State (Form DS-1350)</li> <li>• Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal</li> <li>• Native American tribal document</li> <li>• U.S. Citizen Card (Form I-197)</li> <li>• Identification Card for Use of Resident Citizen in the United States (Form I-179)</li> <li>• Employment authorization document issued by the Department of Homeland Security</li> </ul>

Source: United States Department of Homeland Security

Currently, the initial application asks if the applicant is a United States citizen. If the applicant checks “yes,” then no further action is taken. If the applicant checks “no,” then the counselor may ask for verification of eligibility to work in the United States, such as a green card. However, it appears that DRS counselors rarely follow up with a client to determine their eligibility to work in the United States. Therefore, the division is at risk of providing services to ineligible or fraudulent participants. Other states mitigate this risk by requiring identification prior to approval for services.

**Other States Require Copies of Identification Documents**

Vocational rehabilitation agencies in three of the six intermountain states surveyed require proof of identification in order to verify an applicant’s eligibility to work in the United States. Agencies in the other three states surveyed claim to document proof of identification as a best practice even though it is not required by policy. Figure 4.2 shows the differences in state practices for verifying applicants’ identification.

**Figure 4.2 Other Intermountain States Verify Client Identification**

State	Requires Identification Documents	Verifies Identity as a Best Practice	Does Not Verify Client Identity
Arizona	X		
Colorado	X		
Idaho		X	
Nevada	X		
New Mexico		X	
Utah			X
Wyoming		X	

*Source: OUSA Survey of Vocational Rehabilitation Services of Intermountain States*

It appears that most surrounding states verify client identity. Additionally, a recent audit of Michigan’s vocational rehabilitation program highlighted the risks of not verifying client identification. The audit reported that vocational rehabilitation counselors did not document identity verification in 47 percent of reviewed cases, resulting in more than \$1 million in questionable expenditures. As a result of the audit, the Michigan vocational rehabilitation program clarified existing policy to require documentation of identity verification prior to IPE implementation. This revised policy requires,

*...that copies of a Social Security card and photo identification (ID) with name and birthdate such as a driver's license or State Identification Card be maintained in the hard copy file by the time the IPE is signed. Should the customer only have a photo ID without birthdate, a copy of the individual's birth certificate must also be obtained. This documentation is needed not only to verify identity for [Michigan Rehabilitation Services] purposes but assists to meet work readiness requirements necessary prior to seeking employment.*

States that require identification documents (AZ, CO, NV, and MI) keep a copy of these documents in the client file. Arizona's rehabilitation program policy states, "[a]ll applicants/eligible clients must present appropriate documentation that they can, or will be able to, legally work in the United States prior to the implementation of an IPE." Similarly, Colorado's vocational rehabilitation policy states, "[a]ll applicants age 18 and older must provide a form of identification. A copy of the produced identification will be filed in the applicant's client record." Nevada's vocational rehabilitation application includes an abbreviated form of the I-9 acceptable documents to be verified at the time of application.

## **Identification Documents Are Necessary for Employment**

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Because the purpose of the DRS is to help people find employment, counselors should begin the process of ensuring that clients possess the necessary identification as early in the process as possible. Original copies of the documents are required to satisfy the I-9 eligibility requirements in Figure 4.1, so simply asking clients if they *have* the documents is not sufficient. If documents have been lost, stolen, or misplaced, division counselors can help clients navigate the steps of getting new documents as part of the vocational rehabilitation process.

By requiring original copies prior to IPE implementation, counselors are alerted to clients' needs for obtaining these vital documents, limiting unnecessary waiting periods in a client's search for employment since these documents often take time to obtain. Some required documents may take up to 90 days to receive.

Michigan's vocational rehabilitation program administrators claim that some clients were deterred from the program by requiring identification documents at the time of eligibility assessment. However, this problem was resolved by changing policy to require identification at the time of IPE development. Similarly, vocational rehabilitation agencies in Arizona and Nevada will not authorize any services in the IPE until the client produces the required identification documents. This allows clients to start the intake process and prepare the IPE, but prevents additional funds from going out until the client's identity is verified.

## **Recommendation**

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1. We recommend that the Division of Rehabilitation require identification documents prior to the implementation of the client's individual plan for employment to ensure that the client is properly identified, is able to meet employment requirements in the United States, and is prepared to produce necessary identification when a job becomes available.

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# **Appendix A**

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## Appendix A State Vocational Rehabilitation Agencies

State	Assigned Department	State	Assigned Department
Alabama	Dpt. of Rehabilitation Services	Montana	Dpt. of Public Health and Human Services
Alaska	Dpt. of Labor and Workforce Development	Nebraska	Dpt. of Education
Arizona	Dpt. of Economic Security	Nevada	Dpt. of Employment, Training, and Rehabilitation
Arkansas	Dpt. of Career Education	New Hampshire	Dpt. of Education
California	Dpt. of Health and Human Services	New Jersey	Dpt. of Labor and Workforce Development
Colorado	Dpt. of Human Services	New Mexico	Dpt. of Education
Connecticut	Dpt. of Social Services	New York	Education Department
Delaware	Dpt. of Labor	North Carolina	Dpt. of Health and Human Services
D.C.	Dpt. on Disability Services	North Dakota	Dpt. of Human Services
Florida	Dpt. of Education	Ohio	Rehabilitation Services Commission
Georgia	Dpt. of Labor	Oklahoma	Dpt. of Rehabilitation Services
Hawaii	Dpt. of Human Services	Oregon	Dpt. of Human Services
Idaho	State Board of Education	Pennsylvania	Dpt. of Labor and Industry
Illinois	Dpt. of Human Services	Rhode Island	Dpt. of Human Services
Indiana	Family and Social Services Administration	South Carolina	Vocational Rehabilitation Department
Iowa	Dpt. of Education	South Dakota	Dpt. of Human Services
Kansas	Dpt. for Children and Families	Tennessee	Dpt. of Human Services
Kentucky	Workforce Development	Texas	Dpt. of Assistive and Rehabilitative Services
Louisiana	Workforce Commission	<b>Utah</b>	<b>State Office of Education</b>
Maine	Dpt. of Labor	Vermont	Agency of Human Services
Maryland	Dpt. of Education	Virginia	Dpt. for Aging and Rehabilitation Services
Massachusetts	Health and Human Services	Washington	Dpt. of Social and Health Services
Michigan	Dpt. of Human Services	West Virginia	Dpt. of Education and the Arts
Minnesota	Dpt. of Employment and Economic Development	Wisconsin	Dpt. of Workforce Development
Mississippi	Dpt. of Rehabilitative Services	Wyoming	Dpt. of Workforce Services
Missouri	Dpt. of Elementary and Secondary Education		

Source: OUSA analysis of state vocational rehabilitation agencies

Classification	Total	Percent of Total
Human/Social Services	17	33.33%
Education	12	23.53%
Labor/Workforce	10	19.61%
Rehabilitation	9	17.65%
Misc.	3	5.88%
<b>Total</b>	<b>51</b>	<b>100.00%</b>

*Source: OUSA analysis of state vocational rehabilitation agencies*

# Appendix B

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# Appendix B

## FY 2012 USDOE Vocational Rehabilitation Performance

State	Agency Type*	Order of Selection?	Eligible Individuals per Million of State Population	Rehabilitation Rate	Percent Working 35 or More Hours per Week	Mean Hourly Wage	Mean Cost per Rehabilitation
ALABAMA	C	No	2,057	65.06%	56.29%	\$9.92	\$4,679.27
ALASKA	C	No	2,781	63.91%	59.15%	\$13.64	\$4,793.65
AMERICAN SAMOA	C	No	3,767	94.12%	56.25%	\$12.77	\$3,644.63
ARIZONA	C	Yes	1,110	36.51%	48.20%	\$11.31	\$10,070.15
ARKANSAS	G	No	2,520	65.06%	67.90%	\$11.41	\$4,128.46
CALIFORNIA	C	Yes	1,017	57.94%	44.12%	\$11.91	\$5,719.81
COLORADO	C	Yes	1,932	66.63%	43.61%	\$12.05	\$3,995.25
CONNECTICUT	G	Yes	1,244	60.35%	48.62%	\$17.64	\$5,170.27
DELAWARE	G	Yes	3,765	70.44%	51.18%	\$10.39	\$4,434.66
DISTRICT OF COLUMBIA	C	Yes	3,556	28.93%	65.27%	\$12.61	\$3,728.57
FLORIDA	G	Yes	1,462	45.78%	46.33%	\$10.61	\$7,670.94
GEORGIA	C	Yes	1,872	58.72%	63.37%	\$9.76	\$3,738.40
GUAM	C	No	1,445	75.00%	71.43%	\$9.21	\$13,043.27
HAWAII	C	Yes	1,591	23.48%	41.15%	\$12.95	\$10,857.84
IDAHO	G	No	3,783	42.36%	54.92%	\$10.81	\$2,751.52
ILLINOIS	C	Yes	1,660	54.32%	36.52%	\$10.54	\$4,469.17
INDIANA	C	Yes	1,921	57.09%	43.55%	\$11.51	\$6,974.13
IOWA	G	Yes	2,937	63.68%	61.60%	\$11.66	\$4,003.68
KANSAS	C	Yes	2,401	47.52%	43.02%	\$9.86	\$6,876.81
KENTUCKY	G	Yes	3,780	62.92%	57.57%	\$11.78	\$4,796.68
LOUISIANA	C	Yes	1,860	49.67%	57.66%	\$12.06	\$7,536.08
MAINE	G	Yes	4,173	52.78%	40.46%	\$11.74	\$4,776.78
MARYLAND	C	Yes	1,789	59.50%	37.36%	\$10.69	\$4,211.76
MASSACHUSETTS	G	Yes	1,835	48.79%	35.85%	\$12.66	\$2,453.97
MICHIGAN	G	No	2,203	51.81%	55.17%	\$13.19	\$3,252.74
MINNESOTA	G	Yes	1,644	56.69%	38.78%	\$10.88	\$4,295.42
MISSISSIPPI	C	Yes	3,252	70.87%	66.51%	\$11.31	\$4,128.67
MISSOURI	G	Yes	3,025	62.73%	41.83%	\$10.08	\$7,968.28
MONTANA	C	No	4,403	47.37%	43.63%	\$11.30	\$6,161.01
NEBRASKA	G	Yes	2,988	61.58%	62.49%	\$10.32	\$1,867.31
NEVADA	C	No	1,484	49.19%	52.35%	\$11.58	\$4,089.56
NEW HAMPSHIRE	C	No	3,641	59.04%	44.21%	\$13.08	\$4,570.70
NEW JERSEY	G	Yes	1,797	53.27%	42.92%	\$11.84	\$4,214.06
NEW MEXICO	G	Yes	2,144	43.42%	48.72%	\$11.63	\$4,828.21
NEW YORK	G	No	2,117	55.04%	46.69%	\$10.95	\$5,492.88
NORTH CAROLINA	G	No	2,590	56.36%	41.59%	\$9.50	\$5,831.52
NORTH DAKOTA	C	No	1,322	58.85%	61.25%	\$12.52	\$6,646.31
NORTHERN MARIANAS	C	No	2,413	72.92%	62.50%	\$18.03	\$1,052.29
OHIO	C	Yes	2,132	48.95%	39.31%	\$10.58	\$10,114.41
OKLAHOMA	C	Yes	1,448	48.70%	61.43%	\$11.19	\$6,736.08
OREGON	G	Yes	2,452	58.69%	36.91%	\$11.65	\$4,233.82
PENNSYLVANIA	C	Yes	1,801	53.77%	57.16%	\$12.26	\$4,994.89
PUERTO RICO	C	No	3,623	73.13%	52.23%	\$8.79	\$7,519.10
RHODE ISLAND	C	Yes	2,362	28.72%	36.35%	\$11.39	\$5,542.65

State	Agency Type*	Order of Selection?	Eligible Individuals per Million of State Population	Rehabilitation Rate	Percent Working 35 or More Hours per Week	Mean Hourly Wage	Mean Cost per Rehabilitation
SOUTH CAROLINA	G	No	3,147	59.58%	65.81%	\$10.70	\$1,695.18
SOUTH DAKOTA	G	Yes	3,279	61.65%	39.70%	\$9.27	\$4,419.15
TENNESSEE	C	Yes	1,284	46.18%	43.69%	\$10.02	\$8,232.03
TEXAS	G	No	1,222	58.86%	56.39%	\$12.15	\$7,041.00
<b>UTAH</b>	<b>C</b>	<b>No</b>	<b>4,637</b>	<b>57.84%</b>	<b>63.45%</b>	<b>\$11.40</b>	<b>\$4,862.27</b>
VERMONT	G	Yes	8,593	58.32%	40.49%	\$11.45	\$2,466.45
VIRGINIA	G	Yes	1,295	40.45%	43.78%	\$10.44	\$3,867.04
VIRGIN ISLANDS	C	No	3,819	80.28%	61.22%	\$11.20	\$10,169.09
WASHINGTON	G	No	1,830	54.50%	38.52%	\$12.02	\$5,781.26
WEST VIRGINIA	C	No	4,955	74.79%	72.48%	\$12.76	\$5,178.09
WISCONSIN	C	Yes	4,066	52.22%	38.16%	\$11.30	\$8,247.24
WYOMING	C	No	4,276	57.90%	55.79%	\$11.78	\$4,125.87
<b>Average</b>	<b>G</b>		<b>2,743</b>	<b>55.03%</b>	<b>49.70%</b>	<b>\$11.21</b>	<b>\$4,942.52</b>
	<b>B</b>		<b>104</b>	<b>67.11%</b>	<b>52.59%</b>	<b>\$14.33</b>	<b>\$8,624.20</b>
	<b>C</b>		<b>2,552</b>	<b>55.82%</b>	<b>51.50%</b>	<b>\$11.22</b>	<b>\$5,735.49</b>
	<b>NATL</b>		<b>1,875</b>	<b>55.74%</b>	<b>50.61%</b>	<b>\$11.31</b>	<b>\$5,436.34</b>

\* Agency Types ("G" = General Agencies; "B" = Blind Agencies; "C" = Combined Agencies)

Source: United State Department of Education Office of Special Education and Rehabilitative Services

# Appendix C

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# Appendix C USOR Vehicle Modification Policy

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Case Service Memo: 2006 – 04  
Subject: Provision of Transportation Services, Including Vehicle Modification and Purchase  
To: All Staff  
Issued by: XXXXXX, Program Director, Case Service  
Authored by: XXXXXX, Program Director, Administrative Services Issue  
Date: September 15, 2006  
Effective Date: September 15, 2006

*This supersedes all previous Case Service Memos related to transportation, motor vehicle modification, and USOR participation in motor vehicle purchases.*

**POLICY:** Transportation services, as detailed herein, must be **necessary, appropriate, and at the least possible cost** to the State of Utah.

## 1. General Definitions and Eligibility for Transportation Services

- a. Transportation services are defined as travel and related expenses that are necessary to enable an applicant or eligible individual to participate in an approved vocational rehabilitation service. [34 CFR 361.5 (b)(57)]
- b. Transportation is **not a stand-alone service**, and must be provided only when necessary for the eligible individual to access other vocational rehabilitation services leading to employment. [34CFR 361.48(a)(8)]
- c. USOR shall pay the most economical rate for appropriate and necessary travel and travel-related expenses.
  - i. **First**, consideration shall be given to the appropriate use of existing individual transportation options including, but not limited to, the use of personal, family, or a friend's vehicle for travel to and from the approved vocational rehabilitation service or employment activity.
  - ii. **Second**, consideration shall be given to the appropriate use of public transportation options including, but not limited to, bus systems, light rail, and commuter rail for travel to and from the approved vocational rehabilitation service or employment activity.
  - iii. **Third**, when significant individual circumstances prevent the use of public transportation, the counselor must document a search for the most economical type of private transportation to and from any approved vocational rehabilitation service or employment activity. Private transportation includes: taxi, private van service, hired driver, and/or other arrangements.
  - iv. **Fourth**, when significant individual circumstances keep an eligible individual from using available public and private transportation, the counselor must document the justification to explore other options. When absolutely necessary and appropriate due to documented individual circumstances, USOR participation in a vehicle purchase may be considered. (See section 3 below)
- d. USOR shall not authorize normal transportation costs that are not directly associated with client participation in the vocational rehabilitation program or services. [34CFR 361.48(a)(8)]

- e. USOR does not generally authorize for routine maintenance (i.e., state inspections, tax, title, and license, registration, oil changes, other routine maintenance, etc.) or insurance payments for the consumer's vehicle, unless it is needed immediately to assure that the vehicle is safe and operable to transport the client to activities described in the individual's vocational rehabilitation plan (IPE).
- f. USOR shall approve payment only for transportation services that are a part of the IPE, are approved in compliance with agency and state policy, and are authorized prior to the date of travel.
- g. USOR shall not pay bad debts, liens, judgments, fines, tickets, court costs, towing fees, and similar expenses incurred related to transportation.

## **2. Transportation-related Assistive Technology and Vehicle Modifications**

- a. Counselors must immediately notify and consult with their supervisor at the first discussion regarding transportation related assistive technology (AT) and/or vehicle modifications.
- b. Once the counselor and eligible individual have determined that private and public transportation options are not suitable to the individual's needs due to specific disability-related requirements, consideration of AT and/or vehicle modification may be appropriate. In the event that the eligible individual already owns a motor vehicle, modification of the vehicle should be considered as a least cost alternative.
- c. Assistive technology assessments must be completed before a vehicle modification is considered because the needed AT may be affected by the type of vehicle owned by the eligible individual. Modifications and AT devices must be limited to the features required to address the functional limitations and adhere to industry safety standards. Assessments will focus on identifying the most cost-effective alternatives that meet a client's needs. When using Utah Center for Assistive Technology (UCAT) or other USOR qualified staff for evaluation purposes, the client must be advised that all evaluation-based recommendations are subject to approval processes and purchasing policies. Clients must be informed that evaluation staff serve in an advisory function only and do not have approval or purchasing authority. Vendors may occasionally be used as secondary consultants if recommended by UCAT (or other USOR qualified staff) but would provide only part of an AT assessment. The client must be advised that vendors have no role in the approval process or purchasing process. They cannot and should not give directions to clients about the approval or purchasing processes.

- d. Following the required AT assessment, a written report must be submitted to the counselor. It must contain the exact specifications and type of equipment needed to allow the client to access and drive the vehicle. The report may contain certain recommendations as to the make and model of the modification and/or AT devices needed. However, the purpose of the report will be to serve as a basis for the USOE Purchasing Agent or the Utah Department of Purchasing and General Services to put the purchase out for bid. The bid will be awarded to the lowest bidder who offers modifications and AT devices that will allow the client to use the vehicle safely. Requests for bids will not be made for a specific make and model. Instead, the bidder will respond to our specifications on what is required to “get the job done.” It would be possible for vendors to submit different products and prices. Through the process of informed choice, the client and counselor will select the make and model with the lowest price which will meet the client’s need. Modifications, conversion, and AT devices will be limited to the least expensive options that meet the client’s needs. Should a client, through informed choice, request an upgrade, improvement or similar alternative which exceeds the minimum qualifications above, the counselor may request an exception if the client agrees to make up the difference in cost (CSM 12.4, B). Purchase and installation, or participation in the purchase and installation, of vehicle-related AT including, but not limited to, van lifts and hand controls may be considered an appropriate VR expense. Up to the full cost of such devices, equipment, and installation may be considered. [34CFR 361.48(a)(18)]
- e. The counselor must ensure that agency approval levels are obtained as appropriate, and that all State of Utah purchasing regulations are followed throughout the process.
- f. An equipment receipt signed by the eligible individual must be obtained prior to the installation of AT or vehicle modification.

### **3. USOR Participation in Used and New Motor Vehicle Purchase**

- a. Counselors must immediately notify and consult with their supervisor at the first discussion regarding possible USOR participation in used or new vehicle purchase. All vehicle purchases require approval at the Case Service Coordinator level, regardless of cost, unless otherwise delegated in writing.
- b. Before thinking about participating in the purchase of a vehicle, other available and adequate public or private transportation options must be taken into consideration and used as appropriate. (See Section 1 above)
- c. The USOR VR program will consider participating in the purchase of a vehicle **only** when this option is considered to be necessary due to individual circumstances and the most economically feasible option to meet the ongoing employment related transportation needs of the eligible individual.
- d. Before deciding to participate in the purchase of a vehicle, the counselor and eligible individual must determine who the primary driver of the vehicle will be. That person must provide a valid driver license or provide evidence from the Department of Motor Vehicles (DMV) documenting the ability to become licensed to safely operate the vehicle. Generally, VR would purchase a vehicle only if it allowed the eligible individual to be the primary driver. The counselor must document that the client is insured, or can become insured, and must show how the individual will pay for ongoing insurance premiums.
- e. An AT assessment is required before consideration of possible USOR participation in a vehicle purchase. Clients must not order or purchase a vehicle prior to obtaining written USOR commitment and directions regarding VR participation. USOR will not participate in purchasing modified vehicles when the client has already selected and purchased a vehicle chassis without the required AT assessment.

- f. The counselor must follow the process for AT vehicle modification consideration detailed in section 2 above.
- g. The counselor will work with the client and, as necessary, UCAT staff or the AT Coordinator to locate a used vehicle that meets the client's needs as reflected on the written AT report. Access Utah should be contacted for assistance with this search. When a suitable used vehicle is located, the counselor should follow the procedure outlined in CSM 12.4 (E)(2), Used items costing more than \$2,000, after obtaining an estimate of the used vehicle from an expert source. This estimate must give the overall value of the modified vehicle and a separate estimate of the value of the conversion and AT devices in the vehicle. As emphasized above, the purchase must not be made until the assessment and bid process are complete. If a used vehicle meeting the needs reflected in the written AT report is not found, consideration may be given to purchase of a new vehicle. All USOR determinations about VR participation in the purchase of a vehicle must be in writing. Counselors must inform clients of this and, additionally, that the client must obtain the determination in writing prior to any commitment of funds. These must be signed by both the counselor and the client to be valid. No part of a purchase commitment of funds by a client may be paid by VR unless VR commitment has been determined and obtained in writing, in advance.
- h. USOR participation in the purchase of a used work-related vehicle, such as a light or heavy duty truck, a delivery van, or other special purpose vehicle intended solely for use related to an approved work-related VR service may be considered an appropriate VR expense when required as part of an approved IPE objective for self employment, hauling, delivery, or other specific work-related need. The USOR VR program will participate only in the purchase of a used vehicle unless none is available that fits the client's needs. In such documented cases, participation in the purchase of a new vehicle may be considered.
- i. Participation in the purchase of a used vehicle intended primarily for use related to an approved VR service and with some intended use for personal transportation. When full consideration of other available and adequate public or private transportation options does not show that this is an appropriate option, participation in the purchase of a used vehicle intended primarily for use related to an approved VR service and with some intended use for personal transportation may be considered an appropriate VR expense for those transportation costs directly incurred as the result of the IPE objective related to the approved VR service
- j. **Generally, VR will not fund the entire cost of a vehicle purchase.** However VR may participate in the purchase of a vehicle based on the allowable expense calculation outlined in the next paragraph.
- k. The amount of allowable expense is calculated by determining, or estimating, the work-related mileage plus mileage related to an approved VR service, as a percentage of the total annual mileage of the vehicle. An amount up to that percentage of the full cost of such a vehicle may be considered.

**Example:**

A person is seeking to purchase a used van that costs \$20,000. The anticipated VR- related use of the van is for transportation to and from school under an approved VR IPE. The round-trip mileage to school and back is 30 miles. The client goes to school 4 times per week for 36 weeks per year. The client's only other VR related use of the vehicle is one 18 mile round trip per month to meet his counselor. The possible VR cost participation would be calculated as follows:

- i. 30 miles round-trip times 4 trips per week, plus one 18 mile round-trip = 138 miles per week
- ii. 138 miles a week times 36 weeks per year = 4968 total miles VR-related travel
- iii. 4968 divided by 15,000 estimated annual miles\* = 33.1 or 31%
- iv. 31% times \$20,000 = \$6624.

v. \$6624 is the share of the cost that VR could pay.

\* NOTE: If the actual total annual mileage use of a vehicle is unknown, a standard estimate of 15,000 miles will be used.

When a vehicle requires the installation of AT, e.g., a van lift, up to the full purchase and installation costs of the AT may be provided in addition to the pro-rata amount for purchase. Therefore, when a used vehicle is purchased that is already equipped with AT, the full cost of that AT may be provided. Participation in the remainder of the cost of the vehicle may then be pro-rated based on the determined or estimated percent of use of the vehicle in use related to work or an approved VR service.

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# **Agency Response**

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September 11, 2013

John Dougall, State Auditor  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P.O. Box 142310  
Salt Lake City, UT 84114-2310

Dear Mr. Dougall:

Thank you for the opportunity to review *A Performance Audit of The Division of Rehabilitation Services Cost Controls* (Report No. 2013-03). We appreciate the professional manner in which the audit was conducted and the recommendations provided. We agree with the four findings and their associated recommendations.

The goal of the Vocational Rehabilitation program is to maximize an eligible individual's employability and return them to a taxpayer role, thereby reducing dependence on other public services. Individuals seeking services through USOR programs must first complete an eligibility process and a financial needs assessment. The types of services, training and education programs available to clients are governed by Federal Vocational Rehabilitation law as well as Utah law and rules.

The Utah State Office of Rehabilitation (USOR) expends over \$20 million dollars per year toward direct client services. While only a small percentage of total expenditures, vehicle modifications are unusual in nature and we agree that the determination to incur expenditures for vehicle modifications should be governed by clear policy and documented in a manner that carefully considers all cost alternatives. We agree that direct payments to clients instead of vendors should only be authorized in specific circumstances, properly approved and documented as required by USOR policy. We also agree that identification verification does mitigate the risk of fraud and supports eventual client employment.

The USOR will conduct a thorough review and revision of the current transportation policies, direct payment guidelines, and eligibility documentation requirements to ensure compliance with federal requirements and the recommendations of the audit. As part of this process the USOR has begun the process of reallocating and requesting funding to hire an internal auditor, under the direction of the State Board of Education Internal Auditor. The internal auditor will conduct a risk assessment on the Vocational Rehabilitation program, evaluate internal controls at USOR and other outlying offices, review policies and procedures and make additional recommendations to strengthen internal controls. A case monitoring and documentation review process will also be evaluated. All USOR vocational rehabilitation counselors will be provided additional training on existing and modified policies and on proper documentation of eligibility and determination issues.

Mr. Dougall  
Page 2  
September 5, 2013

We appreciate the recommendations made regarding the utilization of Medicaid rates for Vocational Rehabilitation medical authorizations. Presently federal regulations allow states to set reasonable fee schedules that enable eligible individuals to obtain needed services in accordance with a client's informed choice and accessibility of those services. The USOR will begin to evaluate the use of Medicaid rates in areas where Medicaid providers are sufficient to provide services to clients. USOR will also investigate and evaluate the implementation of this recommendation and the impact on clients in rural areas. Recommendations for modifications to policy and rules will be made to the Rehabilitation Council and the State Board of Education and sufficient training will be provided to staff.

We will use this audit and its recommendations as a starting point to improve and strengthen the policies and internal controls that govern the expenditures of the vocational rehabilitation program. We strive to use resources efficiently and in accordance with federal and state law and policy.

Sincerely,



Donald R. Uchida, Executive Director  
State Office of Rehabilitation



Martell Menlove, Ph.D.  
State Superintendent of Public Instruction