

An Audit Report on

# Management Controls at the Texas Rehabilitation Commission



**Office of the State Auditor**  
**Lawrence F. Alwin, CPA**

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# Key Points Of Report

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### Overall Conclusion

The Commission generally has effective management controls, but it does not have a fully developed contract management system to ensure quality provider services at a reasonable cost.

### Key Facts And Findings

- The Commission's records show that it spent approximately \$121 million on services for clients during fiscal year 1994, but it has developed formal contracts for only \$2 million. While developing contracts with providers for all client services may not be feasible, the Commission should use contracts when providers meet certain criteria, such as high dollar volume.
- The Commission does not have a formalized cost-based methodology to set rates for client services or an adequate system for monitoring providers' financial controls. This increases the risk that the Commission may be paying too much for some client services.
- The Commission has undertaken a reengineering effort which is expected to increase the agency's efficiency in delivering services to Texans with disabilities. For example, to provide faster delivery of client equipment, the Commission is moving from using a centralized warehouse toward buying from large volume local providers. However, the Commission encountered problems in the initial organization and management of the reengineering project. As a result, it changed its original specifications, which delayed plans for the October 1, 1995, system implementation.
- The Disability Determination Services Division has taken steps to reduce the number of case files waiting for examination and to shorten case processing time. As a result, management reports that the number of cases waiting assignment to an examiner dropped from an average of 9,490 in March 1995 to an average of 1,000. Management also reports that its mean processing time decreased from 90.5 days in April 1995 to 71.3 days in August 1995.

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*This management control audit was conducted in accordance with Government Code, §§ 321.0132 and 321.0133.*

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## Executive Summary

**W**hile the Texas Rehabilitation Commission has effective management controls in some areas, it does not have a contracting system that can ensure that state dollars are used efficiently, that ensures service costs are reasonable and reimbursements to providers appropriate, or that adequately monitors service provider performance. The Commission purchases services on a fee for service basis and consequently does not currently have contracts for approximately \$119 million of the \$121 million spent in fiscal year 1994 on client services.

The agency does have a comprehensive strategic planning process which includes all stakeholders. Its environmental scanning has resulted in reengineering designed to increase the Commission's efficiency in delivering services to Texans with disabilities. The Commission has had some problems in the initial organization and management of its reengineering and should continue to strengthen controls over the reengineering process.

The Disability Determination Services Division of the Commission has taken steps to reduce case processing time and clarify the employment relationship of its medical and psychological consultants. These are positive changes the Commission has made to help ensure efficiency and effectiveness.

### **Implement A Comprehensive System For Determining Methods Of Procurement And Contract Development**

The Commission should improve its contract management system so that it has sufficient information for decision-making and can

ensure that its funds are not spent on providers with poor performance. Without a good contracting system, the agency cannot determine whether program costs are reasonable and necessary, cannot hold providers accountable through enforceable contracts, and cannot ensure quality services are consistently provided.

Formal contracts have been developed for \$2 million out of \$121 million spent on client services. Although it may not be feasible to contract for all client services, contracts should be used instead of purchase orders when criteria such as high-dollar volume are met.

The Commission should develop procurement standards for client services that incorporate minimum federal administrative requirements. It also should continue efforts to implement contracting decision criteria. In addition, the Commission should develop client service contracts that contain required elements, including performance measures, sanctions, and accounting requirements. This will allow the Commission to hold providers accountable for consistently delivering quality services.

### **Develop A Formalized Rate Setting Methodology**

The Commission does not have a formalized cost-based, rate-setting methodology or a process to ensure that rates are cost effective. The Commission currently uses a fee-for-service structure. As a result, the Commission has no assurance that reimbursements to providers correlate with costs and reflect only appropriate and reasonable costs related to providing services. Different rates are charged to state agencies for the same service, and a limited review of four providers indicates that some have accumulated large fund balances or

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retained earnings. Both situations suggest that the cost to provide services was different from the rate the Commission paid.

Continued use of the current rate-setting process increases the risk that the rates the Commission pays for client services do not fairly reflect the cost of providing the services or ensure that the Commission is maximizing its client service dollars. The Commission should develop a rate-setting methodology based on reasonable and necessary costs of services.

### **Implement A Coordinated And Comprehensive Contract Oversight And Monitoring Function**

While the Commission has tools and personnel to monitor provider performance, the overall monitoring effort is not well coordinated or comprehensive. Dollars could be spent on providers with poor performance because monitoring in the Grants and Contracts Unit and in the Rehabilitation Services Unit is not closely coordinated. Without a coordinated and comprehensive monitoring effort, the Commission's oversight of providers is not as efficient and effective as it could be.

The Commission's monitoring visits do not ensure that providers spend state resources efficiently, except in agency grant relationships, because the scope of the visits are too narrowly focused. Providers are not required to obtain independent financial audits which could provide minimal assurance, and the Commission does not review the financial operations of service providers. Finally, monitoring personnel do not always have the

expertise needed to perform financial monitoring.

A review of a limited sample of the Commission's client service providers indicated:

- commingling of personal and business expenses
- inadequate supporting documentation for expenses, such as \$59,000 of unsupported annual contract labor expenses
- no allocation of revenues or expenses by funding source, making the true cost of services undeterminable

The Commission should assign the Grants and Contracts Unit the authority and responsibility for oversight of performance and financial monitoring of service providers. In addition, the Commission should evaluate the current financial monitoring efforts to determine reasonable procedures for ensuring that state funds are spent to provide quality services. Financial monitoring should provide the Commission with assurance that contractors' internal controls are effective and that cost data is accurate.

### **Continue to Strengthen Management Controls over Reengineering Efforts**

The Commission has engaged in reengineering efforts to improve its operations but has encountered problems in the initial organization and management of the project. The organization of the reengineering project initially did not provide enough management input. However, the Commission has since established a reengineering steering committee to provide for better management participation in the process.

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The Automated Services Division did not have a detailed project plan for the reengineering effort until February 1995. This was only eight months before the planned implementation date of its reengineered processes. The plan did not include detailed identification of the tasks and deliverables or contingency time for unexpected events. The lack of a detailed project plan resulted in delaying planned implementation.

In addition, Automated Services does not have a complete structured design and development methodology for developing automated systems. This resulted in a lack of coordination between the Automated Services groups and the reengineering labs. In part, it also contributed to some of the delays within the reengineering process.

The Commission should ensure that the reengineering steering committee continues to provide the reengineering labs with adequate input about management requirements for the reengineering efforts. The Commission should also develop a detailed plan at the start of projects and monitor the plan regularly to ensure that problems or delays are promptly identified. In addition, the Commission should continue its effort in developing complete structured design and development methodology procedures for developing automated systems.

### **Continue Taking Steps in Disability Determination Services to Reduce Case Processing Time and Comply with Federal Law**

The Disability Determination Services Division has taken steps to reduce the number of case files waiting for examination and to

shorten case processing time. Management has accomplished these reductions through administrative changes such as reallocating administrative personnel to do preliminary work on case files, including assisting in case development and decision making. As a result, management has reported that the number of cases waiting assignment to an examiner decreased from an average of 9,490 in March 1995 to 1,000 in April 1995. Mean processing time also decreased from 90.5 days in April 1995 to 71.3 days in August 1995.

Additionally, management has attempted to work with the Social Security Administration to get clarification concerning the employment status of medical consultants as employees or independent contractors to avoid potential liability to the Internal Revenue Service. Currently, Disability Determination Services contracts with medical and psychological consultants to help in the disability determination function. The Internal Revenue Service could define the relationship differently, require reclassification of contractors to employees, and assess back taxes and penalties to Disability Determination Services. This issue has been raised by the Internal Revenue Service in three other states.

Additional efforts by Disability Determination Services should be made to resolve the issue of medical consultants being employees or independent contractors.

### **Summary of Management's Responses**

Management generally concurs with the findings and recommendations contained in this report. They have included corrective action plans and timetables for implementing many of the recommendations.

## Executive Summary

### Summary of Audit Objectives and Scope

The objectives of this audit were to evaluate the management control systems within the Texas Rehabilitation Commission, to identify strengths and opportunities for improvement, to review the management of resources, and to follow up on recommendations from a previous audit.

The scope of the audit included consideration of the Commission's:

- organizational structure
- management information systems
- controls over human resources
- financial control system
- strategic planning and performance measures

Recommendations from a previous report, *Disability Determination Services in Texas* (SAO Report No. 92-043, February 1992), have been implemented, are being implemented, or are being studied.

Section 1:

## **Improve Contract Management System**

The Commission generally has effective management controls, but it does not have a fully developed contract management system to provide sufficient information for decision-making. Without a fully developed contract management system, the agency does not have the information needed to make an overall assessment of:

- what method to use in procuring products and services
- when to establish contracts which provide greater accountability than purchase orders
- what terms to include to ensure desired outcomes, sanctions for noncompliance, and that specific audit requirements are met
- how to monitor the effectiveness of the contractors
- how to incorporate the monitoring information back into the provider selection process

A contract management system is also necessary to ensure that the Commission receives the best value for the dollars spent on client services. This would include implementing a formalized rate-setting methodology and reviewing provider financial controls.

An effective contract management system ensures that the State's needs are being met while protecting the rights of taxpayers. Sound contract administration and management begins with the decision to contract for a service, selection of the appropriate procurement method, and includes all activities related to monitoring contractor performance through contract closeout.

### *Management's Response:*

*The Commission created a Grants and Contracts Unit several years ago and is committed towards further implementing a comprehensive system for grants and contract administration. We will more clearly establish agency contract management objectives and identify process owners. Agency objectives and action plans will be established for such areas as:*

- *methods of procurement*
- *rate setting*
- *when to contract*
- *inclusion of new legislative requirements for Health and Human Services Commission (HHSC) agencies*
- *enhancing monitoring effectiveness*
- *use of monitoring information*

Section 1-A:

## **Implement a Comprehensive System for Determining Methods of Procurement and Contract Development**

The Commission does not have a fully developed contract management system to ensure that program costs are reasonable and necessary, to hold providers accountable through contracts, and to ensure quality services are consistently provided. Without contracts containing all necessary elements, the Commission does not effectively set forth the basis for monitoring providers. This also affects the Commission's ability to select providers based on quality of performance.

**Set Standards for Methods of Procurement.** The Commission does not have competitive procurement standards for over \$121 million in client service expenditures. Instead, it sets maximum allowable rates to be paid providers based on rate-setting methodologies that are not clearly tied to the cost of providing the service. The procurement method used is based on counselor and client choice among area providers. The payment method used is described as "fee-for-service." Without competitive procurement standards, the Commission cannot ensure that program costs are reasonable and necessary.

The Commission has justified its procurement methodology on its interpretation of federal and state statutes and the Rehabilitation Act requirements for client choice in the selection of service providers. According to federal administrative regulations, the State is to follow the same procurement policies and procedures it uses for its non-federal funds. The Commission bases its position of being exempt from state rules on Attorney General Opinions and correspondence with the General Services Commission. The opinions were issued in 1940, 1961, 1967, 1974, and 1988.

Good business practices and the Commission's own legal counsel favor development and implementation of agency procurement standards for client services. In February 1994, the legal department recommended that management develop and implement minimum procurement standards which at least meet those set by the Federal Government. These federal standards provide for procurement by small purchase procedures, procurement by sealed bids, procurement by competitive proposals, and procurement by noncompetitive proposals.

### Recommendation:

The Commission should develop minimum procurement standards for client services which incorporate the minimum federal administrative requirements.

### Management's Response:

*TRC will take the following actions:*

- *Further review and enhance procurement standards for client services.*

- *Consider adoption of the U.S. Department of Education Grant Administrative Regulations (EDGAR) or other appropriate rules.*
- *Survey federal Rehabilitation Services Administration and selected large state Vocational Rehabilitation agencies for "best practices."*

**Implement Contracting Decision Criteria.** The Commission has made some progress in implementing its criteria for deciding when to establish a contract for purchasing client services or using a purchase order. The Commission's records indicate that it has developed formal contracts for \$2 million out of the \$121 million in client service expenditures. Although the full \$121 million could not be contracted for, a large portion of the expenditures could be. By not contracting for services when it appears feasible to do so, the Commission misses opportunities to legally bind providers to expectations and hold them accountable for their performance.

The risk to the Commission increases as a provider receives a large volume of business. In fiscal year 1994, the Commission expended approximately 50 percent of the \$121 million in client service expenditures with vendors who received in excess of \$100,000 in fee-for-service payments.

In 1993, the Commission identified the need for improved contract management and developed criteria for deciding when to establish a contract. However, the efforts of the Decision Criteria Task Force were put on hold due to the reengineering efforts of the Commission. On May 15, 1995, the Commission's planning board discussed and once again approved the implementation of the contracting decision criteria effective October 1, 1995.

Recommendation:

The Commission should continue efforts to implement the decisions of the Decision Criteria Task Force as approved by the Planning Board. The Commission should also consider the need to contract with high-volume client service providers.

Management's Response:

*TRC will take the following actions:*

- *Continue to implement contract decision criteria approved by the TRC Reengineering Implementation Steering Committee (put on 18 month hold due to the priorities of the reengineering initiative).*
- *Add risk assessment criteria regarding high volume client service providers (more than \$100,000 TRC business per year) and other risk factors.*
- *Assure the common understanding of agency objectives for contracting (program compliance, outcomes, consistency and adequate control).*
- *Review and refine implementation to assure objectives are achieved.*
- *Develop action plans and identify responsible parties.*

**Develop Contracts That Enhance Accountability.** The Commission's contracts and purchase orders do not all have specific statements of work, performance standards and measures, sanctions, and audit requirements. Accounting and reporting requirements are the only provisions included in the current provider contracts. With contract and purchase orders that do not have these elements, the Commission cannot effectively monitor providers to determine the quality of their performance or hold them accountable.

The 74th Legislature passed a rider mandating that all health and human service agencies implement efficient contract management systems. As a result, the Commission is now required to have enforceable contracts that include the following elements:

- clearly defined goals, outputs, and measurable outcomes which directly relate to program objectives
- clearly defined sanctions or penalties for noncompliance with contract terms and conditions
- specific accounting, reporting, and auditing requirements applicable to funds received under the contract

Recommendation:

The Commission should develop client service contracts that include specific statements of work, performance standards and measures, sanctions, and audit requirements. This will allow the Commission to hold providers accountable for delivering quality services on a consistent basis.

Management's Response:

*TRC will take the following actions:*

- *Comply with this new requirement established for HHSC agencies by the Legislature in May 1995. On August 22, 1995 Commissioner Arrell appointed an internal work group chaired by Assistant Commissioner Jackson King to insure compliance with this new law.*
- *Develop formal TRC rules for contract administration to be published in the Texas Register.*
- *Fully support HHSC's recent initiative to assure consistency and effectiveness in contract management systems.*

Section 1-B:

## **Develop a Formalized Rate Setting Methodology**

The Commission does not have a formalized cost-based, rate-setting methodology or process to ensure that rates established are cost effective. This is especially important for those services that are not purchased through a competitive bidding process. Most of the Commission's rates were established based on market forces and on past experience with providers, not on actual cost. In prior years, the Commission used cost

reports submitted by providers to determine whether or not fees were reasonable. This process was discontinued because providers could not agree on the basis for which actual costs were to be determined. As a result, there is no assurance that the Commission's rates reflect only those appropriate and reasonable costs related to the provision of the service incurred by the provider.

During our review of the Commission's providers, we found the following indications that the cost to provide the services was different from the rate paid:

- different rates paid by different state agencies for the same service
- large accumulations in providers' fund balances or retained earnings

### **The Commission's Basis for Rate Setting**

The following justifications were given by the Commission for its current rate-setting process for various client services:

- The Commission determines that its rates are reasonable due to the fact that no appeals have been filed based on inadequate or unjust fees.
- An attempt to survey providers to estimate costs associated with providing services resulted in only a 17 percent response rate.
- Comparison of fees with other states. It was felt that the fee schedule was adequate at that time. The Commission hoped fees were reasonable and fair to everyone.
- A 10 percent cost of living increase was approved for some fees.

In another example, a for-profit provider received all of its revenue from the Commission in fiscal year 1994. The provider's revenues exceeded its expenditures to show a net profit of \$16,000.<sup>1</sup> However, if the Commission would have applied the guidelines of Office of Management and Budget (OMB) Circular A-122, there would be \$106,000 in unallowable expenditures. Included in the unallowable expenditures were legal fees and moving expenses for the start up of a new unrelated business.

Continued use of the current rate-setting methodology and process increases the risk that the rates paid for client services by the Commission do not fairly reflect the cost to provide those services or ensure that the Commission is maximizing its client service dollars.

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<sup>1</sup>Source: Unaudited Provider Financial Statements

Recommendation:

The Commission should develop a rate-setting methodology based on reasonable and necessary costs of services.

Management's Response:

*TRC will take the following actions:*

- *Further explore the advantages and disadvantages of implementing cost and price rate setting methodologies.*
- *Consider whether a formalized rate setting methodology is cost beneficial to TRC; provider rate increases could result in fewer clients served.*
- *Consider the use of existing resources, FTE caps, and other resource priorities and constraints when establishing objectives in this area.*

Section 1-C:

**Implement a Coordinated and Comprehensive Contract Oversight and Monitoring Function**

The Commission has tools and personnel to monitor provider performance, but the overall effort is not well coordinated or comprehensive. Without a coordinated and comprehensive monitoring effort, the Commission risks not fully maximizing its existing monitoring resources and misses opportunities to select providers that deliver high service quality and performance.

**Coordinate Monitoring Efforts Through the Grants and Contracts Unit.** The Commission's overall monitoring effort is not closely coordinated between the Grants and Contracts Unit and Rehabilitation Services personnel. As a result, the Commission's monitoring and oversight of client service providers is not as efficient and effective as it could be. Despite considerable monitoring efforts by the Commission, dollars may be spent on providers with poor performance.

Various personnel are involved in monitoring of providers, and each has a separate function (as outlined in the text box on the previous page). However, it does not appear that there is adequate communication occurring.

In recognition of these issues, the Commission has already established a Grants and Contracts Unit that is responsible for formulating policy and procedures for grants and contracts administration. While establishment of the Unit was a positive step, it currently has no authority to monitor the regions to ensure contracting and monitoring policies and procedures are being followed. Currently, the Unit and the regional positions are responsible for monitoring \$2.4 million in grants and \$2 million in contracts. This compares to over \$121 million in client services expenditure which are monitored on a case-by-case basis by regional and field office personnel.

The Commission's current monitoring efforts are not based on a risk assessment. The Commission monitors all of the approximately 260 Community Rehabilitation Program facilities every year for compliance with program objectives, i.e., architectural

barrier requirements as outlined in the Americans with Disabilities Act. An analysis based on risk may indicate that such annual monitoring visits to each provider are not warranted. The recent reengineered, but not yet implemented, process does include both sampling and risk assessment strategies.

Management reports have also been developed which identify high-volume vendors and success rates for Community Rehabilitation Program facilities, but they are not used to their full potential. For example, these reports have not been integrated or made available to individuals responsible for selecting client service providers. This information is useful in analyzing whether providers are successful in achieving the Commission's desired outcomes.

Recommendation:

The Commission should assign the Grants and Contracts Unit with the authority and the responsibility for oversight of performance and financial monitoring of service providers. The Grants and Contracts Unit should work with the Rehabilitation Services division in the coordination and oversight of the agency's monitoring efforts, including:

- developing a risk assessment to determine monitoring needs
- communicating monitoring results and agreed upon actions
- communicating provider performance results to those individuals involved in the selection process

**The Commission Decentralizes Monitoring Responsibilities**

The Commission has decentralized the responsibility for monitoring provider performance among several groups.

**The Grants and Contracts Unit** (located at central office) monitors the development, management, reporting, and closeout of all grants and contracts. Provide technical assistance and training to all Commission customers in their responsibilities to initiate, implement, and comply with agency grant and contract policies and procedures.

**Regional Program Support Administrators** (located throughout the State in the regional offices) maintain the official files of all regional grants and contracts. They develop or coordinate the development of new and continuing grants and contracts. They also monitor grant and contract activities to ensure compliance with Commission policies and procedures.

**Community Rehabilitation Program Specialist** (located throughout the State in the regional offices) are responsible for the annual program monitoring survey of Community Rehabilitation Program facilities.

**Area Managers and Counselors** (located throughout the State) informally monitor provider performance through analysis of feedback from clients and review of case files.

**Medical Services Coordinators** (located throughout the State in the regional offices) are responsible for making sure the client's work plan is current in regards to major medical services, to monitor the medical charges to see that appropriate benefits were received, and to see that the charges did not exceed the Maximum Allowable Payment Schedule.

Management's Response:

*TRC will take the following actions:*

- *Review and strengthen program oversight and monitoring of client service providers. The TRC Reengineering Implementation Steering Committee has recently conducted a comprehensive review of the reengineered contract process. The process included identification of issues and design of the future process.*
- *Supplement routine program monitoring efforts with TRC audits of selected client service providers (as defined in the FY 96 Audit Plan).*

**Review Provider Financial Controls.** With the exception of the significant oversight over agency grant relationships, the Commission's monitoring visits are too narrow in focus and do not ensure that providers spend state resources efficiently. The Commission does not currently require that its service providers obtain independent financial audits, nor does the Commission review the financial operations of service providers. Finally, monitoring personnel do not always have the expertise needed to perform financial monitoring.

While community rehabilitation program monitoring personnel conduct annual program evaluation visits of providers, they do not include financial reviews. As a result, the agency has no mechanism in place to determine the true cost of service or to detect provider financial errors or irregularities such as double billing for the same service. For example, our review of a Community Rehabilitation Program facility revealed that clients were over assessed for up to two years in direct violation of Commission policy. The Commission later verified that the provider over assessed one client approximately \$9,000 and another client \$1,500. A financial review in addition to the regular program review would have detected this policy violation. Our review of a small sample of the Commission's service providers also disclosed the following:

- Personal expenses, including automobile insurance, housing and utilities were commingled with business expenses and paid out of business revenues.
- There was inadequate supporting documentation for various expenses:
  - As much as 62 percent of one month's expenses were unsupported.
  - At two providers, we noted unsupported annual contract labor expenses from \$45,000 at one provider to \$58,500 at another.
  - Related-party transactions for undocumented business loans were made at two providers.
- Neither revenues nor expenses were allocated by funding source, making the true costs of services undeterminable.

The Regional Program Support Administrators do not always have the expertise needed to perform financial monitoring. It is unclear whether the staff in these positions have appropriate financial background or have received adequate financial training.

The Commission's contract provisions, where contracts exist, require the providers to retain financial and supporting documentation and other pertinent records for a minimum of three years after final payment. Additionally, legislation passed during

the last session mandated that financial oversight requirements be in place by September 1, 1995. As a result, the Commission will need to implement a formal program to monitor compliance with financial and performance objectives under the contract, including a determination of whether performance objectives have been achieved. In addition, the Commission will be required to obtain and evaluate program costs to ensure they are reasonable and necessary to achieve program objectives.

Recommendation:

The Commission should evaluate the current financial monitoring efforts to determine what reasonable procedures could be implemented to ensure that funds are spent in a manner to provide the best quality services. Overall, the level of financial monitoring should provide the Commission with some assurance that contractors' internal controls are effective and that the cost data it will need to rely upon is accurate. The necessity to audit provider costs should be included in the financial monitoring process, and consideration should be given to requiring independent financial audits of high-volume providers. In addition, the Commission should assess the need for financial training of its monitoring staff.

Management's Response:

*TRC will take the following actions:*

- *Review and evaluate financial monitoring activities by field staff (particularly the Regional Program Support Administrators and Community Rehabilitation Program Specialists).*
- *Implement different types and levels of financial monitoring dependent on the nature of the business relationship (contract vs. grant vs. fee for service).*
- *Consider requiring independent financial audits and an audit review process for appropriate contract providers.*
- *The necessity to audit vendor costs is dependent on decisions made regarding Section 1B above.*
- *Rehabilitation Services, the Grants and Contracts Unit, Financial and Planning Services, and Management Audit will collaborate in developing financial monitoring training for appropriate field staff.*

Section 2:

## **Continue to Strengthen Management Controls over Reengineering Efforts**

The Commission has engaged in reengineering efforts to improve its operations, but has encountered problems in the initial organization and management of the project. In January 1994, the Commission took a positive step by beginning a reengineering effort aimed at streamlining the vocational rehabilitation and procurement processes.

The Commission also redesigned the automated information systems to carry out the new streamlined processes. The idea behind the reengineering effort is to give more attention to serving the Commission's clients with less administrative restrictions. We reviewed the reengineering efforts at the request of the Commissioner.

Section 2-A:

### **Ensure Management Involvement**

The organization of the reengineering project initially did not provide enough management input, but the Commission has since established a reengineering steering committee. The reengineering lab's management, which was initially established to design the reengineered processes, consisted mainly of counselors and subject matter experts. Management did not establish the two roles of the steering committee and the process owner recommended by Michael Hammer and James Champy in *Reengineering the Corporation*. Without the roles of the steering committee or the process owner, the team members of the reengineering labs did not have adequate input from management. As a result, the lab members were not aware of management's requirements for the new reengineered environment, which led to the original specifications being changed. The Commissioner established a reengineering committee, which should provide for better management participation in the process. Its first meeting was held on May 9, 1995.

#### Recommendation:

The Commission should ensure that the reengineering steering committee continues to provide the reengineering labs with adequate input about management requirements for the reengineering efforts.

#### Management's Response:

*The Commission agrees that the Reengineering Implementation Steering Committee's (RISC) should continue. However, the role of RISC is not just to provide input to the labs but to plan the overall reengineering strategy--from lab design to implementation. RISC's role has evolved since its formation in May to include:*

- *reviewing deliverables and schedules,*
- *resolving problems or conflicts,*
- *allocating resources, and*
- *setting direction for deliverables and implementation.*

*RISC uses two tools to improve coordination and communication: the release list and the assignment list. The release list identifies deliverables and the target date for their delivery. On August 1, 1995 the release list posted via the Commission's statewide electronic mail system. The assignment list identifies activities that must take place to deliver the products. As they review deliverables, RISC identifies the process owner and assignments necessary for implementation. The process owner assigns the leader*

*for the assignment. Other managers assign appropriate subject matter experts to each assignment. The assignment list is available to all RISC members, leaders, and subject matter experts.*

*Also, RISC appointed the Reengineering Project Planner as a single point of contact to insure that RISC decisions are clearly and concisely communicated.*

Section 2-B:

### **Structure Management of Automation Projects**

Automated Services did not have a detailed project plan for the reengineering effort until February 1995. The plan for a major project should ensure that it is on time, within budget, and in accordance with user needs. The project plan projected a completion date of October 1, 1995, which was questionable due to inexperience with the new tools and lack of project specifications. The specifications were never finalized and have changed continually, which has prevented a complete design of the system. The plan did not include detailed identification of the tasks or deliverables. It also did not include any contingency time for unexpected events. The lack of project management resulted in plans for the October 1, 1995, implementation to be modified.

#### Recommendation:

The Commission should develop a detailed plan at the start of projects that includes identifying deliverables and assigning responsibilities at an appropriate level, estimating hours and dollars required and completion dates, identifying interdependencies of tasks and deliverables, and defining a critical path for project completion. Implement plans for regular monitoring to ensure that problems or delays are promptly identified so that contingency plans can be enacted.

#### Management's Response:

*Automated Services now has a detailed project plan that includes deliverables and assigning responsibilities at an appropriate level. Also, the Reengineering Project Planner identifies interdependencies of tasks and deliverables for all reengineering efforts, monitors progress, and notifies RISC of any problems or delays.*

Section 3:

### **Enhance the Commission's Automated Systems Division**

The Commission does not have a complete structured design development methodology or a computer security policy and network security model. In addition, disaster recovery planning lacks coordination and backup procedures are inadequate.

Section 3-A:

### **Use a Structured Design and Development Methodology for Developing Systems**

The Commission does not have a complete structured design and development methodology for developing automated systems. This resulted in a lack of coordination between the Automated Services groups and the reengineering lab. In part, it also contributed to some of the delays within the reengineering process. There was no clear plan for what the Commission's expectations were on developing the system and the process for achieving those expectations. For example, expectations differed between the reengineering team and the Automated Services Division. The reengineering team envisioned that the counselor could pull up a picture of a tool on the computer screen and initiate a purchase order. Automated Services' plan did not include this as an automated process.

A structured design and development methodology increases the probability that the system delivered will be delivered on time and will meet user expectations. A structured design and development methodology contains project definition, systems analysis and design, and quality assurance. In March 1995, the Commission purchased a component of the structured design and development methodology and is developing methodologies to address some of the other components.

#### Recommendation:

The Commission should continue its effort in developing complete structured design and development methodology procedures. It should address the areas of project definition, systems analysis and design, programming, system installation, and system operations and maintenance. In addition, the Commission should develop a quality assurance function within the development process.

#### Management's Response:

*The Commission supports this recommendation and is involved in an ongoing effort to complete a structured design and development methodology which is compatible with the new computer environment currently being installed. This methodology will complement the Commission's Open Systems Implementation Plan and the three tier client server architecture chosen by the Commission for implementation of reengineered systems. Since no ideal commercial products were available to facilitate structured design and development in the new computer environment, the Commission developed the following plan:*

- *Purchase of best available client server application development methodology from an experienced third party vendor (completed March, 1995)*
- *Intensive on-site training in the use of purchased package (completed April, 1995)*

- *Enhancement of purchased development methodology with customized development standards and procedures (first phase completed July, 1995)*
- *Review of methodology with appropriate Commission management and staff, and*
- *Continued enhancement of design and development methodology based on review and experience with client server environment.*

*The Commission will ensure that the completed methodology addresses project definition, systems analysis and design, programming, quality assurance, system installation, and system operation and maintenance.*

Section 3-B:

### **Implement Computer Security Policy and Network Security Model**

The Commission has not finalized or implemented an organizational computer security policy or a network security model for the current computing environment. Security administration is partly performed by the regional and field offices, which increases the need for more adherence to a minimum standard.

Computer security policies and network security models set the baseline of controls. Through these policies and models, information assets are protected from unauthorized or accidental modification, destruction, or disclosure. Organizationwide adoption of complete security policies and standards helps ensure security consistency and quality, especially when hardware, software, and data are distributed throughout an organization. They also help ensure the availability and integrity of client services.

#### Recommendation:

The Commission should replace existing policies with agencywide adoption of the draft computer security policy and network security model. Unique regional needs should be considered and documented as supplemental, regional policies. In addition, the Commission should establish a process to ensure compliance with the policy and the model.

#### Management's Response:

*The existing security policy will be replaced by the new Computer Security Policy under development as soon as review and approval by Automated Services and other Commission executive management has been completed.*

*The Network Security Model implementing procedures have been drafted and are ready for technical formatting. These procedures should be ready for publication no later than the first quarter of 1996. Compliance procedures and reports design are under development and should also be completed during the first part of 1996.*

*Supplemental regional policies will be reviewed and coordinated to insure compliance with both the policy and the model.*

Section 3-C:

### **Enhance Coordination of Disaster Recovery Planning**

The disaster recovery planning function and the response team operations lack coordination. In addition, there is duplication and a lack of cohesion between some policies in the disaster recovery plans and the response team procedures. For example, individual field office recovery plans and compensating response team procedures will not be adopted in time to address the planned operation of the Commission's new computing environment. Also, there is duplication between the recovery plan and the response team procedures for items such as emergency procurement of office space and a list of equipment needed after a disaster.

Currently, the Commission is converting its central office disaster recovery plan to a business resumption scheme. Traditional computer disaster recovery plans document procedures for reducing the effects of disruptions in an organization's computer operations. Business resumption plans go one step further by providing plans to recover from disruptions in organizational business processes and recovering computer operations. The Commission should be commended for adopting the business resumption planning approach, the planning software, and for converting existing plans. However, lack of coordination could result in confusion after a disaster, and the effectiveness of both functions could be reduced.

#### **Recommendation:**

The disaster response team should ensure that procedures related to a recovery of field office computers exist before critical usage of the new computing environment begins. The agency should conduct a review for the compatibility between the disaster recovery plan and response team procedures. Procedural duplications, missing procedures, or unclear lines of authority should be identified and resolved. The review should involve increased communications between the functions, including a joint walk-through of response team and disaster recovery procedures to ensure cohesiveness.

#### **Management's Response:**

*The Commission supports this recommendation and will update response team procedures related to a recovery of field office computers as soon as possible. We believe these changes will involve minor updates to lists of critical equipment and key vendor contacts.*

*Before completing the process of converting to a business resumption scheme, the Commission will review the new plan for compatibility with response team*

*procedures. Prior to implementation, the Commission will ensure that all appropriate parties are involved in joint approval and testing of the entire business resumption/disaster recovery process.*

Section 3-D:

### **Improve Security of Data Backups**

Security over backup data tapes is inadequate. Also, the Commission has not developed a minimum standard on how often the regions are to store data backup tapes at off-site locations. For example, the backup tapes from the central office are stored on the floor of the warehouse where they are accessible to unauthorized personnel. In addition, some regional offices store their backup tapes off-site daily, some twice a week, and one once a month.

Ensuring the physical safety of computer equipment and data backups is critical to providing continuity of service to agency clients. Damage to equipment or backup data can hinder the ability to process client cases. In addition, the consistent creation and proper storage of data backups ensures that agency operations can resume as quickly as possible after a disaster.

The level of risk the Commission wants to assume will dictate how often the regional offices should store the backup tapes off-site; however, the minimum should be once a week. The cost of trying to recreate lost data that is over a week old can be very expensive.

#### Recommendation:

The Commission should enhance the security and storage of central office data backups. Physical access to these backups should be limited to authorized Commission personnel only. Also, a standard for backup rotation should be created and adopted throughout the regions and serve as a minimum backup scheme. Supplemental procedures should be added, as needed, to address any unique requirements of individual regions.

#### Management's Response:

*The Commission supports this recommendation and is currently in the process of improving security of data backups. Locked cabinets will be acquired to replace the tape transport containers which are currently being used to store the central office tape backups at the (off-site) TRC warehouse. These cabinets will be installed in an access and temperature controlled area. Keys to the cabinets and access to the area will be given only to authorized TRC staff.*

*With the installation of the Local Area Network/Wide Area Network (LAN/WAN) and the acquisition of standardized personal computers and software that will soon be*

available in all Commission field offices, the Commission will be able to establish standards for backup rotation throughout the regions. Standardized procedures are currently being drafted and should be adopted no later than the first quarter of 1996.

Section 4:

## **Continue Taking Steps in Disability Determination Services to Reduce Case Processing Time and Comply with Federal Law**

Recommendations from a prior audit, *Disability Determination Services in Texas* (SAO Report No. 92-043, February 1992), have been implemented, are being implemented, or are being studied. The number of case files waiting assignment to a disability examiner is being reduced through a number of initiatives. The Commission's management has attempted to work with the Social Security Administration to get clarification concerning the employment status of medical consultants as employees or independent contractors to avoid potential liability to the Internal Revenue Service. Additional efforts should be made to resolve the issue.

Section 4-A:

### **Monitor Initiatives Aimed at Reducing the Number of Disability Case Files Waiting to Be Examined and the Mean Processing Time**

The Commission has developed and carried out plans to reduce the work in progress and the mean processing time of case files. The number of case files waiting to be assigned to a disability examiner, called "work in progress" or "stage pending," fluctuates monthly. The Commission's Management Audit Division produced a report, *DDS Case Data Management Audit Report*, which shows that, for a 40-day work period between October 17 and December 14, 1994, the average number of cases in work in progress files was 11,443. As of March 1, 1995, the number decreased to 9,490. In April 1995, administrative personnel were reallocated to perform preliminary work on case files to reduce the number of cases in work in progress. As a result of this change, management reports the number of case files in work in progress has been reduced to 1,000 on average.

The Commission reports that its mean processing time has decreased from 90.5 days in April 1995 to 71.3 days in August 1995. This exceeds the five state regional mean processing time of 68 days and the national mean processing time of 66.3 days in August 1995. Since April 1995, the Commission enacted administrative changes to assist in case development and decision-making to reduce the mean processing time.

#### Recommendation:

We recognize the Commission for the positive changes that were made to the operations of the Disability Determination Services Division and recommend that the

Commission continue to monitor the operations and other initiatives to help ensure efficiency and effectiveness.

Management's Response:

*Disability Determination Services within TRC will continue to monitor its operations as well as new initiatives so that there is efficiency and effectiveness of its operations. A strong commitment will be maintained to address program activities so that quality and timely services will be provided to SSA claimants.*

Section 4-B:

**Resolve Contractor Consultant Relationship with Help from the Internal Revenue Service**

Disability Determination Services needs to request additional guidance from the Internal Revenue Service in order to resolve the contractor consultant relationship. Currently, Disability Determination Services contracts with medical and psychological consultants to help in the disability determination function. However, the Internal Revenue Service could define the relationship differently, require reclassification of contractors to employees, and assess back taxes and penalties to Disability Determination Services. This issue has been raised by the Internal Revenue Service in three other states.

Disability Determination Services has been proactive in attempting to resolve potential Internal Revenue Service issues with the Social Security Administration. A Commission review committee estimated that the financial liability would be approximately \$1.6 million for fiscal year 1992 in case of unfavorable review by the Internal Revenue Service. The assessment could also be applied retroactively for several years. Disability Determination Services is 100 percent federally funded, so additional funding from the Social Security Administration would be needed for any back taxes and penalties assessed by the Internal Revenue Service to maintain the current level of service.

Management has recommended alternatives, including a plan for contracting with a third-party vendor to provide disability determination services. This plan is intended to eliminate any potential liability to the Internal Revenue Service. However, the Social Security Administration has not approved funding for the plan or offered another solution. The Social Security Administration's position is that the services of medical consultants should be obtained in the most cost-effective manner possible.

Recommendation:

The Commission should request guidance from the Internal Revenue Service regarding the appropriateness of its current relationship with state agency medical and psychological consultants.

Management's Response:

*The Commission agrees that the IRS should be contacted for guidance on this issue. This is a national problem and one that is encountered both within the federal SSA system and at the state level. Thus, the Commission will forward the SAO recommendations to the Regional Commissioner for SSA indicating that this Commissioner needs to have this recommendation responded to by the SSA officials at its Baltimore Central Office Level.*

Section 5:

## **Strengthen Internal Controls Over Purchasing of Client Equipment/Supplies**

In fiscal year 1994, the Commission spent approximately \$121 million on client purchases. Because these purchases are not required to be made according to General Services Commission's guidelines, adequate segregation is necessary to prevent or detect errors and irregularities quickly.

Our review of the current purchasing system indicates that the authorization of purchases made from and payments to vendors could be initiated by one person. These problems could be compounded under reengineering when the purchasing functions will be highly decentralized and improperly segregated.

Controls designed under reengineering are inadequate to ensure proper segregation of duties between individuals responsible for purchasing and receiving client equipment and supplies, the approval of payments to vendors, and the reconciling of purchases to payment records. These duties will be performed by counselors (buyers) in the field.

Under reengineering, the counselor (buyer) will select vendors in specific location, be the primary contact for the receipt of goods or services, reconcile purchase orders and invoices, resolve discrepancies, and approve payments to vendors.

Recommendation:

Strengthen internal controls over purchasing of client equipment and supplies to ensure that no one person can initiate and complete a transaction. The duties of purchasing, receiving, approving payments, and reconciling purchase records should be adequately segregated.

Management's Response:

*Current procedure as outlined in the Rehabilitation Services Manual (RSM) No. 37-4, page 6, revised July 1, 1995 states "the individual who signs and dates the voucher must be someone other than the individual who signed the purchase order authorizing the purchase." This policy was previously located in a Commission Letter.*

*The latest Reengineering PROCUREMENT and PAYMENT, Processing Definition Template, page 33, dated 5/1/95 states "Authorizer of payment must be different than the purchase order creator."*

Section 6:

## **Provide Documented Feedback and Criteria for Exempt Salary Positions**

Section 6-A:

### **Formally Evaluate Employees Exempt from State Classification System**

The Commission does not require performance evaluations of exempt salary positions. The absence of upper level performance evaluations results from a policy adopted by the Commissioner requiring evaluations of classified personnel only. Performance evaluations are necessary and beneficial at all levels of an organization. Performance evaluations are useful for the following reasons:

- communicating expectations about the job duties to be performed and criteria for assessing accomplishment of them
- documenting baseline performance and measuring progress toward achieving goals
- documenting justification for personnel actions

Without performance evaluations for exempt positions, the effectiveness of communications about job expectations and management's view of individual achievements is reduced.

#### Recommendation:

We recommend that the Commission establish and support periodic evaluations of all positions.

#### Management's Response:

*Effective September 7, 1995, a decision was made that we will include exempt employees in the TRC performance appraisal program.*

Section 6-B:

## **Develop and Update Job Descriptions for All Exempt Salaried Employees**

Less than one half of the job descriptions for exempt salaried positions are current. In addition, the Commission does not have a policy or procedure for ensuring that job descriptions are reviewed periodically and updated as needed. Of the 25 exempt salary positions, only 13 have job descriptions that have been produced or updated within the past five years. Three positions did not have job descriptions, and nine positions have not been updated within the last five years.

Job descriptions are necessary for defining job responsibilities and differentiating among positions. Also, job descriptions provide the basis for establishing criteria for evaluating and measuring individual performance. They are useful tools for communicating expectations about the role of the position on accomplishing the agency's mission and goals.

Without a description of job responsibilities, there is no basis for assessing the need for the position or the qualifications to be used in selecting an appropriate candidate for the position. The job description also provides employees with clear criteria to use in setting individual goals and monitoring their progress toward achieving them.

### Recommendation:

The Commission should develop and maintain job descriptions for all positions, including exempt salary levels. The agency should establish policies and procedures for ensuring that job descriptions are reviewed periodically and updated as needed.

### Management's Response:

*The Commission agrees with this recommendation and will begin to identify those exempt positions that do not have an approved functional job description and will then work with the applicable supervisors to develop these job descriptions.*

## Objectives, Scope, and Methodology

### Objectives

Our audit objectives were to evaluate the management control systems within the Texas Rehabilitation Commission, to identify strengths and opportunities for improvement, to review the management of resources, and to follow up on recommendations from a previous audit.

### Scope

The scope of this audit included consideration of the Commission's organizational structure, management information systems, controls over human resources, financial control system, and strategic planning and performance measures.

Consideration of the Commission's organizational structure included a review of:

- process of monitoring the operation environment to determine when organizational changes are needed
- current organizational structure's ability to produce expected services
- reporting relationship between the board and agency management

Consideration of the Commission's management information system included a review of:

- systems development methodology
- access controls
- physical security procedures
- disaster recovery

Consideration of the Commission's financial control systems included a review of:

- controls over cash
- controls over fixed assets
- controls over purchased services, including contract monitoring

Consideration of the Commission's controls over human resources included a review of:

- human resource procedures
- evaluation system and criteria
- training
- job descriptions

We also considered the controls over the Commission's reporting of performance measure information.

A follow-up was performed on a prior State Auditor's report, *Disability Determination Services in Texas* (SAO Report No. 92-043, February 1992). All recommendations have been addressed, are in the process of being implemented or studied, or are integrated into recommendations in this report.

## Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, analyzing the information, and evaluating the information against preestablished criteria.

Information collected to accomplish our objectives included the following:

- Interviews with members of the Texas Rehabilitation Commission and the Texas Rehabilitation Advisory Council
- Interviews with the Commissioner, management, and staff of the agency, including regional and field office staff
- Documentary evidence such as:
  - Selected state statutes and regulations
  - Internal and external audit reports
  - Performance Measurement Audit Report - fiscal year 1993
  - Texas Rehabilitation Commission documents, memoranda, and publications (including the current strategic plan, surveys, Request for Legislative Appropriations, and the Department of Information Resources Biennial Operating Plan)
  - Texas Rehabilitation Advisory Council Annual Report
  - Agency-generated data

Procedures and tests conducted:

- Review of system design and development, physical security, and disaster recovery procedures
- Test of fixed assets, travel vouchers, and client purchases
- Review of selected personnel files
- Review of providers represented four percent of expenditures of all contractors and Community Rehabilitation Program facilities

Analytical techniques used:

- Review of reengineering timelines and project management
- Control review
- Financial trend analysis
- Examination of administrative costs

Criteria used:

- *Reengineering the Corporation* by Michael Hammer and James Champy
- Policies and procedures of the Texas Rehabilitation Commission

- Attorney General's Opinions
- Other standard audit criteria established prior to the beginning of fieldwork

Fieldwork was conducted from March 14, 1995, through June 21, 1995. We did not verify or review the accuracy of the data provided by the Texas Rehabilitation Commission. Other than this exception, the audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

There were no specific instances of noncompliance with these standards.

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

- William D. Hastings, CPA (Project Manager)
- Dean Anthony Duan, CISA
- Kimberly R. Emmerich
- Paul Inameti, CPA
- Eddie Longoria
- Tom Tharp, CISA
- Marilyn Polston, MBA
- Leo J. Paterra, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Director)

**Background Information**

Appendix 2.1:

**Agency Financial Information**

Comparison of Appropriated Funds, Budgeted Funds, and Expenditures for fiscal year 1995: Texas Rehabilitation Commission

Figure 1

Goals/Objectives	Total Appropriations	Revised Operating Budget as of 7/31/95	Year-to-Date Cash Expenditures as of 7/31/95
<b>A. Service Delivery System</b>			
1) Provide vocational rehabilitation services to people with disabilities.	\$162,479,990	(1) \$148,761,888	\$111,532,693
2) Provide consumer and counselor-supported services to support employment.	4,558,875	4,558,875	3,443,566
3) Provide Independent Living Services to people with severe disabilities	14,249,706	(2) 15,228,303	10,814,786
4) Provide TRC services in response to the changing needs of individuals	406,905	406,905	297,368
<b>B. Disability Determination</b>			
1) Increase decisional accuracy and timeliness of determinations.	64,395,149	(1) 67,497,378	55,181,802
<b>C. Program Initiatives</b>			
1) Ensure occupational therapy and developmental disability meet standards.	4,523,454	(1),(3) 4,761,664	3,632,848
<b>TOTAL</b>	<u>\$250,614,079</u>	<u>\$241,215,013</u>	<u>\$184,903,063</u>

Source: General Appropriations Act, 1994-95 Biennium, Uniform Statewide Accounting System and the Texas Rehabilitation Commission

- (1) Federal funding levels have varied from initial estimates.  
(2) Comprehensive Rehabilitation Fund actual receipts varied from initial estimates.  
(3) An additional federal project grant is now included in this objective.

## **Agency Profile**

### **Mission Statement**

*The Texas Rehabilitation Commission exists to assist people with disabilities to participate in their communities by achieving employment of choice, living as independently as possible and accessing high quality services.*

*The Texas Rehabilitation Commission achieves this mission by:*

- *Involving people with disabilities in decisions that affect their lives and services provided by the Commission;*
- *Valuing the diversity of people and providing an equal opportunity environment which offers challenging and satisfying work;*
- *Managing programs which are efficient and effective;*
- *Being an agency that is accountable to the public.*

The Texas Rehabilitation Commission was established as an independent state agency in 1969. The Commission is the State's principal authority on the rehabilitation of disabled persons, except persons with visual impairments and the legally blind. The Commission administers a variety of programs which include direct services to persons with disabilities and eligibility determination.

The *Vocational Rehabilitation Services* program serves people with a wide variety of disabilities with the goal of enabling them to enter or return to gainful employment. Eligibility for services is based upon two criteria: (1) the presence of a physical or mental disability which constitutes or results in a substantial handicap to employment, and (2) a reasonable expectation that vocational rehabilitation services will benefit the person in terms of obtaining and retaining a job. For every dollar Texas spends on Vocational Rehabilitation Services, the Federal Government matches it with \$3.60.

The *Disability Determination Services* Division is responsible for evaluating the eligibility of persons applying for Social Security disability benefits. Texans who are unemployed as a result of severe physical or mental impairments may be able to receive assistance from one of two programs administered by the program: Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI). Disability Determination Services employees also review cases to determine if a disability still exists for certain beneficiaries. Approximately one-third of all Commission employees work in the Disability Determination Services Division. The program is 100 percent federally funded.

The Commission administers six state-funded programs which provide more intensive and specialized services to increase client independence in their community. These programs include the following:

*Extended Rehabilitation Services* helps persons with severe disabilities who are unable to hold jobs without some ongoing support. This program encourages Community Integrated Employment where clients work in their communities with help from the Commission. Alternative Sheltered Employment is also available for clients who need more assistance where most co-workers are also disabled.

*Transition Planning* helps students with disabilities age 16 or older bridge the gap between public schools and independence.

*Deaf-Blind Multi-Handicapped Services* helps persons with these severe disabilities learn to be independent at home.

*Independent Living Services* helps clients with severe disabilities learn how to take care of themselves and to function in their communities. The Commission receives a limited amount of federal funds for this program.

*Personal Attendant Services* allows clients who are working to share the expenses of attendant care with the Commission at an amount determined by their income.

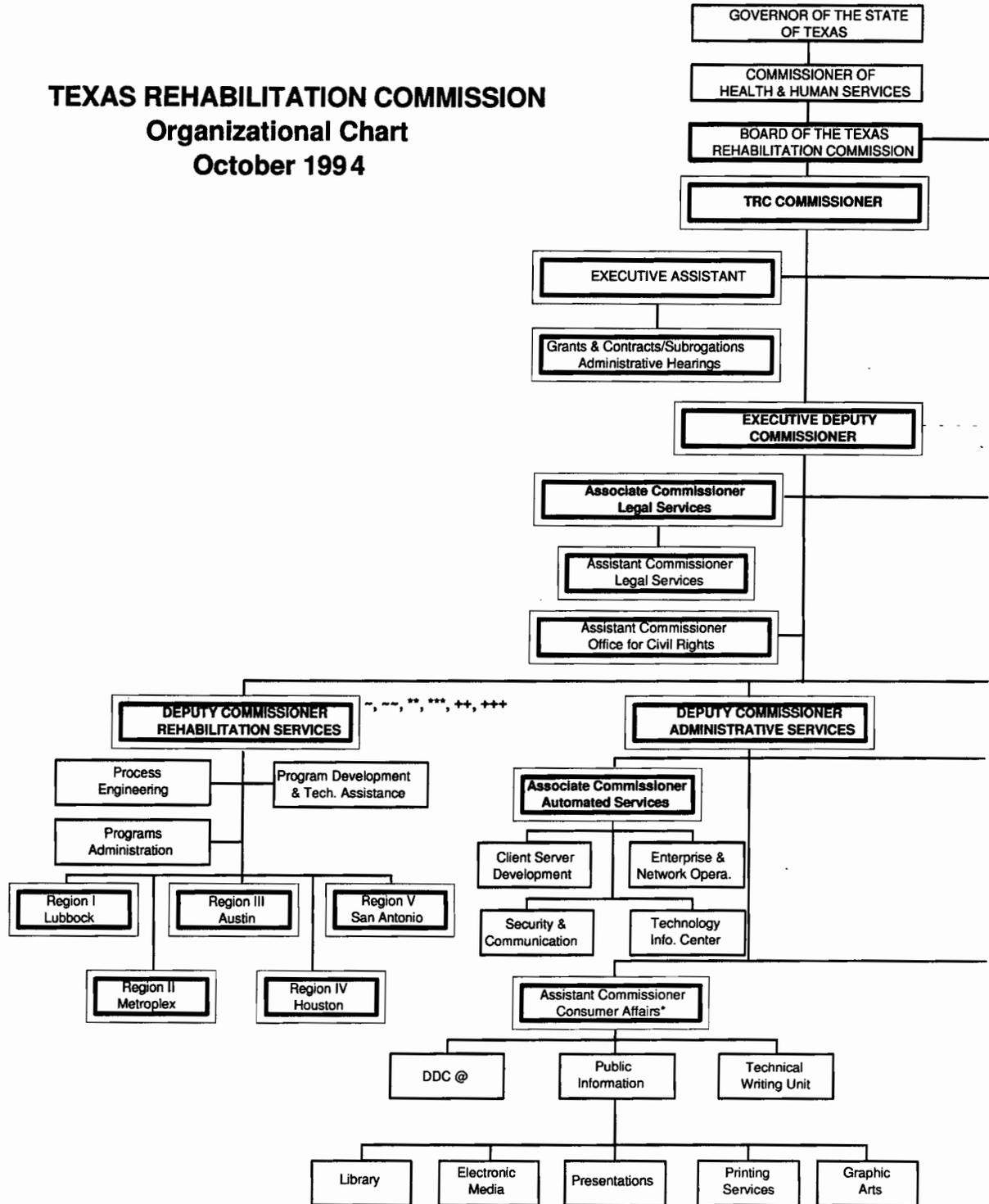
*Comprehensive Rehabilitation Services* provides persons with traumatic brain injuries and spinal cord injuries timely rehabilitation that increases their chance for independent living.

The Commission had 2,497.5 budgeted full time equivalent positions for the fiscal year which ended August 31, 1995.

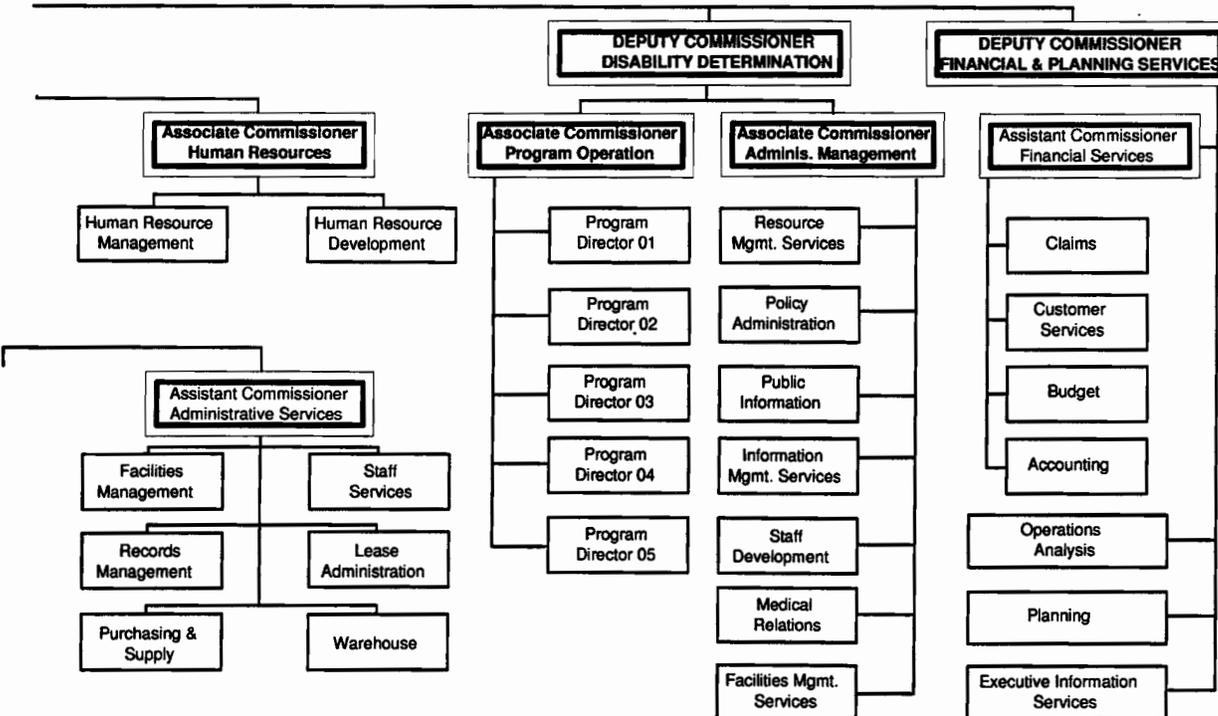
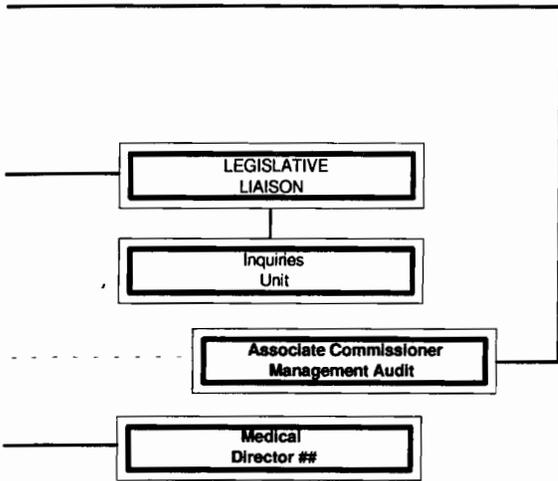
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Appendix 2.3:  
**Organizational Chart**

**TEXAS REHABILITATION COMMISSION**  
**Organizational Chart**  
**October 1994**



- ## Medical Consultation Advisory Committee
- \* Texas Rehabilitation Advisory Council
- @ Developmental Disabilities Council
- ~ State Independent Living Council
- ++ Deaf-Blind Advisory Committee
- +++ Increased Client Choice Advisor Committee
- \*\*\* Comprehensive Rehabilitation Services Advisory Committee
- \*\* Community Rehabilitation Program Advisory Committee
- ~~ Community Rehabilitation Services Advisory Committee



## Reference List

**The books, articles, reports, etc., listed below are relevant to the Texas Rehabilitation Commission:**

General Appropriations Act, 1996-1997 Biennium, Art. II, Rider 15 (II-86).

Hammer, Michael, and James Champy. *Reengineering the Corporation: A Manifesto For Business Revolution*. New York, NY: Harper Business. 1993.

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Kerr, D.L. and J.M., Moore "Assessment in Performance Appraisal: Two Applied Cases," State Auditor's Office, Austin, Texas, 1993.

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Longenecker, C.O., and D.A. Gioia. "Neglected at the Top: Executive Talk About Executive Appraisals," *Sloan Management Review*, 1988, 29, 41-47

State of Texas. State Auditor's Office. *Disability Determination Services in Texas*, 1992.

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\_\_\_\_\_. Texas Rehabilitation Commission. *1994 Annual Report*.

\_\_\_\_\_. Texas Rehabilitation Commission. *1994 Programs Reference Guide*.

\_\_\_\_\_. Texas Rehabilitation Commission, Management Audit Division. *DDS Case Data Management*, March 29, 1995.

Copies of this report have been distributed to the following:

## **Legislative Audit Committee**

Honorable James E. "Pete" Laney, Speaker of the House, Chair  
Honorable Bob Bullock, Lieutenant Governor, Vice Chair  
Senator John Montford, Chair, Senate Finance Committee  
Senator Kenneth Armbrister, Chair, Senate State Affairs Committee  
Representative Robert Junell, Chair, House Appropriations Committee  
Representative Tom Craddick, Chair, House Ways and Means Committee

## **Governor of Texas**

Honorable George W. Bush

## **Legislative Budget Board**

## **Sunset Advisory Commission**

## **Texas Rehabilitation Commission Board Members**

Jerry Kane, Chair  
Matthew T. Doyle  
Dora L. Gonzalez, M.D.  
Diane M. Novy, Ph.D.  
A. Kent Waldrep, Jr.  
Ray A. Wilkerson

## **Texas Rehabilitation Commission**

Vernon M. Arrell, Commissioner