

OPEGA
Performance
Audit



FINAL
REPORT

Bureau of Rehabilitation Services: Procurements for Consumers *Weak Controls Allow Misuse of Funds, Affecting Resources Available to Serve All Consumers*

a report by

**the Office of Program Evaluation & Government
Accountability**

December
2007

Purpose

- BRS provides VR services in accordance with the federal Rehabilitation Act of 1973. These services help disabled Maine citizens achieve gainful employment.
- Services are provided by the Division for the Blind and Visually Impaired and Division of Vocational Rehabilitation.
- In the past, auditors noted significant weaknesses in controls over procurement of goods and services for consumers. BRS had taken action on these prior findings.

Purpose (cont.)

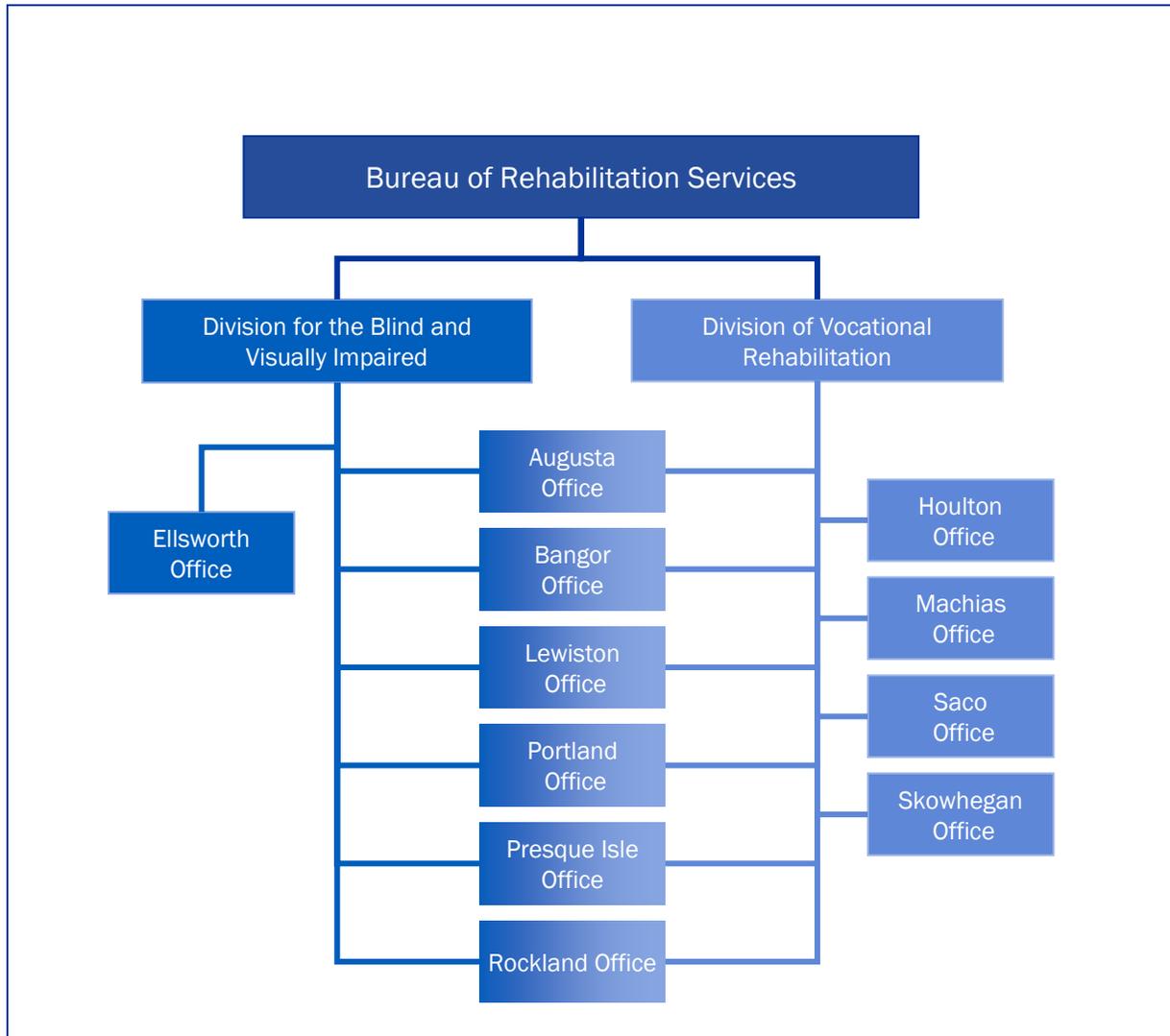
- OPEGA sought to determine whether internal controls for BRS Vocational Rehabilitation programs are adequate to assure expenditures for DVR and DBVI consumers are appropriate, reasonable, properly approved and accounted for.
- The audit focused on procurement processes in DVR and DBVI as well as transactions for SFY 2004-2006

Methods

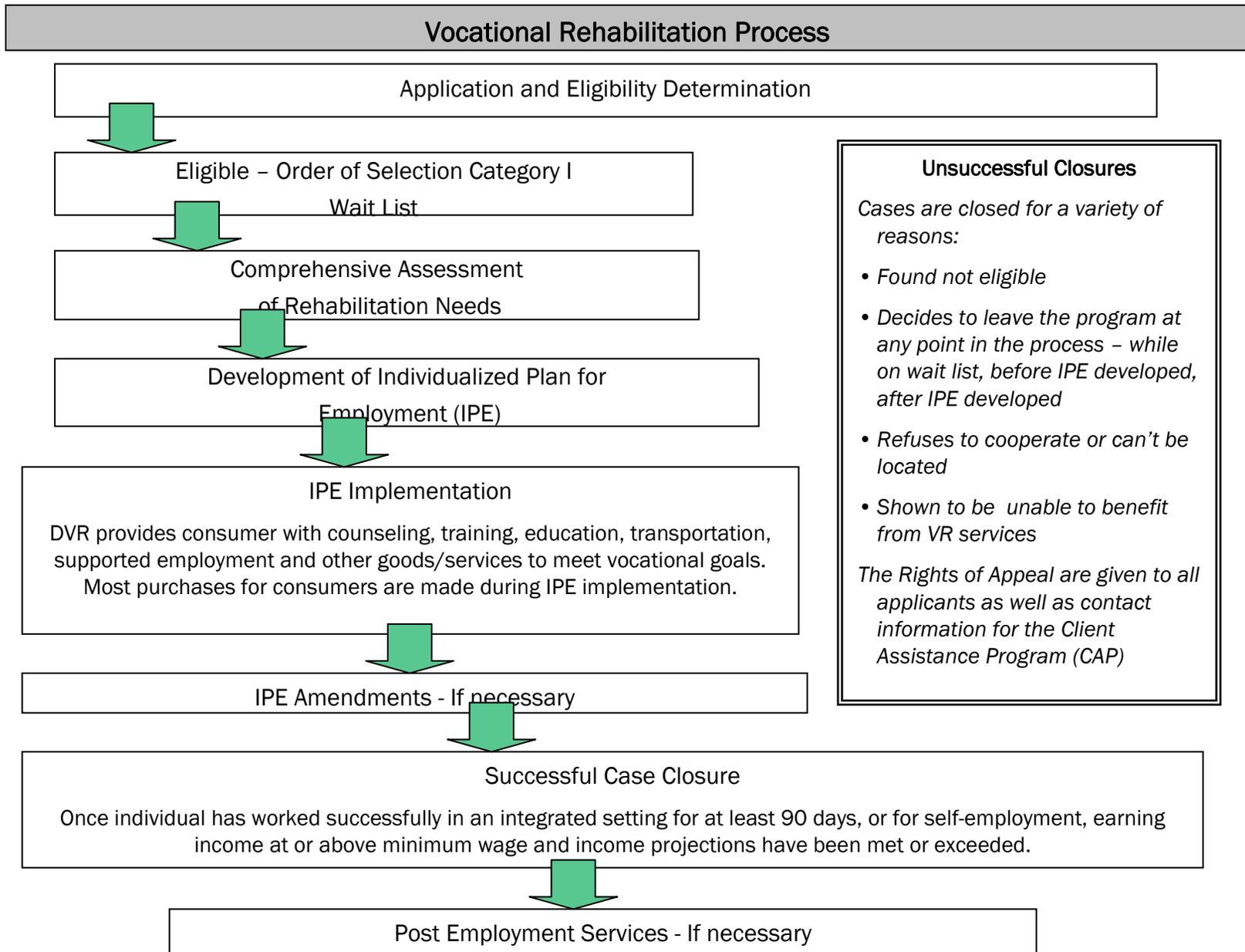
To conduct this audit OPEGA:

- Reviewed documents
- Interviewed staff & key informants
- Documented procurement processes and associated risks
- Analyzed 3 years of transaction data
- Examined select sample of higher risk transactions

Background



Background



Background

BRS Procurement Processes

Standard - BRS approves individual expenditure prior to purchase and later confirms receipt

Manifest - BRS approves a series of future automatic payments to consumers.

Reimbursement - BRS approves reimbursement for a purchase the consumer has already made.

Advance - BRS approves payment to a consumer in advance of a planned future purchase.

Background

In any procurement process, internal controls guard against inherent risks such as:

- Fraudulent customers or vendors
- Overpayments for goods/services
- Unnecessary purchases
- Receipt of goods/services by persons other than intended customer
- Purchases by unauthorized individuals
- Employees receiving inappropriate payments
- Duplicate payments

Conclusion

- Internal controls are still inadequate to assure expenditures for DVR and DBVI consumers are appropriate, reasonable, properly approved or accounted for.
- OPEGA found instances of the misuse of funds including apparent fraud.

Finding 1 – *Weak Control Environment*

- BRS and Service Center management have not created an adequate control environment for the procurement of consumer goods and services.
- BRS has emphasized improving consumer service and maintaining counselor authority over standardization and controls.
- Procurement process is, thus, largely uncontrolled.

Finding 2 – *Misuse of Funds Including Apparent Fraud*

- OPEGA identified transactions in over 2,000 cases with indicators of potential fraud or misuse of funds.
- A detailed review of 68 higher risk cases by OPEGA, and subsequently BRS, confirmed cases of apparent fraud by three employees and 12 other cases with misused funds.

Finding 3 – *Inadequate Policies and Procedures*

- Some practices not governed by any written policy and procedure
- Existing policies not well supported by clear implementation procedures
- Inconsistent compliance with existing policies

Finding 4 – *Inadequate Separation of Duties*

- VR counselors control all aspects of purchase transactions from initial authorization to payment approval
- Computer controls are weak
- Transactions are not reviewed before or after being transferred to MFASIS/ Advantage ME for payment

Finding 5 – *Insufficient Verification of Expenditures*

- Case files are not regularly, if ever, reviewed by supervisors
- Case reviews do not fully address financial aspects
- ORSIS data is not being analyzed to identify questionable transactions
- Service Center relies on controls at BRS, and does not perform its own check on transactions

Finding 6 – *Poor Documentation*

- Some case files could not be located
- Lack of evidence consumers received goods and services, i.e. no receipts
- Inadequate justification for expenditures
- Lack of income documentation in support of successful self-employment case closures

Finding 7 – *Computer Controls Lacking*

- ORSIS is functioning as a purchasing and accounts payable system, but not recognized as such.
- Internal controls, such as edit checks and role-based access, usually found in purchasing and payables systems are not incorporated into ORSIS.

Observation 1 – Consumer Contributions Could Increase Resources

BRS may be able to increase resources available for all consumers, and improve “buy-in” to employment plan success, by consistently requesting a financial contribution.

- Consumers can not be denied services or goods if they do not wish to contribute
- Any contributions would result in more resources for others

Observation 2 – Centralization of ORSIS Could Increase Efficiency

Currently ORSIS is decentralized, with a central server and local servers associated with each office.

- Communication between servers is limited
- Maintaining security and accurate, consistent data consumes considerable human resources
- Information can not be readily shared between offices, creating inefficiencies

Management Actions

- BRS has taken a comprehensive, integrated approach toward addressing internal control weaknesses identified in this audit
- Significant attention and resources devoted to designing complete system of internal controls
- SIQA unit in BRS will oversee work plan for implementation of actions agreed on

Management Actions

A. Revised Procurement Process (7/08)

- Separate duties manually & electronically with additional verification and documentation

B. Stronger Policies and Procedures (9/08)

- Add new policies, revise and clarify existing
- Specify when & how to use, and documentation requirements

C. Strengthened Computer Controls (Spr. 08)

- Incorporate automated controls and edit checks
- Improve documentation

Management Actions

D. Redesigned Case Review System (1/08)

- Establish comprehensive case review protocols covering programmatic and fiscal components

E. Monitoring for Risk Indicators (3/08)

- Utilize new and existing reports to screen for risk

F. Service Center Auditing (1/08)

- Conduct semi-annual site visits to review procurement transactions

Management Actions

G. Training for Supervisors, Managers and Staff (12/08)

- Conduct training on new policies, procurement procedures, case review, internal controls

H. Enhanced Accountability for Staff Compliance (7/08)

- Incorporate compliance into performance evaluations

I. Expanded Awareness & Identification of Existing Fraud or Misuse of Funds (2/08)

- Review at risk cases identified by OPEGA

Questions?