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## A Follow-Up Audit Report on Management Controls at the Texas Rehabilitation Commission

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December 1996

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# Key Points of Report

## A Follow-Up Audit Report on Management Controls at the Texas Rehabilitation Commission

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### Overall Conclusion

The Texas Rehabilitation Commission (Commission) management has made considerable progress in developing a contract management system that can ensure quality services are provided to clients at a reasonable cost. Management has implemented or partially implemented all of the State Auditor's recommendations from *An Audit Report on Management Controls at the Texas Rehabilitation Commission* (SAO Report No. 96-012). As a result of the steps taken, there is greater assurance that the Commission will provide quality services at reasonable cost to its clients.

### Key Facts and Findings

- The contract management system has improved and efforts should continue. We recommend that the Commission:
  - Complete the system for determining procurement methods and developing contracts
  - Strengthen rate-setting methodologies
  - Continue implementation of a contract oversight and monitoring system
- Controls over purchasing of client equipment/supplies have been implemented. Procedures have been implemented which prevent the person who orders goods and services from also approving payment. There has also been continued management emphasis on job responsibilities and monitoring of the purchasing function by regional/area managers.
- The organization of the re-engineering project has been improved to include adequate management input. The Re-Engineering Implementation Steering Committee has taken leadership for designing and implementing the overall re-engineering strategy. In addition, process owners who have responsibility for specific task accomplishment, including coordination of deadline changes, have been assigned to the project.

### Contact

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## Office of the State Auditor

Lawrence F. Alwin, CPA

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*This management control follow-up audit was conducted in accordance with Government Code, Sections 321.0132 and 321.0133.*

## Issues and Recommendations

### Overall Results

The Texas Rehabilitation Commission (Commission) management has made considerable progress in developing a contract management system that can ensure quality services are provided to clients at a reasonable cost. Management has implemented or partially implemented all of the State Auditor's recommendations from *An Audit Report on Management Controls at the Texas Rehabilitation Commission* (SAO Report No. 96-012, October 1995). As a result of the steps taken, there is greater assurance that the Commission will provide quality services at reasonable cost to its clients.

While more work remains to be done, the efforts of the Commission's management and staff to address our prior recommendations are commendable. We encourage the Texas Rehabilitation Commission to continue planned activities and to closely monitor progress towards complete implementation of our recommendations.

The scope of this audit was limited to following up on findings and recommendations included in the original report. Our work focused on the six major areas of prior concern: contract management, re-engineering, automated services, disability determination services, client purchasing, and human resource management. Specific accomplishments and areas for improvement for each of these areas are presented in this report. Appendix 2 (page 13) summarizes and provides the status of steps taken by the Texas Rehabilitation Commission to address the State Auditor's recommendations.

#### Management's Response:

*We appreciate the recognition by the State Auditor's Office that "The Texas*

*Rehabilitation Commission management has made considerable progress in addressing issues and recommendations" from the October, 1995 SAO management control audit report. We agree with your statement that "As a result of these improved management controls, there is greater assurance that the Commission will provide quality services at reasonable costs to its clients."*

*We appreciate your overall commendation for our efforts during the past year and acknowledge that more work remains to further refine the contract administration system. We pledge to continue our efforts to further strengthen and refine the TRC contract management system.*

Section 1:

### **Accomplishments and Areas for Continued Improvement**

Section 1-A:

#### **The Contract Management System Has Improved and Efforts Should Continue**

##### Complete the System for Determining Procurement Methods and Developing Contracts.

The Texas Rehabilitation Commission has developed and is implementing procurement standards. It has also established contracting decision criteria, and has developed and implemented contracts that help ensure providers are held accountable for delivery of quality services.

The Commission has developed procurement standards that meet minimum federal administrative requirements and has documented these standards in the Commission's *Grants and Contracts* manual and in the Texas Administrative Code. In order to further implement competitive procurement standards, two pilot procurement programs are ongoing at Texas Rehabilitation

## Issues and Recommendations

Commission Regions III and V. These programs have revealed cost savings possibilities and helped regional staff better understand competitive procurement methods. However, the final results of the programs and lessons learned have not yet been determined and formally shared with other regions.

Although contracting decision criteria have been established, the Commission has focused its efforts on executing contracts primarily with high-volume providers. The Commission has identified and targeted 219 providers as high-volume, accounting for \$50.6 million (42 percent) of all services procured in 1995. At the conclusion of our fieldwork, contracts with 29 community-based rehabilitation service providers (\$6.9 million in services procured in 1995) and 19 hospitals had been completed, with 68 additional hospital contracts pending provider signature. The Commission reported on November 4, 1996, that 52 hospital contracts had been completed.

Establishing contracts using relationship-based criteria, as recommended by the Decision Criteria Task Force, has not been fully pursued. Contracting with the lower dollar volume tier of providers is important because this group, in total, may expose the Commission to the same or similar risks as a single, non-contract, high volume provider. The Commission has committed to Phase II of the contracting effort, which will include contracting with low dollar volume, high-risk providers. We encourage the Commission to continue the contracting process in this regard.

The Commission has developed contracts which include specific statements of work, performance standards and measures, sanctions, and audit requirements. To ensure that these critical elements are included in all implemented contracts, contract templates have been developed that can be tailored to cover requirements related to the procurement of specific goods and services. In addition, a

review process has been implemented to ensure completed contract documents contain necessary provisions before being executed as formal contracts.

Although there appears to be clear momentum for implementing competitive procurement standards; specific goals, objectives, and action plans for future implementation of these standards throughout the Commission have not been established. Goals and objectives define where the Commission wants to be in its procurement efforts and can help in shaping plans for future procurement activity. They can also be used to assess progress towards establishing a competitive procurement policy.

### Recommendations:

The Commission should:

- Continue efforts to implement procurement standards throughout the agency.
- Continue development of a formal, competitive procurement process for goods and services.
- Continue with plans to establish provider contracts using relationship-based criteria in addition to using the \$100,000 threshold.
- Develop goals, objectives, and action plans for implementing agencywide competitive procurement procedures.

### Management's Response:

*The Commission agrees with the recommendation.*

## Issues and Recommendations

*We appreciate your recognition of the strides we have made to implement the system for determining procurement methods and developing contracts. We are continuing our efforts to implement procurement standards throughout the agency. We are incorporating the standards in appropriate sections of the Rehabilitation Services Manual, Financial, Planning and Purchasing Services Manual and TRC Standards for Community Rehabilitation Programs, where the standards will be used by front line service delivery personnel.*

*The pilot programs to implement competitive procurement standards have been initiated in Regions 3 and 5 (Austin and San Antonio). When these pilots are completed (Summer, 1997), they will be evaluated to determine the cost savings, affect on the vendor pool, impact on delivery of services to clients, impact on informed client choice and satisfaction of clients with options available for their choice. The results of the pilots and the lessons learned will be shared with the other three Regions and will be used to formulate statewide goals, objectives, and action plans for implementing competitive procurement procedures.*

*We are continuing to establish contracts using relationship-based criteria in addition to using the \$100,000 threshold. For example, of the 431 hospitals with which we intend to contract this year, we did more than \$100,000 worth of business with only 30 (7%) in FY 1995. In addition, we will continue to execute express contracts with "high risk" vendors with less than \$100,000 annual dollar volume, e.g. Community Rehabilitation Programs.*

*The BSSU/GCU and Rehabilitation Services staff will jointly identify priority "services" for implementation of statewide competitive procurement processes and develop a schedule for the implementation of these activities by March 31, 1997. Implementation*

*of current procurement standards and competitive procurement for specifically identified "service" areas will be initiated as contracts for those services are renewed.*

Strengthen Rate Setting Methodologies. The Commission has established and uses a number of methodologies which help ensure a fair price or rate is paid for services obtained. However, we believe there is an opportunity to refine and strengthen several of the methodologies in use, such as the use of the Community Rehabilitation Program Advisory Committee and the performance of a rate or price analysis of services previously procured.

The Community Rehabilitation Committee has met three times since April 1995 but has deliberated only once on rate or price setting issues. Continuous analysis of fees paid for rehabilitative services statewide will help establish a baseline rate or price structure, which Texas Rehabilitation Commission purchasing agents can then use to measure the reasonableness of rates or prices they are currently paying for services. In addition, rate or price analysis for services procured primarily by the Texas Rehabilitation Commission is not performed on a regular recurring basis. As noted above, without continuing periodic rate or price analysis, the Commission cannot be assured that it is realizing the maximum benefit possible for dollars expended.

### Recommendation:

The Commission should enhance methodologies used to assess rates or prices paid for goods and services. Procedures should be established to regularly review and analyze rates and prices.

## Issues and Recommendations

### Management's Response:

*We appreciate your recognition of the variety of methodologies used to insure that a reasonable price is paid for services. The TRC is considering expanding the purview of the Community Rehabilitation Program Advisory Committee to include all worker development services procured primarily by TRC. The Advisory Committee will perform a periodic analysis of the prices paid for these services, particularly when the Committee becomes aware that another public agency has adjusted their rates for similar services. The Committee will ensure that the rates for all such services are analyzed at least every three years.*

Continue Implementation of a Contract Oversight and Monitoring System. Work has been completed on the development and initial implementation of a coordinated and comprehensive contract oversight and monitoring function. This function, which is the responsibility of the Grants and Contracts Unit, consists of a risk assessment methodology, a statewide monitoring plan, regional monitoring plans, and a six tier financial monitoring system. In addition, the Management Audit Division will continue to perform direct audits of selected providers as well as audits of various elements of the contract monitoring system itself.

Since many of the procedures for this system have only recently been formalized, certain action items remain to be completed. For example, job descriptions have not been updated to reflect additional monitoring responsibilities and duties. Monitoring skills required for newly hired employees have not been identified. Informal training has been performed by the Grants and Contracts Unit staff, but the specifics of contract monitoring training still need to be addressed. A training plan has not been developed to address such

issues as who will be trained, when they will be trained, and the details of training to be administered. Also, on-site monitoring standards have not yet been established nor have standardized monitoring instruments been developed. Finally, responsibility for documenting and communicating performance results is not specifically addressed in the six tier monitoring structure.

### Recommendations:

The Commission should continue its efforts to implement the six tier monitoring structure. Particular attention should be placed on recruiting proper skill sets, training those employees who will perform contract monitoring, and developing realistic monitoring objectives.

The Buyer Support Services Unit (BSSU) should develop a process to assure:

- Provider performance results are provided to all individuals involved in the provider selection process.
- Results of vendor performance analysis performed at any level in the six tier structure are routed back into the provider database.

Job descriptions of regional program support administrators, counselors, and regional service technicians should be updated to include provider monitoring responsibilities.

### Management's Response:

*The Commission agrees with the recommendations.*

*We appreciate your recognition of the development and initial implementation work we have completed in the area of contract*

## Issues and Recommendations

*oversight and monitoring. We are moving forward to train employees in their responsibilities under the statewide and regional monitoring plans beginning in December, 1996.*

*A work group has begun developing a comprehensive financial monitoring curriculum. This work group is chaired by a regional director, and includes representatives from Human Resources Development, Management Audit, Rehabilitation Services, and the BSSU Grants and Contracts Unit. The target date for completion of the development of the training is January, 1997. Regional staff assigned to work with Community Rehabilitation Programs and with contracted vendors will be trained together on procedures for financial monitoring.*

*We are also developing purchasing training for all field staff, to inform them of their critical responsibilities to ensure that purchased goods and services that are delivered by vendors, and received by clients, conform to the specifications, terms and conditions of the procurement, and meet the procurement standards. Overview training will be available to all field staff by June 1, 1997. This will be followed by specialized training for each function in each tier of monitoring.*

*The BSSU Grants and Contracts Unit staff and Rehabilitation Services are jointly developing a matrix that defines vendor/provider monitoring objectives for each identified type of business relationship (e.g. grant, fixed price contract, unit rate contract, "fee-for-service" vendors, etc.) This matrix is scheduled to be completed by February 28, 1997.*

*The BSSU Grants and Contracts Unit will provide appropriate staff with the results of statewide monitoring efforts. The Commission will implement a procedure whereby findings*

*and information obtained from statewide monitoring plan efforts, regional monitoring plan efforts, and other aggregate field or regional performance data will be submitted to the BSSU/GCU for collation and dissemination via the Commission enterprise database (the contract management system). Results from the first year of monitoring are expected to be available for dissemination via the enterprise database by November, 1997.*

*We are updating the job descriptions for regional program support administrators, community rehabilitation program specialists, area managers, counselors and rehabilitation services technicians, to make explicit their respective responsibilities in monitoring contracts. The updates of these job descriptions are expected to be completed by December 31, 1996.*

Section 1-B:

### **Controls Over Purchasing of Client Equipment/Supplies Have Been Implemented**

Purchasing and payment functions have been strengthened. Procedures have been implemented that prevent the person who orders goods and services from also approving payment. There has been continued management emphasis on job responsibilities and monitoring of the purchasing function by regional/area managers:

- The Deputy Commissioner for Rehabilitation Services has stressed the importance of strong purchasing controls in memos to staff and in Texas Rehabilitation Commission's Annual Support Staff Seminar.
- Automated tools have been developed to assist in monitoring transactions, and training on the use of these tools is continuing.

## Issues and Recommendations

- Provider monitoring and controls over client purchasing have been established as “audit priorities” by Management Audit.
- Automated edit check controls planned under re-engineering are nearing completion and will further strengthen overall control.

Section 1-C:

### **Management Involvement in the Re-Engineering Process Has Increased**

The organization of the re-engineering project has been improved to include adequate management input. As noted in our previous work, the Re-Engineering Implementation Steering Committee (RISC) was established in May 1995 and has since continued to provide the re-engineering labs with direction and guidance. The RISC has taken leadership for designing and implementing the overall re-engineering strategy. In addition, process owners who have responsibility for specific task accomplishments, including coordination of deadline changes, have been assigned to the project.

Examples of tools that the RISC is using to manage the re-engineering process include the release list and assignment list. The release list is revised periodically to provide users a “big picture” perspective of remaining re-engineering tasks and deadlines. The assignment list is a more specific “on-line” document which identifies process owners, task start and projected completion dates, status of tasks, and task description. The assignment list is updated as tasks are completed.

Automated Services has developed a detailed project plan for client server development. Client server applications have been developed to replace the Commission’s core business systems. The plan has a number of features which ensure that tasks are completed

on time, within budget, and in accordance with user needs.

### Management’s Response:

*The Reengineering Implementation Steering Committee (RISC) will continue to provide direction and guidance for mission critical automated systems. The RISC continues to use project management as a tool for tracking the many projects necessary for meeting our goals.*

*The RISC has set up a process for evaluating proposed system enhancements that includes participation of end users, subject matter experts, power users, and Automated Services. Also, the RISC has set up measurements and specific work groups to evaluate results of various tools and systems being put into place as a result of reengineering.*

Section 1-D:

### **Continue to Enhance the Structured Design Methodology for Developing Automated Systems**

The Commission has made improvements to the system development methodology for automated systems. The methodology used for development of applications within the client server application architecture of the re-engineering project has been thoroughly documented. However, there are some critical elements omitted from the existing methodology that, if included, could improve its usefulness. Examples of these critical elements are:

- Risk management plan
- Feasibility plan
- Defined testing responsibilities
- Project steering committee



## Issues and Recommendations

- Change Control procedures
- Management approval process
- Process for ensuring project goals and scope are defined and in line with organization mission
- Quality assurance procedures

A comprehensive design and development methodology helps ensure that accurate and timely decisions are made with respect to the acquisition or development of automated systems. Use of a well-designed methodology also helps keep costs under control and ensures that applications and systems will meet user expectations and needs.

The Commission has taken steps to address other recommendations regarding the Automated Systems Division:

- An organizational computer security policy and network security model have been completed and implemented.
- Corrective measures related to the disaster recovery planning function and response teams are in progress. The Houston field office pilot project has been completed, and duplication between recovery plan and response team procedures have been resolved.
- Security of data backups has improved. The improvements include adoption of agencywide standards on the frequency of producing data backup tapes. Storage procedures for backup tapes at the central office were assessed and deemed adequate.

### Recommendation:

The Commission should continue to update the existing design and development methodology to include the above-listed elements.

### Management's Response:

*The Commission agrees with the recommendation.*

*The TRC Automated Services is in the process of documenting the final stages of the software development process. Critical elements suggested by the SAO will be addressed as follows:*

- Risk Management Plan - *The TRC will continue to manage risk utilizing strong project management techniques developed for its client server development projects. The intense project planning methodology has proven successful in ensuring that projects are completed on time, within budget, and in accordance with user needs.*
- Feasibility Plan - *The TRC will continue to develop feasibility studies in accordance with guidelines established in the Department of Information Resources Biennial Operating Plan instructions. Every major project is required to have a feasibility study with the following components:*
  - *Problem definition*
  - *Statement of adherence to agency and DIR goals*
  - *Analysis of alternatives*
  - *Rationale for choosing alternative*
  - *Expected benefits*
  - *Scope of the project*
- Defined Testing Responsibilities - *The TRC will continue to develop guidelines*

## Issues and Recommendations

for system testing that are flexible enough to be easily implemented regardless of project scope. The project team leader will be responsible for testing all developed modules of a project and will designate at least one member of the team as lead tester. User testing will be included in every project.

- Project Steering Committee - The Reengineering Implementation Steering Committee (RISC) will continue to oversee the development of the TRC's mission critical automated systems. All automated systems projects have been incorporated into the Reengineering Plan and the RISC meets monthly to resolve any plan issues. A project planner has been assigned to each Deputy Commissioner with responsibility for monitoring any plan components that involve their area of responsibility.
- Change Control Procedures - The TRC has completed an intensive effort to define change control procedures for the newly implemented client server architecture. These procedures will be documented and published in the Commission's Administrative Procedures Manual by February, 1997.
- Management Approval Process - The TRC Biennial Operating Plan contains detailed information on all automation initiatives undertaken in TRC. This plan is consistent with the Commission's LAR and is approved by Commission management.
- Process for insuring project goals and scope are defined and in line with organization mission. The TRC Information Technology Strategic Plan is coordinated with the agency Strategic Plan to ensure consistency.

- Quality Assurance Procedures - TRC Automated Services builds quality assurance milestones into every system development project. The milestones are on a critical path of the project plan and are closely monitored by the project team leader. These milestones may include, depending on the complexity of the project, the following steps:

- Unit testing for every completed module
- Intense peer review for adherence to departmental standards and specifications of all completed modules
- User review of all completed modules to ensure that user expectations and needs are met
- Field testing of completed systems

TRC realizes that all these elements are currently not fully documented and published. TRC Automated Services will continue to develop the required documentation and has established a target date for publication of April, 1997.

Section 1-E:

### **The Commission Has Not Contacted the Internal Revenue Service (IRS) to Resolve State Agency Medical Consultant (SAMC) Employment Status**

A ruling has not been obtained from the IRS on the employment status of medical and psychological consultants that help in the disability determination function. As stated in our previous report, Disability Determination Services management has been "proactive" in its efforts to obtain an IRS ruling through the Social Security Administration, the federal agency which funds Disability Determination Services.

## Issues and Recommendations

The Social Security Administration has elected not to discuss the issue with the IRS, despite Texas Rehabilitation Commission efforts which include phone calls, letters, and discussion at a national Social Security Management forum. The Social Security Administration has instead suggested alternatives, such as paying contracted medical personnel on a fee-per-case basis.

Management believes this particular alternative would not be beneficial to the State or to the client for several reasons. One important disadvantage is that under a fee-per-case arrangement there may be a tendency for the consultant to subordinate quality control in order to increase completed case volume.

### Recommendation:

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

### Management's Response:

*TRC will provide a copy of the State Auditor's Office report concerning SAMC employment status to Social Security Administration (SSA). SSA provides 100% federal funding for the Disability Determination Services (DDS) program. SSA will again be requested to approve a third party contract for SAMCs or another alternative that clearly classifies SAMCs as Independent Contractors. SSA will also be advised that if they do not approve such action, TRC shall deem that SSA authorizes TRC to submit this issue directly to the IRS for resolution as directed by the State Auditor's Office. TRC will then seek a ruling from IRS.*

Section 2:

### **Issue for Further Study**

#### **Complete Development of the Specification Database to Help Buyers Make Informed Purchasing Decisions**

The Commission has stated that "goods and services provided to the public by businesses [establish] rates which reflect the competitive nature of such businesses. A usual and customary fee is the price charged customers in this competitive market." A procedure involving the use of a "usual and customary fee" implies that the counselor or other purchasing agent accepts the "price charged customers in the competitive market." Under this procedure it appears that buyers may not always consider savings related to volume discounts, agencywide purchasing patterns, or substitute product availability. For example, a counselor may need a set of tools for a client which he then purchases from a local Sears store at the retail price. The fact that other counselors in other areas of the State may have purchased the same or similar items from Sears may not be considered. Consequently, price discounts available for volume purchases may not always be realized.

One initiative under way at the Texas Rehabilitation Commission that will help to strengthen the procedure discussed above is the Buyer Support Services specification database. This database, although not yet operational, could become a valuable tool for analyzing price information and for determining best prices and value for purchased goods. Having current information available, such as vendor service history, price comparisons of goods available in various markets throughout the State, and assessments of merchandise quality will allow counselors and other purchasing agents to make reasonably informed decisions when formal competitive procurement is not a practical method.

## Issues and Recommendations

Management's Response:

*We appreciate the interest shown regarding our reengineered Buyer Support Services Unit. Once the concepts are implemented, the*

*unit is fully operational, and enhancements are identified and implemented, we agree that this initiative will strengthen purchasing procedures in the agency.*

# Appendices

Appendix 1:

## **Objective, Scope, and Methodology**

### **Objective**

Our audit objective was to determine what action had been taken in response to the recommendations of *An Audit Report on Management Controls at The Texas Rehabilitation Commission* (SAO Report No. 96-012, October 1995).

### **Scope**

The scope of this audit was limited to following up on findings and recommendations included in the original report. Our work focused on the six major areas of prior concern: improving the contract management system, continuing to strengthen management controls over re-engineering efforts, enhancing the Commission's Automated Services Division, taking steps in Disability Determination Services to reduce case processing time and comply with federal law, strengthening controls over purchasing client equipment and supplies, and providing documented feedback and criteria for exempt salary positions.

Appendix 2 contains a status summary for each of the original report's recommendations.

### **Methodology**

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

### Information collected to accomplish our objectives included the following:

- Interviews conducted with selected members of the Commission's management and staff, including field office staff
- Documentary evidence such as:
  - Various management reports issued during the past year
  - Board meeting minutes and minutes of various Commission working group meetings
  - Commission policies and procedures
  - Agency-generated data

### Procedures, tests and analyses included:

- Test of vendor contracts
- Review of rate setting methodologies
- Review of system design and development, physical security, and disaster recovery procedures
- Review of re-engineering timelines and project management
- Review of selected personnel files

### Criteria used:

- Policies and procedures of the Texas Rehabilitation Commission
- State Auditor's Office Accountability Project Methodology (general and specific criteria)
- Other standard audit criteria established prior to or during the original audit work

## Appendices

### Other Information

Fieldwork was conducted from July 15, 1996, through August 15, 1996. The audit was performed in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

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

- Bradley E. McMahon, CPA  
(Project Manager)
- David V. Launey
- Charles R. Hrcir, CPA  
(Audit Manager)
- Deborah L. Kerr, Ph.D.  
(Audit Director)

# Appendices

Appendix 2:  
**Detailed Status of Prior Recommendations**

The Texas Rehabilitation Commission management and staff have made considerable progress in implementing recommendations in *An Audit Report on Management Controls at*

*the Texas Rehabilitation Commission, (SAO Report No. 96-012, October 1995).*

The table below presents the status of implementation for each recommendation contained in that report.

Recommendation	Status	Remarks
The Commission should develop minimum procurement standards for client services which incorporate the minimum federal administrative requirements	P	Procurement standards that meet minimum federal administrative requirements have been developed and documented. Results of competitive pilots have not been formally communicated. Specific goals, objectives, and action plans for implementation of standards have not been established.
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.	P	Establishing contracts using relationship-based criteria, as recommended by the Decision Criteria Task Force, has not been fully pursued. Contracting with the lower volume tier of providers is important because this group, in total, may expose the Commission to the same or similar risks as a single non-contract high volume provider.
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.	I	The Commission has developed contracts which include specific statements of work, performance standards and measures, sanctions, and audit requirements.
The Commission should develop a rate-setting methodology based on reasonable and necessary costs of services.	P	The Commission has established and uses a number of methodologies which help ensure a fair price or rate is paid for services obtained. However, we believe there is an opportunity to refine and strengthen several of the methodologies in use, such as the use of the Community Rehabilitation Program Advisory Committee and the performance of a rate or price analysis of services previously procured.

I = Implemented      P = Partially Implemented

# Appendices

## Detailed Status of Prior Recommendations, continued

Recommendation	Status	Remarks
<p>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:</p> <ul style="list-style-type: none"> <li>• Developing a risk assessment to determine monitoring needs</li> <li>• Communicating monitoring results and agreed upon actions</li> <li>• Communicating provider performance results to those individuals involved in the selection process</li> </ul>	P	<p>Work has been completed on the development and initial implementation of a coordinated and comprehensive contract oversight and monitoring function. This function, which is performed by the Grants and Contracts Unit, consists of a risk-assessment methodology, a statewide monitoring plan, regional monitoring plans, and a six tier financial monitoring system.</p> <p>However, job descriptions have not been updated to reflect additional monitoring responsibilities and duties. Informal training has been performed by the Grants and Contracts Unit staff, but the specifics of contract monitoring training still need to be addressed. A training plan has not been developed to address such issues as who will be trained, when they will be trained, and the details of training to be administered. Also, on-site monitoring standards have not yet been established nor have standardized monitoring instruments been developed. Finally, responsibility for documenting and communicating performance results is not specifically addressed in the six tier monitoring structure.</p>
<p>Strengthen 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.</p>	I	<p>Purchasing and payment functions have been strengthened. Automated transaction controls planned under re-engineering will strengthen overall control further.</p>
<p>The Commission should ensure that the re-engineering steering committee continues to provide the re-engineering labs with adequate input about management requirements for the re-engineering efforts.</p>	I	<p>The organization of the re-engineering project has been improved to include adequate management input.</p>

I = Implemented      P = Partially Implemented



# Appendices

Detailed Status of Prior Recommendations, continued

Recommendation	Status	Remarks
<p>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.</p>	I	<p>Automated Services has developed a detailed project plan for client server application development. Client server applications have been developed to replace the Commission's core business systems. The plan has a number of features which ensure that tasks are completed on time, within budget, and in accordance with user needs.</p>
<p>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.</p>	P	<p>The Commission has made improvements to the system development methodology for automated systems. The methodology used for the client server architecture of the re-engineering project has been thoroughly documented. However, there are some critical elements omitted from the existing methodology that, if included, could improve its usefulness.</p>
<p>The Commission should replace existing policies with agencywide adoption of the draft 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.</p>	I	<p>An organizational computer security policy and network security model have been completed and implemented.</p>
<p>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.</p>	P	<p>Corrective measures related to the disaster recovery planning function and response teams are in progress. The Houston field office pilot project has been completed and duplication between recovery plan and response team procedures has been resolved.</p>

I = Implemented    P = Partially Implemented

# Appendices

## Detailed Status of Prior Recommendations, concluded

Recommendation	Status	Remarks
<p>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 for individual regions.</p>	I	<p>Security of data backups has improved. The improvements include adoption of agencywide standards on the production frequency of backup data tapes. Storage procedures for backup tapes at the central office were assessed and deemed adequate.</p>
<p>We recognize the Commission for the positive changes that were made to the operations of the Disability Determination Services (DDS) Division and recommend that the Commission continue to monitor the operations and other initiatives to help ensure efficiency and effectiveness.</p>	I	<p>Management has continued to monitor the operations of the DDS Division. Management has developed and implemented a system of reports which are used to monitor work in progress (WIP). Based on our discussion with agency management and our examination of documents provided, DDS is continuing to effectively monitor case processing time and has taken appropriate steps to help ensure efficiency and effectiveness.</p>
<p>The Commission should request guidance from the Internal Revenue Service (IRS) regarding the appropriateness of its current relationship with the state agency medical and psychological consultants.</p>	P	<p>A ruling has not been obtained from the IRS on the employment status of medical and psychological consultants that help in the disability determination function. The Commission should request a ruling directly from the Internal Revenue Service regarding the appropriateness of its current relationship with the state agency medical and psychological consultants.</p>
<p>We recommend that the Commission establish and support periodic evaluations of all positions.</p>	I	<p>Periodic evaluations of exempt staff personnel are being conducted. A policy has been established to complete a performance appraisal of all exempt staff positions on the anniversary of the individual's hire date.</p>
<p>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.</p>	I	<p>Job descriptions for all exempt salary level positions have been completed and are on file. A system has been established to ensure periodic review and update as required.</p>

I = Implemented      P = Partially Implemented