

Secretary of State Audit Report

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Save on Vocational Rehabilitation Costs to Serve More Clients

Summary

Oregon's Office of Vocational Rehabilitation Services (OVRs) assists individuals with physical and mental disabilities, such as hearing and learning disorders, with getting or keeping a job. Counselors help clients develop employment goals and an employment plan for achieving them, which may entail services such as vocational training, job search and placement, transportation, or equipment.

With some limitations, clients may re-enter the program or continue to receive services, until they are successfully employed. Some clients have participated in the program for years. Records indicate costs increase while the likelihood of employment declines the longer clients remain in the program.

OVRs spent about \$42 million in federal fiscal year 2008 and served about 8,400 clients in employment plans. OVRs received about 74 percent of its funding from federal sources, 20 percent from the state General Fund, and 6 percent largely from an incentive program of the Social Security Administration. In January 2009 OVRs entered an Order of Selection (OOS), as required in federal law, when it projected that it would not have sufficient resources to serve all eligible individuals. OOS avoids disruption of services to active clients, but delays and prioritizes services to new clients. As a result, OVRs' waiting list contained over 4,000 applicants in June 2009, and had 1,344 in May 2010. According to OVRs, there were 427 clients on the list as of August 16, 2010.

OVRs is successful in getting employment for its clients. In 2008, Oregon ranked 10th out of 24 general programs (programs similar to OVRs that do not serve legally blind clients). Also, Oregon regularly exceeds the federally mandated minimum rate of 55.8 percent of cases closed with employment. However, this success has come at a much higher cost, second highest among similar general state programs. We estimate that if OVRs spent the average cost per client of the other 23 general programs, it could have served about 4,300 additional clients, an increase just over 50 percent.

OVRs can take several actions to serve more clients by saving on rehabilitation costs. We found counselors could better assist clients in setting realistic employment goals. Some clients sought jobs in fields where there were few jobs and little opportunity for employment. Other clients had

backgrounds such as criminal convictions or lack of a work permit that prevented them from obtaining employment in their desired field. In one case, OVRs spent about \$21,000 on a client who had substantial apprehensions regarding physical contact with people, which was necessary to obtain professional certification in the field.

Counselors could also provide more milestones and expectations for clients. Expectations can include preconditions for returning clients who had previous problems, such as lack of client effort. Better case monitoring can also more quickly identify client issues and reduce costs.

We found OVRs could better contain costs by ensuring counselors only approve spending that adheres to the employment plan. Also, some counselors withheld approval for some expenses while others approved services that appeared unnecessary for employment. For example, one client received over \$1,400 for classes unrelated to the employment goal and an upgraded hearing aid. About 20 percent of the cases we reviewed had payments exceeding the plan costs. Further, there were noticeable variations between counselors in terms of supporting clients' employment goals. For example, one counselor approved over \$45,000 to support a client's education through a doctorate, whereas another counselor would not support beyond an associates degree.

We found OVRs could provide better guidance to counselors to reduce costs and improve outcomes for clients. OVRs has taken a step in this direction by beginning work on a more extensive policy manual to better establish methods and expectations. Other options that could help counselors include more cost-effective training specific to vocational rehabilitation issues available through federally-sponsored regional sites and more timely performance evaluations.

Other states provide counselors with annual budgets that are based upon their particular client caseload and economic conditions, whereas OVRs did not consider such factors. With more realistic budgets, OVRs could also better track counselor spending decisions, provide individual guidance where needed and control program costs. Without realistic budgets, counselors serving more expensive clients, such as those with hearing disabilities, regularly exceed their budget, while other counselors may not need all the funds allocated to them.

Finally, OVRs could review its client contribution policy. Currently, clients are not required to contribute unless their household income exceeds \$60,000. Requiring clients to contribute to the cost of their services can stretch funds and improve clients' commitment toward the rehabilitation program.

We recommend that OVRs better limit unnecessary costs, provide greater assistance to help clients achieve realistic employment goals, and promote better counselor decision-making. More detailed recommendations are listed at the end of our audit report.

Agency Response

OVRs' response is attached at the end of the report.

Background

Oregon's Office of Vocational Rehabilitation Services (OVRs) assists individuals with disabilities who need services to get or keep a job.¹ OVRs receives most of its funding from the federal government and operates under the federal Rehabilitation Act. While OVRs must adhere to the federal laws and regulations, it determines its policies, procedures and business practices.

State vocational programs are required to provide services necessary to assist clients with disabilities that result in impairments significant enough that they require assistance in preparing for, securing, retaining, or regaining employment. This allows them to compete with people without disabilities for a chance to achieve their maximum employment potential. The programs serve individuals with such disabilities as hearing disorders, learning disorders, neurological disorders, alcohol or drug dependence, quadriplegia, and other physical and mental disabilities. Having a physical or mental impairment is one condition that individuals must meet in order to be eligible for services. The other two conditions are the impairment results in a substantial impediment to employment and the need for vocational rehabilitation services to prepare for, secure, retain or regain employment. OVRs counselors determine client eligibility.

Once found eligible, a client receives vocational counseling and evaluations to determine job skills and interests, and help set an employment goal. Once the goal has been determined, a client's employment plan is created that includes a specific employment goal and the vocational services needed to reach that goal. This process is driven by the client, who can choose to develop the plan with the assistance of an OVRs counselor. If the plan is developed by the client, it must be approved by the counselor. As federally required, the client's employment goal must be consistent with the client's unique strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice. Once the client has agreed to the employment plan and the counselor approves it, the client may receive program services for as long as necessary to attain the goal.

OVRs services are provided directly by its counselors, located in 30 field offices and multiple outstations throughout the state, or purchased from community-based vendors. Counselors provide clients with vocational counseling and guidance, and information on rehabilitation resources. They also coordinate client services. Prior to purchasing client services, counselors identify and utilize other financial resources to maximize use of agency funds. OVRs purchased services include those directly related to the employment goal, such as the cost for occupational licenses and job specific training, and disability-specific treatment. They may include the following:

¹ OVRs is a general state vocational program that does not serve legally blind clients. For Oregon, the legally blind receive services from the Oregon Commission for the Blind.

- Assessment services - evaluations to measure strengths, capabilities, work skills and interests
- Job-related services (e.g., job search and placement)
- Vocational and other training services (e.g., college/university, occupational and on-the-job)
- Diagnosis and treatment of physical and mental impairments (e.g., prosthetics and eyeglasses)
- Maintenance (e.g., clothing)
- Personal assistance services - services to assist with daily living activities on and off the job
- Interpreter services (e.g., sign language services)
- Rehabilitation technology - specialized equipment to assist with communication or completing tasks (e.g., hearing aids)
- Technical assistance (e.g., consultant for self-employment plans)
- Transportation - public and/or private means as needed (e.g., bus passes, mileage reimbursement, vehicle repair, vehicle insurance)
- Occupational licenses, tools, equipment, and initial stocks and supplies for self-employment
- Supported employment - services needed to support and maintain an individual with a most significant disability in employment
- Post-employment services - services needed after achievement of employment goal to maintain, regain or advance in employment (e.g., counseling, equipment)

Programs cannot impose limitations on how long a client participates in the program. A client who needs minimal assistance may reach the desired employment goal in a few months, while other clients may receive program services for years. As a result, some employment plans can cost a few hundred dollars, while others can exceed \$100,000. Federal rules allow clients to change their goals after employment plans have been approved, which often results in the need for additional services.

When a client has achieved an employment outcome, the case is closed as a successful rehabilitation when the client has been employed in the plan goal for at least 90 consecutive days and performing well, and both the counselor and client are satisfied. Cases may also be closed for other reasons such as the client being unable to continue with services, not following through with program services, obtaining employment that did not result from program services, or receiving services but unable to become employed. After clients leave the program, either because they did not complete their plans or they achieved their employment goal, federal rules allow them to reapply at any time and receive additional services.

Vocational Rehabilitation Resources and Workload

OVRs served between 8,400 and 8,800 clients a year in an employment plan, with annual funding averaging \$39.7 million in each of the four federal fiscal years (FFY) shown in Table 1. Approximately three-quarters

of the \$39.7 million came from the federal government with the state General Fund providing most of the remaining funds. During that time, the number of individuals applying for OVRS services and clients exiting the program remained relatively constant.

Table 1: OVRS Funding, Expenditures and Clients Served

	FFY2005	FFY2006	FFY2007	FFY2008
Federal Vocational Rehabilitation (VR) Grant & Federal Support Employment Grant	\$ 28,256,986	\$29,376,794	\$29,269,267	\$31,228,596
State Match/General Fund	7,550,654	7,877,768	7,848,396	\$8,379,929
Program Income*	610,037	19,660	1,470,340	\$2,474,003
Carryover Funds	4,748,448	-	-	-
Expenditures	\$40,761,921	\$36,124,969	\$43,352,353	\$ 42,442,193
Total Clients Served in Plan	8,745	8,615	8,456	8,404

Source: Federal Rehabilitation Services Administration (RSA)

* Examples of program income include: Social Security Administration reimbursement payments for rehabilitating Social Security disability beneficiaries, payments received from workers' compensation funds, and client contributions toward the costs of services

Federal funds are distributed to states based on a formula that considers population and per capita income, and state programs must provide a minimum 21.3 percent match. The state's total non-federal sources must also meet maintenance of effort requirements, which require that expenditures be at least the same as two years prior. The Legislature has appropriated sufficient General Fund for OVRS to receive Oregon's full share of federal match funds. Additionally, Oregon receives cost reimbursement from a Social Security Administration work incentive program, Ticket to Work. Through this program, the Social Security Administration reimburses the program the cost of services for recipients who are working and less dependent upon social security funds. This additional funding fluctuates depending on Social Security Disability and Supplemental Security Income recipients' length of time and wages in a job. In 2008, OVRS established a new initiative to increase the ability to capture Ticket payments.

Order of Selection

When a program does not have sufficient resources to continue serving all eligible individuals, federal law requires the program to enter an Order of Selection (OOS). When OVRS forecasted it would not have sufficient funds to serve its anticipated applicants, it entered into an OOS in January 2009. OVRS had not been under an OOS since a six-month period in 1994. For FFY 2009, 67 percent of comparable state programs across the nation were in an OOS.

Implementing an OOS avoids disruption of services to clients already in the program; however, the program prioritizes and starts serving the most significantly disabled new eligible clients with its available funds and creates a waiting list for the others. While on the waiting list, potential clients can only receive information and referral services to other assistance programs.

Once in OOS, the change in the makeup and complexity of clients' disabilities can also reduce the total number of clients the program can serve. The more severe a disability, the more services are potentially needed which, in turn, increases costs. In addition, economic conditions, such as especially high unemployment rates, can make it harder for clients to achieve their employment goals, increasing their need for more vocational rehabilitation services.

In June 2009, the waiting list contained over 4,000 eligible individuals seeking state assistance. An OVRs fiscal analysis concluded that only an influx of either federal or state funds could significantly impact its OOS. Beginning in July 2009, OVRs stated it was able to serve some clients on the waiting list by using one-time resources consisting of American Recovery and Reinvestment Act funds, additional federal and state funds, and Social Security reimbursements. At the beginning of May 2010, 1,344 individuals were on the list, and according to OVRs, there were 427 clients on the list as of August 16, 2010. Due to the ongoing economic unpredictability and anticipated budget cuts, OVRs management decided it was prudent to remain in the OOS at least through September 2011.

Audit Results

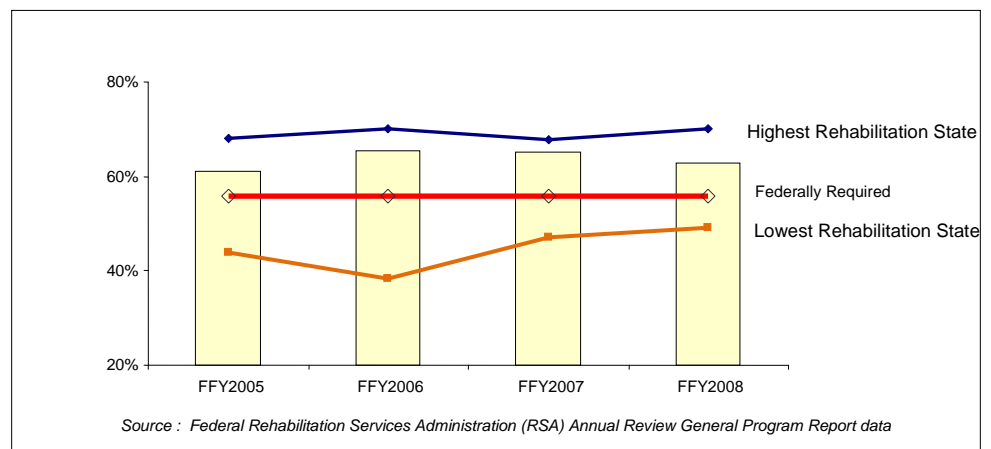
We researched best practices, analyzed OVRs client data and reviewed a sample of case files to identify ways of reducing the costs of servicing individual cases, so the money saved could be reapplied to serving more applicants. Our review of case files included clients in the program for less than two years who met their employment goal, as well as clients who were in the program over two years. This mix of short and long-term cases contained evidence of good case management practices OVRs counselors used to manage costs while assisting clients in reaching their employment goals in a timely manner. It also highlighted areas where improvements could be made. In addition, our analysis of program operations identified areas where cost savings could be realized and used to serve more individuals applying for services.

More OVRs Clients Get Employment At Competitive Wages Than In Other States, But At a Higher Cost

One federal performance indicator is rehabilitation rate, which measures the percentage of clients whose cases were closed after receiving services that resulted in an employment outcome. In 2006, OVRs had the 3rd highest rehabilitation rate among 24 comparable programs; however, since then, its performance has declined. In 2007, OVRs had the 5th highest rehabilitation rate, and in 2008 OVRs ranked 10th. Another measure, the competitive employment rate, tracks the percent of clients who successfully compete in the marketplace for minimum-wage-or-better jobs. In 2006, OVRs had the highest competitive employment rate among the programs, dropped to 12th in 2007, then increased to 6th in 2008.

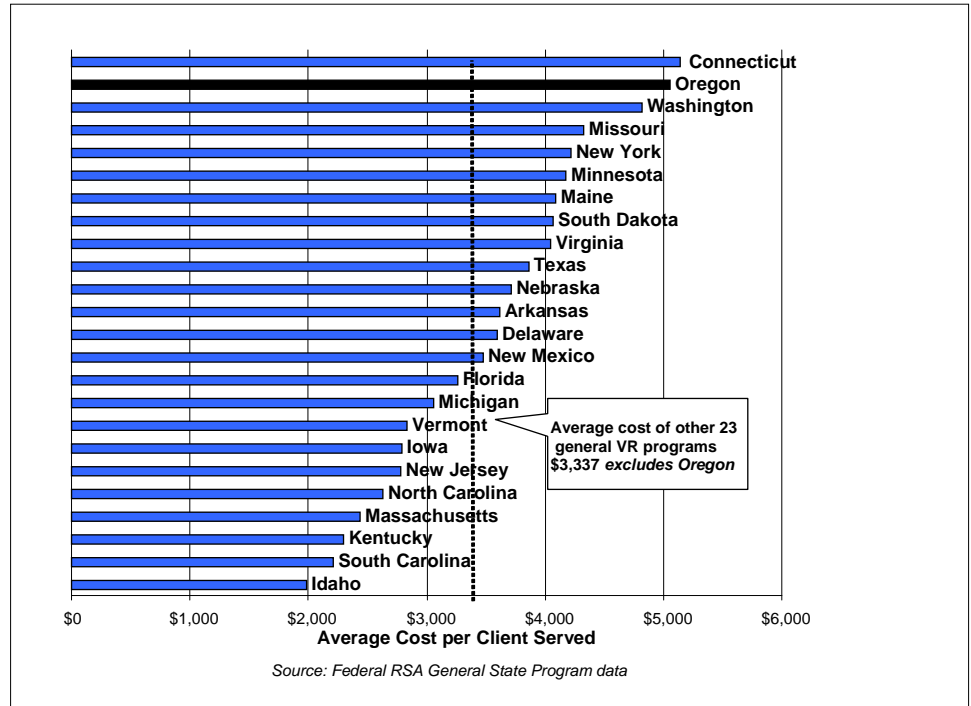
Likewise, OVRs' rehabilitation rate from 2005 through 2008 regularly exceeded the federally required performance level of at least 55.8 percent, as shown in Figure 1. However, few state programs failed to meet that performance expectation.

Figure 1: Percent of Rehabilitated OVRs Clients



While OVRS has been successful in meeting federal performance levels, its average cost per client served has been higher than most of the other programs. In comparison with the other 23 general state rehabilitation programs, Oregon had the second highest average cost per client served during FFY08. In FFY08, the average cost per client served in Oregon was \$5,050 whereas the average cost of comparable rehabilitation programs was \$3,337, as indicated in Figure 2.

Figure 2: Average Cost per Client Served



The average cost per client is comprised of administration, agency-provided client services and client services purchased from vendors. In all three areas for 2008, OVRS was in the top third of states with the highest costs.

At the 2008 average cost per client of the other states, OVRS could have served about 4,300 more clients with its budget. This represents just over 50 percent of the clients OVRS served in FFY08 and approximately the number of individuals on the waiting list in June 2009.

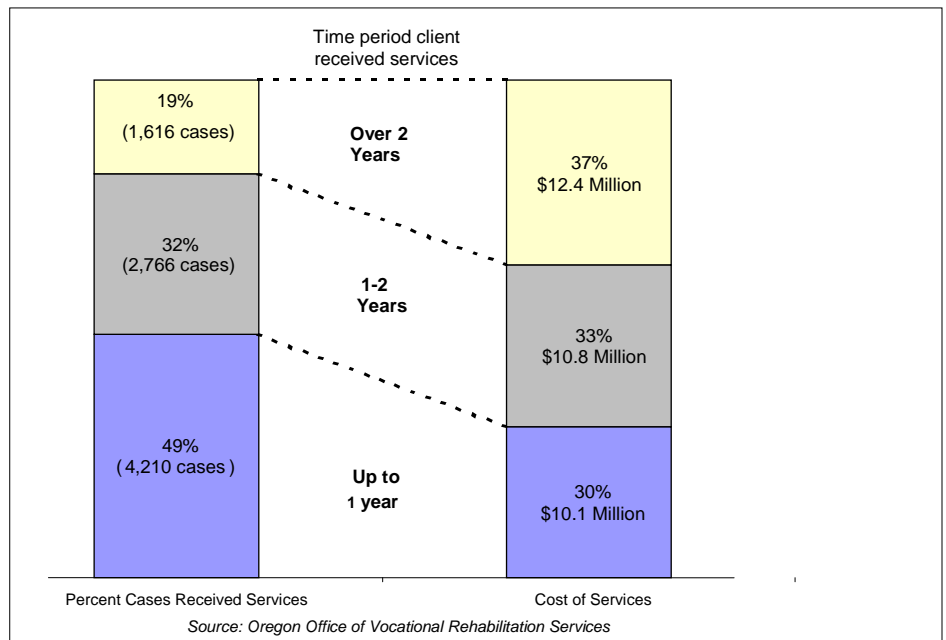
OVRS management attributed the program's high costs to a significant shift to individuals with cognitive and psychiatric disorders. According to the program's legislative presentation, these clients account for more than 50 percent of the caseload, and require a more expensive mix of services to achieve an employment outcome. However, federal data showed this situation was occurring in 19 of the other 24 state programs, with the majority having higher percentages than Oregon. Thus, caseload demographics did not appear to be the primary driver of Oregon's higher program costs compared to other states. Program management also

indicated other factors such as the job market and rates for services could impact a state's average cost per client.

Costs Increase Over Time While Rehabilitation Success Declines

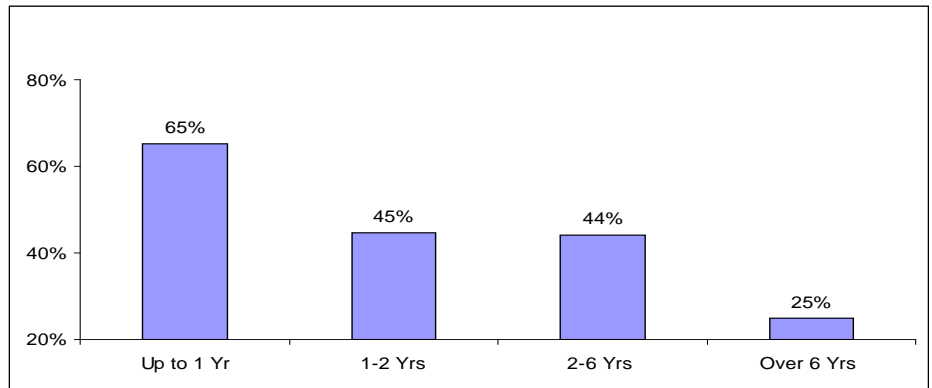
We selected a group of cases, which received plan services in FFY08, for analysis. We were able to track purchased costs through October 2009 and estimated OVRs purchased \$33 million in services for those cases. As illustrated in Figure 3, we found 37 percent of payments were made for 19 percent of cases where clients received plan services for over two years. We found one client who had participated in the program for at least 14 years.

Figure 3: Total Purchases by Duration in Program for Selected Group



As shown in Figure 4, most successful rehabilitations for the selected clients occurred during the first year, 65 percent. The success rate dropped to 45 percent in the second year then 44 percent from two to six years and 25 percent for all rehabilitations occurring over six years.

Figure 4: Percent Rehabilitated by Duration in Program for Selected Group

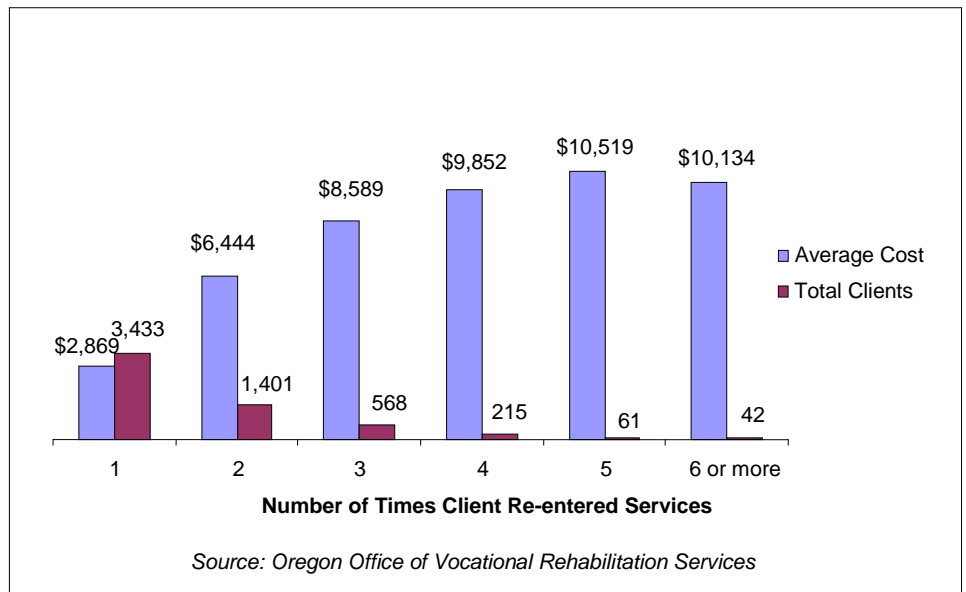


Some Clients Return Repeatedly

Half the 83 files we reviewed were clients entering the program more than once. Clients may reenter the program at any time if they need additional services to maintain employment, become unemployed or decide to change their employment goals. Each time a client reenters the program is considered a separate case.

Of the clients receiving plan services in FFY08 who returned to the program, approximately 85 percent had returned one or two times, with 15 percent (886) receiving services more than two times, including one client who was in the program for the ninth time. As shown by Figure 5, 3,433 clients had average expenses of \$2,869 while 42 had average cumulative expenses of \$10,134.

Figure 5: Average Cumulative Cost and Number of Clients Re-entering OVRS



As expected, each time a client reapplies and returns to the program more services are provided, either by OVRs staff or purchased from vendors, which increase costs. While the above graph captures the cost of purchases, it does not include the cost of OVRs' staff time. Though certain types of disabilities may necessitate returning to the program for more services, the frequency of individuals returning numerous times to the program may also indicate that OVRs can improve their strategies to help clients achieve independence.

Plans Don't Always Align With Realistic Employment Goals

Federal regulations emphasize clients making informed choices. Informed choice requires the counselor present all the information possible to the client so the client can make the best choice with the available information. While the client has the right to choose the job goal, federal regulations allow counselors to not support a goal if it is inappropriate.

We found some clients who did not succeed or received numerous services appeared to have unrealistic job goals. In some cases it appeared clients did not have a realistic understanding of the job prior to selecting their goal. For example, one client took two terms of classes, for which OVRs paid \$420 along with an average of \$290 per month for childcare. The client then completed a work experience, decided she did not find the job "very exciting" and changed her employment goal. Another client wanted to be a social services assistant and after almost three years of services toward that goal, with OVRs purchasing \$2,700 for training and job search assistance, the client decided against office work. In other cases, clients received several services toward their employment goals, but obtained jobs that differed from their goal. More in-depth skill assessments, and expanding the use of job shadows, internships and other tools could help identify obstacles to future employment and better inform clients of job requirements prior to providing the services toward that job.

Also, some impediments to success could be identified before counselors finalize an employment plan. For example, OVRs spent \$255 for a client to be a security guard only to learn the client could not obtain a license due to prior criminal convictions. OVRs purchased services totaling over \$7,100 for another client despite the fact that the client could not provide the necessary documentation for employment in this country.

To be successful, clients need to understand the jobs available in their potential areas of employment. In some cases, counselors helped clients work towards a skill set that had a limited or nonexistent labor market. Counselors sometimes utilized a very limited labor market analysis, citing only one source such as a national statistic, contact with a profession representative, or counselor knowledge. For example, after over a year of services costing OVRs \$7,355, one client recognized the goal of becoming a life-coach was not realistic as a business because there was no job market.

In other cases, counselors documented limited to no job market opportunities based on a labor market analysis; yet approved and provided services towards those employment goals.

Some files indicated counselors continued to pay for training or exam fees despite repeated failing grades by clients, which could indicate the job goal was not suitable. In one case, OVRs spent over \$21,400 on a client's plan over 4.5 years directed towards a profession that required physical contact with other people, something the client was not fully comfortable doing. The client had extended training for 2 years due to the difficulty of classes, and then failed the Oregon licensure exam because it required physical contact. OVRs then paid to help move the client to another state with different requirements where the client could pass the exam. It was unclear whether the client ultimately succeeded in finding employment in her chosen field because she ceased contact with OVRs after moving.

Even though work assessments completed for another client indicated the client was not competitively employable, OVRs spent more than \$12,000 trying to get the client a paying job. Eventually, the client obtained a part-time volunteer job.

Expectations and Milestones Should Be Utilized More

Federal regulations require that a client's plan for employment include criteria to evaluate progress toward achieving the employment goal. Setting criteria such as milestones and clear expectations for both clients and the rehabilitation program, can help meet the federal regulations. Following clear expectations and milestones also helps ensure that public funds are directed towards services that will provide the most benefit to clients, with any funds saved used to help additional individuals. Further, counselors can cease funding plan services if a client does not meet those expectations or does not follow through on service commitments.

A number of cases we reviewed had no or unclear client expectations or milestones to track client progress with the services listed in the employment plan. We also found that even in cases that had established some specific milestones and expectations, such as expected completion dates for services or minimum school grade point averages, there were multiple instances in which these were not adhered to or addressed. In some instances, counselors closed cases noting client challenges in meeting expectations and milestones, with the clients later returning for additional services. These documented challenges can be used by the next assigned counselor to develop, along with the client, a new plan that focuses on overcoming prior challenges applicable to the current employment goal before authorizing an array of new services. However, we found this did not consistently occur. In a few cases, clients received more services without first resolving prior issues.

For example, a client who continually did not follow through on employment search efforts later re-entered the program. The client was assigned to a counselor who approved payment to a vendor to perform the client's employment search efforts. The case was later transferred to a different counselor who expected the client to perform more employment efforts rather than relying upon the vendor. The client then requested and received the previous counselor who continued to provide more of the vendor services.

Another client had the goal of pursuing computer game development. Though able to pass some computer classes, the client had difficulty passing basic math classes and eventually the case was closed due to the client not following through on expectations and participating with services. When the client returned for services, he wanted to continue with the same goal. Rather than addressing the client's inability to pass the required math class, OVRs authorized another two computer classes. Further, the program purchased a \$4,270 custom-built laptop for the client to use for classes, as well as other class materials. Judging from the client's disabilities listed in the case file, it did not appear such a laptop was required for disability purposes. In reviewing the college's published program requirements, we found that a personal laptop computer was not required until a student's second year in the program and had an estimated student cost of \$1,500.

Case Monitoring Could Be Improved

Case monitoring by counselors helps ensure clients are participating and progressing in their rehabilitation programs as expected, and any concerns are addressed as early as possible.

Other states had specific policies and procedures that established expectations for case management, whereas OVRs' were more general. For example, one state had included as one of its case management expectations a requirement that counselors close the case with an explanation if a client stops making progress and is unable to resume progress in a stated timeframe (within 30-45 days).

We found documentation that clients were not fulfilling their responsibilities or making continual progress toward their employment goal, yet there were no indications this problem was actively addressed with the client. Also, we noticed some counselors did not regularly meet with clients to discuss their progress to ensure focus on the employment goal. We noted occasions where it took months for some counselors to contact nonresponsive clients and clients who canceled or did not show for multiple scheduled appointments.

Some counselors did not promptly address nonresponsive clients. As a result, these clients continued receiving services despite lack of activity. For example, one client continued to receive monthly allowance payments for

travel expenses even though the client did not have contact with OVRs. In this case, it was the client, not the counselor, who took the initiative to stop the monthly payments and request that OVRs cease services. In addition, some counselors responded promptly when clients were nonresponsive, sending letters with 10-day deadlines, while others extended deadlines and made multiple notifications to the client.

Expenses Sometimes Strayed From Employment Goal and Plan

We found cases in which counselors authorized payment for services that did not appear to address employment impediments or employment goal achievement. In those cases, the services appeared unnecessary for the client to reach the goal, or were apparently provided for convenience purposes. We also found some services that seemed to exceed what would have been reasonable. Collectively, these indicated there were unclear bounds regarding what is permitted, as illustrated below.

- One client received over \$900 in classes and workshops, which were not related to the agreed upon employment goal. The client also received a digital and programmable hearing aid that cost about \$500 more than a traditional hearing aid. Case documentation indicated that a traditional hearing aid would have met the client's needs.
- Another client received an evaluation for a driver's license costing \$750 even though the client had been successfully commuting to his services with a TriMet bus pass. This client's employment goal was a fitness trainer.
- In another case, a client with the employment goal of massage therapist was fully reimbursed for \$393 for purchasing a professional interviewing outfit from Nordstrom. This amount was almost \$100 over the initially agreed purchase limit. Based on the client's credit card statement, the actual purchases included fashion jewelry, women's shoes and sportswear. Further, since the counselor appeared to approve payment based on the client's credit card statement without a sales receipt, it was unclear whether the specific items purchased were necessary and related to the goal.

We also found that counselors authorized payments that exceeded the total plan costs in nearly 20 percent of the files we reviewed. OVRs' electronic client maintenance system does not ensure payments are only for services and amounts agreed to and listed in the plans. According to staff in June 2010, OVRs was in the process of contracting to have controls added to its system that assess whether authorizations/payments relate to plan services.

Allowable Expenses Varied by Counselor

Counselors are responsible for making and justifying their purchasing decisions to meet clients' rehabilitation needs. As the following examples from our file review illustrate, we found some counselors exercised more care when considering services and costs than others. For example:

- Since OVRs requires preapproval for purchases, some counselors did not reimburse clients for items clients purchased if it was not already agreed to. However, other counselors would revise the plans to add the items and then reimburse the clients.
- Some counselors utilized different criteria when determining whether to approve the purchase of an item. For example, some limited purchases to used/refurbished items or to certain stores where items could be purchased while others set no such limits.
- Some counselors set maximums for certain services while others would authorize over that amount. For example, we saw mileage rates that varied during the same timeframe and clothing allowances that typically ranged from \$150 up to \$580. We also noted some counselors told clients OVRs would only allow up to \$500 or \$1,000 for vehicle repairs, whereas other counselors did not set any limits.

In some cases, counselors purchased services that seemed reasonable to advance clients toward their employment goals, whereas in other cases the services appeared unconnected to client progress toward the employment goal. For example, some clients received self-employment business supplies while still in the midst of training and not near being job ready. In another example, OVRs paid for job placement goods and services before a client passed the necessary licensure exam.

In addition to differences in individual plan services, there were noticeable variations between counselors in terms of supporting a client's employment goal. For example, OVRs paid over \$45,000 in tuition costs and provided over ten years of education services for a client to obtain a bachelor's degree through a Doctorate in Psychology. In another case, a client had the long term goal of getting a master's degree and teaching at the community college level. The counselor would not support funding his education beyond an associate's degree, as the counselor noted the client would then be "able to be hired and earn a reasonable wage with this education." In the first case, despite an indication the client's physical disabilities would impede employment, services continued and the client has not been able to gain paid employment in his chosen profession. In the second case, the client ultimately found a job working for a retailer and, after revising the employment plan, was eventually considered a successful rehabilitation.

Better Guidance For Counselors Needed

We found other state programs had extensive, in-depth policy manuals and multiple managing instruments (e.g., an overarching policy addressing college or university training, a policy update that addressed specific funding limits for the current fiscal year, and a specific question and answer document addressing counselor concerns). The policies appeared prescriptive and were updated on a regular basis.

OVRs' policies and procedures are located in multiple documents: a policy manual, technical assistance guidance, Order of Selection Desk Reference Guide and Oregon Administrative Rules. According to staff, OVRs' policy manual, issued over 10 years ago, was edited down to a document with general guidance. The technical assistance guidance addressed some additional areas such as automobile insurance, property disposition, vehicle purchasing and vehicle modifications. However, there have been minimal defined, specific policies and procedures to help counselors interpret federal and state laws, and support OVRs in mediation hearings. This is of particular concern due to OVRs' counselor turnover of 42 percent over the 5 years spanning calendar year 2005 through 2009.

In April 2009, OVRs formed a workgroup that included managers, staff and State Rehabilitation Council members to start developing a new policy manual. As of May 2010, though OVRs did not have an expected completion date for the revised manual, we noted a more extensive table of contents and four draft policies that provided more clarification and direction. The draft policies include the following: transportation, vehicle insurance, vehicle modification and case closure.

Cost-Effective Counselor Training

Training improves employee job competency and enhances capabilities. We noted an increase in vocational rehabilitation focused training from 2008 to 2009. According to management, the program was in the midst of completing a training grant and plans on seeking another grant later in the year.

OVRs has put significant resources into its strategy of Enhancing Employment Outcomes that focuses on job marketing and client motivational intervention. OVRs paid one vendor a total of \$647,000 over three years for assistance on this strategy, and services are ongoing. We examined the effort due to the expense and found minimal evidence OVRs first considered available local and federal resources, accessed such resources prior to initially contracting for services, or used them to augment training to lessen ongoing costs. During our research, we noted opportunities for lower cost trainings by looking to other sources and states. For example, regional Technical Assistance and Continuing Education

centers provide subsidized training and vocational rehabilitation information.²

Further, we found varying interpretations by counselors and management of how to utilize the motivational intervention training. There were instances where counselors chose not to act on the motivational assessment results and clients who refused to participate in the motivational intervention. Accompanying policies and procedures could reinforce management's expectations regarding motivational intervention. Further, OVRs did not have a formalized performance tracking mechanism to measure the impact of motivational intervention. Along with providing training on job development, OVRs moved to performance based contracts for job developer services in 2009, similar to what has been done in other states. This changed some services from an hourly rate payment system to a milestone payments system.

Budgeting and Controlling Expenses

Federal laws and regulations emphasize the individualized nature of vocational rehabilitation programs and prohibit states from applying arbitrary limits on the uses of funds for clients and program services. Specifically, state programs cannot adopt a policy that denies a service because of cost without addressing the client's individual needs in some other way; however, the courts have recognized the need for states to have cost efficiency measures in providing needed services. In this context, programs are allowed to direct clients to less costly alternatives that still achieve the client's stated employment goal. While OVRs management expects counselors to use good professional judgment regarding the services provided and use public resources wisely, more could be done.

Limited Budgeting and Cost Review

OVRs could better use budgets as a tool to help manage costs and counselor performance. For example, counselors were assigned \$110,000 in FFY 2010 to purchase client services. Counselors have discretion regarding how to allocate their funds among their cases. Some counselors regularly exceed this budget because they specialize in serving clients with specific difficulties that can sometimes require more costly services, such as hearing problems.

Other states allotted budgets to individual counselors and branches using factors such as caseload demographics and economic conditions. OVRs' allocation does not take into account such factors and variations when it allocates available funds to branches and counselors. Further, if a counselor needs additional funds, branch managers can reassign funds within the branch or, for a high cost item, request reserve funds. Without a realistic

² The Federal Rehabilitation Services Administration funds the centers to provide training and technical assistance to state Vocational Rehabilitation agencies and their partners.

budget, counselors cannot be held accountable for their use of program resources.

When a client's service exceeds \$5,000, a counselor is required to first obtain management approval. However, since the majority of services are less than \$5,000, having cost efficiency measures such as guidelines for client services would help control costs and assist counselors in consistently applying a usual and customary standard for services. This would help ensure all clients receive the same needed program services regardless of counselor or branch office.

Better Guidelines for Cost Efficiency

OVRs could provide counselors with better guidelines for selecting client services. Federal regulations allow programs to establish a fee schedule to ensure service costs are reasonable so long as the fees are not so low as to effectively deny an individual a needed service and the program permits exceptions on an individual basis so needs can be addressed.

We contacted eight states with average costs lower than Oregon and found they had established cost guidelines and fee schedules for purchased services and items. For example, several states had implemented policies that addressed rising tuition rates by establishing specific cost parameters such as maximum term tuition and book expenses, with an exception process that allowed higher costs based on an individual's needs.

OVRs had minimal policies addressing purchase services, and one related to medical reimbursement was not being used. Specifically, counselors were no longer expected to follow a rule to obtain medical care at Medicaid rates and instead were allowed to pay the normal rate physicians charge to all patients. According to management, the program had difficulties several years ago finding medical providers who would accept Medicaid rates.

Minimal Client Contributions

Oregon requires some clients contribute toward some rehabilitation costs, but more could be done. State vocational rehabilitation programs are allowed to uniformly require all clients to contribute to the cost of certain services (e.g., transportation, maintenance, training, training supplies and equipment, and occupational licenses). Requiring clients to contribute to their service costs can stretch funds, focus on needed services, and promote client commitment to the rehabilitation program.

OVRs has a financial participation policy, though it has not changed since 2004. The participation amount is calculated on the basis of income. In accordance with federal rules, OVRs does not require financial participation from clients with Social Security income, but it has also chosen to extend the exemption to all clients that receive any other needs-based state or federal assistance programs (e.g., Temporary Assistance for Needy Families, Oregon Health Plan, Food Stamps or any other). Other states factor such support into an income calculation to determine financial

participation. In addition, OVRs policy exempts clients from contributing if the family's income is less than 250 percent of the federal poverty guideline. In practice, a client or family earning up to \$60,000 can receive services without contributing. For clients who earn more, OVRs has established an annual contribution amount based on client income, as shown in Table 2 below.

Table 2: Annual Financial Contribution Schedule

Client or Family Income Range	Client Contribution
\$60,000 - \$69,999	\$700
\$70,000 - \$79,999	\$900
\$80,000 - \$89,999	\$1,300
\$90,000 - \$99,999	\$1,700
\$100,000 - \$109,999	\$2,100
\$110,000 - \$119,999	\$2,900
\$120,000 - \$129,999	\$3,700
\$130,000 or higher	\$3,700 + 10% of family income over \$130,000

For example, a client must contribute \$700 annually if earnings were between \$60,000 and \$70,000. As a result, one client may pay 70 percent for employment plan purchases totaling \$1,000 while another client in the same income range would pay only 7 percent for employment plan purchases totaling \$10,000. This not only could be viewed as an equity issue between clients, but also does not provide an incentive for clients to keep their plan cost down and focused on needed services. Some states have addressed this by having clients pay a percentage of service costs rather than a set amount.

Better Tracking Needed of Office and Counselor Efforts and Results

Collecting, analyzing and integrating information on key aspects of program operations helps support operational and strategic decision making focused on effective services to clients at a reasonable cost.

OVRs management regularly receives reports on program information, but the focus of both the OVRs state program and the federal program has been on closed cases, without regular analysis of active cases to identify patterns of concern. The regular OVRs management reports include more high-level information such as the total number of monthly and annual cases served, rehabilitations, caseload demographics and costs. While such aggregate data assists in providing a snap-shot of overall program functions, it does not provide management with the tools to improve client outcomes. For example, reports do not identify problem patterns such as prolonged open cases, low success rates for some counselors, or successes achieved for various types of services. Without regular reporting and review of client data, the program is left without a basis to enhance practices to more

effectively provide services to clients. Even if the data was made available, there is no clear process for using client data to formulate and drive program strategies and policies.

The Rehabilitation Services Administration collects information from all state rehabilitation programs and provides comparative analysis. This information is available on its website for other programs and the public to use. OVRS also utilizes the results of a federally required client satisfaction survey conducted about every 4 years to develop its state plan and improve processes and services. This survey focuses solely on clients that received program services. We noticed other states conducted client surveys quarterly or biannually and also surveyed business partners, employers, referral sources, and program staff to identify opportunities to improve program effectiveness. Not only does this provide more complete information to a program, it also encourages building positive relationships with all those involved in the rehabilitation process.

Information Not Used to Improve Counselor Performance

OVRS management provided us with performance expectations for counselors. These were mostly general statements, except for the office standard of 40 plans and 24 rehabilitations per full time employee (FTE) per year.

An annual performance review process is a means of establishing and tracking expectations and progress towards achieving goals. In reviewing department personnel files, we found counselor performance evaluations but noted they were not routinely conducted. According to department policies, the last three annual performance evaluations should be in the personnel file. Our review of ten counselor personnel files revealed that performance appraisals were not conducted in a periodic or systematic manner. Of the 10 files we reviewed, only one had a performance evaluation completed since 2007.

Recommendations

Oregon's Office of Vocational Rehabilitation Services should take several actions that can help discontinue Order of Selection by serving more clients with its current state and federal resources.

In order to save costs OVRS should:

- Ensure counselors work with clients to approve realistic employment plans by better identifying impediments to future employment and discontinuing payments when clients show an inability to achieve the employment goal.
- Ensure counselors adhere to the employment plan and only approve expenses directed toward employment impediments and employment goal achievement.
- Consider using a fee schedule to ensure a reasonable cost to the program for commonly purchased services.
- Monitor counselor spending approvals to ensure the most prudent decisions are made.
- Establish realistic budgets for counselors and branch offices that are based on client types, economic conditions, and other related factors.
- Consider reviewing and revising the client contribution policy.
- Continue with the addition of client maintenance system controls such as the current effort to link authorizations and payments to plan services.

In order to help increase client success rates OVRS should:

- Ensure counselors develop and adhere to milestones within employment plans and take quick, appropriate actions if those milestones are not met.
- Establish higher rehabilitation goals for counselors and take constructive actions when those goals are not met.
- Ensure counselors establish clear client expectations
- Ensure counselors address any prior issues when clients return.

In order to better assist counselors in performing their duties OVRS should:

- Complete the drafting of its policy manual.
- Develop better data monitoring to identify program-wide and individual case management issues, including better reporting on open cases.
- Conduct regular performance evaluations that incorporate case closure.
- Explore cost-effective training solutions such as those provided for free by vocational rehabilitation Technical Assistance and Continuing Education centers.

Objectives, Scope and Methodology

The purpose of this audit was to identify additional ways OVRs management can further stretch the program's limited resources by saving on rehabilitation costs to serve more clients. We focused on OVRs' basic vocational rehabilitation services and supported employment services programs; we did not include the Independent Living Program.

To accomplish our objective, we reviewed numerous documents related to OVRs and state vocational rehabilitation programs. These included applicable laws and regulations, policy manuals and related technical guidance, OVRs' state plan and strategic plan, Rehabilitation Services Administration information and data, OVRs data, performance measures, internal and external program reviews and surveys, related case law, and related Cornell University Policy and Practice briefs.

In evaluating OVRs compared to other state programs in the areas of expenditures, rehabilitation rates and disability demographics, we considered comparable state programs to include all other state general vocational programs. General programs, unlike combined programs, do not serve clients that are legally blind; a separate entity provides that assistance.

We spoke with the OVRs' administrator and other central management staff, branch managers and counselors. We also spoke with advocacy groups, representatives from eight state vocational rehabilitation programs and Rehabilitation Service Administration staff.

We analyzed FFY 2008 client data provided by program staff. The data consisted of client cases that had received any services during FFY 2008, with case details information provided through October 29, 2009. For our analysis, we grouped the data into three populations: (1) clients successfully rehabilitated after receiving program services for up to two years, (2) clients who received services in excess of two years and (3) clients with extraordinarily high costs. The purpose of the first population was to identify possible factors influencing successful closure within the 24 month time period. We randomly selected 30 case files for review within this population. The purpose of the second population was to identify possible factors for services lasting over 24 months, and having lower successful rehabilitation rates and higher costs. Within this population, which included open and closed (either as successfully rehabilitated or not) cases, we randomly selected 50 case files for review. The purpose of the third population was to identify factors that account for extraordinarily high costs. We judgmentally selected 3 case files from this population for review. The case file review included both the client maintenance system and the branch paper file. In our review of case files, we focused on actions once clients were in the program; we did not review client eligibility determinations.

We analyzed data program staff provided on the number of times clients who received any services in FFY 2008 had returned to the program.

We reviewed staff turnover statistics and selected a sample of 10 counselors who were assigned to our case file sample and reviewed their performance evaluations for evidence of counselor expectations.

In reviewing OVRS third-party contracts, we selected one vendor who had multiple, sizeable contracts for further understanding of the contract terms and deliverables.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Oregon

Theodore R. Kulongoski, Governor

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September 16, 2010

Gary Blackmer, Director
Oregon Audits Division
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Salem, OR 97310

RE: Department of Human Services (DHS) Response to *Save on Vocational Rehabilitation Costs to Serve More Clients* Draft Audit Report

Dear Mr. Blackmer:

The Department appreciates the opportunity to respond to the draft Secretary of State audit *Save on Vocational Rehabilitation Costs to Serve More Clients*. While cost saving measures could not have both achieved the level of program outcomes experienced in 2008 and avoided the Order of Selection, we agree with the overall findings and will seriously consider the specific recommendations included in the audit report.

Background on Oregon OVRS and Outcomes

As part of the state workforce system, Children, Adults and Families Office of Vocational Rehabilitation Services (OVRS), assists individuals with physical and mental disabilities (such as deafness, learning disabilities, neurological disorders, alcohol and drug dependence, quadriplegia, and other physical and mental disabilities and disorders) in obtaining and maintaining employment. Counselors determine eligibility for services and assist clients in developing employment goals and individualized employment plans to achieve those goals. This may entail services such as vocational training, job search and placement, transportation, or equipment needs. Services, and therefore costs in each case, are necessarily tailored to the individual needs and desired employment outcome goals of each client.

According to the US Bureau of Labor Statistics, individuals with disabilities who are of working age presently experience a 16.4% rate of unemployment as compared to a 9.5% rate for individuals without disabilities. OVRS is successful

... "Assisting People to Become Independent, Healthy and Safe"

in obtaining employment for its clients; in 2008, as noted in the audit report, Oregon ranked 10 out of 24 general programs (programs that do not serve legally blind clients). Additionally, Oregon regularly exceeds the federally mandated minimum rate of 55.8% of cases closed with employment. Oregon's program has also regularly ranked high in competitive employment. In addition, while Oregon experiences a high cost per case compared to similar agencies, it ranks 10 out of 24 on average cost per rehabilitation. OVRs also closes a successful employment outcome in 14.7 months on average whereas the national average is 24 months.

Prior to this audit, OVRs had identified a number of areas in need of improvement that would increase its effectiveness, result in cost savings, and improve oversight of the program. These areas in need of improvement and the management activities to address them – either underway or proposed – were shared with the auditors during the survey phase of the audit.

In reviewing the audit findings, there are four broad areas of focus: case management, quality assurance, accountability and cost containment. Detailed below is a description of current or planned activities to address those areas of focus.

Foundationally, OVRs is taking the following immediate actions in response to the audit:

- OVRs will designate a Program Improvement Manager to develop and monitor a plan for program improvement in case management, quality assurance, accountability and cost containment. The Program Improvement Plan will be complete prior to December 31, 2010. The Program Improvement Manager will set target dates for each action item and produce a Gantt chart of all program improvement activities to be implemented and conduct monthly reviews to track the benchmarks identified within the overall plan.
- OVRs has established a goal to reduce the average cost per case served by 20% from comparable FFY 2008 levels by FFY 2012. This will be accomplished through the implementation of process improvements, cost controls and close monitoring of program expenditures as determined through Program Improvement Plan process while simultaneously maintaining the quality of employment outcomes.
- OVRs is implementing a new case management data monitoring system to identify individual case management issues and program-wide reporting on

open cases. This system will strengthen monitoring consumer compliance to the mutually agreed benchmarks incorporated within the employment plans. The system will be fully implemented and all staff trained by December 31, 2010.

- OVRS will complete a significantly expanded revision of the program's policy manual no later than March 1, 2011, to address the increased need for consistency in client expenditures across the state. Regional trainings will be conducted on the new policy manual by May 1, 2011.

Response to SOS Audit Findings

Training

As a consequence of the Order of Selection, in January 2009, OVRS re-trained all current staff on the eligibility determination process to ensure statewide consistency in establishing the consumer's disability-related functional limitations impacting employment. Eligibility became the focus of recent file reviews conducted by the program's field technicians. Results from those reviews were shared with managers who are working with any staff who need additional support and/or who had deficiencies in this area.

In February 2009, the program revised its new counselor training to more narrowly focus on case management and critical case questioning. In March 2009, this class was conducted regionally across the state and was attended by new counseling staff and counselors who would benefit from refresher training.

The program will offer this training again in September and December 2010, and on a regularly scheduled basis moving forward. The program will provide training on plan development including appropriately ensuring clear client expectations and appropriate follow up on any prior problems when clients return. Training will be prioritized for new counselors and counselors in need of additional training. On a go-forward basis, OVRS will continue to provide training, as well as utilize regional resources, to improve counselors' skills to provide effective and cost appropriate services and to promote better counselor decision-making.

Case Management

In support of more consistent practice, better counselor decision-making, and stronger management oversight, OVRS has taken the following steps focusing on improved case management.

In January 2010, OVRS designed a prototypical version of a new Case Service Indicator Report (CSI). This case management tool will assist each counselor to identify individual cases requiring immediate attention to meet federally required timeframes and to track plan progress and total expenditures. The CSI report will also provide managers with a mechanism for improved oversight. Field service managers will review the CSI report with branch managers on a monthly basis and branch managers, in turn, will conduct one-to-one reviews with their staff on a monthly basis. This report will be available on demand, with real time data, through the DHS CORE application in October 2010.

In May 2010, OVRS began revision on the case closure policy to provide more specific guidance for counselors regarding conditions under which an individual's case file can be closed. After consulting with the Rehabilitation Services Administration (RSA), the OVRS Executive Team and State Rehabilitation Council Policy Committee approved the new policy in August 2010. The State Rehabilitation Council Executive Committee approved this policy in September 2010. The program will move forward with rule making. OVRS expects to provide training to branch managers on the new policy in November 2010. All staff will be trained by February 2011.

Over the last two years, training has been provided to counseling staff on how to identify and intervene when participant motivational issues impede engagement in the process and hinder progress with plan services. As a best practice, counselors are being asked to routinely use this methodology when a participant has failed to make sufficient progress toward plan benchmarks.

OVRS is in the process of enhancing its automated case management system so that services identified in a client's case plan are linked to services being authorized as the plan is implemented. This automation will mean that an individual counselor will not be able to pay for services that are not detailed in the plan or extend services without amending the plan. This enhancement will be available when the newest version of the Oregon Rehabilitation Case Automation System ("ORCA") is implemented this winter 2010.

Finally, in conjunction with the winter 2010 ORCA update, OVRS will provide training on informed choice to emphasize the application of best clinical practices in the areas of vocational goal selection, establishment of benchmarks to assess and track the client's progress, selection of vendor(s), and specific goods and services. This clinical training will also help counselors provide better occupational guidance to clients. These efforts are expected to result in client plans better aligning with realistic employment goals.

Cost Containment

As noted above, OVRS has established a goal to reduce the average cost per case served by 20% from comparable FFY 2008 levels by FFY 2012. This will be accomplished through the implementation of the Program Improvement Plan and close monitoring of program expenditures while simultaneously maintaining the quality of employment outcomes.

OVRS already has the following spending guidelines and controls in place for counselors:

- Spending authority limitations are presently incorporated in ORCA, the program's case management system. The spending authority for counselors is \$5,000 per authorization, \$20,000 for branch managers, and \$50,000 for field services managers. ORCA will not permit the issuance of payment documents beyond one's authority.
- All four-year school plans must be reviewed and approved by a field service manager and the agency administrator.
- All vehicle purchases must be reviewed and approved by the administrator. Vehicle purchase is currently an exception to policy and will only be considered when other modes of transportation are not feasible.
- New counselors' authorizations for services must be reviewed by their managers during their first six months of employment (trial service).

In addition, in 2008 OVRS began exploring a shift to performance-based contracted services as a strategy to increase the quality of services for the dollars spent. Accordingly, during 2009 OVRS established minimum qualifications for job developers and provided them with training on how to perform job development using practical marketing and sales techniques appropriate for securing jobs for clients with any level of an employment barrier. OVRS job placement contracts now emphasize performance based outcomes in three categories: job development, job placement, and job retention. The full implementation to the performance-based methodology was initiated on January 2, 2010. Data analysis regarding the job placement and job retention outcomes and cost analysis will be incorporated as a portion of the Program Improvement Plan.

In addition to performance-based contracts for its job development service providers, OVRS is currently collaborating with Alliance Enterprises, the creator of the program's case management system, in a pilot to develop a report card that will give managers and administrators more information about the performance of

vendors. The report card will provide information on the effectiveness of individual vendor success rates across a number of disability and demographic variables. In addition to supporting better program oversight and administration at the management level, this information will help counselors and participants to make informed choices and assist the program to identify best practices. It will also serve as an objective foundation to discontinue issuing contracts to ineffective vendors.

OVRs will take the following additional actions relating to cost containment:

1. OVRs will review current spending approval levels and methodologies. The review will include consideration of setting budgets for counselors and branch offices that are based on client types, economic conditions, and other related factors such as prior budget management, average costs and rehabilitation rates. The review will also look at improving ways to efficiently monitor and analyze spending patterns and ultimately set a process for routine reviews of spending approval levels.
2. Adjustments to spending levels will be made following the review, as needed.
3. OVRs will ask the State Rehabilitation Council (SRC) to partner with them in a review of the current participation contribution policy. OVRs developed the consumer's contribution policy with the SRC, and any change in the existing policy would require their approval. OVRs will engage the SRC in a discussion about the level of the participant's contribution as a percentage of income as well as the income threshold for contributing to the cost of services. Changes to the existing policy will be proposed following that discussion, as needed.
4. OVRs will explore options for a fee schedule that will maximize resources and ensure timely access to appropriate medical providers and make recommendations based on that research, as needed. In addition, it will track the implementation of healthcare legislation and the opportunities for the use of comparable needs to meet the rehabilitation related healthcare needs of the program's participants.
5. OVRs will review and revise its Medical Restoration policy in order to provide more effective guidance on medical fees.

The OVRs Administrator and the new Program Improvement Manager will be responsible for setting concrete timelines for completion of these additional action items as part of the Program Improvement Plan.

Accountability

Every 12 months, OVRs conducts a branch wide review to include a random sampling of cases from each counselor. These branch wide quality assurance reviews are conducted by the regional program technicians and results are provided to each branch manager. The agency will continue to perform file reviews and identify branch level and statewide trends to develop trainings and to coach staff.

In addition, OVRs will take the following actions:

1. Under an existing Oregon Administrative Rule, a person may be eligible for VR services if he/she is in the U.S. for other than a temporary purpose and legally entitled to hold employment in this country. Current policy is to make this determination as part of the application process. To strengthen that policy, on September 1, 2010, OVRs notified all managers that effective immediately OVRs will now require all prospective applicants to supply valid documentation of their legal status to work and proof of identity prior to initiating an application. An application will not be accepted until documentation is obtained and a copy placed in the client's file. Temporary guidelines have been provided to managers throughout the state. Revision on this associated policy will start immediately. Additionally, OVRs is, on its own, randomly auditing 500 files to ensure compliance.
2. OVRs Central Office Administration will put in place an enhanced monitoring system to ensure that annual performance reviews and professional development plans with clear expectations are being conducted by supervisors.
3. OVRs Central Office Administration will complete the program's policy manual and technical assistance guides no later than March 1, 2011.

Program Improvement Plan Implementation Challenges

OVRs has significant workforce challenges. Over the last five years OVRs has experienced a 42% turnover in staff, primarily due to the retirement of staff with a long tenure with the program. Fifteen branch managers provide supervision to 124 counselors and 61 support staff working in 35 locations across the state.

All but four branch managers supervise staff in two or more different locations resulting in challenges in training and staff supervision on a timely and consistent basis. In addition, in 2006, the Oregon legislature commissioned a staffing study by *Public Knowledge*. *Public Knowledge* found that OVRs needed 50 additional counselors and the associated supervisory and support staff to meet program mandates and caseload demands.

These challenges highlight the importance of several of the recommendations including completion of the procedure manual and reviewing the current spending authorities. However, they also will present a challenge to the successful creation and implementation of the Program Improvement Plan. OVRS is committed to working through these challenges and make program improvements that will better serve Oregonians.

Conclusion

OVRS is committed to reviewing the specific audit report recommendations as well as other improvements options in order to address the issues outlined in the audit report. By putting in place a formal Program Improvement Plan and a person dedicated to managing, monitoring and ensuring implementation of the plan, OVRS is confident the new structure and strategies will achieve the agency's goal to reduce the average cost per case served by 20% by FFY 2012.

Please contact Dave Lyda, Chief Audit Officer, at 503-945-6700 should you have any further questions regarding this matter.

Sincerely,



Jim Scherzinger,
DHS Deputy Director of Finance

cc: Bruce Goldberg, Director
Erinn Kelley-Siel, Assistant Director for CAF
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The courtesies and cooperation extended by officials and employees of the Department of Human Services' Office of Vocational Rehabilitation Services during the course of this audit were commendable and sincerely appreciated.