

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
BUREAU OF VOCATIONAL REHABILITATION
AND SERVICE DELIVERY**

**PERFORMANCE AUDIT REPORT
AUGUST 2001**

To The Fiscal Committee Of The General Court:

We have conducted an audit of the Department of Education's Bureau of Vocational Rehabilitation and Service Delivery to address the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee. We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such procedures as we considered necessary in the circumstances.

The purpose of our audit was to assess how efficiently and effectively the bureau is using its resources. The audit period encompasses State fiscal years 1999 and 2000.

This report is the result of our evaluation of the information noted above and is intended solely for the information of the Department of Education and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Fiscal Committee is a matter of public record.

Office Of Legislative Budget Assistant

Office Of Legislative Budget Assistant

August 2001

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**STATE OF NEW HAMPSHIRE
BUREAU OF VOCATIONAL REHABILITATION
AND SERVICE DELIVERY**

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ABBREVIATIONS

CAP	Client Assistance Program
CMS	Case Management System
CRP	Community Rehabilitation Program
IPE	Individualized Plan for Employment
RSA	Revised Statutes Annotated (New Hampshire’s Laws)
SSDI	Social Security Disability Income
SSI	Supplemental Security Income
SBVI	Services for the Blind and Visually Impaired
US RSA	Rehabilitation Services Administration (U.S. Department of Education)
VR	Vocational Rehabilitation

**STATE OF NEW HAMPSHIRE
BUREAU OF VOCATIONAL REHABILITATION
AND SERVICE DELIVERY**

SUMMARY

Background

The Bureau of Vocational Rehabilitation and Service Delivery (the bureau) is organizationally located within the Department of Education's Division of Adult Learning and Rehabilitation, and includes Services for the Blind and Visually Impaired. The mission of the bureau is to assist eligible citizens with disabilities (i.e. its customers) in securing suitable employment, and financial and personal independence. The bureau does this by assessing, planning, developing, and providing vocational rehabilitation (VR) services for customers consistent with their strengths, resources, capabilities, interests, and informed choice. Individuals are eligible for VR services if they:

- have a physical or mental disability that is a barrier to employment,
- are able to benefit from VR services, and
- require services to obtain or retain employment.

The federal-state VR program began in 1920. Since the Rehabilitation Act of 1973 (the Act), there has been a continuing shift in the philosophy of the VR program from letting its counselors make all the decisions regarding services and employment goals to empowering customers to make informed choices. VR customers were progressively given more rights and choices in determining the training, services, and equipment they would receive. The Act, as amended, authorizes the VR program to assist individuals with disabilities to prepare for, enter into, and retain gainful employment. To accomplish this, state VR agencies provide, or purchase from community rehabilitation programs (CRPs), a broad range of services.

The VR program uses federal and state funds to cover the costs of providing services. Federal funds are distributed based on a state's population weighted by per capita income, and require a match by the state. The federal portion of this formula grant is 78.7 percent and the state match is 21.3 percent. For each of the past three federal fiscal years the federal basic support grant in New Hampshire was approximately \$8.8 million and the State's match was approximately \$2.4 million.

If demand for services exceeds a VR program's resources, then a state may seek federal approval of a plan that gives priority to individuals with the most significant disabilities. Unlike other states, New Hampshire has been able to provide services to all eligible individuals.

Results In Brief

We provided the bureau a total of eight observations with recommendations: two dealing with compliance issues, four identifying inadequate management oversight of the program and its data, and two regarding Social Security reimbursements. In addition, we identify and discuss a number of issues being addressed by management but remain areas of concern.

Bureau Lacks Administrative Rules

The bureau does not have administrative rules in place for important segments of the vocational rehabilitation program. In the mid 1990s, the Department of Education chose not to update the bureau's rules, mistakenly believing that simply following federal regulations would be adequate. State law requires administrative rules for vocational rehabilitation services. Without these rules the bureau may be functioning without proper authority and contrary to legislative intent.

Insufficient Management Oversight Of Program

The bureau is not adequately managing program information:

- Federally required program reports contain errors and inconsistencies which proper management oversight should have identified and corrected.
- A review of high cost cases, which include vehicle modifications, found the files lacked required documentation.
- The bureau does not systematically collect CRP performance information, which should be used so customers can make more fully informed decisions.
- The process to identify and claim Social Security reimbursements is not sufficient to ensure the bureau is maximizing this source of revenue.

Numerous Issues Continue To Require Management's Attention

There are a number of issues the bureau is working towards resolving. We believe these issues need to be reported to provide proper oversight by the Legislature. The bureau is continuing to plan, develop, and implement improvements to its computerized case management system. It is assisting VR counselors in meeting new professional requirements. Recently, the bureau has focused attention on the quality of employment outcomes and we suggest they continue to examine this issue. Lastly, management needs to closely monitor the actual effects of budget constraints on providing services at regional offices.

**STATE OF NEW HAMPSHIRE
BUREAU OF VOCATIONAL REHABILITATION AND SERVICE DELIVERY**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action Required	Recommendation	Agency Response
1	19	NO	Develop and adopt comprehensive administrative rules detailing all aspects of vocational rehabilitation services.	Concur
2	20	NO	Develop a formal agreement with the Bureau of Special Education specifying roles and responsibilities of each bureau.	Concur
3	23	NO	Develop community rehabilitation program performance information and establish a process for reporting this information to customers.	Concur
4	25	NO	Ensure the accuracy of caseload data used in managing and reporting information on the program.	Concur
5	26	NO	Improve oversight of cost data to ensure accurate information is being used in managing and reporting information on the program.	Concur
6	28	NO	Improve oversight of case files ensuring federal and bureau requirements are followed and expenditures are proper.	Concur
7	30	NO	Improve the process of identifying and tracking working Social Security beneficiaries to take full advantage of potential reimbursements.	Concur
8	31	NO	Increase the percentage of valid claims submitted to Social Security in order to facilitate quicker reimbursements.	Concur

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**STATE OF NEW HAMPSHIRE
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INTRODUCTORY SECTION

In February 2000, the Fiscal Committee of the General Court adopted a recommendation by the joint Legislative Performance Audit and Oversight Committee for a performance audit of the vocational rehabilitation (VR) program. An entrance conference with the Department of Education was held in September 2000.

1.1 Overview

In New Hampshire, the mission of the Bureau of Vocational Rehabilitation and Service Delivery (the bureau) is to assist eligible citizens with disabilities in securing suitable employment, as well as financial and personal independence, by providing rehabilitation services. The bureau does this by assessing, planning, developing, and providing VR services for customers, consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

1.2 Scope, Objectives, And Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The audit describes how the bureau administers the federal vocational rehabilitation program and evaluates how the bureau manages its resources.

Scope And Objectives

Our audit addresses the following question – Is the bureau spending its resources in an efficient and effective manner? We focused our review on State fiscal years 1999 and 2000 based on the following facts: 1) there were limitations on our ability to obtain older customer case files, and 2) new federal legislation was enacted in 1998. However, much of the program data is presented by federal fiscal year.

We developed three audit objectives to guide our work in answering this question.

- Examine customer outcomes for effectiveness of the services provided.
- Review the adequacy of bureau oversight of service and equipment purchases.
- Analyze bureau expenditures for reasonableness.

While working on this audit, we reviewed 56 VR customer files from State fiscal year 2000, as part of the LBA financial and compliance audit of the Department of Education for the year ended June 30, 2000.

Methodology

In order to gain an understanding of the VR program and meet our three audit objectives, we used four basic methods:

1.2 Scope, Objectives, And Methodology (Continued)

- structured interviews,
- file reviews,
- document reviews, and
- analysis of bureau data.

We reviewed pertinent State laws and administrative rules, federal laws and regulations, bureau policies and procedures, annual reports, other states' audit reports, and newspaper articles. We interviewed bureau officials and staff throughout the State, federal officials, representatives of community rehabilitation programs (CRPs), and other State officials. We reviewed the overall operation of the bureau, including its management control structure, computer system, regional offices, oversight of service providers, and federal reports. We reviewed ten high cost files that involved vehicle modifications. In addition, we obtained and analyzed computerized data from the bureau's case management system.

1.3 Federal Vocational Rehabilitation Program

The beginning of the federal-state VR program can be traced back to 1920 with the enactment of the Smith-Fess Act. The goal of the program has always been to assist individuals with disabilities in becoming meaningfully and gainfully employed. Individuals are eligible for VR services if they: 1) have a physical or mental disability that is a barrier to employment, 2) are able to benefit from VR services, and 3) require services to obtain or retain employment.

At the federal level, the U.S. Department of Education, Rehabilitation Services Administration (US RSA) provides oversight of the VR program, which is administered by the states. States are required to develop and submit plans to the US RSA describing how they will administer and provide VR services. The state plans are used by the US RSA as the basis of its annual reviews and periodic on-site monitoring of state VR programs. If the US RSA finds a state is not complying with its plan, the US RSA will provide technical assistance in developing a corrective action plan.

States are required to designate an organizational unit to administer the VR program. States have designated a variety of departments, including education, labor, and health and human services, to run their VR programs. In addition, some states have a separate agency for blind and visually impaired services.

The VR program uses federal and state funds to cover the costs of providing services. Federal funds are distributed based on the state's population weighted by per capita income, and require a match by the state. The federal portion of this formula grant is 78.7 percent and the state match is 21.3 percent. If a state fails to meet its matching requirement then its federal grant is reduced the next fiscal year by the amount of the deficit.

If demand for services exceeds a VR program's resources, then the state may enter into an order of selection process. To obtain federal approval for an order of selection, a state must have a plan giving priority to individuals with the most severe disabilities. New Hampshire

1.3 Federal Vocational Rehabilitation Program (Continued)

has never entered into an order of selection and has been able to serve all eligible individuals.

Rehabilitation Act Of 1973 And Its Amendments

Beginning with the Rehabilitation Act of 1973 (the Act), there has been a continuing shift in the philosophy of the VR program from letting counselors make all the decisions regarding services and employment goals to empowering customers¹ to make informed choices. VR customers were progressively given more rights and choices in determining the training, services, and equipment they would receive. The Act, as amended, authorizes the VR program to assist individuals with disabilities to prepare for, enter into, and retain gainful employment. To accomplish this mission, state VR agencies either provide or purchase, from CRPs, a broad range of services.

The 1978 Amendments established Independent Living Centers, recognizing some individuals' disabilities as so severe they are not employable. The Centers were established to reduce an individual's reliance on others, to live a more independent life, and to become more integrated into the community. In New Hampshire, Granite State Independent Living provides these services funded by a federal formula grant.

The 1985 Amendments established the Supportive Employment Program to assist individuals with the most severe disabilities in achieving competitive employment outcomes. This program expands services to those individuals who, in the past, may have been considered too disabled to benefit from VR services. The program provides supportive services to certain individuals beyond the traditional VR service period. Through partnering with other agencies and organizations, the state VR agency is able to identify ongoing, longer-term resources, enabling an individual to remain employed.

Major changes to the VR program took place with the 1992 and 1998 Amendments. These changes involved expanding customer choice and significantly reducing documentation required to determine eligibility for services. The 1992 Amendments focused on informed choice by making customers active partners in their rehabilitation program. Customers were given increased control and responsibility in the selection of their vocational goals and objectives, services received, and the providers of their services.

The 1998 Amendments further reduced the documentation needed to determine eligibility, facilitating access to VR services and decreasing the financial burden on state VR programs with respect to eligibility determination. The 1992 Amendments made the assumption that individuals who applied for services, regardless of their disabilities, can benefit from VR in terms of an employment outcome. The 1998 Amendments presumed that individuals who receive Supplemental Security Income (SSI) or Social Security Disability Income (SSDI) benefits have significant disabilities and are automatically eligible for services.

¹ The Bureau refers to the people they service as their customers, replacing the term clients.

1.3 Federal Vocational Rehabilitation Program (Continued)

The VR program is now a titled program under the Workforce Investment Act of 1998, which overhauled and consolidated several employment and training programs into a unified statewide workforce investment system. This Act established one-stop employment centers throughout the State, requiring greater collaboration and coordination among agencies providing employment and training programs. VR counselors are stationed at these one-stop centers, providing even more points of access to VR services. There is some concern that VR resources might be used for the benefit of people without disabilities. While the workforce investment system and VR share many of the same goals, the US RSA notes that individuals with disabilities are the primary customer of the VR program, while employers are the primary customer of the workforce investment system.

1.4 Bureau Administration

The Department of Education's Division of Adult Learning and Rehabilitation is the designated unit responsible for the administration of New Hampshire's VR program. The Division's Bureau of Vocational Rehabilitation and Service Delivery is specifically organized to oversee the daily operations of the VR program, which also includes Services to the Blind and Visually Impaired (SBVI). The bureau has a total staff of 110, comprised of 49 counselors, 33 administrative staff, and 28 staff supporting counselor activities. As shown in Figure 1, the Division oversees a number of related activities.

The Administrator for the bureau manages the VR program by authorizing and monitoring the implementation of State and federal policies and procedures in the regional offices and SBVI.

VR Supervisors manage staff at the six regional offices and provide oversight in the development and implementation of the State VR program; provide rehabilitation services to customers; develop, implement, and evaluate regional program objectives; and consult and negotiate agreements with other agencies and vendors.

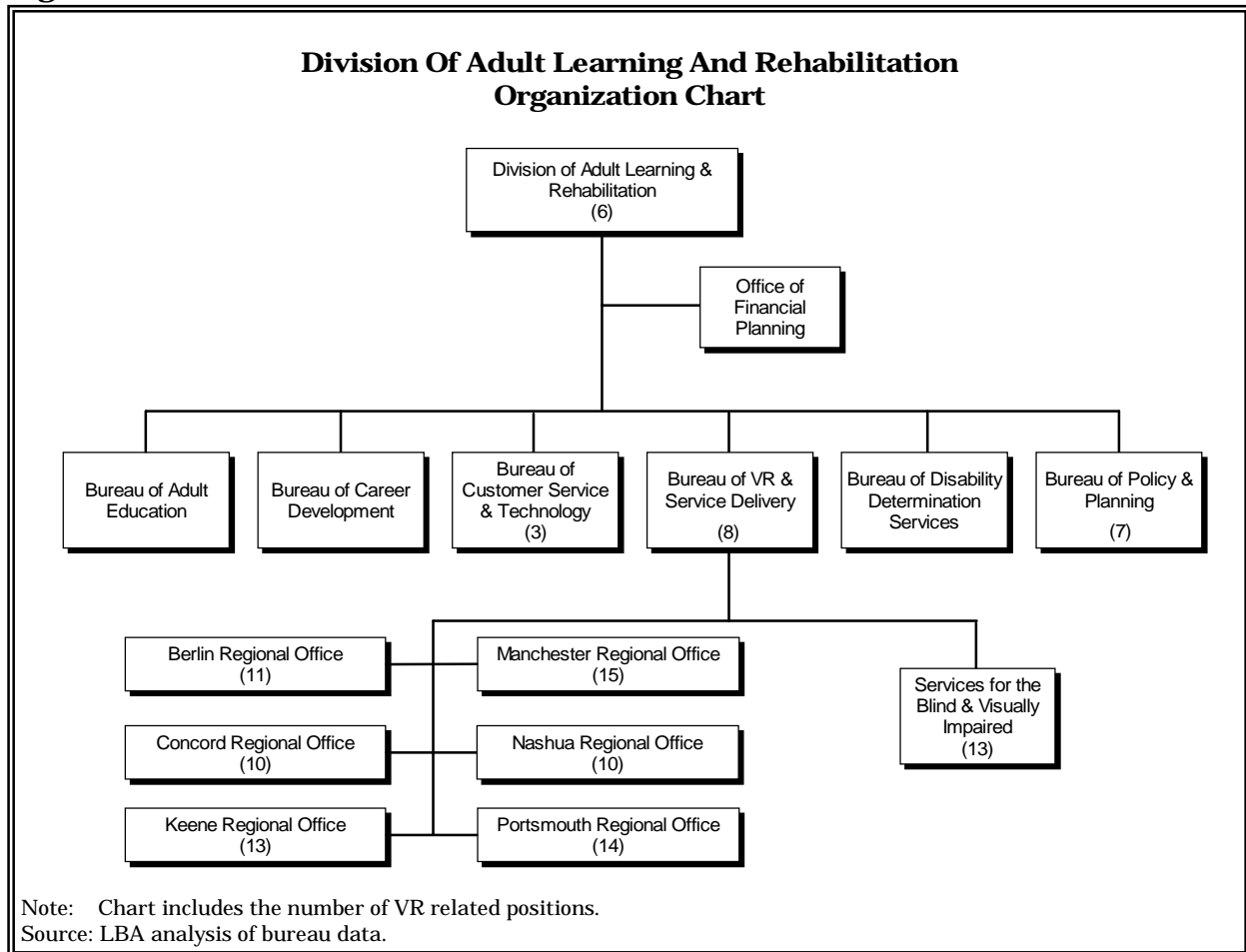
The Job Placement Supervisor oversees job placement specialists at the regional offices; develops, implements, and evaluates the program at the regional offices; analyzes trends and needs of the labor market; and identifies customer training needs.

Rehabilitation Counselors (VR counselors) provide counseling and guidance to customers; make eligibility determinations; develop and implement the individualized plan for employment (IPE); and plan, approve, and monitor the expenditure of funds for services approved in the IPE.

The Facilities Specialist is the primary liaison between the bureau and the rehabilitation providers and is responsible for: developing programs; negotiating, evaluating, and monitoring fee-for-service and grants with rehabilitation facilities; and ensuring compliance with federal and State regulations.

1.4 Bureau Administration (Continued)

Figure 1



The Administrator for SBVI directs and plans the program through developing and implementing short- and long-term plans, administering programs serving the blind and visually impaired, and collaborating with other State agencies.

The Coordinator for the Older Blind Independent Living promotes comprehensive independent living services for the elderly blind and visually impaired individuals to maximize their ability to live independently outside of institutions, develops and analyzes programs, and interprets agency policies and procedures.

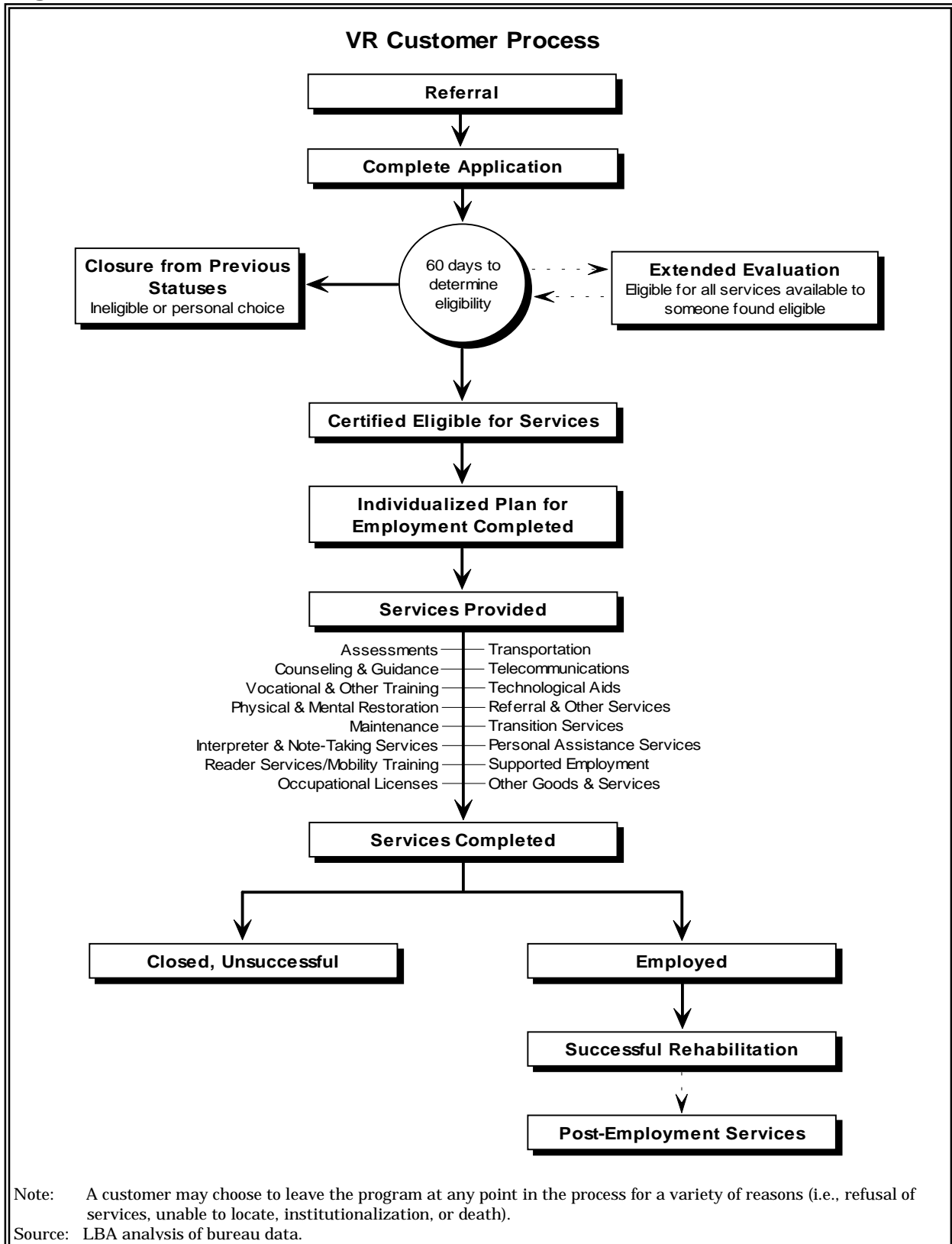
Each regional office has an Accounting Technician who compiles, processes, and reports accounting data and financial transactions related to customer services.

1.5 Vocational Rehabilitation Customer Process

Individuals with disabilities must apply for VR services. Once an individual has been found eligible, an IPE is developed and services are provided. Figure 2 diagrams this process. Success is measured by the customer being employed for at least 90 days.

1.5 Vocational Rehabilitation Customer Process (Continued)

Figure 2



1.5 Vocational Rehabilitation Customer Process (Continued)

Application

Individuals with disabilities may be referred to the bureau by anyone including doctors, family, or employers, but self-referrals are the most common. During the first contact (either by phone or in person) basic information is collected and a meeting with a VR counselor is scheduled, typically within 24 hours. Some offices may offer orientation sessions. The VR counselor provides a brief orientation, including an overview of the program and services available. Customers are asked to supply records documenting their disability. At this time a person completes the application, which is signed and dated by the applicant.

Eligibility

Once the application is signed, under federal law, the bureau has 60 days to determine eligibility. The counselor either uses existing documentation to determine eligibility or the bureau will provide additional assessment services if needed. If eligibility cannot be determined within 60 days, an applicant may be placed in extended evaluation. While in extended evaluation status, an applicant is eligible for all services available to an eligible person.

Individualized Plan For Employment

After a customer has been determined eligible for services, an IPE is developed. The IPE includes a customer's vocational goal, intermediate objectives, and lists the services to be provided. With the increasing emphasis on informed choice, customers may either develop the IPE on their own, or with assistance from the VR program or a representative from another program. Additionally, customers are encouraged to select the CRP to provide services by interviewing representatives from various CRPs. Services are provided after the IPE has been developed and signed by both the customer and counselor. Only those services listed on the IPE will be provided. However, the IPE is a flexible document that may be amended anytime. It also must be reviewed every year.

According to a US RSA official, there can be tension between a customer's employment goal and the efficient use of program resources. In other words, customers are empowered to make decisions on what jobs they want and what VR services they need. However, from the program's perspective, such choices may not always be the most efficient or effective use of its limited resources. Disputes can go to the Client Assistance Program, mediation, and due process hearings. Customers may also go to court to seek resolution of their disputes.

Employment

The primary goal of the VR program is to assist customers in obtaining or retaining employment. The federal government determines customers to be successful if they are employed for 90 days. Prior to the 90 days, the working customer is in the employed status. After the 90 days and with the consent of the customer, the case is closed as being successfully employed. Successfully employed does not necessarily mean a full-time position

1.5 Vocational Rehabilitation Customer Process (Continued)

with benefits. If the customer's employment goal was to work part-time and the position meets that condition, it is considered a successful placement.

Post-Employment Services

After customers have been successfully rehabilitated they may need short-term services to help them maintain their current jobs. These services may include: counseling or education for co-workers to understand a disability, wheelchair repair, or other rehabilitation technology services. Services have to be related to a customer's original disabling condition and cannot be used for acute conditions or used merely to increase the customer's income.

1.6 Case Management System

The development and implementation of the bureau's automated case management system (CMS) was problematic. During the mid-1990s, the bureau determined a new case management database system was needed, partly because the old system was not Year 2000 compliant. The old system had been cited in our 1991 Developmental Services System performance audit for being unable to capture the actual dates of services from the paper file. In addition, the old system's main purpose was generating federally required program information. The old system was a DOS-based distributed database requiring each regional office to have its own database. Each regional office's database was up-loaded weekly to the central office's database. According to bureau officials, this method was labor intensive because data integrity problems required a lot of time to reconcile.

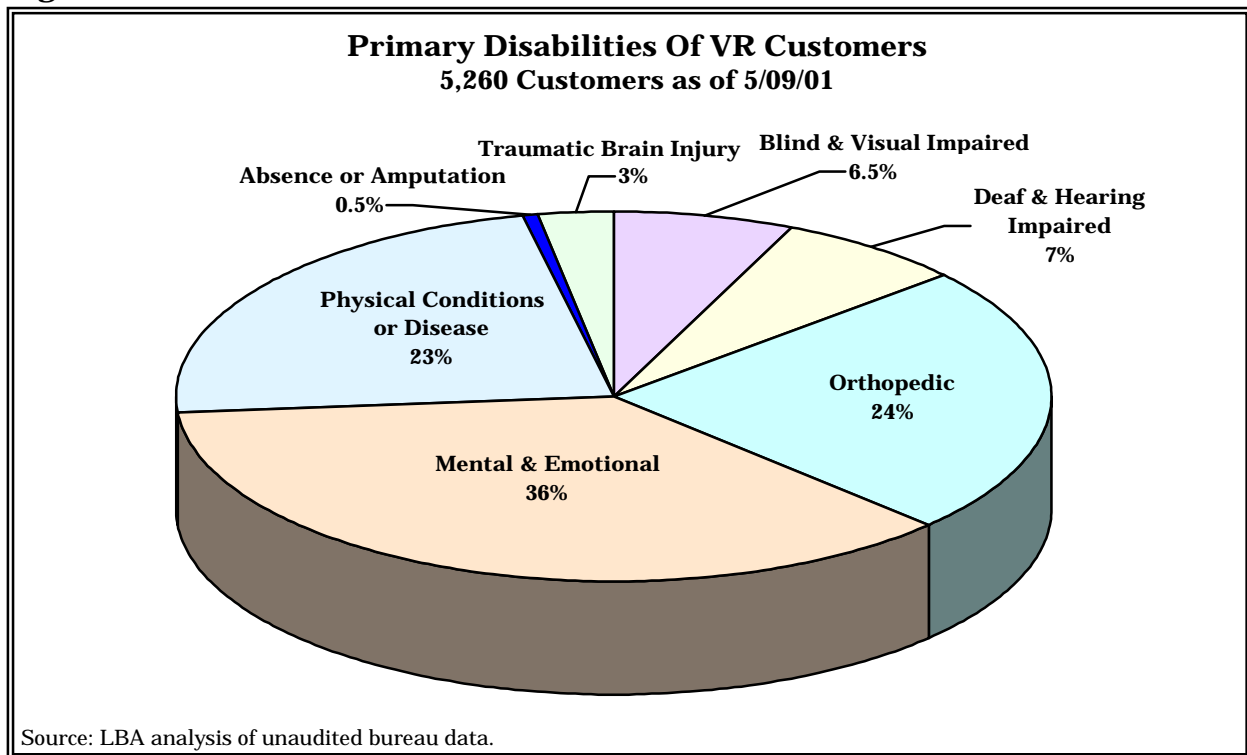
The bureau wanted a new system that would integrate case and financial information and to build a stand alone, real-time network. Such a system could reduce paperwork and provide greater flexibility in managing cases. After examining several other states' case management systems the bureau decided to develop a system similar to the one used in Massachusetts. The bureau issued a request for proposal during the summer of 1996. In the beginning of 1997, the contract was approved by the Governor and Council. The bureau chose the lowest bid out of three proposals received (\$183,000, \$705,000, and \$750,000).

Throughout the development of the new system, the bureau and the vendor disagreed over vendor personnel, contract terms including the overall scope, and deadlines. By the fall of 1997, the bureau found itself with an unfinished system, a contract dispute, and an old system that was not Year 2000 compliant. The New Hampshire Attorney General's Office reviewed the contract dispute and determined the best course of action would be to amend the contract and finish the system. This increased the cost by \$195,000. According to bureau officials, work on the new system was delayed up to a year and deadlines were missed. As a result, bureau personnel were required to work many extra hours trying to get the new system online. To convert the data from the old databases to the new one, the bureau shut down the old system for six weeks (from December 1999 to January 2000) while its personnel worked on the conversion. Regional staff entered much of the data and several counselors and supervisors reported to us there was excessive time lost due to the missed project development deadlines. (See Other Issues And Concerns for the current status of the CMS.)

1.7 Program Statistics

The federal government uses seven major categories when reporting on a customer's primary disability. As shown in Figure 3, three categories account for 83 percent of the bureau's customers: mental and emotional, orthopedic, and physical conditions or disease. This figure contains all customers with an open case as of May 9, 2001, the date we requested the data.

Figure 3



A majority of customers with open cases, 68 percent, are between the ages of 20 and 49 years old (see Figure 4). The average age of VR customers is 36 years old. About 15 percent of the bureau's customers are between the ages of 12 and 19 years old. The bureau provides direct and indirect services to youths with disabilities as they transition from school to work, enabling students to become successfully employed. The bureau also has a small number of customers over the age of 70. Age is not a factor when determining if a person is eligible for services, the only requirement is a person's desire to work.

During the time a customer has an opened case with the bureau, they move through different statuses (see Figure 2 on page 10 – showing the progression). Table 1, on the following page, shows the status of customers with open cases. A majority of customers with open cases were either in the eligible for services or training statuses. Once a customer's case has been closed, the customer may come back for additional services if needed to retain or gain employment. Our analysis indicated that 69 percent of the open cases were receiving bureau services for the first time; while 18 percent were receiving services a second time, and 13 percent have had three or more cases opened.

1.7 Program Statistics (Continued)

Figure 4

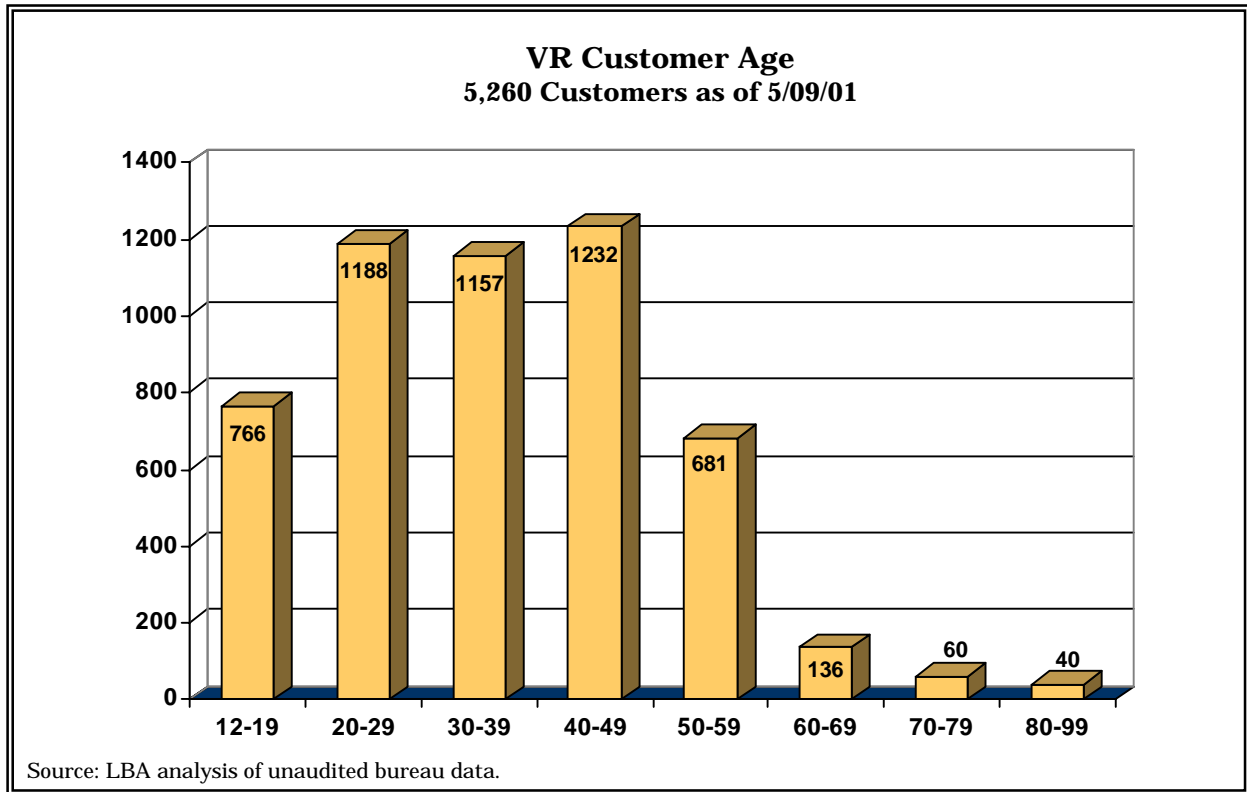


Table 1

Status Of Open VR Cases (as of 5/09/01)	
Status	# of Customers
Applicant	413
Eligible for Services	1,823
IPE Completed	93
Counseling & Guidance	75
Restoration	121
Training	1,435
Services Completed	412
Employed	738
Services Interrupted	55
Post-Employment	95
Total	5,260

Source: LBA analysis of unaudited bureau data.

1.7 Program Statistics (Continued)

Caseload

Table 2 provides six years of basic caseload information reported to the federal government. As we note in Observation No. 4, we have some concerns with these data and present them here with caution regarding their accuracy. Percentage with employment is based on a federal formula, where the number of customers who were successfully employed is divided by the total number of closed cases. According to a Department of Education official, the increase in closed cases in 1999 was a direct result of the bureau providing services or closing inactive cases prior to transitioning to the new case management system. The table does not show the dramatic shift in the VR caseload since the late 1980s, from a majority of customers being in the application status to a majority receiving services. Bureau officials credit changes in the federal law that streamlined the eligibility process and reduced paperwork. We found that on average 80 percent of VR applicants were found eligible over the last six years.

Table 2

Summary Of VR Caseload Federal Fiscal Years 1995-2000						
	1995	1996	1997	1998	1999	2000
Applicants						
On Hand as of October 1 st	594	238	397	516	324	320
Applicants This Year	2,521	3,299	3,256	3,105	2,980	3,298
Total Available During Period	3,115	3,537	3,653	3,621	3,304	3,618
Found Eligible During Year	2,412	2,872	2,897	2,797	2,715	2,998
Outcomes						
Achieved Employment Outcomes	1,275	1,401	1,437	1,490	1,535	1,585
Closed, Unsuccessful	462	346	357	472	774	357
Total Closed	1,737	1,747	1,794	1,962	2,309	1,942
Percentage with Employment	73%	80%	80%	76%	66%	82%
Source: LBA analysis of unaudited bureau data. Note: See Observation No. 4 for concerns we have with some of the data.						

Figure 5, on the following page, depicts the number of active or open cases at each of the six regional offices and SBVI.

1.8 Revenues And Expenditures

The bureau administers the federal program called the "State Vocational Rehabilitation Services Program," which is its largest VR related program. The program is funded through a formula grant in which 78.7 percent is reimbursed with federal dollars with a 21.3 percent state match. For each of the past three federal fiscal years, 1998 through 2000, the federal basic support grant to New Hampshire was approximately \$8.8 million, and the State's match was approximately \$2.4 million. The grants must be spent within two years. On average, over \$11 million has been spent for each of the last three years. Figure 6 shows

1.8 Revenues And Expenditures (Continued)

the average annual expenditures categorized as follows: administration, service personnel (bureau staff directly working with customers), customer services purchased from providers such as community rehabilitation programs, and other miscellaneous costs. The percentage spent in each category has been constant during those years.

Figure 5

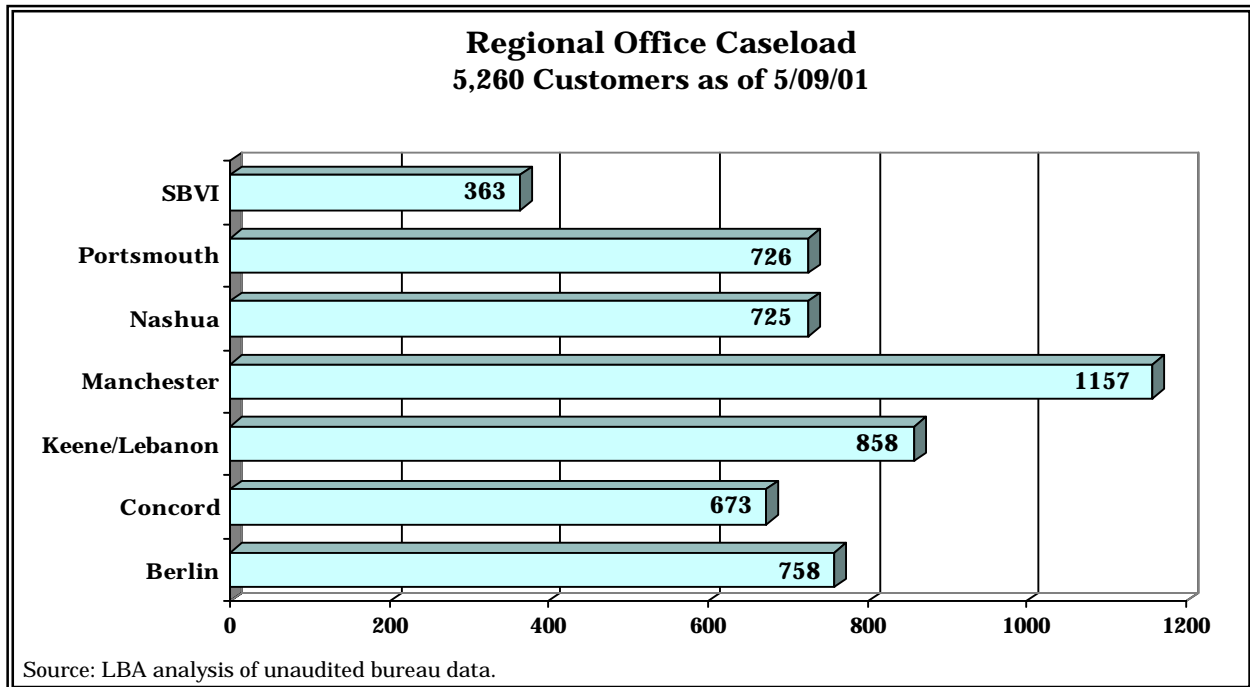
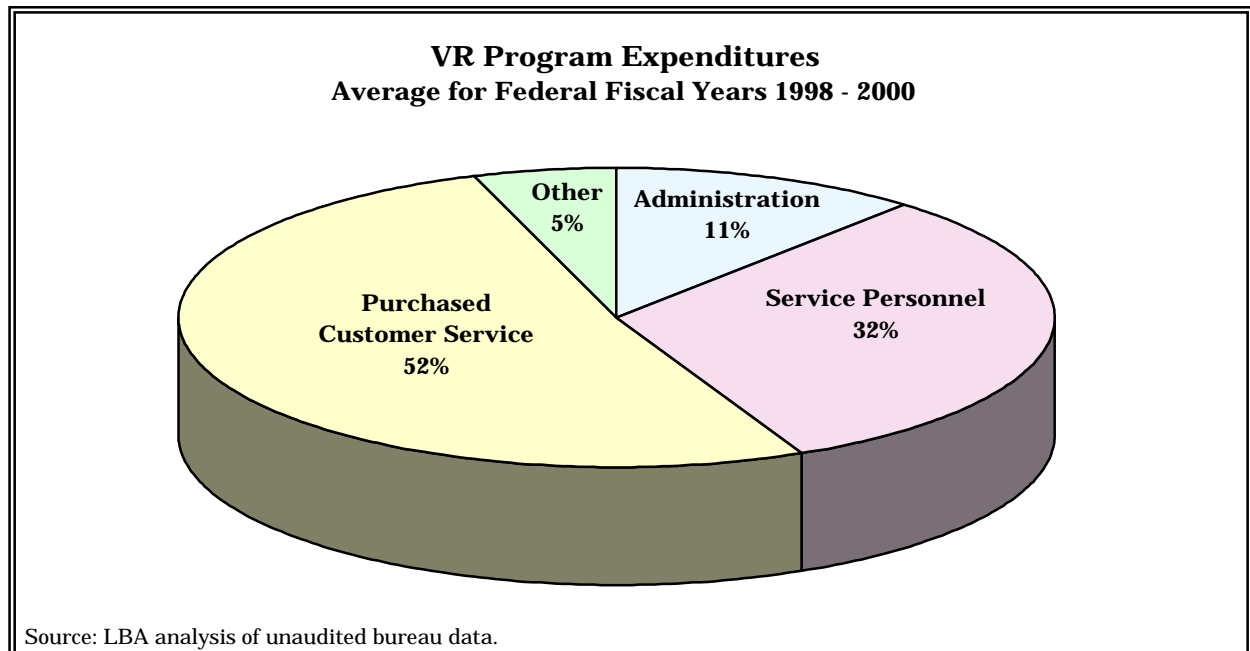


Figure 6



1.9 Other Organizations Involved With Vocational Rehabilitation

State Rehabilitation Council

The 1992 Amendments to the Act established the State Rehabilitation Advisory Council and the 1998 Amendments changed the name to the State Rehabilitation Council (the Council). This citizen's board is currently comprised of 24 members appointed by the Governor to three-year terms. The Council is comprised of customers, other persons with disabilities, members of advocacy organizations within the State, employers, parents of individuals with disabilities, and organizations that provide services to people with disabilities. The Council advises the Governor and is a partner with the State VR program.

Client Assistance Program

Federal law requires each state to have a Client Assistance Program (CAP), which is supported by a federal grant. In New Hampshire the CAP is under the Governor's Commission on Disability. Essentially, it acts as an ombudsman, providing information and advocacy for VR customers in their dealings with the bureau. The bureau is required to inform VR customers of the CAP.

Granite State Independent Living

Granite State Independent Living is a consumer-controlled agency providing services to individuals with disabilities, enabling them to live more independent lives at home and within the community. Services provided include: home modifications, interpreters for the deaf, transportation, access technology services, and case management services. However, it cannot duplicate services provided by the bureau. Granite State Independent Living receives federal funds under Parts B and C of Title VII of the Rehabilitation Act.

Statewide Independent Living Council

Federal law requires New Hampshire to establish the Statewide Independent Living Council in order to receive certain federal funds. This Council is currently comprised of 21 individuals who are appointed for three-year terms by the Governor. One role of the Council is to work with the State and develop a State plan for independent living.

1.10 Significant Achievements

It is important to recognize that performance auditing is by its nature a critical process, designed to identify weaknesses in past and existing practices. With that in mind, we mention a number of successful and positive practices we observed and for which sufficient documentation is available.

Improved Customer Satisfaction

The bureau has had a third party conduct annual customer satisfaction surveys for the past three years. The telephone survey evaluates selected services, customer satisfaction, service quality, job placement, and program effectiveness. Survey results are used by the bureau to improve its services. For example, prior findings indicated job placement was relatively

1.10 Significant Achievements (Continued)

weak compared to other services (see Other Issues And Concerns). As a result, the bureau has begun to address this issue.

Currently, the sample is structured to survey an equal number of customers (when possible) from the bureau's six regional offices and SBVI. The sample is stratified into customers who are successful, pending success, and not successfully rehabilitated.

The surveys have shown customers are increasingly satisfied with the services provided by the bureau. Using a number of survey questions to create a customer satisfaction index, the survey firm recently concluded that overall satisfaction has increased from 72 percent in 1998 to 78 percent in 2000. Another possible indication of customer satisfaction is the small number of official complaints. According to the Client Assistance Program, the number of cases for federal fiscal years 1999 and 2000 were 15 and 17, respectively. During these years one fair hearing was conducted.

Ability To Serve All Eligible Individuals

The bureau has been able to provide services to all individuals with disabilities. When demand for VR services exceeds a state's resources, the state enters into an order of selection in which priority is given to the individuals with the most severe disabilities. The bureau continually monitors the financial position of the program and regularly reports program data to the State Rehabilitation Council. Based on these reports, the Council decides whether New Hampshire can meet the demand for services or should implement an order of selection process. New Hampshire has never had to enter into an order of selection.

Oversight Of Regional Offices' Budgets

Over the years the bureau has improved its oversight of the regional offices' budgets by involving VR counselors who authorize customer services. This has not only made the counselors more aware of the budget but more responsible for working within it. In developing and managing each regional office's budget, the bureau takes a team approach by involving regional personnel in the process. Involvement starts during the planning process when the account technician, VR supervisor, and VR counselors at each office project their budget for the year.

Generally, the regional offices have weekly meetings, which include discussions of their budgets. In some offices, the counselors will discuss all big-ticket items, such as wheelchairs, four-year college, physical restoration, vehicle and home modifications, or any services out of the ordinary. Adjustments are made on a quarterly basis. If an office is running short of funds at the end of the quarter, the VR supervisor informs Central office. The VR supervisors and the bureau work together to identify surplus funds and transfer funds to the office in need (see Other Issues And Concerns).

**STATE OF NEW HAMPSHIRE
BUREAU OF VOCATIONAL REHABILITATION
AND SERVICE DELIVERY**

OBSERVATIONS AND RECOMMENDATIONS

We found the Bureau of Vocational Rehabilitation and Service Delivery (the bureau) to have insufficient management controls over its vocational rehabilitation (VR) program. According to *Government Auditing Standards*, “Management controls, in the broadest sense, include the plan of the organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations.” The four categories of management controls are: 1) compliance with laws and regulations, 2) validity and reliability of data, 3) program operations, and 4) safeguarding resources. The weaknesses we identify in the following observations affect all four categories of management controls.

2.1 Compliance With Laws

Well-crafted administrative rules formalize and clearly communicate agency policies and procedures. Their required presence provides an agency and its external audience specific interaction guidelines. Lack of administrative rules can unnecessarily cloud or conceal agency policies and procedures, impede agency effectiveness, and negatively impact the agency’s audience.

Observation No. 1

Develop And Adopt Administrative Rules For The Program

Currently there are no administrative rules in place for important segments of the State’s vocational rehabilitation program. Many of the bureau’s administrative rules expired in 1996, a few months before the Department of Education was set to repeal them. According to a department official the bureau has not sought to update the rules, mistakenly believing the federal regulations are adequate.

According to RSA 21-N:9 the Board of Education is required to adopt rules, pursuant to RSA 541-A, for vocational rehabilitation services authorized by RSA 200-C. State entities adopt administrative rules in order to comply with statutes and to have their policies, procedures, and practices legally enforceable on persons outside the agency, including members of the general public. The rule making process allows for public and legislative oversight of an agency’s operation. In addition, without duly adopted rules required by statute that reflect the policies and practices of the State’s vocational rehabilitation program, the bureau may be functioning without proper authority and contrary to legislative intent.

We note that in accordance with federal regulation, the bureau does consult “with the State Rehabilitation Council regarding the development, implementation, and revision of State policies and procedures of general applicability pertaining to the provision of vocational rehabilitation services.” However, this consultation does not replace the State’s administrative rule process.

2.1 Compliance With Laws (Continued)

Observation No. 1: Develop And Adopt Administrative Rules For The Program (Continued)

Recommendation:

We recommend the State Board of Education, through the department Commissioner, develop and adopt comprehensive administrative rules detailing all aspects of vocational rehabilitation services performed by the bureau in accordance with RSA 541-A and specifically required by RSA 21-N:9.

Auditee Response:

We concur with the observation. Prior to the expiration of the program administrative rules, the Bureau reviewed existing rules with an administrator in the Governance and Standards unit and a consultant under contract with the Department. The Department, based on advice from a consultant experienced in State Rule Making, actively discouraged the development of state rules that were redundant to federal regulations for programs governed by federal statute. At that time we concluded that administrative rules were redundant, considering the availability of the federal regulations, written policy, and agency forms and brochures. In May of 2000 the Bureau began developing administrative rules for interpreter classification system. This process involved significant input from interpreters and the community of persons who are deaf or hard of hearing. Consequently, administrative rules were not adopted until late March of 2001.

Anticipating federal regulations for the 1998 Rehabilitation Act Amendments, we have delayed the process of development of program administrative rules, hoping to avoid a process that would further confuse the public who benefit from rules. Final regulations were published in late January 2001 and since their publication we have begun the formal process of state rulemaking.

The Bureau will continue its work on developing and adopting comprehensive rules detailing all aspects of vocational rehabilitation services performed by the Bureau with the consultant currently under contract with the department to develop rules. We expect to complete this by February of 2002.

Observation No. 2

<i>Develop An Agreement With The Bureau Of Special Education</i>

Federal law requires a state's VR agency to work closely with the state agency responsible for the education of students with disabilities.

Specifically, the agencies are required to produce a written agreement that coordinates their activities.

The Rehabilitation Act Amendments of 1998 require plans, policies, procedures, and a formal agreement documenting the coordination between the state's VR agency and the "education officials responsible for the public education of students with disabilities" (i.e.,

2.1 Compliance With Laws (Continued)

Observation No. 2: Develop An Agreement With The Bureau Of Special Education (Continued)

the New Hampshire Department of Education's Bureau of Special Education). At a minimum, the formal agreement must provide for:

- consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities;
- transition planning by the VR agency and educational agency personnel that facilitates the development and completion of a student's individualized education program;
- the roles and responsibilities, including financial responsibilities, of each agency; and
- procedures for outreach to and identification of students with disabilities who need transition services.

Currently, the bureau does not have an agreement with the Bureau of Special Education. According to a Rehabilitation Service Administration (US RSA) official, state VR agencies should have an agreement in place with the state educational agency. In response to our question, the US RSA is aware the bureau is not in compliance with this regulation and will follow-up with the bureau when it reviews the 2002 state plan.

One result of not having an agreement is that schools may not be fully informed of the roles and responsibilities of the Bureau of Vocational Rehabilitation and Service Delivery in transition planning and providing services. The bureau has a unique relationship with each school that depends on a school's resources and its willingness to work with the bureau. Counselors work with their assigned schools to develop a referral process. According to several counselors, not all schools understand the responsibilities and the mission of the bureau, so they have to educate or remind school officials of the bureau's responsibilities. Several counselors said they negotiate with the schools about who will pay for which services. Counselors mentioned it is the school's responsibility to pay for services during the school day.

Recommendation:

The Commissioner of the Department of Education should:

- **ensure the Bureaus of Vocational Rehabilitation and Special Education work together to produce a formal agreement as called for in the Rehabilitation Act Amendments of 1998, which will specify their roles and responsibilities; and**
- **clarify the Bureau of Vocational Rehabilitation's role and responsibility to students with disabilities through administrative rules (see Observation No. 1) so schools and students are treated equally throughout the State.**

Auditee Response:

We concur with the observation.

2.1 Compliance With Laws (Continued)

Observation No. 2: Develop An Agreement With The Bureau Of Special Education (Continued)

The Division shall ensure that:

- *Vocational Rehabilitation and Special Education work together to produce a formal agreement as called for in the Rehabilitation Act Amendments of 1998 which will specify their roles and responsibilities and*
- *Vocational Rehabilitation's role and responsibility to students with disabilities [is clarified] through administrative rules so schools and students are treated equally throughout the State.*

2.2 Management Oversight

We identified a number of examples of inadequate management oversight of the VR program's operation and data. We found the bureau needs to do a better job of assessing the services provided to customers from third parties such as community rehabilitation programs (CRPs). Also, the federal government requires the bureau to collect and report on annual expenditures and program outcomes. We found management was not adequately reviewing these reports, allowing inaccurate data to be used internally and reported externally.

Community Rehabilitation Programs

VR counselors provide guidance and assistance in finding jobs for customers such as resume writing and job interviewing skills. For those customers needing more intensive one-to-one assistance, they are referred to a CRP. Federal law defines CRPs as programs directly providing or facilitating the provision of one or more vocational rehabilitation services to individuals with disabilities to enable the individual to maximize opportunities for employment, including career advancement. According to federal regulations, services provided by CRPs include:

- medical, psychiatric, psychological, social, and vocational services that are provided under one management;
- testing, fitting, or training in the use of prosthetic and orthotic devices;
- recreational therapy;
- physical and occupational therapy;
- speech, language, and hearing therapy;
- psychiatric, psychological, and social services, including positive behavior management;
- assessment for determining eligibility and vocational rehabilitation needs;
- rehabilitation technology;
- job development, placement, and retention services;
- evaluation or control of specific disabilities;
- orientation and mobility services for individuals who are blind;
- extended employment;
- psychosocial rehabilitation services;

2.2 Management Oversight (Continued)

- supported employment services and extended services;
- services to family members when necessary to the vocational rehabilitation of the individual; and
- personal assistance services.

There are approximately 30 CRPs in the State that provide vocational and other comprehensive services. The number of CRPs a regional office works with depends on its location; for instance the Berlin office, due to the rural nature of the area, only has one CRP while the Manchester office has ten CRPs. The bureau also enters into agreements with other agencies such as area mental health agencies.

Rates set by the bureau for evaluation services provided by CRPs have remained fairly constant over the past few years. According to a bureau official, recent rates for employment preparation range between \$1,200 and \$1,500 per customer.

Regional offices of the bureau maintain communication with CRPs through regular meetings to discuss referrals, outcomes, and other issues. In addition, they receive monthly reports from CRPs. The current CRP monitoring approach is primarily based on the relationship between VR and CRP counselors. Through their close working relationship with CRPs, VR counselors have firsthand knowledge of the quality of a CRP's work; but customers and the bureau are not fully benefiting from this knowledge. According to VR counselors, they review the work of CRPs on a customer-by-customer basis, but individual VR counselors use different evaluation criteria; some assess the quality of jobs, while others may consider how customers are treated. Many VR counselors told us CRP service quality is directly related to the CRP counselors. High staff turnover at the CRPs can result in substantial changes in the quality of services. If a CRP performs poorly then the VR counselor will stop referring customers.

Observation No. 3

The Bureau Should Develop Performance Information On Providers

While bureau management is generally aware of CRP performance, there are no bureau-wide policies for documenting this type of information. As a result, management is not

taking full advantage of CRP performance information in overseeing program expenditures and outcomes, nor are customers able to use it when choosing providers of vocational rehabilitation services.

The Rehabilitation Act Amendments of 1992 provided customers an opportunity to exercise informed choice in developing and implementing their individualized plans for employment, including selecting services and providers. Federal regulations require the bureau to provide the customer with information necessary to make an informed choice about specific rehabilitation services. At a minimum, this information must include:

- cost, accessibility, and duration of the potential services;
- customer satisfaction with those services to the extent that information relating to customer satisfaction is available;

2.2 Management Oversight (Continued)

Observation No. 3: The Bureau Should Develop Performance Information On Providers (Continued)

- qualifications of potential service providers;
- types of services offered by the potential providers;
- degree to which services are provided in an integrated setting; and
- outcomes achieved by individuals working with services providers, to the extent such information is available.

While the bureau promotes informed choice with its customers, it does not provide sufficient information on the performance of the CRPs to allow customers to make a fully informed choice. Without appropriate data it is hard for the customer to judge the performance of a CRP or its counselors.

Recommendation:

The bureau should:

- **develop performance information on CRPs that includes not only quantitative information such as outcome statistics, but qualitative information including customer satisfaction and counselors' opinions of the services;**
- **establish a process for collecting and reporting the performance information; and**
- **provide performance information to customers and their families to more fully comply with federal requirements regarding informed choice.**

Auditee Response:

We concur with your recommendation. The Case Management System (CMS) will be utilized to produce management reports on the performance of CRPs. Reports are being constructed that will identify the number of customers served, the expenditures and the outcomes of each participant. These will be used by management to oversee the performance of CRPs.

The bureau will collect information to develop a performance report card for CRPs that can be given to customers to assist them in their informed choice of CRP providers. The report card will meet the federal requirement for quantitative information such as program statistics and qualitative information including customer satisfaction.

Validity And Reliability Of Program Data

According to federal regulations the bureau “must comply with any requirements necessary to ensure the accuracy and verification of those [federal] reports.” Inaccurate program data can diminish management’s ability to make sound decisions. It may result from problems with the bureau’s or department’s information systems (manual and computerized) or procedures within the VR program itself. Accurate program information is very important when the bureau is contemplating whether it needs to enter into an order of selection. It is

2.2 Management Oversight (Continued)

management's responsibility to carefully review all such data and the systems that provide the information.

Observation No. 4

The Bureau Should Ensure Accuracy Of Caseload Data

We found the bureau reporting inconsistent data to the federal government prior to and during the audit period. Additionally, we question the number of truly active customers in certain statuses based on the amount of time spent in those statuses. The federally required US RSA-113 report collects quarterly and annual caseload data. This report provides basic information on the number of people applying for and receiving vocational rehabilitation services, and their outcomes. As part of its oversight function, management is responsible for generating and reporting accurate program data.

In our review of the past 11 annual US RSA-113 reports, we found numerous examples of beginning year totals not matching prior year remaining totals. In four out of 11 years the beginning number of applications (i.e. applications "on hand") were different from the prior year's ending total (i.e. applications remaining). In federal fiscal year 1995 applications "on hand" was 1,301 less than the prior year remaining number. Similar problems occur with the "on hand" extended evaluation cases in four of the years. The "on hand" active caseload shows 1,510 more customers in federal fiscal year 1995 than remaining cases in federal fiscal year 1994. To date, VR has not been able to explain these inconsistencies.

There are no federal requirements or bureau policies as to when to close inactive cases. It is up to the VR counselors' judgment to close inactive cases. Our analysis of May 2001 case management system data identified 1,823 VR customers in the eligible for services status (see Table 1 on page 14), who on average have been in that status for 396 days, with the median being 275 days. According to an official of the US RSA, the length of time seemed excessive and may be the result of a lot of inactive cases. This official mentioned another New England state that has placed time limits for each status, which when reached triggers a review of the case. In addition, we identified 187 applications that have remained in the application status for over 60 days, which is an important time limit for determining eligibility. On average these applications have remained in status for 291 days, with the median being 183 days. As a result, the bureau reports on seemingly inactive cases, thereby overstating its caseload.

Recommendation:

The bureau should:

- **improve its oversight of caseload data to ensure accurate information is used to manage the program and report to the federal government, and**
- **develop and implement agency policy on reviewing potentially inactive cases.**

2.2 Management Oversight (Continued)

Observation No. 4: The Bureau Should Ensure Accuracy Of Caseload Data (Continued)

Auditee Response:

We concur with your observation. The Agency will improve its caseload data system to ensure accurate information is used to manage the program and report to the federal government. In addition, we will develop and implement a policy on closing inactive applications.

The Agency has taken action toward developing a data system that will provide accurate information for program management. The information discrepancies noted on the 113 were the result of changes in data systems and the inherent problems with the previous systems. The first noted change occurred when the agency transferred data management from a mainframe (CDP system) to a DOS based system (VRSystem). The 113 figures were amended to reflect the caseload after previous system and data conversion errors were identified. The VRSystem was a significant improvement over the CDP system. This new system allowed, for the first time, all agency staff the opportunity to interact with its own data. But, due to the infrastructure of a distributed DOS system to 8 separate offices, data uploads and downloads and the resultant copying and adding process from individual office tapes, the system was burdened by the inherent problems of consistently combining, verifying and reporting on that data.

As such, the current data system (CMS) was built to improve on the inherent infrastructure and design problems of the distributed DOS VRSystem. It was designed as a single database system accessible by all offices inputting data real time into the CMS data set. This is a major improvement as all data resides in a single data set. All agency Case Management data is entered, managed and reported from a single source. Any and all changes to the data are included in this single data base system.

When we moved to CMS from VRSystem, the 113 figures were adjusted to reflect the On Hand figures, and not the previous VRSystem which had date errors as a result of the distributed nature of the system. The future reporting capabilities of the CMS will not demonstrate this error as it is based on a single database system.

In addition to the caseload data system, the Agency will develop and implement a policy on closing inactive applications. Under this observation we would like to note, however, that there is no mention of the waiver proviso allowed under federal regulations, wherein in some instances a customer and counselor may agree to an extension of the time required to determining eligibility. This extension may be for a variety of issues in relation to the customer's circumstance. We would also like to mention that NH Vocational Rehabilitation has worked to streamline the eligibility process and average time to make an eligibility decision has been reduced significantly, and we lead the New England Region in this area.

Observation No. 5

The Bureau Should Ensure Accuracy Of Program Data

The US RSA-2 is a federally required report that documents annual program costs and the

2.2 Management Oversight (Continued)

Observation No. 5: The Bureau Should Ensure Accuracy Of Program Data (Continued)

number of customers assisted by service type. We found a number of errors in the most recent reports. According to a bureau official, the department's business office generates the cost numbers used for the US RSA-2 report. As part of its oversight function, bureau management is responsible for reviewing and reporting accurate cost data.

As a result of our review of the federal fiscal year 2000 report, we noted a significant decrease in the number of customers reported as receiving counseling, guidance, and placements compared to the previous year. In addition, we found errors with the number of individuals receiving different types of services. The bureau subsequently corrected both of these issues. The bureau also corrected two carryover fund amounts originally under-reported by a total of \$386,297. Twice in 2001 the bureau has sent revised reports to the federal government as a result of these errors.

We noticed the bureau reported \$303 for personal assistance services in federal fiscal year 1999 yet reported zero customers receiving those services. The US RSA also identified this error and asked the bureau to clarify it. The bureau stated it was a typographical error and should have been marked as one customer.

Recommendation:

The bureau should improve its oversight of cost data to ensure accurate information is used to manage the program and report to the federal government.

Auditee Response:

We concur with your observation. We agree that the Agency has sent revised RSA-2 reports to the federal government as a result of errors. The errors identified were directly related to the database query used in the Office of Business Management used to generate the numbers contained in the federal report. When these errors were identified, the Department of Education's Office of Technology Management was able to make immediate corrections to the database query and the revised reports were sent to RSA within 24 hours. This Agency will continue to work with the Office of Business Management and the Office of Technology Management to improve the accuracy of data reporting by reviewing the data queries prior to generating the RSA-2 data needed for the report.

Vehicle Modifications

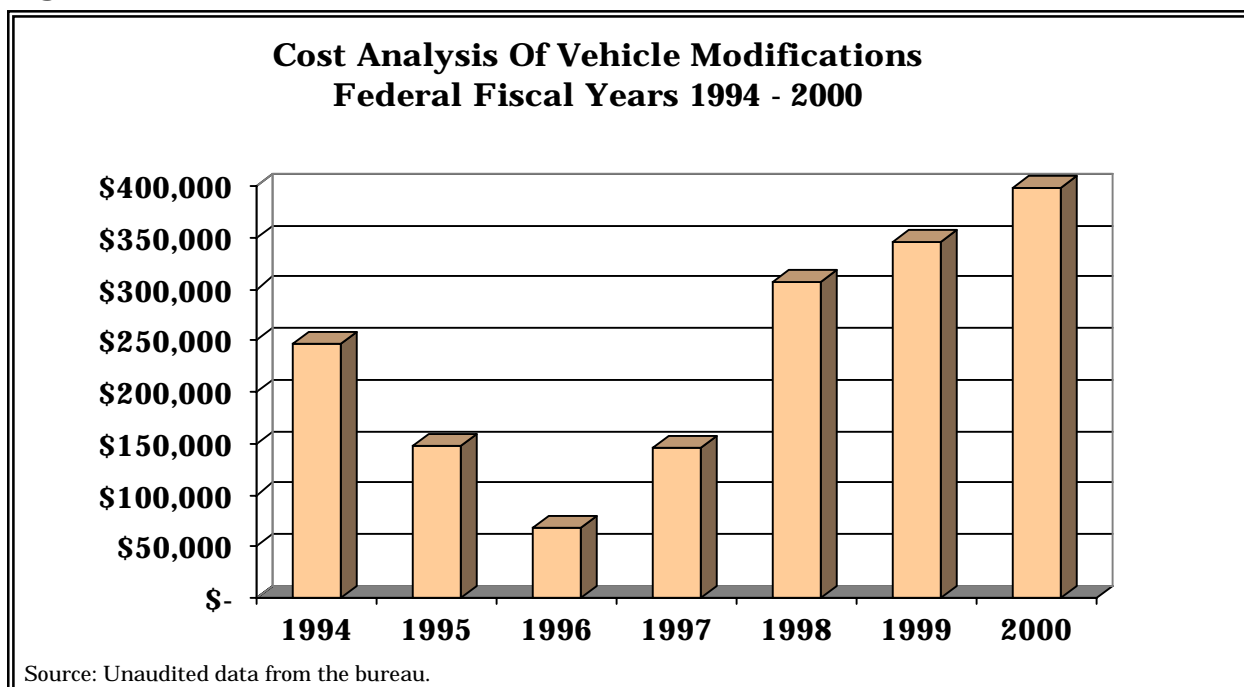
The bureau identified increasing costs of vehicle modifications as a concern. A bureau official explained that as technology has become more sophisticated more people with disabilities now have the opportunity to drive. The cost of a vehicle modification can reportedly range up to \$120,000. States have flexibility regarding what portion they will pay for because federal law is silent on this issue. Vehicle modifications can be subject to financial needs testing. States are not required but may choose to conduct a financial needs assessment of customers. States may not apply a financial needs assessment to:

2.2 Management Oversight (Continued)

assessments, guidance and counseling, referral services, job related services, personal care assistance, or services such as interpreter or reader services. The bureau has instituted a policy in which a customer pays for a percentage of the vehicle based on the amount the vehicle will be used for personal use versus work related use.

Figure 7 presents vehicle modification related expenditures compiled by the bureau in its effort to track these costs. For six of the seven years shown, the bureau identified the number of customers requiring vehicle modifications. The average annual costs per customer ranged from \$9,145 to \$15,956.

Figure 7



Observation No. 6

The Bureau Should Improve Oversight Of Case Files

Our review of ten high cost vehicle modification files found all lacked some required documentation. The bureau identified vehicle modifications as an area of concern partly because of their increasing costs. We judgmentally selected ten files that included modification expenditures incurred during federal fiscal years 1999 and 2000. According to bureau figures, the modification costs, which included the cost of vehicles in some cases, ranged from about \$30,000 to \$70,000. In several of the files we reviewed, the total case costs were much higher than this range because of other service expenditures such as home modifications, computers, and tuition.

Management is responsible for internal controls, which include adequately documenting work performed and providing proper oversight. In the ten files we reviewed, we found that documentation was incomplete for the following attributes:

2.2 Management Oversight (Continued)

Observation No. 6: The Bureau Should Improve Oversight Of Case Files (Continued)

- six of ten files lacked secondary level of approval for cases totaling over \$20,000,
- five of eight files requiring an annual IPE review were late or missing,
- five of ten files lacked secondary level of approval for case plan line items over \$5,000,
- three of ten files lacked evidence in the IPE or its amendments that certain expenditures were approved,
- two of the ten files lacked required Financial Needs Assessments, and
- one of the ten files lacked an IPE signed by the customer.

These examples of missing documents call into question the quality of management's oversight of the files and ultimately the validity of some expenditures.

Recommendation:

Management should improve its oversight of case files to ensure federal and bureau requirements are followed and all expenditures are proper.

Auditee Response:

We concur with the recommendation for management to improve its oversight of case files to ensure federal and bureau requirements are followed and all expenditures are proper. Under the current case management system (CMS) no plans or expenditures can be implemented without the necessary secondary approvals. This is an automatic system driven by specific approval levels. The CMS requires specific approval levels based on the dollar amounts of service line items. These levels are up to \$5,000 for counselors, regional leaders over \$5,000, and for total plans over \$20,000 the director or designee.

The bureau notes, a financial needs assessment does not need to be completed for all customers. As customers who are receiving welfare benefits or SSI have already demonstrated poverty and a lack of resources, additional documentation is not required.

2.3 Social Security Reimbursement

The bureau is able to claim and obtain reimbursements for services provided to recipients of Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) who have become successfully employed as a result of VR services. SSDI provides insurance for those who have worked and paid into the Social Security system, while SSI provides income for those who have not worked. When Social Security determines a person is disabled, that person receives benefits. If that person receives VR services and is successful in obtaining employment for nine months, then Social Security will reimburse the bureau for those services.

Social Security reimbursements for qualified expenditures fluctuate year to year; starting with \$96,480 in State fiscal year 1998, to \$513,265 in 1999, and \$357,542 in 2000. The big increase in State fiscal year 1999 was partly the result of the bureau's effort to "clean up"

2.3 Social Security Reimbursement (Continued)

its files. The bureau uses the reimbursements to fund positions, out-of-state travel, client services, and upgrading computers.

Observation No. 7

The Bureau Should Improve The Timeliness Of Social Security Reimbursement Claims

The bureau was denied up to \$84,822 in Social Security reimbursements because it did not file 12 claims with the Social Security Administration in a timely manner during

State fiscal years 1999 and 2000. According to a bureau official, in the past Social Security was not enforcing its one-year submission requirement after the customer completed nine months of successful employment.

One cause for the bureau's submission of late claims is the method and timing of identifying cases for potential reimbursements. Currently, the trigger date used in the bureau's case management system (CMS) for developing the list of potential claims is when a customer's case is closed after being successfully employed for 90 days. However, not all cases may be officially closed in 90 days; a customer may be kept in the "employed" status for a longer time. We identified two cases that seem to demonstrate the problem of a customer not being closed after 90 days. We brought one case to the attention of the bureau for possible reimbursement of \$2,700. It involved a customer in the "employed" status for 13 months. In addition, because of an error in the customer's reported weekly wage, the bureau's reimbursement process would not have identified this closed case as a candidate for possible reimbursement. The other case, costing over \$148,700, involves a customer in the "employed" status for over two years. The bureau is aware of this case and is actively seeking reimbursement, but it is doing so outside of the bureau's regular process.

The Vocational Rehabilitation and Social Security programs require different amounts of time someone must be working before they are considered successfully employed; 90 days and nine months respectively. There have been discussions within the bureau to move the trigger date to when a customer becomes employed, not when the case is closed.

Recommendation:

The bureau needs to improve its process of identifying and tracking working Social Security beneficiaries to take full advantage of potential reimbursements. Until a more permanent solution is implemented, the bureau should generate a report of customers currently in the "employed" status for an extended amount of time to facilitate review by those responsible for processing reimbursements.

Auditee Response:

We concur with the Observation. We agree that the documented claims were denied for timeliness with the understanding the total amount submitted, \$84,822 represented the maximum potential, with no guarantee that the claims would not have been denied for other reasons. Additionally, a review of cases denied in the current Fiscal Year revealed that several of the individuals had completed a period of SGA [substantial gainful activity] prior

2.3 Social Security Reimbursement (Continued)

Observation No. 7: The Bureau Should Improve The Timeliness Of Social Security Reimbursement Claims (Continued)

to applying to Vocational Rehabilitation. In these instances, no diary system would have been effective as it appears these individuals sought our services after completing the trial work period and subsequently losing employment.

We also agree with the recommendation that the diary system should be changed to reflect the initiation of employment. We have, in fact, asked this be included in the revision of the CMS. We are additionally planning that ongoing education relative to the reimbursement system be provided to staff. This would include a request that counselors apprise us when individuals on Social Security have entered employment countable under the trial work period and might still be overlooked under our monitoring system. We are optimistic that these combined strategies would eliminate or drastically reduce the number of claims denied for timeliness.

Observation No. 8

The Bureau Should Improve Its Percentage Of Valid Social Security Reimbursement Claims

Social Security offers expedited reimbursement to states that submit a high percentage of valid claims. The percentage of valid claims submitted by the bureau is below Social Security's 80 percent threshold. States that have low rates of successful submissions see their reimbursements taking longer to process. During State fiscal years 1999 and 2000, the time it took Social Security to reimburse the bureau typically ranged from about two months to over seven months. In fact, the 2000 federal review of New Hampshire's VR program suggested the bureau look more closely at its rate of valid claims and attempt to improve it. It is important to note, that while the percentage of valid claims affects the timeliness of when Social Security processes the bureau's claims, thereby affecting the flow of payments, it does not affect the amount received.

According to a bureau official, the bureau is aware of the problem and is working to resolve it. Currently the Social Security report from the NH Department of Health and Human Services does not contain all of the information needed by the bureau to determine when a customer was eligible for benefits. This causes the bureau to send in claims for customers who were not eligible. Meetings have been held between the bureau and the department to solve this problem and identify the needed information.

Recommendation:

The bureau should improve the percentage of valid claims it submits for reimbursement to Social Security in order to facilitate quicker reimbursements.

Auditee Response:

We concur with this Observation.

2.3 Social Security Reimbursement (Continued)

Observation No. 8: The Bureau Should Improve Its Percentage Of Valid Social Security Reimbursement Claims (Continued)

During the past fiscal year we have identified verification of beneficiary status as a significant problem. As a result of over three years of negotiation and contract development, we have been successful in obtaining access to the HHS database that receives daily transmittals from Social Security on individual inquiries. As noted in the Observation, the design of the data exchange was developed by HHS and we have learned through experience that it does not provide the data necessary to confirm beneficiary status in all cases.

We have taken several steps to rectify this problem. We have met with HHS, requested and been provided with several additional data fields. The reliability of these fields has been cross referenced with Social Security staff and confirmed an 80 to 90 % accuracy rate. According to HHS, additional modifications would involve program redesign and would be placed on a priority timetable relative to all of the IT projects at HHS. A casual estimate of six months has been suggested. We anticipate verification will change dramatically when the Ticket to Work Program is implemented in New Hampshire. Only beneficiaries with active "tickets" who apply to the program will be eligible for reimbursement and a nationwide contractor will have the responsibility to provide ticket verification to Vocational Rehabilitation Agencies.

We agree that a high denial rate is not acceptable and will continue to try and improve our accuracy. We will, however, continue to submit some borderline claims based on the assumption that a minimal reduction in the allowance rate must always be considered against the potential from a questionable claim.

**STATE OF NEW HAMPSHIRE
BUREAU OF VOCATIONAL REHABILITATION
AND SERVICE DELIVERY**

OTHER ISSUES AND CONCERNS

In this section we present issues and concerns we encountered during our audit that were not developed into formal observations yet we consider noteworthy. The Bureau of Vocational Rehabilitation and Service Delivery (the bureau) and the Legislature may consider these issues and concerns deserving of action or further study.

Case Management System

The recent development of the bureau's computerized case management system (CMS) was partly in response to the Year 2000 computer problem and a desire to improve upon the existing system. The CMS has provided many improvements to how the bureau manages customer case files and controls expenditures. One positive result of using the enhanced capabilities of the CMS has been the increased statewide standardization of case files. In reviewing older files, we found vocational rehabilitation (VR) counselors using a variety of regional office specific forms. The CMS has and plans to further standardize case file documentation. It also has the capability to provide many types of reports to improve management oversight of the program.

The CMS is not completed as originally planned. The financial segment is not integrated into the State's accounting system and other updates are needed for new federal reporting requirements in the fall of 2001. Under the amended contract the vendor was to integrate the financial component of the system, ensure it was Year 2000 compliant, and provide maintenance through State fiscal year 2002. However, the vendor used up the contract money early due to a clause in the amended contract. A new request for proposals has been developed for maintenance, support, federal reporting revisions, and other enhancements. During the audit we identified shortcomings in certain reports and the bureau either made corrections immediately or added to their list of issues for the new contractor to address.

The following positive and negative statements regarding the CMS were the most frequently made by the 20 regional office VR counselors and supervisors that we interviewed:

- customer case information is in one place and counselors are now able to easily access each others' customer files (35 percent);
- the CMS is a good management tool, counselors have more control over their cases (30 percent);
- the CMS is operating better now than when it was first implemented (30 percent);
- the CMS does not always work properly, and it can be slow (45 percent); and
- lack of accessibility causes more work for counselors (35 percent); and
- improvements are needed in the CMS's case management function (25 percent).

We note the bureau is well aware of the shortcomings of the CMS and has devoted a great deal of time and attention to its development, implementation, and improvement. We suggest the bureau continue its efforts to improve the CMS.

Other Issues And Concerns (Continued)

Employment Outcomes

As part of the Rehabilitation Act, as amended in 1998, the federal government is required not only to conduct annual reviews and periodic on-site monitoring of state VR agencies but also to ensure that agencies are complying with performance standards and indicators. The US Department of Education compiles employment outcome information from all state VR agencies on their success in assisting individuals with disabilities in achieving quality employment outcomes. This information assists both the federal and state governments in evaluating a state's performance in assisting individuals with disabilities in obtaining quality employment outcomes.

When reviewing the Rehabilitation Service Administration's (US RSA) most recent National Data Table² we noted New Hampshire had a relatively high rehabilitation rate. The bureau is in the top five in the country in the percentage of cases closed with employment outcomes. In its 1998 annual on-site review of the bureau, the US RSA reported, "New Hampshire has successfully increased its number of rehabilitations..." However, the mean weekly wages and the percentage of persons working more than 20 hours a week were significantly lower in New Hampshire than other states, leading us to question the quality of the jobs. The US RSA stated in the 1998 report "There are two challenges remaining, and they are related. The first is on mean weekly wage and the second is the average number of hours worked." Additionally, the US RSA wrote:

The number of hours worked is a complex issue because there have been disincentives to working more than 20 hours for the most severely disabled individuals who rely on medical benefits from Medicaid or Medicare. Individuals are indicating that it is their choice to work no more than 20 hours per week. New Hampshire is not alone in experiencing this challenge as more states agencies in Region I [the Northeast] show similar results.

According to bureau officials, the relationship between earning potential and health care benefits is an issue that has concerned both federal and state policy makers. National data shows a consistent unemployment rate of approximately 75 percent for persons with disabilities. Some individuals who do return to work consciously limit their earnings to maintain health insurance. Many counselors cited the same concern, customers on Medicaid who may want to work more hours are fearful of losing their benefits and chose to work and earn up to the maximum allowable under Medicaid.³

Where a customer lives may be another factor affecting job quality. For instance, jobs in the north are mostly service related and tend to pay less than those in the southern part of the State.

² The most recent federal report is from 1998 and is based on 1996 data.

³ According to bureau officials, states have been given the option to create a Medicaid buy-in program that allows individuals to keep their Medicaid after they go to work and pay a premium based on their income. Chapter 67, Laws of 2001 established this work incentive program. The bureau will be tracking VR customers' utilization of the buy-in program and its impact on the quality of employment outcomes.

Other Issues And Concerns (Continued)

According to a bureau official, the customer satisfaction survey identified job placement as being very important to customers and was an area that needed improvement. The bureau developed and implemented strategies to improve job placement. The official believes the general increase in customer satisfaction in later surveys is partly a result of these improvements made by the bureau.

We suggest the bureau continue to monitor and improve their efforts to place customers in quality jobs.

Auditee Response:

The NH State VR Agency agrees that our customers deserve the best jobs available at the time they are able to enter the workforce. We continue efforts to improve both the weekly wages and the percentage of persons working more than 20 hours a week, while fully appreciating that some of our customers cannot work full-time because of their disability, and some customers would lose necessary medical benefits if they worked full-time.

The issue of residual functional losses due to a presenting disability and customer choice around job selection is not restricted to New Hampshire. It should be noted that the NH State agency is actually 15th in the nation among rehabilitation programs in the percent of persons at or above minimum wage. Further, while improving the average weekly wages for our customers is a goal, we recognize some regional implications over which we do not have total control. Both the Maine agency and the Rhode Island agency (51st and 48th in mean weekly wages) demonstrate challenges in this area. While Vermont does a little better (31st), Maine and Rhode Island are closer to New Hampshire in terms of population and successful closures.

Possible Delay Of Services

Some counselors noted that funding can be limited at the end of a quarter, especially if the regional office had a big-ticket expense such as a vehicle modification. When this situation occurs, depending on the regional office, the counselors will meet to discuss the services being provided and prioritize services. Several counselors stated that services would never be interrupted but they may delay the initiation of services. From a financial management perspective, planning services around the budget is a sound strategy; however, federal regulations require the bureau provide services without delays. Federal law and regulations requires the Individualized Plan for Employment to be developed and implemented “in a timely manner” subsequent to the determination of eligibility, and that the bureau “must establish policies related to the timely authorization of services.”

In considering whether to raise this issue to the level of an observation, we took into consideration the possible interpretations of what “a timely manner” could actually mean. Approving a customer to take classes for the following semester, several months in the future, does not need to be quickly acted upon if the current quarter’s budget is tight. In this example, delaying the approval of the expenditure to the next quarter may be reasonable because it does not delay the actual service. While some counselors talked about

Other Issues And Concerns (Continued)

prioritizing services or managing their caseload when their budgets get tight, others stated that services were not delayed.

We suggest the bureau closely monitor regional offices' reactions to budget constraints and the subsequent effect on providing services and report their findings to the State Rehabilitation Council. Substantial delays in providing services may be an indicator of the need to enter into an order of selection.

Education Requirement

While the State requires private rehabilitation counselors to meet the criteria necessary for a certified rehabilitation counselor or a certified disability management specialist, under RSA 281-A:68 the bureau's counselors are exempt from this requirement. The Rehabilitation Act Amendments of 1998 requires a state agency to establish and maintain standards for rehabilitation counselors that are consistent with any national or state approved or recognized certification, licensing or registration requirements.

As a result of a 1998 federal review of the bureau, a corrective action plan was submitted by the bureau to address VR counselor's qualifications. The federal review stated the bureau "continues to make good progress in moving towards full compliance" with the personnel standards. However, a year later another federal review found the State had not set the hiring standards in accordance with federal regulations. As of June 2000, the bureau established new minimum qualifications for VR counselors. As was noted by a US RSA official this issue was beyond the bureau's control, in that the bureau was required to work with the NH Office of Personnel to revise position descriptions and pay structure for counselors. In order to meet this new federal standard the bureau has chosen to adopt the academic requirements needed for an individual to sit for the Certified Rehabilitation Counselor exam. For counselors to meet the academic requirement they must either have:

- a Master's degree in Rehabilitation Counseling, or
- a Master's degree in a related field and successfully completed a graduate level course in each of the following four areas: job placement or occupational information, vocational assessment and evaluation, vocational counseling, and medical or psychosocial aspects of disabilities.

This new minimum entry-level requirement for counselors is a substantial change for the bureau, not only creating a problem with salary structure of counselors but with recruitment and retention. Due to the higher educational requirements and the relative low pay of VR counselors compared to other New England states, concern was raised about the ability of the bureau to recruit and retain counselors. In the next five years the bureau predicts six counselors will be retiring, two counselors will have 30 years with the bureau, and two will have 20 years. One supervisor noted it was hard to fill a counselor position before the educational requirement. In the north country it is hard to fill counselor positions partly due to the lack of a training program in the area, while in the southern part of the State it is more of a salary issue. All current VR counselors must meet the new academic requirement by July 2005.

Other Issues And Concerns (Continued)

The bureau is supporting its counselors in meeting the new requirements. We suggest it continue to monitor counselors' progress while keeping the deadline in mind and plan accordingly.

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**STATE OF NEW HAMPSHIRE
BUREAU OF VOCATIONAL REHABILITATION
AND SERVICE DELIVERY**

CONCLUSION

We have identified a number of weaknesses with the Bureau of Vocational Rehabilitation and Service Delivery's (the bureau) management of the State's vocational rehabilitation (VR) program. This performance audit focused on VR program expenditures. First, we examined the effectiveness of the services and found that customer satisfaction surveys identified job placement as being very important and in need of improvement. In addition, while federal reports have ranked New Hampshire high in its rehabilitation rates, the quality of the job placements in terms of wages and hours worked are relatively low. We note the bureau is using their customer satisfaction survey to improve services with outcomes in mind.

Secondly, we reviewed the bureau's oversight of the VR program. While the bureau used federal law as the basis of operating the program, it lacks statutorily required administrative rules. These program rules are necessary in order to formally establish adequate controls over program resources and to make bureau policy legally enforceable on persons outside the agency. We identified a number of examples of inadequate management oversight of program information and reports. While the bureau's new case management system (CMS) is a step forward in improving management oversight of the program, in its current state the CMS represents an ongoing concern.

Thirdly, we examined the reasonableness of expenditures. Our review of high cost case files found them lacking some required documentation, calling into question the validity of some expenditures. We identified improvements the bureau can make in handling Social Security reimbursements. We note management has included regional personnel in the development and monitoring of the regional office budgets, and in the review of individual case expenditures. However, with this increased interest in regional office budgets, we are concerned with the possibility of delays in providing services to VR customers.

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APPENDIX A

Bureau Response

Nicholas Donohue
COMMISSIONER



Paul K. Leather, Director
DIVISION OF ADULT LEARNING
AND REHABILITATION
TDD Access: Relay NH 1-800-735-2964

STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
VOCATIONAL REHABILITATION
DEPT. OF EDUCATION CITIZENS SERVICES 1-800-339-9900
BUREAU OF VOCATIONAL REHABILITATION CLIENT SERVICES 1-800-299-1647

Ms Catherine A. Provencher, CPA
Director of Audits
Office of the Legislative Budget Assistant – Audit Division
State House—Room 102
Concord, NH 03301

July 26, 2001

Dear Ms. Provencher,

The Department of Education, Division of Adult Learning and Rehabilitation appreciates this opportunity to respond to the Performance Audit Report of the Bureau of Vocational Rehabilitation and Service Delivery. We have had the opportunity to review the observations and to provide formal responses to these observations within the text of the report. The Bureau of Vocational Rehabilitation will work to improve each of the areas of concern and would like to take this opportunity to provide an overview of the efforts the Bureau plans to address these areas.

The Bureau of Vocational Rehabilitation is proud of the work we do in assisting persons with disabilities in New Hampshire to prepare for, obtain and maintain viable employment. Work is a valued activity, both for the individuals who are served and for society. It fulfills the need of an individual to be productive, promotes independence, enhances self esteem, and allows for full inclusion into the economic, political, social, cultural and educational opportunities available in today's society. Persons with disabilities face barriers unique to their situation, barriers that prevent them from achieving their goals. Vocational Rehabilitation assists persons with disabilities to achieve their employment goals through the provision of services that address those barriers. In addition, participating in work reduces need for public assistance and enables people to contribute to taxes.

The Bureau continually seeks to improve our systems and processes to enhance service delivery to the 7,000 customers we serve each year. We appreciate the observations of the audit team and will actively work to resolve each of the issues identified in the report.

The Bureau will develop and adopt comprehensive rules detailing all aspects of the vocational rehabilitation program, including Vocational Rehabilitation's role to students with disabilities to ensure that schools and students are treated equally throughout the state. This work will be done with the consultant, currently under contract with the Department. The Division will also ensure that Vocational Rehabilitation and Special Education work together to produce a formal agreement which will specify their roles and responsibilities.

Disability Knows No Race, Color, or National Origin – We Serve All of the Disabled

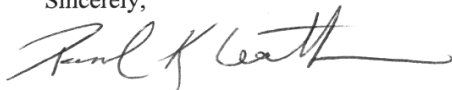
Equal Opportunity Employer – Equal Educational Opportunities

The Bureau will continue to improve its caseload data system to ensure that accurate information is used to manage the program and report to the federal government. The Bureau has implemented a new vocational rehabilitation case management system (CMS) which allows data to be collected in real time in a central database. It is anticipated that this will resolve many of the issues that were prevalent in the previous distributed database system. The CMS was in its first year of implementation during the audit period and many of the problems were a result of conversion and initial system errors. The Bureau continues to modify and adjust the CMS as errors and additional requirements are identified. The CMS will also be utilized to produce the necessary management reports on the performance of Community Rehabilitation Programs (CRPs). These will be used to oversee the performance of CRPs and to develop a performance report that can be given to customers to assist them in choosing CRP providers.

The Bureau will improve oversight of case files and reports to ensure that federal and Bureau requirements are met by continuing work with the Office of Business Management and the Office of Technology Management to improve the accuracy of data reporting. The Bureau is currently revising the CMS diary system to reflect the initiation of employment claims and providing training to staff which will greatly improve claim submittals for Social Security reimbursement.

We wish to express our appreciation for the professional efforts and work of the audit team. Throughout the audit period they took the time to understand the work of Vocational Rehabilitation and the demands on staff who supported their information requests. The team's professional courtesy and their thorough and thoughtful approach to reviewing the work of vocational rehabilitation is deeply appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul K. Leather".

Paul K. Leather
Director
Division of Adult Learning and Rehabilitation

APPENDIX B

Current Status Of Prior Audit Findings

The following is a summary of the status of the observations related to the Department of Education's Bureau of Vocational Rehabilitation and Service Delivery found in our 1991 performance audit report of the State of New Hampshire Developmental Services System. A copy of the prior audit can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

<u>Prior LBA Observations</u>	<u>Status</u>		
29. Increasing Pre-Active Caseload	●	●	●
30. Inadequate Fair Hearing Procedures (see Observation No. 1)	○	○	○
31. Programs For Transition From School To Work Need Strengthening	●	●	●
32. System-Wide Coordination Of Program Planning And Service Delivery Activities (see Observation No. 2)	●	○	○
35. Bureau Of Vocational Rehabilitation (formerly the Division) And The Division Of Mental Health And Developmental Services Interagency Agreement	●	●	●
36. Catastrophic Health Care Costs	●	●	●
37. Medicaid Disincentive	●	●	●

<u>Status Key</u>				<u>Frequency</u>
Fully Resolved	●	●	●	5
Substantially Resolved	●	●	○	0
Partially Resolved	●	○	○	1
Unresolved	○	○	○	<u>1</u> 7

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