

**FISCAL YEAR 2008  
MONITORING REPORT ON THE  
VOCATIONAL REHABILITATION AND  
INDEPENDENT LIVING PROGRAMS  
IN THE STATE OF  
ARIZONA**



**U.S. DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND  
REHABILITATIVE SERVICES  
REHABILITATION SERVICES ADMINISTRATION**

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## EXECUTIVE SUMMARY

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The Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the *Rehabilitation Act of 1973*, as amended (the Act) in the state of Arizona (AZ):

- the vocational rehabilitation (VR) program, established under Title I;
- the supported employment (SE) program, established under Title VI, part B;
- the independent living (IL) program, authorized under Title VII, part B; and
- the independent living services program for older individuals who are blind (OIB), established under Title VII, Chapter 2.

The Arizona Rehabilitation Services Administration (AZRSA) is the agency in Arizona responsible for the administration of these four programs.

RSA's review began in the fall of 2007 and ended in the summer of 2008. During this time, RSA's state team:

- gathered and reviewed information regarding each program's performance;
- identified a wide range of VR and IL stakeholders and invited them to provide input into the review process;
- conducted an on-site visit, and held multiple discussions with state agency staff, State Rehabilitation Council (SRC) members, Statewide Independent Living Council (SILC) members, Governor's Council for the Blind and Visually Impaired (GCBVI) members, and stakeholders to share information, identify promising practices, compliance issues, and areas for improvement;
- provided technical assistance during the review process;
- identified promising practices;
- recommended that AZRSA undertake specific actions to improve its performance;
- required AZRSA to take corrective action in response to compliance findings;
- in collaboration with AZRSA identified technical assistance that would be helpful to improve its performance or correct compliance issues; and
- identified issues for further review.

RSA identified the following strengths and challenges of the VR, SE, and IL programs.

## **AZRSA**

### **Strengths:**

- AZRSA has assisted an increasing percentage of individuals with disabilities and transition-age youths to achieve employment.
- The Arizona State Plan for Independent Living (SPIL) has clearly defined goals, objectives and timelines that are assigned to specific SILC committees. Each of these committees is provided a separate budget for completion of its assigned goals. This process allows for clear communication of progress, which enhances the SILC's planning activities.
- Fiscal staff employed by the Arizona Department of Economic Security (AZDES), the designated state agency, and AZRSA coordinate well in the financial administration of the VR and IL programs.

### **Challenges:**

- The state's application of its procurement regulations to the VR program limits the ability of AZRSA to provide timely and quality services to individuals with disabilities. As these regulations are applied, AZRSA must develop a separate contract for each type of service to be delivered. In addition, AZRSA can only use the state's procurement process to expand the pool of qualified vendors every three years. Consequently, the agency finds it difficult to expand and improve access to VR services in rural areas of the state.
- The ability of the agency to achieve program improvement is affected by issues related to the recruitment and retention of qualified VR counselors and other staff. Currently, AZRSA is operating under a state-imposed hiring freeze. Also, the agency has difficulty attracting and retaining qualified VR counselors due to the low wages paid within the public VR system, as compared to those available in neighboring states and within the state's private sector.
- AZRSA is implementing a new electronic case management system. Until AZRSA has successfully completed the conversion to the new system and has thoroughly trained management and staff on the information that can be generated, the agency will not be able to realize the full benefit of the system in managing case flow and achieving program improvements.
- AZRSA and the SRC have been unable to develop a strong and active partnership because the SRC is not fully constituted. Consequently, AZRSA is unable to obtain, and the SRC cannot provide, the full scope of input necessary for informed decision-making in support of VR program improvement.

- Current contracts between AZRSA and the AZ SILC include references to activities that are not allowable under Title VII, Part B funding.

## INTRODUCTION

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Section 107 of the Act requires the commissioner of the RSA to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state VR agency is complying substantially with the provisions of its State Plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the State Plan Supplement for Supported Employment under Title VI part B of the Act and programs offered under Title VII of the Act are substantially complying with their respective State Plan assurances and program requirements.

In order to fulfill its monitoring responsibilities, RSA:

- reviews the state agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment and independent living outcomes;
- develops, jointly with the state agency, performance and compliance goals as well as strategies to achieve those goals; and
- provides technical assistance (TA) to the state agency in order to improve its performance, meet its goals, and fulfill its State Plan assurances.

### Scope of the Review

RSA reviewed the performance of the following programs of the Act:

- the VR program, established under Title I;
- the SE program, established under Title VI, part B;
- the IL programs authorized under Title VII, part B; and
- the OIB program, established under Title VII, Chapter 2.

In addition, RSA also reviewed AZRSA's progress on:

- the agency's Corrective Action Plan that was established as a result of findings from RSA's FY 2003 and FY 2004 Section 107 monitoring reviews; and
- the assurances that AZRSA made to RSA in connection with the approval of its FY 2007 and FY 2008 State Plans related to the completion of interagency agreements with institutions of higher education and to the agency's comprehensive system of personnel development (CSPD), respectively.

## **Arizona Administration of the VR, SE, IL and OIB Programs**

AZRSA is located within the state's Department of Economic Security (AZDES), the designated state agency. It is the sole agency responsible for the administration of the VR, SE, IL and OIB programs in the state through its six districts and 53 field offices, 11 of which are located in one-stop employment and training centers. AZRSA administers a combined program that serves individuals who are blind as well as individuals with other disabling conditions. The State VR, SE, IL and OIB programs are under the administration of AZRSA.

### **Appreciation**

RSA wishes to express appreciation to the representatives of AZRSA, AZDES, the SRC, the SILC, the GCBVI, the Client Assistance Program and the stakeholders who assisted the RSA monitoring team in the review of AZRSA.

## CHAPTER 1: RSA'S REVIEW PROCESS

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### Data Used During the Review

RSA's review of AZRSA began in the fall of 2007 and ended in the summer of 2008. RSA's data collections are finalized and available at different times throughout the year. During this review, RSA and the state agency used the most recent data that was available from the FY 2006 and FY 2007 collections. As a result, this report cites data from FY 2006 and FY 2007.

### Review Process Activities

During the review process, the RSA Arizona state team:

- gathered and reviewed information regarding each program's performance;
- identified a wide range of VR and IL stakeholders and invited them to provide input into the review process;
- conducted an on-site visit, and held multiple discussions with state agency staff, SRC members, SILC members, GCBVI members, and stakeholders to share information, and identify promising practices, compliance issues, and areas for improvement;
- provided technical assistance during the review process;
- identified promising practices;
- recommended that AZRSA undertake specific actions to improve its performance;
- required AZRSA to take corrective action in response to compliance findings;
- in collaboration with AZRSA, identified technical assistance that would be helpful to improve its performance or correct compliance issues; and
- identified issues for further review.

### RSA Arizona State Team Review Participants

Members of RSA's Arizona state team included representatives from each of the five functional units located within RSA's State Monitoring and Program Improvement Division (SMPID). The RSA Arizona state team was led by RSA's state liaison, Sean Barrett, Independent Living Unit and the following RSA team members: Carol Dobak, Tonya Stellar, and Jim Doyle (Vocational Rehabilitation Unit), Bill Bethel (Fiscal Unit), Fred Isbister (Technical Assistance Unit) and Steven Zwillinger (Data Unit).

## Information Gathering

During FY 2008, RSA began its review of AZRSA by analyzing information including, but not limited to, RSA's various data collections, AZRSA's VR and IL State Plans, and the SRC's Annual Report. After completing its internal review, the RSA team carried out the following information gathering activities with AZRSA and stakeholders in order to gain a greater understanding of AZRSA's strengths and challenges:

- conducted 11 teleconferences with VR and IL stakeholders beginning in November, 2007;
- conducted eight teleconferences with the AZRSA management beginning in November, 2007;
- conducted teleconferences with AZRSA IL program staff, SILC members and administrative staff, and OIB staff; and
- conducted an on-site monitoring visit from May 11 through May 16 during which team members met with leadership and field staff of AZRSA and AZDES, the CAP, and members of the SILC, GCBVI, and SRC.

## CHAPTER 2: AZRSA VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

### Agency Information and Performance

As indicated in Table 2.1 below, during the five-year period beginning in FY 2003, the number of individuals achieving employment outcomes increased from 1,545 individuals in FY 2003 to 2,096 individuals in FY 2007.

**Table 2.1: VR and SE Program Highlights for AZRSA FY 2003 through FY 2007**

	2003	2004	2005	2006	2007
Total funds expended on VR and SE	\$50,616,774	\$59,195,609	\$59,276,602	\$74,338,513	\$81,000,921
Individuals' cases closed with employment outcomes	1,545	1,688	1,900	2,005	2,096
Individuals' cases closed without employment outcomes	2,583	1,954	2,019	2,247	1,881
Total individuals' cases closed after receiving services	4,128	3,642	3,919	4,252	3,977
Employment rate	37.43	46.35	48.48	47.15	52.70
New applicants per million state population	1,334.23	1,327.35	1,181.14	1,005.67	1,087.22
Average cost per employment outcome	\$5,411.84	\$5,836.75	\$5,770.66	\$5,467.76	\$6,781.03
Average cost per unsuccessful employment outcome	\$3,210.28	\$3,294.56	\$2,848.47	\$3,250.82	\$3,832.07
Average hourly earnings for competitive employment outcomes	\$9.45	\$9.56	\$9.77	\$10.13	\$10.65
Average state hourly earnings	\$16.85	\$17.36	\$18.23	\$19.01	\$19.86
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	56.08%	55.07%	53.59%	53.29%	53.63%
Average hours worked per week for competitive employment outcomes	32.58	33.17	33.23	33.21	33.25
Percent of transition age served to total served	34.33%	31.80%	35.03%	32.38%	31.25%
Employment rate for transition population served	30.42%	41.62 %	43.19 %	45.17 %	55.99 %
Average time between application and closure (in months) for individuals with competitive employment outcomes	24.1	25.4	25.4	25.1	29.7

The percentage of individuals who achieved employment outcomes of all those who exited the VR program after receiving services increased from 37.43 percent in FY 2003 to 52.70 percent in FY 2007. The number of applicants decreased from 1,334 individuals in FY 2003 to 1,087 individuals in FY 2007. The total number of individuals whose cases were closed after receiving services has fluctuated from FY 2003 to FY 2007.

## **VR and SE Service Delivery**

AZRSA is currently under an order of selection. However, the agency is serving all individuals with disabilities in all priority categories, as defined in AZRSA policies. Under its order of selection, the agency defines three priority categories for the provision of services, including most significant, significant, and all other eligible individuals.

AZRSA delivers direct job placement services through the agency's VR counselors, but the agency has expanded its use of CRPs to provide these services in order to serve more individuals.

The agency contracts with approximately 61 CRPs who provide employment services such as vocational evaluations, work adjustment training, job development and placement, supported employment and therapy. There are two methods of payment for CRPs, fee for service and performance-based contracting. Currently, 23 CRPs participate in performance-based contracts. Under fee for service, contract services are paid hourly or under a daily rate.

AZRSA has assigned VR counselors, with general and transition caseloads, to each public high school in Arizona to increase the access to services for transition-age youths. In addition, AZRSA has entered into third-party arrangements with a number of school districts through which it provides enhanced transition services, including community-based work opportunities. Transition-age youths comprise 32.38 percent of AZRSA's total population served, the highest in comparison to its peer agencies average<sup>1</sup> of 30.64 percent. The number of transition-age youths achieving employment has increased from 495 individuals in FY 2002 to 696 individuals in FY 2007, while the number of individuals who achieve competitive employment and work 35 or more hours per week and receive employer-provided medical insurance has also increased from FY 2003 to FY 2007. In FY 2007, 696 transition-age youths accounted for 31.25 percent of the total number of individuals achieving successful employment outcomes. The employment rate for transition-age youths increased from 30.42 percent in FY 2003 to 55.99 percent in FY 2007.

The number of individuals achieving SE outcomes has increased from 160 individuals in FY 2003 to 220 individuals in FY 2006. AZRSA provides SE services primarily to individuals with mental illness and psychosocial impairments. To expand the availability of extended services AZRSA encourages CRPs to contract with agencies that fund these services, including the Arizona Department of Health Services (ADHS), the Division of Behavioral Health (DBHS) and the Division of Developmental Disabilities (DDD).

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<sup>1</sup> Peer agencies are those that are similar to AZRSA in grant size and include: Louisiana-C, Missouri-G, Virginia-G and Wisconsin-C. Peer agency data is for FY 2006.

## **Personnel**

In FY 2007, AZRSA employed 336 total staff including administrators, VR counselors, rehabilitation representatives; rehabilitation services technicians, rehabilitation teachers, orientation and mobility specialists, vocational evaluators, employment specialists, quality assurance specialists and administrative support staff. Of these 336 individuals, 168 were employed as VR counselors.

AZRSA requires its VR counselors to possess the academic credentials that enable them to sit for examination given by the Committee on Rehabilitation Counseling Certification to meet the Arizona qualified standard.

## **Data Management**

AZRSA is planning a transition from a mainframe system to an electronic case management system. The new case management system is web based, and its reports should increase the ability of staff to monitor and evaluate timely case management practices. This new system will allow the staff to use reminders and real-time information about individuals receiving AZRSA services.

AZRSA anticipates that this new system will be fully implemented in early 2009. The new case management system will provide each staff person a greater array of information that will allow the counselor or supervisor to obtain immediate updates on each individual within a caseload. AZRSA will need to adapt to having real-time information available and use this information to improve service delivery.

Prior to its full implementation, AZRSA plans to run a pilot program with three of its offices in the fall of 2008. During this time, the offices in the pilot program will be using both the current case management system and the new case management system to manage each counselor's caseload. It will be necessary for AZRSA to check the reliability and validity of the data following this pilot by generating comparable reports from both systems.

## **Quality Assurance**

AZRSA conducts case reviews to evaluate service delivery. During statewide case reviews, cases are examined to monitor the timeliness of eligibility determination and IPE development. Central office staff monitor to ensure that IPE employment goals match the employment outcomes individuals have achieved. AZRSA has developed an electronic case management system to ensure IPE goals reflect employment outcomes. AZRSA is planning to create a quality assistance unit to address quality assurance throughout the agency. AZRSA also plans to appoint an individual to lead the quality assurance unit.

## **Planning**

While AZRSA is collaborating with the AZDES to include individuals with disabilities in the DES Strategic plan, AZRSA is very different from many of the programs administered by

AZDES (e.g. Temporary Aid for Needy Families (TANF) and Child Protective Services). In AZDES' Strategic Plan, AZRSA is included in the section assisting older persons with disabilities.

AZRSA has identified small workgroups to carry out its strategic planning process. Critical issues have been defined to increase performance and outcomes. AZRSA has defined this process as its internal plan to move the agency forward. The critical issues identified through strategic planning have been incorporated into the goals of the State Plan. The VR State Plan reflects broad program planning, focuses on program goals. The plan would benefit from inclusion of more strategies to achieve its goals and integration of fiscal and program planning.

### **VR and SE Programs Technical Assistance Provided to AZRSA During the Review Process**

RSA provided the following VR and SE program technical assistance to AZRSA during the review process regarding:

- revisions to its policy manual concerning eligibility, trial work experience, order of selection, amendments to IPEs, purchase and modification of vehicles, the provision of auxiliary aids and services at both private and out of state institutions of higher education, exceptions to limitations on the nature and scope of VR services and financial participation in the cost of services;
- risk analysis of not conducting parallel testing of both the current and new case management systems;
- caseload management through the new electronic case management system;
- the conduct of the comprehensive statewide needs assessment on an annual basis;
- federal requirements for the monitoring of VR program activities provided by CRPs, including those that are CARF accredited; and
- performance-based CRP contracts to improve CRP performance.

### **Observations of AZRSA and Its Stakeholders about the Performance of the VR and SE Programs**

RSA solicited input from AZRSA and a wide range of its stakeholders about the performance of the VR and SE programs. The AZRSA and its stakeholders shared the following observations:

- the need for more accurate and consistent interpretation and implementation of federal and state regulations and policies governing the VR program;

- more program participants could pursue developing self-employment plans if counselors had a better understanding relevant policies, resources, and business consultants who review the self-employment plans had a better understanding of medical aspects of disabilities;
- there is a need to provide written notice and implement a proper appeal process for individuals who services are terminated, as well as the to avoid reduction and suspension of services during an appeal process;
- there are delays in service provision due to the procurement process for services costing more than \$1000 through the Department of Economic Security;
- some counselors could do a better job of informing program participants of their choices and the services they are eligible to receive;
- IPE goals do not always match individual employment outcomes and the IPE is not amended to reflect the individuals choice and employment outcome;
- employment rates not meeting federal standards for the past seven years (percent of employment outcomes after services); and
- the need to improve communication between AZRSA and the Client Assistance Program.

RSA discussed the observations of its stakeholders with AZRSA and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

## **VR and SE Performance Observations and RSA Recommendations**

RSA identified the following performance observations and made recommendations<sup>2</sup> to AZRSA about those observations. AZRSA responded to each of the recommendations and in those instances when RSA and AZRSA agreed upon a recommendation, RSA and AZRSA identified the technical assistance that RSA would provide to AZRSA to successfully implement the recommendation.

### **Performance Observations and RSA Recommendations**

#### **1. Employment Outcomes**

**Observation:** AZRSA has been successful in meeting or exceeding the required performance level for the total number of successful employment outcomes of all individuals who achieve employment, the percentage who achieve competitive employment and the percentage of those employed competitively who are significantly disabled. Since FY 2005, AZRSA has continually

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<sup>2</sup> AZRSA is not required to take corrective actions in response to any of the recommendations in this report.

increased the number of individuals who achieve employment outcomes from 1,900 individuals to 2,096 individuals in FY 2007. AZRSA also has increased the number of individuals with competitive employment from 1,761 individuals in FY 2005, to 1,996 individuals in FY 2007. The number of significantly disabled individuals who achieved competitive employment has increased continuously from 1,685 individuals in FY 2005 to 1,913 individuals in FY 2007. Table 2.2 below, highlights the increase in numbers and percentage rates during the past three years.

**Table 2.2: Outcomes for AZRSA FY 2005 through FY 2007**

<b>Arizona Rehabilitation Services Administration</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Successful employment outcomes (Indicator 1.1)	1,900	2,005	2,096
With competitive employment	1,761	1,854	1,996
Percent with competitive employment (Indicator 1.3)	92.68%	92.47%	95.23%
Significantly disabled employed competitively	1,685	1,816	1,913
Percent of individuals competitively employed who are significantly disabled (Indicator 1.4)	95.68%	97.95%	95.84%

- As shown in Table 2.3, from FY 2003 to FY 2007, AZRSA has increased the quality of employment achieved by individuals as demonstrated by such factors as the number of individuals who achieved competitive employment and worked 35 or more hours per week, the number of individuals who achieved competitive employment with earnings that are equal to or exceed substantial gainful activity as defined by the Social Security Administration and worked 35 or more hours per week and the number of individuals who achieved competitive employment and received employer-provided health insurance.
- In FY 2006, the percentage of individuals who were employed in competitive employment and worked more than 35 hours per week exceeded the national average of 57.95 percent. In addition, AZRSA also improved the number and percentage of individuals who achieved competitive employment and received employer provided medical insurance in FY 2006. In the same year, this percentage exceeded the national average of 30.09 percent. Table 2.3 below demonstrates the performance of AZRSA from FY 2003 through FY 2007.

**Table 2.3: Qualities of Employment Outcomes for AZRSA FY 2003 through FY 2007**

<b>Arizona Rehabilitation Services Administration's Employment Outcomes</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Number closed with competitive employment at 35 or more hours per week	884	975	1,074	1,147	1,234
Percent closed with competitive employment at 35 or more hours per week	57.70%	62.22%	60.99%	61.87%	61.82%
Number closed with competitive employment at SGA level at 35 or more hours per week	867	963	1,069	1,120	1,211
Percent closed with competitive employment at SGA level at 35 or more hours per week	56.59%	61.46%	60.65%	60.95%	60.67%
Number closed with competitive employment with employer provided medical insurance	464	586	705	744	773
Percent closed with competitive employment with employer provided medical insurance	30.29%	37.40%	40.03%	40.13%	38.73%

- The average number of hours worked per week by individuals who achieved competitive employment has remained unchanged since FY 2002, at approximately 33 hours per week.
- As indicated in Table 2.4 below, from FY 2002 through FY 2007, the average hourly earnings for all individuals who achieved competitive employment outcomes increased. However, these earnings have not increased at the same rate as the average state hourly wage. During this time, AZRSA's ratio of the percentage of average hourly earnings for competitive employment to the average state hourly wage has decreased from 57.58 percent in FY 2002 to 53.63 percent in FY 2007.

**Table 2.4: Comparison of Average Hourly Wage to Average State Hourly Wage for AZRSA FY 2002 through FY 2007**

<b>Arizona Rehabilitation Services Administration's average hourly wage compared to average state hourly wage</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Average hourly earnings for competitive employment outcomes	\$9.42	\$9.45	\$9.58	\$9.77	\$10.13	\$10.65
Average state hourly earnings	\$16.38	\$16.85	\$17.36	\$18.23	\$19.01	\$19.86
Percent average hourly earnings for competitive employment outcomes to state average wage	57.58%	58.08%	55.07%	53.59%	53.29%	53.63%

- As indicated in Table 2.5 below, since FY 2000, AZRSA consistently has not met the required minimum performance level for Indicator 1.2, the percent of individuals who achieved employment outcomes of all those whose cases were closed after receiving services. Since FY 2003, AZRSA has consistently improved the overall number of individuals who have achieved employment from 1,545 individuals in FY 2003 to 2,096 individuals in FY 2007.
- AZRSA has shown a significant increase in the employment rate during this same period of time from 37.43 percent in FY 2003 to 52.70 percent in FY 2007, as indicated in Table 2.1.

**Table 2.5: Employment Rate for AZRSA from FY 2000 through FY 2007**

<b>Arizona Rehabilitation Services Administration's Employment rate</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Employment Outcomes	2,147	2,093	1,724	1,545	1,688	1,900	2,005	2,096
Total Individuals served	4,861	4,935	4,787	4,128	3,642	3,919	4,252	3,977
Percent with employment outcomes after services	44.17%	42.41%	36.01%	37.43%	46.35%	48.48%	47.15%	52.70%

- In FY 2007, AZRSA closed the cases of 3,977 individuals who received services. Of these individuals whose cases were closed, 984 were diagnosed with a psychosocial impairment. Out of those 984 individuals, 430 (44 percent) achieved an employment outcome. Although individuals with psychosocial impairments are the second highest population group served, this population has the lowest employment rate. In FY 2007, individuals with communicative impairments had the highest employment rate. This

population accounts for 10 percent of those who had their case closed after receiving services.

- As indicated Table 2.6 below, although individuals with cognitive impairments are the largest population served in FY 2007, this population earned the lowest average hourly wage. AZRSA closed 3,977 cases of individuals who had received services. Of the total number of individuals whose cases were closed after receiving services, 1,192 individuals (30 percent) were diagnosed with a cognitive impairment. In FY 2007, the average wage for persons with cognitive impairments who achieved successful employment was \$9.18 per hour. Although individuals with communicative impairments who achieved successful employment represented ten percent of the total population served, this population earned the highest average hourly wage of \$12.01, in FY 2007.

**Table 2.6: Outcome for Disability Type for AZRSA for FY 2007**

<b>Disability Type</b>	<b>Employment Outcome</b>	<b>Unsuccessful Employment Outcome</b>	<b>Served</b>	<b>Employment Rate</b>	<b>Ave Hourly Wage</b>
<b>Visual Impairments</b>	95	68	163	0.58	11.25
<b>Communicative Impairments</b>	247	150	397	0.62	12.01
<b>Physical Impairments</b>	429	401	830	0.52	11.80
<b>Cognitive Impairments</b>	704	488	1192	0.59	9.18
<b>Psychosocial Impairments</b>	430	554	984	0.44	9.66
<b>Other Mental Impairments</b>	191	220	411	0.46	9.92

**Recommendation 1:** RSA recommends that AZRSA:

1.1 develop strategies to improve the agency’s employment rate or the percent with employment outcomes compared to the cases that are closed without an employment outcome after an individual receives services;

1.2 develop strategies to establish, expand or improve CRPs within the community to increase the employment rate for persons with psychosocial and other mental impairments to be at least equal to the employment rate of other disability populations;

1.3 develop goals and strategies to increase employment outcomes and the employment rate for persons with psychosocial impairments; and

1.4 develop strategies to increase wage levels for the disability populations served by the agency, explore relevant training and education to increase wages, and expand relationships with employers throughout the state.

**Agency Response:** AZRSA agrees with these recommendations.

**TA:** AZRSA requests TA.

## 2. Case Closures during the Service Delivery Process

**Observation:** AZRSA closes a significant percentage of cases without an employment outcome.

- As indicated in Table 2.7 below, during FY 2007, AZRSA closed 3,681 cases of individuals prior to the development of their Individualized Plans for Employment (IPEs). The largest number cases are closed after an individual has been determined eligible for services (2,511) and prior to the development of the IPE. This number of cases represents 32.78 percent of all cases closed during this stage of the rehabilitation process, and is higher than the national average of 23.13 percent.

**Table 2.7: Closures by Program Status for AZRSA for FY 2007**

Type of Closure	AZRSA Cases	Percent of AZRSA Cases	Percent of National Cases
Application Status	864	11.28%	15.60%
Order of Selection Status	232	3.03%	2.04%
Trail Work Status	74	0.97%	0.67%
Eligibility Status	2,511	32.78%	23.13%
Cases Closed from Application to Eligibility	3,681	48.05%	41.45%

- In FY 2007, 24.56 percent of the cases closed were those of individuals who received services, but did not achieve employment. This percentage is higher than the national average of 23.17 percent.
- As indicated in Table 2.8 below, AZRSA provided an analysis of unsuccessful case closures (status 28) in FY 2007 to determine the reasons for case closures. The agency reported that the largest number of cases was closed because the agency was unable to locate or contact the individuals.

**Table 2.8: Cases Closed After Services Initiated and Without Employment for AZRSA for FY 2007**

Reasons for Closure	Number of Unsuccessful cases closed
Unable to Locate or Contact	832
Other reasons NEC	14
Disability too significant to benefit from VR services	75
Refused services or further services	445
Death	33
Individual in Institution	23
Transferred to another agency	336
Failure to Cooperate	123
Total	1881

Recommendations 2: RSA recommends that AZRSA:

- 2.1 conduct a comprehensive analysis of the reasons individuals are exiting the system prior to the development of the IPE, with a particular focus on the number of individuals closed from eligibility status; and
- 2.2 develop strategies based on the analysis in 2.1 to improve communication and the successful closure of cases, after services have been provided, to reduce the number of individuals exiting the VR program due to the inability to contact or locate them.

**Agency Response:** AZRSA agrees with these recommendations.

**TA:** AZRSA requests TA.

### 3. CRPs

**Observation:** AZRSA needs to evaluate the utilization of CRPs to increase the employment outcomes for persons with disabilities.

- AZRSA engages with CRPs for the provision of job development, job placement, and supported employment services through fee-for-service contracts. The CRPs range in size from small one-person operations to large well established non-profit organizations. Although the providers are located throughout the state, AZRSA has experienced difficulty finding sufficient numbers of providers to serve the vast rural areas of Arizona. AZRSA is working to expand the pool of qualified providers through the RFP process under the state procurement system.
- To improve performance and accountability of CRPs, AZRSA established a two-year pilot project through which it has developed performance-based contracts with CRPs. Through this pilot, AZRSA engages in a series of different contracts (Tracks 1-4) under which the CRPs are paid a portion of the contract fee at the completion of separate

“milestones.” Which contract is used depends on the needs of the individual. Under Track 1, the CRP receives payment after the provision of job readiness services, the individual has been placed in a job, the employment is stable and after the individual has been employed in the job for ninety days. Under Track 2, an additional payment is made prior to that for job stabilization when the individual has retained employment for four weeks. The Track 3 contract includes a second job retention payment after eight weeks of employment. Finally, under Track 4, the CRP can receive payment for post-employment services on a fee-for-service basis. Within each track, the CRP receives one of two levels of payment based on the significance of the individual’s disability as measured by functional limitations.

- AZRSA is conducting an evaluation of the contracts under the pilot program compared to its traditional fee-for-service contracts based on the number and quality of the outcomes achieved and a survey of provider and individual satisfaction.
- During the review, AZRSA and the CRPs indicated a need to expand communication concerning contracting, fees and training of CRP and agency staff.

**Recommendations:** RSA recommends that AZRSA:

- 3.1 evaluate the effectiveness of the pilot project and develop statewide strategies to monitor, evaluate, and hold accountable the CRPs in order to improve the number and quality of the outcomes achieved; and
- 3.2 develop strategies to improve communication with the CRPs on issues related to contracting, monitoring, and accountability.

**Agency Response:** AZRSA agrees with these recommendations.

**TA:** AZRSA requests TA.

#### **4. Staff Development and Training**

**Observation:** AZRSA would benefit from more consistent implementation of policies and procedures throughout the agency’s field offices. Consistent and correct interpretation and implementation of policies and procedures will enable AZRSA to improve the effectiveness and efficiency of case management, service delivery and employment outcomes.

- During on-site discussions, staff from the agency’s Policy Unit indicated that they have undertaken steps to improve the consistent and correct interpretation of policies and procedures by establishing a “policy mailbox” on the agency’s intranet, to which staff can submit questions for response by the Policy Unit. In addition, the Policy Unit intends to issue updates to policies on a quarterly basis through the agency’s intranet.
- Over the past two years, AZRSA undertook the development of a revised policy manual in order to consolidate individually issued policy memoranda and to update other existing

policies. The process involved the participation of the policy unit staff, counselors, other agency staff and representatives from the CAP and the SRC. It resulted in the publication of a draft policy manual on the agency's website in March 2008. AZRSA invited comment through the website and held public forums as required by federal regulations. In addition, the agency placed the draft manual on its new case management system for review by staff.

- Currently, AZRSA is revising specific policies contained in the draft manual based on public comment and feedback received from RSA during the course of the review. Once finalized, the agency will officially publish the manual on its website for access by the public and through its intranet and case management system for use by staff.
- AZRSA would benefit from a plan to train agency staff on the interpretation and implementation of the policies and procedures contained in the revised manual. During on-site discussions, RSA suggested various options through which the training could be delivered.

**Recommendation 4:** RSA recommends that AZRSA develop a plan for and training on policies and procedures to all staff involved in their implementation.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA requests TA.

## 5. Management of Staff Resources and Allocation

**Observation:** AZRSA may increase timely service delivery through more effective collaboration between purchasing and payment technicians (PPTs) and the VR counselors.

- As part of the agency's efforts to improve the checks and balances within the process for authorizing and paying for services under the VR program, AZRSA hired and placed PPTs in many of its field offices.
- AZRSA intended that the PPTs would relieve its counseling staff of responsibility for these administrative tasks, allowing counselors more time to provide counseling and guidance to the individuals they serve.
- Supervisors and counselors from some field offices indicated that they work in a productive manner with their PPTs and that the PPTs have enabled them to provide services more efficiently.
- Supervisors and counselors from other offices, however, reported that the PPTs have contributed to delays in the provision of services due to their lack of understanding of program policies and procedures and the services available in the local area. These staff indicated that, although the PPTs receive training on the purchase and payment process,

they do not receive training on program policies and procedures. An understanding of program policies by all involved in the delivery of services is necessary for the timely provision of services that meet the specific needs of each individual.

**Recommendation 5:** RSA recommends that AZRSA:

- 5.1 evaluate the current system of using PPTs in each office to identify the strengths and challenges to increase the overall efficiency and timeliness of services;
- 5.2 develop strategies to replicate proficient practices and collaboration between PPTs and counselors;
- 5.3 provide joint training for PPTs, supervisors and counselors on policies, procedures for the purchase of services, and job duties. This training should include the involvement of field office staff and PPTs with productive working relationships to share best practices; and
- 5.4 establish goals for the timely purchase and payment for VR services by PPTs.

**Agency Response:** AZRSA agrees with these recommendations.

**TA:** AZRSA requests TA.

## 6. Transition Services

**Observation:** Although the percentage of transition-age youths served of all individuals served by AZRSA has decreased from 35.03 percent in FY 2005 to 31.25 percent in FY 2007. In FY 2006, transition-age youths comprised 32.38 percent of total individuals served which is a higher percentage than the national average of 26.99 percent and the peer average of 30.64 percent.

Despite the decline in the percentage of transition-age youths served to total population served, AZRSA has focused its efforts on improving the quality of employment outcomes for transition-age youths through a variety of initiatives, such as the Youth Transition Program.

- AZRSA has increased the employment rate for transition-age youths since FY 2003, achieving a rate of 55.99 percent in FY 2007. The numbers of transition-age youths who achieved competitive employment, competitive employment with earnings at or above the level for substantial gainful activity and who worked 35 or more hours per week, and competitive employment with employer-paid medical insurance have increased since FY 2003. The number of youth who achieved all types of employment also has increased since FY 2003, while the number of transition-age youths who exit the VR program without employment has decreased since FY 2002.

**Table 2.9: Transition-Age Youths' Employment Outcomes for AZRSA FY 2002 through FY 2007**

Closure Performance - Transition population	2002	2003	2004	2005	2006	2007
With employment	495	431	482	593	622	696
Without employment	1,115	986	676	780	755	547
Employment rate	30.75%	30.42%	41.62%	43.19%	45.17%	55.99%
Percent of transition age served to total served	33.63%	34.33%	31.80%	35.03%	32.38%	31.25%
With competitive employment	469	427	449	538	559	661
Percent with competitive employment	94.75%	99.07%	93.15%	90.73%	89.87%	94.97%
With competitive employment with a significant disability	334	319	380	494	536	639
Percent closed with competitive employment with a significant disability	71.22%	74.71%	84.63%	91.82%	95.89%	96.67%
With competitive employment at 35 or more hours per week	317	258	280	346	357	417
Percent closed with competitive employment at 35 or more hours per week	67.59%	60.42%	62.36%	64.31%	63.86%	63.09%
With competitive employment at SGA level at 35 or more hours per week	313	257	277	346	355	411
Percent closed with competitive employment at SGA level at 35 or more hours per week	66.74%	60.19%	61.69%	64.31%	63.51%	62.18%
With competitive employment with employer-provided medical insurance	80	100	149	197	208	232
Percent closed with competitive employment with employer-provided medical insurance	17.06%	23.42%	33.18%	36.62%	37.21%	35.10%

- During on-site discussions, field counselors with a specialty in transition services described the innovative programming and practices specific to disability populations and to field offices in the state. These include the effective partnerships with the Developmental Disabilities Administration, public school system and CRPs.
- Arizona is one of eleven states working in collaboration with 16 national organizations, seven technical assistance centers and federal partners through the National Community of Practice in Support of Transition, established pursuant to the Individuals with

Disabilities Education Improvement Act (IDEA). Arizona is working as a partner to improve interagency transition initiatives and promote the role of youth in this effort.

- In the Maricopa field office, a VR counselor is co-located with Child Protective Services.
- AZRSA provides enhanced transition services to students with disabilities through third-party cooperative arrangements, known as the Youth Transition Program (YTP). These arrangements support the hiring of transition counselors who work in conjunction with AZRSA field office staff and special education teachers to provide career assessment and development, career-oriented classroom activities and to develop work opportunities in the community based on the students' skills, interests and informed choice.
- During a meeting with administrators and transition specialists from the Humboldt School District, along with AZRSA field office staff responsible for the implementation of the YTP in that area, RSA was informed that there are typically approximately 200 students with Individualized Education Programs (IEPs) in the high school. Of these 200 students, approximately half are of the age for enrollment in the YTP, and of these the program serves approximately 25 students, the maximum number that can be effectively served by the two transition specialists.
- Based on a review of the draft written agreement implementing the YTP in the Peoria School District, AZRSA intends to assess the performance of each project by measuring the number of students referred to the program who are accepted into the YTP and the number of students served who obtain the skills necessary to proceed to work or to postsecondary education. AZRSA has not used the data it collects on transition-age youths related to the number and the quality of the employment outcomes achieved to measure the effectiveness of the services provided by its transition counselors as compared to those provided through the YTPs. During the on-site visit, AZRSA staff indicated interest in developing a method for conducting such an evaluation.
- AZRSA transition staff and representatives of the school districts indicated a need for increased opportunities through which they can share information regarding the transition initiatives in their local areas with others in the state.

**Recommendation 6:** RSA recommends that AZ RSA:

- 6.1 utilize data to monitor the performance of the agency's transition initiatives, including the YTP and the IDEA partnership, and the impact of these programs on the number and quality of employment outcomes achieved by transition-age youths served through each; and
- 6.2 develop mechanisms through which staff from AZRSA and the school districts can exchange information about effective transition practices in areas of the state.

**Agency Response:** AZRSA agrees with these recommendations.

**TA:** AZRSA does not request TA.

## **7. Case Management System**

**Observation:** AZRSA's current case management system does not include a reporting structure to provide staff the necessary tools to manage consumer caseloads.

- Discussions with AZRSA staff and on-site activities indicated that data were not available, were difficult to acquire, or were routinely not used by staff in a number of areas in which FY 2006 RSA-911 data indicated AZRSA was experiencing difficulty. These areas include: timely determination of eligibility (17.93 percent of eligibility determinations were made after 60 days); timely development of the IPE (23.67 percent of all IPE's were developed beyond 120 days); and contacts with individuals during the VR process (44.6 percent of the 5,793 individuals in various stages of the VR process prior to the achievement of an employment outcome were closed because agency staff were unable to locate or contact the individuals.) The agency attributes this difficulty to locate individuals to a lack of regular or consistent counselor-consumer contact.
- AZRSA is in the process of implementing a new case management system that will provide much greater capabilities to monitor and track caseloads in real time.
- The agency would benefit from a plan in place to train staff on how to use the new case management system to manage their caseload or utilize the reporting information that will now be available.
- AZRSA would benefit from a plan in place to check the validity of their data following conversion to the new case management system.

**Recommendations:** RSA recommends that AZRSA:

- 7.1 plan and develop additional training modules on how the new case management system's reports can be used to increase successful outcomes;
- 7.2 This training should go beyond identifying available reports, but should demonstrate the information that is available on each report (and through reminders), how this information can be used, why it should be used and how often each report should be monitored.
- 7.3 develop training for counselors to include reports used to manage the flow of caseloads and reminders for service delivery milestones and communication with individuals they serve;
- 7.4 develop training for supervisors, program managers and other administrative staff to include the following areas:
  - utilization of the reports in the electronic case management system to monitor timely case management and provide guidance and oversight to counselors for quality assurance;

- maintenance of reports to evaluate the effectiveness of all CRP's; and
- quantitative and qualitative information used to evaluate each counselor's performance.

7.5 utilize the new case management system to increase quality employment outcome through methods such as:

- reports used by staff to identify individuals who are job ready; and
- reports that would serve as a repository of employers who have hired AZRSA's consumers in the past.

7.6 develop a system to verify the reliability and validity of data after the agency converts to the new electronic case management system; and

- compare the data elements for the cases used during the pilot conversion from its current to the new case management system.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

## **8. Strategic Planning: Systemic Approach to State Plan Development**

**Observation:** AZRSA would benefit from a systematic approach to State Plan development that addresses plan elements beyond goals and priorities.

- The State Plan does not contain measurable strategies the agency will implement to achieve its goals; the measures it will use to assess its progress in working towards these goals; the data sources that provide the information; or the targets it can use to determine when the agency has achieved its goals.
- In the absence of these components, it is not possible for either AZRSA or RSA to make an objective determination of the extent to which the agency has met its goals.
- AZRSA would benefit from greater collaboration between fiscal and program planning. Although AZRSA has access to programmatic data, it does not use this information consistently in the planning and monitoring of programs and services. The coordination of program data and fiscal data is not apparent in the agency's strategic planning, policy development, program evaluation, resource allocation or CRP evaluation activities.
- The use of quantitative data is not evidenced in AZRSA's development of the State Plan. AZRSA staff would benefit from an increased use of data tables, reports, graphs or other data as a part of decision-making and program planning.

**Recommendations:** RSA recommends that AZRSA:

- 8.1 implement a strategic planning process that includes the development of strategies to ensure the plan clearly communicates how the agency will improve its performance;
- 8.2 include in the State Plan measures, targets and data sources that allow for a determination of success in meeting agency goals and objectives;
- 8.3 present information in the State Plan using a more quantitative approach, with contextual information, baseline data and data sources, and a clear distinction between interim performance targets and final performance targets;
- 8.4 increase the collection, analysis and use of data to help provide a basis for data-driven decision-making;
- 8.5 include a focus on data and data analysis into all levels of the plan as well as for program evaluation activities to assess program performance over time and against desired levels of performance;
  - involve fiscal staff as partners in both the strategic planning process and the development of the State Plan;
  - integrate fiscal data and program data in planning, policy development, and evaluation activities to avoid an incomplete perspective in planning; and
  - include fiscal perspectives and program perspectives when developing a comprehensive plan, identifying measures to assess performance and planning for evaluations of agency outcomes.

**Agency Response:** AZRSA agrees with these recommendations.

**TA:** AZRSA requests TA.

AZRSA recognizes the importance and value of a clearly articulated, well-crafted strategic plan and agrees with the FY2008 federal monitoring observations and recommendations directed to this end. The federal monitoring feedback is consistent with AZRSA's intent to design and implement an agency-wide, comprehensive, strategic planning process based upon the following principles:

- the planning process will be participatory, drawing on input from both external and internal stakeholders;
- the planning process and outcomes will be data-driven;
- the process and products of planning will blend the perspectives and needs of both program and fiscal functions;

- the plan will include clearly articulated measures of performance that will be valid, reliable, meaningful, available and baselines and targets that will be identified for each desired impact identified in the plan;
- the planning process will occur between August 2008 and June 2009, and the planning process and products will meet multiple purposes and functions including the FY2010 update of the AZRSA State Plan;
- the planning products will be “living documents” and will serve as critical management tools as well as communication and accountability tools to multiple stakeholder audiences; and
- the AZRSA strategic plan will clearly articulate and document AZRSA’s mission, intended impacts, core strategies and fiscal and programmatic accountability.

## 9. Strategic Planning: Agency Communications

**Observation:** Improved communication among AZRSA leadership, program managers, supervisors, field staff, the SRC and agency stakeholders will help improve program performance.

- Some agency staff indicated a desire for more communication from AZRSA about agency initiatives or programs. While leadership shares general information with staff regarding various programs and initiatives, these staff indicated a need for specific ongoing updated information regarding the reasons for AZRSA’s implementation of particular programs or what the agency hopes to achieve through such programs.
- Staff indicated that increased communication from AZRSA leadership would help them understand why the agency is making programmatic decisions and enhance their ability to implement new initiatives.
- During the course of the review the CAP indicated that it has not been able to address the consumer complaints in an expeditious manner, even when the issues involved are clear-cut and could represent potential systemic issues within AZRSA. For example, the CAP noted that it has provided assistance to several individuals who were denied eligibility even though they were presumptively eligible as recipients of SSI or SSDI. In one such case, an administrative hearing was required to resolve the issue in the client’s favor.
- The CAP requested greater opportunities to engage in communication with AZRSA on systemic issues to improve the delivery of VR services.

**Recommendations:** RSA recommends that AZRSA:

- 9.1 develop a staff communication plan regarding priorities, policy goals, activities, vision and agency direction that employs multiple communication channels (e.g., intranet, newsletter, e-mail); and

- 9.2 develop strategies to improve communication with the CAP so that the agency can more effectively plan activities designed to address systemic issues, such as the clarification of existing or the development of new policies and procedures and the provision of staff training on the appropriate interpretation and implementation of such policies and procedures.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

## 10. Quality Assurance

**Observation:** AZRSA staff have a substantial knowledge of quality assurance. This knowledge, however, is not integrated into agency operations.

- While many staff are interested and aware of quality assurance concepts and principles, there is no sustained focus to these efforts. There is no individual responsible for or organizational unit focused on quality assurance.
- AZRSA is planning to create an organizational unit to address quality assurance issues in the agency.
- AZRSA has not developed standards for CRP performance. There is no system to ensure accountability of fiscal control over or the degree of success achieved by CRPs. AZRSA does not maintain a database to track the CRPs' quality of services, performance outcomes or efficiency of services provided to individuals with disabilities. Quality assurance processes, coupled with routine data collection from CRPs, would assist AZRSA in monitoring the efficiency and effectiveness of services provided.

**Recommendations:** RSA recommends that AZRSA:

- 10.1 establish a quality assurance team or unit to collect and analyze data addressing the timeliness, quality, efficiency and effectiveness of services delivered to individuals with disabilities and to provide recommendations to the Administrator on improving service delivery. A quality assurance function would address contract monitoring, case reviews, federally required financial and performance reports, client and employee satisfaction surveys, case management system functionality, training and implementation of strategic goals and priorities;
- 10.2 establish performance benchmarks and compare AZRSA results against these benchmarks;
- 10.3 identify areas in which performance needs to be improved, identify root causes, and focus resources to improve performance;
- 10.4 develop strategies, such as a "report card" system, to enable the agency to better assess the performance of the CRPs and hold them accountable; and

10.5 review data and other information related to the agency's current contracting methods to determine which method promotes greater performance and accountability among CRPs.

**Agency Response:** AZRSA is not in total agreement with the third observation bullet above, more specifically, the second sentence: "There is no system to ensure accountability of fiscal control over or the degree of success achieved by CRPs." AZRSA believes its contracts, as they are written today, provide the agency the ability to ensure accountability of fiscal control. However, AZRSA agrees there is no specific link to the degree of success achieved.

AZRSA agrees with other recommendations, but development of a "report card" system may not be the approach used. Additionally, some of the items recommended may not become the direct responsibility of the Data Quality Unity, but other units in the program.

**TA:** TA is requested by AZRSA.

## **VR and SE Compliance Findings and Corrective Actions**

RSA identified the following compliance findings and corrective actions that AZRSA is required to undertake. AZRSA must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and is available to provide TA to assist AZRSA.

### **Compliance Findings and Corrective Actions**

#### **1. Third-Party Cooperative Arrangements**

**Legal Requirement:** Agencies entering into third-party cooperative arrangements must comply with the requirements of 34 CFR 361.28, which reads as follows: (a)The designated State unit may enter into a third-party cooperative arrangement for providing or administering vocational rehabilitation services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State unit ensures that--

- (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a vocational rehabilitation focus or existing services that have been modified, adapted, expanded, or reconfigured to have a vocational rehabilitation focus;
- (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;
- (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and, (4) All State Plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program. (b) If a third party cooperative agreement does not comply with the statewideness requirement in

Sec.361.25, the State unit must obtain a waiver of statewideness, in accordance with Sec.361.26.

**Finding 1:** AZRSA has entered into third-party cooperative arrangements with 29 local school districts for the purpose of providing transition services through projects known as Youth Transition Programs (YTP). To determine if these arrangements are in compliance with 34 CFR 361.28, RSA reviewed an example of a draft written agreement implementing the YTP in the Peoria School District. Although the language of this agreement was in draft form at the time of the review, AZRSA intends to use the draft as the model agreement upon which the remaining 28 agreements will be updated for the coming school year. In addition, RSA met with AZRSA officials and staff and representatives of the Humboldt School District to discuss the manner in which the terms of the written agreements are put into practice.

Based on this review, RSA finds that the draft written agreement implementing the third-party cooperative arrangement with the Peoria School District and the conduct of the YTP projects in general are in compliance with 34 CFR 361.28, except as follows.

The written agreement is not in compliance with Section 34 CFR 361.28(a)(2) because:

- A. The agreement states that only students who are eligible for VR services can be enrolled in the YTP. Section 5.1 of the draft states:

5.1 Eligible individuals under this agreement are students with disabilities;  
5.1.1 Enrolled in any of the high schools in Peoria USD and have been identified by the school as an individual with a disability. This includes students enrolled in Special Education programs and students who have been identified as disabled under Section 504 of the Rehabilitation Act (i.e. have a disability, but do not require placement into Special Education classes); and  
5.1.2 Determined eligible for VR program by a VR Counselor and met priority criteria under the established Order of Selection which prioritize VR service provision for individuals with most significant disabilities in accordance with the Rehabilitation Act of 1973, as amended and its implementing regulations (34 CFR Sec. 361.36 Ability to serve all eligible individuals; order of selection of services).

This language is inconsistent with the federal requirement, which specifies that individuals who are applicants for VR services also can be served through third-party cooperative arrangements.

However, officials and staff of AZRSA headquarters indicated during on-site discussions that students who are both applicants and eligible for VR services are served throughout the YTPs. Specifically, representatives from the Humboldt School District and the AZRSA field office responsible for the administration of the YTP stated that students apply for the program in the spring prior to enrollment in the fall semester; the students apply for VR services at that time and field office staff determine eligibility, usually

within one week. Thus, the students are almost always determined eligible for VR services prior to their participation in the YTP. Students who apply for the program in mid-year are permitted to participate as soon as they apply for VR services.

Based on this description of program practices, the conduct of the YTP is consistent with federal requirements. However, AZRSA must revise the language contained in Section 5.1 of the draft agreement to ensure that all arrangements permit both students who are applicants for, and those who are eligible to receive, VR services to enroll in the YTPs.

B. The agreement indicates that students may receive pre-vocational comprehensive assessments from transition specialists funded through the arrangements prior to their enrollment in the YTP. Section 7.2.1.1 states, "Comprehensive assessment will be undertaken prior to a student's enrollment in YTP." This language must be clarified to indicate that this service, like all services provided through the YTP, must be provided with funds used to support the YTP only to students who either are applicants for or eligible to receive VR services.

**Corrective Action 1:** AZRSA must revise Section 5.1 of the draft written agreement to state that both students who are applicants for or eligible to receive VR services can participate in the YTP.

**Corrective Action 2:** AZRSA must revise Section 7.2.1.1 of the draft written agreement to clarify that only students who are applicants for or eligible to receive VR services can be provided pre-vocational comprehensive assessments through funds used to support the YTP.

## 2. State Rehabilitation Council

**Legal Requirement:** Pursuant to 34 CFR 361.17(b)(1), Except as provided in paragraph (b)(3) of this section, the Council must be composed of at least 15 members, including... (ii) At least one representative of a parent training and information center established pursuant to section 682(a) of the Individuals with Disabilities Education Act... (vi) Four representatives of business, industry, and labor... (x) At least one representative of the State educational agency responsible for the public education of students with disabilities who are eligible to receive services under this part and part B of the Individuals with Disabilities Education Act... (xi) At least one representative of the State workforce investment board...

**Finding 2:** The SRC is not legally constituted as required under Section 105 of the Act because it lacks full membership. The following is a list of the vacant positions:

- Parent Training and Information Center Representative, vacant since 2003
- Two Business, Industry and Labor Representatives, one vacant since 2006, the other vacant since 2007
- State Education/Special Education Representative, vacant since 2006
- State Workforce Investment Board Representative, vacant since 2006

**Corrective Action 1:** AZRSA must take the steps necessary to fill the vacancies on the SRC. AZRSA must provide an assurance in connection with the approval of its FY 2009 State Plan to RSA that the SRC will be fully constituted with full membership through gubernatorial appointment.

## CHAPTER 3: FISCAL MANAGEMENT OF AZRSA'S VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

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RSA reviewed AZRSA's fiscal management of the VR and SE programs. During the review process RSA provided technical assistance to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices, and financial management systems.

### Fiscal Management

The data in the following table, based on data reported on the fiscal reports submitted by the state agency, addresses the overall fiscal performance of the agency. The data related to matching requirements is taken from the respective fiscal year's final or latest Financial Status Report (SF-269). The carryover data is taken from the unobligated balance of federal funds portion of the fourth quarter SF-269. The maintenance of effort (MOE) requirement data is taken from the final or latest SF-269 report of the fiscal year that is two years prior to the fiscal year to which it is compared. Fiscal data related to administration, total expenditures, and administrative cost percentage is taken from the RSA-2.

**Table 3.1: Fiscal Profile Data for AZRSA for FY 2003 through FY 2007**

Fiscal Year	2003	2004	2005	2006	2007
Grant Amount	45,401,058	48,460,233	40,862,175	51,413,359	56,406,863
Required Match	12,287,707	13,115,667	11,059,267	13,914,924	15,266,406
Federal Expenditures	45,401,058	48,460,233	40,862,175	51,413,359	56,406,863
Actual Match	12,287,707	13,115,667	11,059,267	13,914,924	15,266,380
Over (Under) Match	0	0	0	0	(26)
Carryover at 9/30 (year one)	15,609,597	18,846,603	10,365,009	0	0
Program Income	778,718	694,010	1,382,272	1,541,280	1,235,861
Maintenance of Effort (MOE)	11,132,732	11,930,532	12,287,707	13,115,667	11,059,267
Administrative Costs	6,154,212	5,409,309	6,522,205	5,759,125	11,147,903
Total Expenditures*	50,616,774	59,195,609	59,276,602	74,338,513	81,000,921
Percent Admin Costs to Total Expenditures	12.16%	9.14%	11%	7.75%	13.76%

\*Includes Supported Employment Program Expenditures.

### Explanations Applicable to the Fiscal Profile Table

#### Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallocation process, or additional grant funds received through the reallocation process.

### **Match (Non-Federal Expenditures):**

The non-federal share of expenditures in the State VR Services Program, other than for the construction of a facility related to a community rehabilitation program, is 21.3 percent, as established in the 1992 amendments to the Rehabilitation Act (act). A *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the State VR Services Program. (34 CFR 361.60(a) and (b); 34 CFR 80.24)

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. The accuracy of expenditure information previously reported in financial and program reports submitted to RSA was also reviewed.

### **Carryover:**

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the fiscal year for which the funds were appropriated.

### **Program Income:**

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated community rehabilitation program. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

## **Maintenance of Effort (MOE):**

The 1992 amendments revised the requirements in Section 111(a)(2)(B)(ii) of the act with respect to maintenance of effort provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the maintenance of effort level is based on state expenditures under the title I State Plan from non-federal sources for the federal fiscal year two years earlier. States must meet this prior year expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and maintenance of effort requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-federal expenditures previously reported for each grant year.

## **Administrative Costs:**

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring and evaluation. More detail related to expenditures that should be classified as administrative costs is found in VR Program regulations at 34 CFR 361.5(b)(2).

## **Fiscal Technical Assistance Provided to AZRSA During the Review Process**

RSA provided the following VR and SE program technical assistance to AZRSA during the review process regarding:

- allocating personnel costs to the benefiting grant when staff work on more than one grant;
- certifying staff who work 100 percent on one grant twice per year;
- developing a formal written policies to govern rates of payment for all purchased vocational rehabilitation services;
- revising contract format to provide specific guidance on the services to be provided to individuals with disabilities; and
- requiring the entity involved in third-party cooperative arrangements to maintain careful records to support the use of federal and non-federal match funds within the arrangements.

## Observations of AZRSA about the Fiscal Management Performance of the VR and SE Programs

RSA solicited input from AZRSA about the performance of the VR and SE programs. The AZRSA shared the observations regarding:

- barriers resulting from the state's cumbersome administrative rules for procurement limit effective contract management; and
- difficulties in properly reporting administrative costs and staff assignments on required federal reports.

RSA discussed the observations with AZRSA and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

## VR and SE Programs' Fiscal Management Performance Observations and RSA Recommendations

RSA identified the following fiscal performance observations and made recommendations to AZRSA about those observations. AZRSA responded to each of the recommendations and in those instances when RSA and AZRSA agreed upon a recommendation, RSA and AZRSA identified the technical assistance that RSA would provide to AZRSA to successfully implement the recommendation.

### 1. Recouping of Payments Not Earned

**Observation 1:** The contracts reviewed state that the agency will recoup funds that were paid and later found not earned, but it does not have a policy for this funds recovery process.

**Recommendation 1:** RSA recommends that AZRSA develop policies for the process of recouping unearned grant funds.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

### 2. Contract Format and Payment Structure

**Observation 2:** A review of the contract format and payment structure presented some problematic areas that may affect the cost efficiency of the delivery of services.

- Contracts reviewed included a menu of services the CRP could provide but no requirements were included that ensured the provision of all services required by the individuals with disabilities served by the CRP.

- Payment benchmarks were time driven and paid according to time spent in the activity, and the contract did not indicate a need for proof of services delivered to achieve payment.

**Recommendation 2:** RSA recommends that AZRSA:

2.1 consider using more specific language in the agency contracts that will make CRPs more accountable in their provision of services to individuals with disabilities; and

2.2 use benchmarks which are tied to specific services provided and not issue payments based only on time spent with a CRP.

**Agency Response:** AZRSA does not agree with this recommendation. The AZRSA contracts issued before 2006, do not have specific language indicating the contractor's accountability for service delivery. However, all AZRSA contracts issued in 2007/2008 contain very specific language and expectations for their service delivery. Each scope of work has clear service deliverable statements; requirement that a Service Plan be developed jointly with the client to establish the client's service objectives to be achieved within anticipated timeframes; requirement that reports be submitted to verify the service provision and client's objectives met before payment will be made; and clearly stated performance standards and measures.

## **VR and SE Programs' Fiscal Management Compliance Findings and Corrective Actions**

RSA identified the following compliance findings and corrective actions that AZRSA is required to undertake. AZRSA must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and is available to provide TA to assist AZRSA.

### **1. Certification of Staff Who Work On One Grant or Cost Objective**

**Legal Requirement:** Pursuant to OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, Attachment B:

Section 8.h(3): Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

**Finding 1:** AZRSA is not in compliance with OMB Circular A-87, Attachment B.8.h(3) because AZRSA does not complete periodic certifications of employees working 100 percent on one grant or cost objective.

**Corrective Action 1:** To comply with the OMB Circular, Attachment B.8.h(3), AZRSA must ensure that its employees or their supervisors certify in writing, at least semi-annually, that the employee worked solely on one grant program or cost objective during the period covered by the certification.

## CHAPTER 4: INDEPENDENT LIVING PROGRAM

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### Agency Information and Performance

In FY 2007, 2,760 individuals received independent living services from Part B or other non-Part C-funded IL services. An additional 3,402 individuals in the state received IL services through Part C funded centers. In FY 2007, AZRSA retained \$233,190 of Part B dollars to fund direct IL services to people with disabilities.

**Table 4.1: IL Program Highlights for AZRSA for FY 2006 through FY 2007**

Data Elements	2006	2007
Funding: Title VII, Chapter 1, Part B	325,265	333,190
Funding: Total Resources (including Part B funds)	3,857,803	4,109,856
Performance: Total Served	336	2,760
Performance: Total Consumer Service Records Closed	253	1,248
Performance: Cases Closed, Completed All Goals	238	1,099
Performance: Total Goals Set	259	6,846
Performance: Total Goals Met	113	2,740
Performance: Total Accesses Achieved	222	203
Staffing: Total FTEs	10.00	10.00
Staffing: Total FTEs with Disabilities	3.00	3.00

### IL Program Administration and Service Delivery

AZRSA has a statewide IL program that provides the core services, with a focus on partnering with local IL resources for the purchases of goods or assistive technology. Staff are located in VR offices.

AZRSA is in the process of re-writing their IL policies manual and is establishing a statewide IL management position.

Additionally, AZRSA, in collaboration with the SILC and in accordance with the SPIL, contracts \$20,000 to Cochise Ability and CyberCIL as part of efforts to expand IL capacity in Arizona. Details of this effort will be covered under promising practices.

The SILC is a 501(c)(3) organization. It contracts with the DSU and submits periodic reports to the DSU in order to receive reimbursement. Additional aspects of this relationship will be covered under promising practices.

## Personnel

AZRSA retains the following staff in their IL program:

- Rehabilitation Services Specialist III (6.5 FTE);
- Program and Project Specialist II (.5 FTE);
- Administrative Secretary II (.5 FTE);
- Administrative Assistant II (.5 FTE); and
- Rehabilitation Technician I (1 FTE).

The SILC is comprised of three positions, Executive Director, Executive Assistant and Program Coordinator. Each position is one FTE.

## Data Management

AZRSA is transitioning to a new database system, which will greatly enhance data management capacity. Challenges with the current system and recommendations for future implementation are included in the observations and recommendations portion of this report.

The SPIL has specific goals, objectives and timelines. Each committee of the SILC has responsibilities for a specific portion of these goals and reports to the full SILC on a consistent basis. This information is reported to AZRSA and shared with the community.

## Fiscal Management

Administration of the AZRSA state IL program occurs through the same mechanisms as reported in fiscal portions of this report.

Fiscal management of SILC resources occurs through contract monitoring and fiscal audits conducted or requested by AZRSA. The state's Audit and Management Services (AMS) conducted an audit of the SILC in March of 2007. The review of allocations and expenditures found that the SILC does not have a Cost Allocation Plan; travel claims are not adequately documented; and an incorrect mileage rate is used. AZRSA reports that all issues have been or are in the process of being reviewed.

Periodic fiscal reporting is also an aspect of ongoing SILC meetings. A DSU representative participates on the SILC and thus receives additional information on fiscal aspects of SILC activities.

## Quality Assurance

The AZ SILC provides periodic reports to the DSU, which are required for contract reimbursement. This report is detailed down to the goal and specific goal budget level. Details of this process are more fully explained below in the promising practices section.

Progress toward goals and impact on the specific budgets are addressed at the beginning of each SILC meeting. Discrepancies are identified and, if necessary, the relevant committee discusses alternative strategies and potential adjustments.

The SILC has six deliverables, which are evaluated as a precursor to reimbursement by AZRSA: completion of the SILC portion of the 704 Report; completion of SILC portions of the SPIL or, in non-SPIL years, updates on the goals; and quarterly updates on SILC activities as defined in the contract with AZRSA.

## Planning

The AZ SILC collaborates with a number of community organizations including the Arizona Commission for the Deaf and Hard of Hearing, Arizona Technical Access Project, Arizona Office for Americans with Disabilities and the Arizona Center for Disability Law. The 704 Report includes 390 hours of community activities and collaborations. These activities provide the SILC with input that not only informs current SPIL activities but also assists in planning for future SPILs.

## Promising IL Program Practices Identified by AZRSA and Stakeholders During the Review Process

RSA's review process solicited input from AZRSA and stakeholders about promising practices. The following promising practices were identified:

### 1. Expansion of Services

- In relation to its duty to monitor the implementation of the SPIL, the AZ SILC identifies organizations that could potentially become new CILs. These organizations are matched with an existing CIL, which acts as a mentor.
- AZRSA, with advice and collaboration of the SILC, contracts a portion of Part B dollars to this developing organization. Funds are for a three-year period of time, and are granted with the expressed intent to develop the organization's capacity to become a center, not to fund the organization's operations.

### 2. Committee Structures and Ties to SPIL Goals

The AZ SILC has a well-defined committee structure that fosters accountability and productivity. Goals are well defined with specific objectives and timelines. Additionally, each

committee is assigned specific SPIL goals, and is responsible for reporting progress on these goals to the larger SILC, which then reports back to AZRSA and the larger IL community.

Each SPIL goal is assigned a budget the responsible committee is expected to follow in their activities related to accomplishing the goal. Budget information is also reported to the larger SILC, AZRSA and IL community as a whole.

## **IL Program Technical Assistance Provided to AZRSA During the Review Process**

RSA provided the IL program technical assistance to AZRSA during the review process regarding:

- roles and responsibilities of the SILC;
- tools for effective contract monitoring; and
- guidance on aspects of an effective IL policies and procedures manual.

## **Observations of AZRSA and Its Stakeholders about the Performance of the IL Program**

RSA solicited input from AZRSA and a wide range of its stakeholders about the performance of the IL program. The AZRSA and its stakeholders shared observations regarding:

- there is excellent communication among partners;
- SILC members are active and knowledgeable; and
- there is interest in enhancing systemic capacity.

RSA discussed the observations of its stakeholders with AZRSA and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

## **IL Performance Observations and RSA Recommendations**

RSA identified the following performance issues and made recommendations to AZRSA those issues. AZRSA responded to each of the recommendations and in those instances when RSA and AZRSA agreed upon a recommendation, RSA and AZRSA identified the technical assistance that RSA would provide to AZRSA to successfully implement the recommendation.

## 1. Administration of Part B dollars

**Observation 1:** The Arizona SPIL provides a portion of Part B funds to support Cochise Ability and CyberCIL.

- Based on recommendations from RSA during the last SPIL approval process, AZRSA assumed authority for administration and oversight of the Part B contracts with Cochise Ability and CyberCIL. These activities had previously been performed by the SILC.
- AZRSA's contracts with Cochise Ability and CyberCIL are not specific regarding activities to be undertaken, the dates by which the activities will be undertaken and the manner in which they will be carried out. Detailed and comprehensive contracts are necessary for AZRSA to properly administer the agreements.

**Recommendation 1:** RSA recommends that AZRSA collaborate with contractors and the SILC to develop contracts that detail the scope of activities, the dates by which they will be undertaken and the manner in which they will be carried out.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

## 2. Allocating Staff Costs

**Observation 2:** AZRSA administers a substantial amount of IL services provided to consumers directly. Individual staff are responsible for providing services across multiple programs, including IL and OIB.

- AZRSA does not have comprehensive internal controls in place to properly track the time staff expend on providing services to consumers.

**Recommendation 2:** RSA recommends that AZRSA establish comprehensive procedures to track staff hours and to ensure the proper allocation of expenses to appropriate program accounts. This may require changes to its cost allocation plan.

**Agency Response:**

AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

## 3. Supervision of State IL Program

**Observation 3:** AZRSA's state-administered IL programs would benefit from more consistent implementation of its policies and procedures.

- AZRSA IL staff would benefit from more complete program policies and procedures.
- There is no staff position that ensures consistent and appropriate application of policies and procedures of the IL programs.
- AZRSA's IL staff located in field offices would benefit from more supervision by IL supervisors.

**Recommendation 3:** RSA recommends that AZRSA continue its efforts to hire a state level IL program manager who would ensure a consistent understanding and application of state IL policies and procedures.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

#### 4. Program Specific Paperwork

**Observation 4:** Administration of State Independent Living Services (files):  
AZRSA administers several IL programs, each of which has different reporting requirements.

- The paperwork for the Part B IL program has been developed based on documentation used by AZRSA in the administration of the VR program. Consequently, the IL program paperwork does not address IL or OIB specific requirements.
- AZRSA lacks IL or OIB specific information necessary to accurately identify emerging issues and enact appropriate responses.
- Based on a review of the IL program files, RSA observed that AZRSA is not be able to generate the information necessary for IL specific reports using the current reporting structure.

**Recommendations:** RSA recommends that AZRSA:

4.1 continue efforts to develop files and related reporting mechanisms that enable the agency to generate IL-specific reports; and

4.2 provide training to IL program staff on the use of new reporting mechanisms.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

## IL Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that AZRSA is required to undertake. AZRSA must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and is available to provide TA to assist AZRSA.

### 1. SILC Use of Part B Funds

#### Legal Standard:

Section 705(c) of the Act. The Council shall (1) jointly develop and sign (in conjunction with the designated State unit) the State Plan required in section 704; (2) monitor, review, and evaluate the implementation of the State Plan; (3) coordinate activities with the State Rehabilitation Council established under section 105, if the State has such a Council, or the commission described in section 101(a)(21)(A), if the State has such a commission, and councils that address the needs of specific disability populations and issues under other Federal law; (4) ensure that all regularly scheduled meetings of the Statewide Independent Living Council are open to the public and sufficient advance notice is provided; and (5) submit to the Commissioner such periodic reports as the Commissioner may reasonably request, and keep such records, and afford such access to such records, as the Commissioner finds necessary to verify such reports.

#### Finding:

Discussions with SILC and CIL representatives and review of the SILC's contract with the DSU indicate that the SILC conducts activities beyond those that are allowed under Section 705(c) of the Act. The SILC provides technical assistance to CILs on questions related to day-to-day operations of a CIL. Additionally, the SILC conducts resource development activities to enhance SILC funding. These activities are not authorized by section 705(c), and therefore are not an allowable use of Title VII, Part B dollars.

The SILC has several sources of funding to support their activities. However, the SILC currently lacks financial management systems necessary to document that sources other than Title VII, Part B are funding these activities.

**Corrective Action 1:** AZRSA and the SILC must ensure that the contract governing SILC activities with Part B dollars does not include activities that are outside the scope of duties described in Section 705(c).

**Corrective Action 2:** The SILC must ensure that it utilizes standards for financial management systems sufficient to demonstrate that all activities funded by Title VII, Part B funds are in accordance with SILC duties described in Section 705(c) of the Act. EDGAR 80.20 describes

the applicable standards for financial management systems for subgrantees of the state, including the SILC.

## CHAPTER 5: INDEPENDENT LIVING FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAM

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### Agency Information and Performance

In FY 2007, AZRSA's OIB program either served 890 individuals directly, or through grants or contracts with other service providers. Over the past two years, the number of individuals that AZRSA's OIB Program has served and the funds available to the program has remained constant.

In FY 2007, 40 percent of OIB program participants were between the ages of 80 and 89. This is consistent with other OIB agencies. Seventy-one percent of consumers are women while 93 percent are white. At intake 94 percent report that they are either legally blind or have a severe visual impairment.

Seventy-nine percent of consumers report living alone or with a spouse, and 85 percent were living in a private residence at intake.

**Table 5.1: OIB Program Highlights for AZRSA for FY 2006 through FY 2007**

Data Elements	2006	2007
Expenditures: Title VII, Chapter 2	522,521	655,201
Expenditures: Total (including Chapter 2)	580,579	728,001
Performance: Total Older Individuals who are Blind Served	904	890
Staffing: Total FTEs	24.68	32.83
Staffing: Total FTEs with Disabilities	8.23	7.25

### OIB Program Administration and Service Delivery

#### Personnel

AZRSA's OIB program maintains the following staff:

- Economic Security District Program Manager I (.75 FTE);
- Administrative Assistant II (.75 FTE);
- Rehabilitation Instructional Services Specialist III (8.5 FTEs); and
- Rehabilitation Services Specialist III (1 FTE).

AZRSA reported that, of its \$551,740 in FY 2007 OIB program expenditures, \$327,639 (59.3 percent) was for training, \$212,374 (38.4 percent) was for adaptive aids and devices and less than one percent was for other individual services.

## **Data/Fiscal Management**

AZRSA's OIB case management system is an Access based system that is also utilized by vendors. The system tracks a number of key areas including hours per client, total dollars per client and goals achieved. The system generates a number of reports for internal management, including the 7-OB report.

Other components of AZRSA IL utilize a mainframe system. Issues identified with this system are discussed in other portions of this report. Both systems, mainframe and the current case management system, will be integrated into AZRSA's new case management system. This will enhance the agency's ability to track services and costs and should enhance integration with VR processes.

## **Quality Assurance**

AZRSA's OIB staff maintain close contact with service providers, requiring consumers to sign a form acknowledging services were received. Staff also communicates regularly, with an expressed intent to communicate difficulties and plan accordingly.

AZRSA is in the process of creating a new system for assessing consumers' satisfaction. New case management software should provide key tools in improving this capacity.

## **Planning**

A representative of AZRSA IL services is routinely invited to attend planning meetings for SPIL development.

Community groups and providers routinely provide feedback to AZRSA on OIB services. The major community partner for AZRSA is the Governor's Council on Blindness and Visual Impairment (GCBVI). GCBVI includes a variety of blindness consumer groups, RSA staff, blind service providers and CILs. AZRSA routinely provides data to these agencies to inform their deliberation, which then impacts planning efforts of AZRSA. GCBVI has a strategic plan that also provides key guidance in AZRSA's administration of the OIB program.

AZRSA is currently working with these groups to assess questions of numbers served and depth of that service.

Additionally, the OIB administrator is an active member of AZRSA leadership team, enabling his OIB efforts to be integrated throughout AZRSA's planning process.

## **OIB Program Technical Assistance Provided to AZRSA During the Review Process**

RSA provided the OIB program technical assistance to AZRSA during the review process regarding methods to increase fiscal accountability

## **Observations of AZRSA and Its Stakeholders about the Performance of the OIB Program**

RSA solicited input from AZRSA and a wide range of its stakeholders about the performance of the VR and SE programs. The AZRSA and its stakeholders shared the following observations:

- OIB staff partner well with community partners.
- The program's procurement regulations cause significant slowing of service delivery, especially in the purchase of goods and services.
- There is concern about the increasing demands of OIB resources due to the aging population.

RSA discussed the observations of its stakeholders with AZRSA and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

## **OIB Performance Issues and RSA Recommendations**

RSA identified the following performance issues and made recommendations to AZRSA about those issues. AZRSA responded to each of the recommendations and in those instances when RSA and AZRSA agreed upon a recommendation, RSA and AZRSA identified the technical assistance that RSA would provide to AZRSA to successfully implement the recommendation.

### **1. Allocating Staff Costs**

**Observation 1:** AZRSA administers a substantial amount of IL services provided to consumers directly. Individual staff are responsible for providing services across multiple programs, including IL and OIB.

- AZRSA does not have comprehensive internal controls in place to properly track the time staff expend on providing services to consumers.

**Recommendation 1:** RSA recommends that AZRSA establish comprehensive procedures to track staff hours and to ensure the proper allocation of expenses to appropriate program accounts. This may require changes to its cost allocation plan.

**Agency Response:** AZRSA agrees with this recommendation.

**TA:** AZRSA does not request TA.

## **CHAPTER 6: PROGRESS ON ISSUES RAISED IN PREVIOUS REVIEWS OF AZRSA**

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As a result of the RSA review conducted with AZRSA in FY 2007-2008, the agency developed a Corrective Action Plan (CAP). A summary of the progress that AZRSA has made on the CAP is described below.

### **Corrective Action Plan**

Through the implementation of its CAP, AZRSA has successfully resolved compliance findings related to the following topics:

- Assessments materials were adequate to identify all of the individual's rehabilitation needs.
- AZRSA reported consistency with federal VR service provision requirements. Ninety percent of services contributed substantially to employment outcomes.
- Individualized Plan for Employment developed with employment outcome consistent with the client's personal factors.
- IPEs include the description of a specific employment outcome in the initial IPEs for transition-aged youths.
- Intergovernmental agreements with public institutions of Higher Education were completed January 2008.
- AZRSA has analyzed causes for the increasing number of unsuccessful outcomes for individuals who receive services and implemented a plan to address the causes – December 2007.
- AZRSA has developed policy exceptions to service spending and time limitations for supported employment and vehicle repairs.
- AZRSA has developed policy for the prompt handling of referrals.
- AZRSA has revised postsecondary education and vocational/occupational training to include advance degree programs.
- AZRSA has implemented exceptions to time limitations on postsecondary degree programs based on an individual's disability, or vocational goal.
- AZRSA examined its fee schedule through a comprehensive review of service purchasing and rate structures.

AZRSA has not successfully resolved compliance findings related to the following topics and continues to work toward their resolution.

**1. Interagency Agreement with the state education agency:** AZRSA was advised to revise the provision in AZRSA's interagency agreement with the Arizona state education agency that limits VR services to only those students with disabilities who attend schools covered by local cooperative agreements.

**Status:** AZRSA has drafted an agreement to meet federal requirements at 34 CFR 361.5(b)(55) and 361.50 and utilized the draft agreement to negotiate a new interagency agreement with the Arizona Department of Education and the DES Division of Developmental Disabilities. AZRSA is in the process of finalizing language in the MOU between AZRSA, ADE and DES-DD.

**2. Interagency Agreement with the state education agency:** AZRSA was advised to revise the interagency agreement in compliance with 34 CFR 361.22(b)(4) regarding identification of and outreach to students with disabilities who need transition services and who are not receiving special education services.

**Status:** AZRSA has revised the interagency agreement between the AZRSA and the Arizona Department of Education. The ADE Memorandum of Understanding is in draft form. AZRSA is in the process of finalizing the agreement.

**3. Presumption of eligibility:** AZRSA counselors were not implementing the presumption of eligibility requirement for individuals receiving SSI/SSDI. AZRSA has instituted a case review team to review at least 2 case files per counselor per quarter for compliance. The results of the case review and feedback are shared with the supervisor and counselor. In addition, supervisors review at least 5 cases per counselor per quarter using the case review instrument and report the case review findings to the Program Managers. When cases are out of compliance, counselors meet with their supervisors to discuss compliance and training on appropriate procedures. If a counselor continues to be out of compliance with the regulation, they are placed on a formal corrective action plan.

**Status:** AZRSA conducted a third quarter case review and results indicated 78 percent of SSDI cases were presumed eligible. AZRSA continues to strive to meet 90 percent compliance standard for individuals receiving SSDI presumed eligible and will assess presumption of eligibility for persons receiving SSI.

**4. Establishment and implementation of state VR agency time standards:** AZRSA was advised to establish and implement time standards for: 1) informing individuals about the application requirements; 2) gathering information necessary for determining eligibility and priority for services; and 3) prompt development of IPEs. AZRSA established a time standard for the development of and Individualized Plan for Employment within 120 days from the date eligibility is determined. AZRSA management team reported the development of appropriate time standards for the three focus areas. The manager for policy and program services revised the policy to include the time standards.

**Status:** AZRSA conducted a third quarter case review and results indicated 87 percent of eligibility decisions are determined within 60 days, while 87 percent of IPEs are developed within 120 days or with a signed extension.

**5. Sixty-day Eligibility Time Standard:** AZRSA requires that supervisors monitor the status alert report on a monthly basis and require counselors to document the status of the eligibility decisions and the existence of an extension when appropriate. Supervisors also provide a report to the Program Managers on a monthly basis regarding their office's caseload eligibility status.

**Status:** AZRSA conducted a third quarter case review and results indicated 87 percent of eligibility decisions are determined within 60 days, and 54 percent of cases include a case narrative or signed extension when needed.

**6. Timely development of the IPE, to include contact with individuals and IPEs signed my transition-aged youths prior to graduation:** AZRSA revised policy to include the requirement that counselors contact individuals at least every 90 days. AZRSA also provided training to all counselors and supervisors regarding the initiation of services in a timely manner, without undue delays or interruptions. Counselor/client contact has been incorporated in the performance appraisal for state employees.

**Status:** AZRSA conducted a third quarter case review and results indicated 95 percent of Individual Plans for Employment are developed within 120 days and 95 percent of services are needed to achieve employment outcomes. AZRSA did not evaluate the compliance with 90-day contact policy, nor the percentage of IPEs signed by transition-aged youths prior to graduation.

**7. Evidence of Individual Satisfaction with the Employment Outcomes:** AZRSA has developed policy to provide guidance for successful closures.

**Status:** AZRSA conducted a third quarter case review and results indicated 48 percent of consumers are satisfied with their jobs.

**8. Evidence of Individual Satisfaction with the Employment Outcomes:** AZRSA has developed policy to provide guidance for successful closures.

**Status:** AZRSA conducted a third quarter case review and results indicated 48 percent of consumers are satisfied with their jobs.

**9. Development of timely IPEs for extended services:** AZRSA was advised to apply eligibility decisions, without regard to the type of expected employment outcome, in accordance with 34 CFR 361.42(c)(2)(ii).

**Status:** AZRSA has not reported results of the statewide case review in regard to the number of supported employment consumers waiting for their IPE to be developed and services to be provided to identify those for whom a proper assessments was not made or for whom other extended supports including natural supports were not explored. Review cases and contact, if necessary to develop an IPE.

## APPENDIX: SOURCES OF DATA

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### VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes - RSA-113 line D1
- Individuals whose cases were closed without employment outcomes - RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services – RSA-113 line D1+D2
- Employment rate – RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes – Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population – RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website:<http://www.census.gov/popest/states/NST-ann-est.html>
- Average cost per employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who achieved an employment outcome (record position 198 = 3) divided by the total number of these individuals
- Average cost per unsuccessful employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who did not achieve an employment outcome (record position 198 = 4) divided by the total number of these individuals
- Average hourly earnings for competitive employment outcomes - Sum of individuals' weekly earnings at closure (record position 163-166) divided by the total hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure > 0, where the type of closure (record position 198) = 3, and where competitive employment (record position 162) = 1
- Average state hourly earnings – Using the most relevant available data from the Bureau of Labor Statistics Report (<http://www.bls.gov>), state average annual earnings divided by 2,080 hours

- Percent average hourly earnings for competitive employment outcomes to state average hourly earnings – Average hourly earnings for competitive employment outcomes (above) divided by the Average state hourly earnings (above) multiplied by 100
- Average hours worked per week for competitive employment outcomes - Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Percent of transition age served to total served – Total number of individuals whose age at closure is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4
- Employment rate for transition population served – Total number of individuals whose age at closure is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at closure is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100
- Average time between application and closure (in months) for individuals with competitive employment outcomes - Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1

#### **IL Program Highlights** (From RSA 704 report)

- Funding: Title VII, Chapter 1, Part B - Subpart I, Administrative Data, Section A, Item 1(A)Funding: Total Resources (including Part B funds) - Subpart I, Administrative Data, Section A, Item 4
- Performance: Total Served - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)
- Performance: Total Consumer Service Records Closed - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(6)
- Performance: Cases Closed - Completed All Goals - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(4)
- Performance: Total Goals Set - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L) for the column “Goals Set”
- Performance: Total Goals Met - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L) for the column “Goals Achieved”
- Performance: Total Accesses Achieved - Subpart III, Section B, Item 2, sum of (A) + (B) + (C) for the column “# of Consumers Achieving Access”
- Staffing: Total FTEs - Subpart I, Section F, sum of Item 2 for the column “Total Number of FTEs”

- Staffing: Total FTEs with Disabilities - Subpart I, Section F, sum of Item 2 for the column “Total Number of FTEs with Disabilities”

### **8.1 ILOB Program Highlights** (From RSA 7-OB Form)

- Expenditures: Title VII, Chapter 2 - Part I-Sources and Amounts of Funding, (A)(1)
- Expenditures: Total (including Chapter 2) - Part I-Sources and Amounts of Funding, (A)(6)
- Performance: Total Older Individuals who are Blind Served - Part III-Data on Individuals Served During This Fiscal Year, (B)-Gender, sum of (1) + (2)
- Staffing: Total FTEs - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column “Total FTEs: State Agency + Contactors”
- Staffing: Total FTEs with Disabilities - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column “FTEs with Disability”