

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



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

SEPTEMBER 23, 2008

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EXECUTIVE SUMMARY

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 North Carolina (NC):

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

In NC, the Department of Health and Human Services' (DHHS) Division of Vocational Rehabilitation Services (DVRS) and Division of Services for the Blind (DSB) are responsible for the VR, SE, and IL programs. DSB is responsible for the OIB program.

RSA's review began in the fall of 2007 and ended in the summer of 2008. During this time, RSA's NC 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, and stakeholders to share information, identify promising practices, compliance findings, and areas for improvement;
- provided technical assistance (TA) during the review process;
- identified promising practices;
- recommended that DVRS and DSB undertake specific actions to improve its performance;
- required DVRS and DSB to take corrective action in response to compliance findings;
- in collaboration with DVRS and DSB, identified TA that would be helpful to improve its performance or correct compliance findings; and
- identified issues for further review.

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

DVRS

Strengths:

- DVRS has established a “dual customer services” approach that regards employers as well as persons with disabilities as the agency’s customers.
- DVRS’ transition services are supported by its positive collaborative relationships with educational agencies and schools across the state.
- DVRS’ capable fiscal management is supported by its collaborative relationship with the designated state agency’s (DSA’s) financial staff.
- DVRS has established positive working relationships with its community rehabilitation programs (CRPs).
- DVRS’ staff conduct effective community-based assessments.
- DVRS’ comparatively low administrative costs enable the agency to have more funds available to spend on direct services to program participants.
- North Carolina provides significant funding for its IL state-administered program.
- DVRS’ willingness to analyze its performance and explore new approaches to enhancing its service delivery system.

Challenges:

- Improving employment outcomes to meet the Evaluation Standard 1 and Performance Indicators 1.1, 1.2, and 1.5.
- Continuing to make progress implementing the agency’s policies on physical impairments and physical restoration services.
- Retaining qualified VR counselors.
- Expanding its quality assurance (QA) processes to more aspects of the VR program.
- Developing and maintaining positive collaborative relationships with centers for independent living (CILs) in the state.

DSB

Strengths:

- DSB's efforts to expand services to transition-age youths who are blind or visually impaired across the state, including rural areas.
- DSB has instituted a summer transition programs to assist transition-age youths to explore career interests and prepare for employment.
- DSB's capable fiscal management is supported by its collaborative relationship with the designated state agency's (DSA's) financial staff.
- DVRS has established positive working relationships with its community rehabilitation programs (CRPs).

Challenges:

- Reaching out to minorities and underserved populations, including Hispanics or Latinos and Social Security recipients and beneficiaries.
- Providing VR and IL services to rural areas of the state.
- Establishing a comprehensive quality assurance (QA) system applicable to all aspects of the VR program.
- Developing and maintaining positive collaborative relationships with CILs in the state.

INTRODUCTION

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 SE 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;
- recommends the state agency's undertake specific actions to improve its performance; and
- provides 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 DVRS' progress on:

- the agency's Corrective Action Plan (CAP) that was established as a result of findings from RSA's FY 2004 Section 107 monitoring review; and
- the agency's Program Improvement Plan (PIP) that was established as a result of DVRS not meeting performance standards for Indicators 1.1, 1.2 and 1.5 in FY 2005, FY 2006 and FY 2007.

NC Administration of the VR, SE, IL, and OIB Programs

In NC, there are two VR agencies: DVRS and DSB under the DHHS, the DSA. DVRS serves individuals with all disabilities except blindness, and DSB serves individuals who are blind or visually impaired. Both agencies have administrative responsibility over the IL program, in partnership with the SILC. DSB has administrative responsibility over the OIB program.

DVRS has a total of 101 local VR offices, including 31 VR unit offices, 68 VR satellite offices, two VR facilities, and 15 IL unit offices located in three regions, Eastern, Western and Central, that serve all 100 counties in the state. Of the local VR offices (including unit offices and satellite offices), 20 are located in public schools and eight are located in hospitals. Of the IL unit offices, all are co-located with VR unit offices or VR satellite offices.

The DSB administrative office, the Raleigh district office and the DSB rehabilitation center are located on the campus of the Governor Morehead School for the Blind in Raleigh. DSB has seven district offices/local offices with 37 VR counselors and 16 IL counselors serving all 100 counties across the state. VR, ILR and OIB staff are housed in the same office in each district. All of the counselors serving transition-age youths travel to the various schools to meet with students. Four have offices in a school/county complex and the other two programs have their primary office at DSB district office.

None of the DVRS and DSB local offices are located in one-stop centers. However, individual counselors go to one-stop centers to meet with individuals with disabilities and partner agency staff as they travel from county-to-county.

Appreciation

RSA wishes to express appreciation to the representatives of the DHHS, DVRS, DSB, the SRC, the SILC, CILs and the stakeholders who assisted the RSA monitoring team in the review of DVRS and DSB.

CHAPTER 1: RSA'S REVIEW PROCESS

Data Used During the Review

RSA's review of DVRS and DSB 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 agencies 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 NC 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, CIL directors and stakeholders to share information, and identify promising practices, compliance findings, and areas for improvement;
- provided TA during the review process;
- identified promising practices;
- recommended that DVRS and DSB undertake specific actions to improve its performance;
- required DVRS and DSB to take corrective action in response to compliance findings;
- in collaboration with DVRS and DSB, identified TA that would be helpful to improve its performance or correct compliance findings; and
- identified issues for further review.

RSA NC State Team Review Participants

Members of RSA's NC state team included representatives from each of RSA's State Monitoring and Program Improvement's (SMPID's) five functional units. The RSA NC state team was led by RSA's state liaison to NC, Douglas Zhu (VR Unit) and the following RSA NC team members: Pedro Romero (SMPID), Joe Pepin (Data Unit), Regina Luster (Fiscal Unit), James Billy (TA Unit), Felipe Lulli (IL Unit), and Jim Doyle (VR Unit).

Information Gathering

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

- conducted ten teleconferences with VR and IL stakeholders beginning in March, 2008, including teleconferences with SILC and SRC members;
- conducted 20 teleconferences with the DVRS and DSB management beginning in November, 2007; and
- conducted on-site monitoring visits from May 19 through May 23, 2008 for DSB and from June 9 through June 13, 2008 for DVRS and met with staff of DHHS, DVRS, DSB, the Client Assistance Program and the Protection of Advocacy and Individuals Rights program, and members of the SILC and the SRC.

CHAPTER 2: NC DVRS VR AND SE PROGRAMS

Agency Information and Performance

Table 2.1 provides fiscal and program data for FY 2003 through FY 2007. The data provide an overview of the VR program's costs, outcomes and efficiency. The table identifies the amount of funds used by the agency, the number of individuals who applied, and the number who received services. It also provides information about the quality of the agency's employment outcomes, including outcomes for transition-age youths.

Table 2.1
VR and SE Program Highlights for NC DVRS for FY 2003 through FY 2007

Data Elements	2003	2004	2005	2006	2007
Total funds expended on VR and SE	\$103,462,329	\$103,843,158	\$105,304,115	\$109,084,926	\$95,880,851
Individuals whose cases were closed with employment outcomes	8,503	9,019	8,742	7,269	6,271
Individuals whose cases were closed without employment outcomes	7,208	7,916	8,878	11,618	7,030
Total number of individuals whose cases were closed after receiving services	15,711	16,935	17,620	18,887	13,301
Employment rate	54.12%	53.26%	49.61%	38.49%	47.15%
Individuals whose cases were closed with supported employment outcomes	516	832	974	1,003	1,092
New applicants per million state	3,354.10	3,637.12	3,389.86	3,057.56	2,618.43
Average cost per employment outcome	\$4,049.23	\$4,011.22	\$4,432.95	\$4,712.77	\$5,564.05
Average cost per unsuccessful employment	\$2,124.18	\$1,976.08	\$1,949.30	\$2,480.50	\$2,267.71
Average hourly earnings for competitive employment outcomes	\$8.47	\$8.47	\$8.67	\$8.80	\$9.03
Average state hourly earnings	\$16.12	\$16.51	\$17.25	\$17.83	\$18.54
Percent average hourly earnings for competitive employment outcomes to state	52.54%	51.30%	50.26%	49.36%	48.71%
Average hours worked per week for competitive employment outcomes	32.87	32.19	32.06	31.52	30.82
Percent of transition-age served to total	30.18%	30.60%	29.91%	29.42%	32.85%
Employment rate for transition population	54.43%	55.17%	49.88%	40.19%	46.06%
Average time between application and closure (in months) for individuals with competitive employment outcomes	23.7	23.4	22.6	23.6	25.7

In FY 2007, DVRS served 13,301 individuals and successfully rehabilitated 6,271 individuals. Of those who were successfully rehabilitated, 1,092 achieved a SE outcome. Over the past four years, DVRS' number and employment rate has decreased from 9,019 employment outcomes with a rehabilitation rate of 53.26 percent in 2004 to 6,271 employment outcomes with a rehabilitation rate of 47.15 percent in 2007. The number of applicants and number of individuals

served during this same period has also declined. The number of individuals served declined from 16,935 individuals in 2004 to 13,301 individuals in 2007 while the number of new applicants has decreased from 31,061 individuals to 23,723 from 2004 to 2007.

VR and SE Service Delivery

DVRS has three regions, Eastern, Western and Central, and a total of 101 local VR offices with 482 professional staff, including 242 VR counselors, 43 managers, 55 business relations representatives and 45 vocational evaluators, across the state serving all 100 counties.

Services provided by DVRS directly include, but are not limited to, VR counseling, career guidance, comprehensive vocational evaluation, standardized psychometric and career interest testing, community-based assessment, AT services, including AT evaluation, consultation and rehabilitation engineering, job seeking skills training, job development, job placement and job coaching, and small business development.

Purchased services include medical and psychological diagnosis, physical and mental restoration, home and vehicle modifications, SE services, job coaching, work adjustment, on the job training, vocational and academic training, tools and supplies, and transportation.

DVRS has established and maintained contracts or agreements with over 120 nonprofit CRPs, including 56 performance-based contracts and five transitional employment services contracts (transition-age youths with the most significant disabilities from facility-based settings to community-based settings). The agency program specialist for statewide CRPs and six regional community rehabilitation specialists provide on-going oversight for CRPs. The purchased services from CRPs include job placement for SE, supported job coaching, community-based assessment, and work adjustment.

DVRS maintains a large internal vocational evaluation program that has 51 evaluator positions that conduct comprehensive vocational evaluations and community-based assessments.

North Carolina lacks adequate funding sources for SE long-term follow-along services for individuals with mental illness, as result of the discontinuation of the Local Management Entity (LME) as service providers in NC. The agency makes efforts to establish and maintain a cooperative agreement with the NC Division of Mental Health, Developmental Disabilities and Substance Abuse Services for SE extended support services.

DVRS has a state level memorandum of agreement (MOA) with the NC Department of Public Instruction that outlines the partnership between the two agencies to provide state level approval and support for enhanced services to transition-age youths with disabilities. The agency's VR unit offices signed 91 local MOAs with 114 local education agencies (LEA), fund 111 school counselors and additional VR staff, including VR casework assistants, technicians, vocational evaluators and VR business relations representatives (formerly job placement specialists) to provide VR services to transition-age youths. In FY 2007, DVRS served 4,370 transition-age

youths, 3,545 of them with significant disabilities, and 2,013 that successfully achieved their employment goals.

Personnel

DVRS has a total of 1695 full-time equivalent (FTE) positions, including 743 VR-funded (grants under the Act) FTE positions, and 952 non-VR funded FTE positions (funded by state or other federal grants). The VR-funded positions include 12 administrative staff, 53 program specialists and coordinators (non supervisory), 105 managers and supervisors, 242 VR counselors, 51 vocational evaluators positions including regional specialists, 22 other professionals (including rehabilitation engineers, information technology professionals, purchasing agents, accounting professionals, and maintenance mechanics), 42 rehabilitation caseworker technicians and human services coordinators, 49 business relations representatives, six other paraprofessional staff, and 181 clerical or support staff.

The agency has adopted a master's degree in rehabilitation counseling or counseling as its standard under the comprehensive system of personnel development (CSPD) and as its minimum education requirement for hiring VR counselors. To ensure an adequate supply of qualified professionals, the agency will initiate a more general standard for counselor positions that will include a master's degree in closely related fields rather than only in counseling.

Currently, the agency has 482 rehabilitation positions that are subject to the standard in its VR and IL programs, and 88 percent (423/482) of the persons filling these positions meet the standard. This represents an improvement from 82 percent of professional staff that met the standard in 2006.

In FY 2008, DVRS' turnover rate for Rehabilitation Counselor (RC) I positions was 19 percent; for RC IIs, 16 percent; and, for RC-in-Charge, 12 percent. The high turnover rate has been identified as a significant issue that negatively impacts the agency's performance and the quality of VR services provided to individuals with disabilities. The projected number of rehabilitation counselors needed in five years due to turnover is 329.

Data Management

DVRS has been using the Casework Automated Tracking System (CATS) developed in-house over seven years ago by the Division of Information Resource Management (DIRM). Individuals' demographic and casework information are entered into CATS by counselors and casework support staff. The system is maintained at the DSA level through DIRM on a mainframe computer system that requires certain reports and additional queries be accessed through a designated staff member of DIRM. The staff statistician generates both standard reports as part of the routine program evaluation process and customized reports to requesting parties for statewide, regional, program and unit planning purposes. The routine reports provided to counselors and managers are usually produced on a scheduled basis, depending upon the type of report (some reports produced monthly, some quarterly). The system is reportedly antiquated and burdensome and no longer serves the agency's needs.

While actively exploring ways to improve the data input and coding aspect through the current system, the agency is interested in a new case management system that provides more flexibility to counselors and the agency's management staff to produce real-time information with more extensive reports to provide better QA and improve overall services to individuals. DVRS is interested in a web-based system that offers the accessibility, reporting structure, and flexibility to work outside the office, when necessary. DVRS is in the process of investigating new case management systems that incorporate these enhancements.

Quality Assurance

DVRS has a QA system in place for service record reviews and contract management. DVRS has Quality Development Specialists (QDS) to conduct ongoing regular service record reviews using a standardized review form. The review evaluates records on compliance with the state policies and the federal regulations and quality service delivery. The QDS staff review five to six records per caseload per year. Following the reviews, the results are reported to the unit manager, VR counselor, regional director, and chief of policy and casework operations. The QDS and/or unit manager debriefs the review findings with the VR counselor. The unit manager ensures that any necessary corrective actions to records are taken and reports these to the regional director. When patterns of significant casework errors are found, the unit manager documents a developmental review with the counselor with objectives and measures to correct the deficiencies. The chief of policy and casework operations compiles the findings for reports on statewide trends, patterns and progress towards completing the division's corrective action plan for RSA. The agency's program policy, planning and evaluation staff provides data analysis and reports and performance evaluations. QA for contract management is performed through the agency's Center of Excellence Committee (CEC) (see Promising Practice 1, page 13).

DVRS utilizes a steering committee comprised of CRPs and representatives from the NC Association of Rehabilitation Facilities (NCARF) and the NC Association of Persons in Supported Employment (NCAPSE) along with DVRS program staff to assess the needs and to identify the goals and priorities of CRP services, including SE services, on an annual basis. The agency's local, regional, and state management and/or program staff evaluates the qualities of CRP services annually.

Planning

DVRS has a formal process for State Plan development that involves agency management and staff, the SRC, the public, and stakeholders.

The agency does not have a separate strategic plan. However, DHHS has a departmental business plan that is developed through the collaboration between DVRS' sections and through the agency's management and planning team's strategic planning sessions, where various issues have been addressed, including the implementation and evaluation of the CAP and PIP, ways to improve performance on the RSA standards and indicators; recruiting and retention for agency staff, and innovation and expansion projects.

The SRC plays an active and significant role in the development of the State Plan, including reviewing agency's performance, conducting public hearings and consumer surveys, and providing input and recommendations for the goals and priorities.

Promising VR and SE Practices Identified by DVRS and Stakeholders During the Review Process

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

1. Contract Management

DVRS manages contracts through the agency's Center on Excellence or COE, a committee established by the DHHS Office of Procurement and Contract Services. The COE includes agency senior management's (director, section chiefs, budget officer) and subject matter experts' involvement in contracting, budgeting, programming, policy-making, and technology as applicable. The COE reviews all performance-based contracts using specific criteria developed by DHHS to ensure accountability for the delivery of quality services, appropriate and measurable outcomes, and costs that are reasonable, with payment tied to performance.

VR and SE Programs TA Provided to DVRS During the Review Process

RSA provided the following VR and SE program TA to DVRS during the review process regarding:

- State Plan development, including measurable goals;
- data analysis regarding IPE development;
- contact information for state VR agencies using different case management systems;
- information (to DSA and DSU) to assist in evaluating various case management systems; and
- an overview, instructions and interpretation of RSA's management information system (MIS) to assist DVRS review agency data and compare information to national and peer data.

Observations of DVRS and Its Stakeholders about the Performance of the VR and SE Programs

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

- there is effective collaboration and communication between VR counselors and CRPs;
- Referrals to CRPs for services have been decreasing;
- the SRC's active role with the agency in jointly developing the State Plan;
- the improved partnership between SRC and DVRS;
- DVRS' willingness to consider and implement a wide range of activities to enhance service delivery such as dual customer services pilot project, increasing community-based assessment initiative, developing internal resources to provide work incentives and benefit counseling services to VR individuals, enhancing rehabilitation engineering services, developing constructive working relationships with the AT program, and expanding transition services across the state;
- DVRS' effective partnerships with NC Housing Finance Agency (NCHFA) and NC State University Center for Universal Design to promote and facilitate the accessibility and independence of individuals with disabilities;
- the positive collaboration that takes place involving VR and IL Rehabilitation Program (ILRP) services;
- the effective transition services that are provided through collaboration with the state and local education officials;
- the low pay for VR counselors results in counselors leaving the agency for higher salaries;
- the lack of experienced counselors and the continuous need to train new counselors;
- a perception that some VR counselors are more concerned about the VR process than the outcomes;
- the need for DVRS to be more consistent in the services and information that is provided to program participants; and
- the lack of SE long-term support funding.

RSA discussed the observations of its stakeholders with DVRS 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 to DVRS about those observations. DVRS responded to each of the recommendations and in those instances when RSA and DVRS agreed upon a recommendation, RSA and DVRS identified the TA that RSA would provide to DVRS to successfully implement the recommendation.

1. Employment Outcomes

Observation: DVRS did not meet the requirements of Evaluation Standard 1 over the last three fiscal years FY 2005 to FY 2007.

- DVRS data trends reflect that successful closures have decreased over the last three fiscal years (Indicator 1.1), which represents a decrease of 2,749 employment outcomes in FY 2007 from FY 2004.
- DVRS data trends also reflect that the agency has had high unsuccessful closure rates before and after the change in physical restoration services policy. DVRS failed performance indicator 1.2 for seven years in a row from FY 2001 to FY 2007.
- Agency management and VR counselors indicated during the monitoring review that the employment outcome decline in the last three years was largely due to the policy changes related to physical restoration services. It was reported that after the FY 2004 RSA monitoring review, DVRS conducted service record reviews and found that many individuals who were served under an IPE at the time (and who were receiving only physical restoration services) were ineligible according to the VR eligibility criteria described in the revised policy. Consequently, the service records of those individuals were closed as unsuccessful after the provision of services in the IPE regardless of the individuals' employment status at the time of closure. The agency management indicated that DVRS has been serving fewer individuals who need only physical restoration services since the policy change. While agency data indicate that employment outcomes were reduced by 1,478 in FY 2006 and reduced by 994 in FY 2007 from the previous years respectively, there were insufficient data from service record reviews to determine the extent to which this decrease can be attributed to the policy change.
- DVRS did not meet performance indicator 1.5 (ratio of average hourly VR wage to average state hourly wage) for four years from FY 2004 to FY 2007. Though the VR average wage has increased slightly over the past three years from \$8.67 in FY 2005 to \$9.03 to FY 2007, it is still significantly below the state average wage, which was \$18.54 in 2007. Further, the ratio (Indicator 1.5) has been decreasing in the last seven years from FY 2001 to FY 2007, and in FY 2007 the data show that the DVRS performance on Indicator 1.5 is 0.487.

- DVRS had a substantially low percent (2.49 percent) of employment outcomes meeting Substantial Gainful Activities (SGA) in comparison to the mean for the agency type (10.96 percent).
- During the on-site monitoring review, agency staff and stakeholders informed the RSA team that the high percentage of VR counselors who have fewer than two years experience in VR due to high turnover of counselor positions in multiple offices across the state is one likely contributor towards the agency's low performance on employment outcomes. One unit manager indicated that 9 of the 13 VR counselors in his office have fewer than 1.5 years of employment with DVRS. New counselors lack experience and skills that are necessary to assist eligible individuals to achieve quality employment outcomes (see recommendations #4.3 and 4.4 related to training for new counselors).

Recommendations: RSA recommends that DVRS:

- 1.1 Evaluate the effectiveness of the current PIP to differentiate strategies that have been working from those that are not working. Jointly with RSA, develop a new PIP leading to improved performance on Evaluation Standard 1.
- 1.2 Identify and promote promising practices among VR counselors, unit offices and regions in assisting individuals with disabilities to achieve their employment goals.

Agency Response: DVRS agrees with the recommendations. During this federal fiscal year performance indicators appear to be improving. Although DVRS may not meet all indicators this year, there is a very good possibility that DVRS will pass overall. It is also apparent that issues with retention of professional staff have contributed to the agency's performance over the last several years. DVRS has implemented positive strategies including nationwide recruiting, paid internships and changes in the roles and utilization of various positions that are beginning to show promising results.

TA: DVRS requests TA.

2. Physical Restoration Services

Observation: In response to the results of the RSA FY 2004 monitoring review, DVRS revised its policy regarding physical impairments and physical restoration services to clarify the eligibility determination parameters for individuals with physical impairments, and to provide guidance on the provision of physical restoration services (NC DVRS State Plan FY 2008, Attachment 4.11(e), page 18 of 40 pages). After issuance of the revised policy and guidance in FY 2006, the expenditures for physical restoration services decreased significantly from \$27,927,291 in FY 2006 to \$14,995,905 in FY 2007.

- A review of agency program and financial data, and discussions with VR counselors and agency management, indicates that physical restoration services are increasingly being provided in FY 2008. During the on-site review, the agency reported that eight months into FY 2008, DVRS has already expended over \$1 million more than the total

expenditures for FY 2007. While the expenditures for physical and mental restoration services have significantly dropped from FY 2006 to FY 2007, the DVRS expenditures for physical and mental restoration services in FY 2007 still account for 32.28 percent of its total purchased VR services, in comparison to peer agencies that averaged 9.3 percent (Peer agencies are those that are approximately the same in grant size as DVRS. Peer agencies for DVRS are: IN-C, MI-G, PR-C, and TN-C.). DVRS continues a disproportionate emphasis on the provision of physical restoration services in comparison to other services provided by the agency, and in comparison to other general and combined agencies.

- VR counselors, unit managers and agency management confirmed that the FY 2006 revisions to DVRS' physical restoration policy were a significant philosophical change. DVRS managers reported that most counselors and staff now understand and accept the new policy and acknowledged that it is still challenging for some to adhere to the policy change when individuals without medical insurance coverage seek assistance from DVRS for primarily medical treatment purposes. Counselors and staff from four offices throughout the state consistently shared that in working with these individuals consideration is given to the acuteness versus the chronic conditions. DVRS policy 3-6-1 describes chronic as those conditions that are of long duration whereas acute conditions are generally short in duration and should not present residual problems following treatment. Counselors have adopted nine to twelve months as the standard to define chronic regardless of whether there are or not residual physical impairments following medical treatment.
- DVRS has reported in its corrective action plan updates that it uses its service record reviews to ensure that reliable and consistent eligibility determinations are made. It has also reported that it uses quality development specialists (QDS) during the service record review process to monitor the implementation of the physical restoration policy revisions. As a result of the case service record review process, the needed changes as deemed appropriate by the QDS are addressed with unit managers, who are in turn held accountable for the implementation of required changes. While the process described in DVRS' corrective action plan updates reflects the agency's efforts to monitor adherence to, and understanding of, the physical restoration policy revision, the data indicates that the agency continues facing challenges of sustaining the improvement.

Recommendations: RSA recommends that DVRS:

- 2.1 Develop and implement a quality assurance plan to systemically monitor and evaluate VR services delivery and the trend of expenditures related to VR services, including the provision of physical restoration services. The quality assurance plan should allow for the collection of data and other information that can be analyzed to assess the recent rapid increase in physical restoration services.
- 2.2 Conduct targeted service record reviews focusing on records in which eligible individuals were provided physical restoration services during FY 2008 to assess the accuracy of

eligibility determinations related to physical impairments, type of services purchased by DVRS, and employment outcomes (if records were closed).

- 2.3 Based on findings from the quality assurance analysis and targeted service record reviews, develop a plan of action, including goals and strategies, to address the disproportionate emphasis on physical restoration services. The plan should, at a minimum, include improving/clarifying existing guidance, and developing training to be provided to counselors and managers on agency policy, guidance and procedures as appropriate.

Agency Responses: DVRS agrees with the recommendations and will continue to target case reviews and analysis of expenditures for physical restoration cases and all cases. Both the staff development section and QDSs will continue to provide training in this area.

DVRS agrees that the change in physical restoration services has represented a major change philosophically and fiscally for both VR staff and consumers in need of services. However, the parameters for the making eligibility decision including the timeframe is included in the policy and is not an informal standard regardless of residual impairments. The summary of results of service record reviews by the QDS as provided to RSA, indicates that the monitoring process has resulted in improvement regarding eligibility decisions that reflect an understanding of and adherence to the new policy. There were no errors involving physical impairments during October 2007 to April 2008 after 446 cases were reviewed on eligibility decisions, in comparison to two percent of errors of the 295 cases reviewed during January to July 2007.

It is DVRS' position that the following data verify a decrease in successful outcomes related to the change in the physical restoration policy.

Table 1. Decrease in Employment Outcomes from FFY 2004 to 2007.

MAJOR IMPAIRMENT	FFY 2004		FFY 2005		FFY 2006		FFY 2007		Difference from FY 04 to 07	
	N	Pct	N	Pct	N	Pct	N	Pct	N	Pct
SENSORY/COMMUNICATIVE	514	5.7%	575	6.6%	382	5.3%	377	6.0%	137	5.0%
PHYSICAL	3,357	37.2%	3,322	38.0%	2,619	36.2%	1,950	31.1%	1,407	51.2%
COGNITIVE PSYCHOSOCIAL/OTHER	2,455	27.2%	2,383	27.3%	2,131	29.4%	2,069	33.0%	386	14.0%
MENTAL	2,693	29.9%	2,461	28.2%	2,112	29.2%	1,874	29.9%	819	29.8%
TOTAL	9,019	100.0%	8,741	100.0%	7,244	100.0%	6,270	100.0%	2,749	100.0%

Table 1 shows that the largest decrease is with regard to the subgroup of consumers whose major impairment is a physical impairment. This subgroup accounted for 1,407 (51 percent) of the 2,749 fewer employment outcomes.

Table 2. Relative Rate of Success: FFY 2006 compared with FY 2003 through 2007

1. FFY 2006 MAJOR IMPAIRMENT	Success Rate by FFY					Relative Rate of Success for FY 2006			
	2003	2004	2005	2006	2007	v. 2003	v. 2004	v. 2005	v. 2007
SENSORY/COMMUNICATIVE	71.2	67.5	66.6	58.1	60.0	81.6	86.2	87.4	96.9
PHYSICAL	56.2	55.1	54.0	35.6	46.0	63.3	64.7	66.0	77.4
COGNITIVE	56.4	57.2	51.7	43.7	50.4	77.6	76.5	84.6	86.8
PSYCHOSOCIAL/OTHER MENTAL	48.1	46.5	41.1	35.2	43.2	73.2	75.7	85.7	81.4
TOTAL	54.1	53.2	49.6	38.4	47.1	70.9	72.1	77.3	81.4

Table 2 illustrates that the rate of success was lower in FFY 2006 for all impairment groups relative to the comparison periods, but that success rates were markedly lower for individuals with physical impairments (63.3 - 77.4) than for individuals with other types of impairments (70.9 - 96.9). These data find that following the clarification of the physical restoration policy in FFY 2006, individuals with physical impairments were unsuccessfully closed proportionately more than individuals with other types of impairments, relative to their cohorts in other fiscal years.

Table 3. Individuals Exiting the VR Program in Competitive, Self-, or Supported Employment in an Integrated Setting, FFY 2004 through 2007

	Employment Status at Closure	FFY 2004			FFY 2005			FFY 2006			FFY 2007		
		Age <=23	Age 24+	Total									
Number	Competitive or Self Employment	2,249	5845	8,094	2,010	5,699	7,709	1,600	4,636	6,236	1,336	3,828	5,164
	Supported Employment in an Integrated Setting	273	559	832	317	657	974	377	626	1,003	435	657	1,092
	Total	2,522	6404	8,926	2,327	6,356	8,683	1,977	5,262	7,239	1,771	4,485	6,256
Row Percent	Competitive or Self Employment	27.8	72.2	100.0	26.1	73.9	100.0	25.7	74.3	100.0	25.9	74.1	100.0
	Supported Employment in an Integrated Setting	32.8	67.2	100.0	32.5	67.5	100.0	37.6	62.4	100.0	39.8	60.2	100.0
	Total	28.3	71.7	100.0	26.8	73.2	100.0	27.3	72.7	100.0	28.3	71.7	100.0
Column Percent	Competitive or Self Employment	89.2	91.3	90.7	86.4	89.7	88.8	80.9	88.1	86.1	75.4	85.4	82.5
	Supported Employment in an Integrated Setting	10.8	8.7	9.3	13.6	10.3	11.2	19.1	11.9	13.9	24.6	14.6	17.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average Hourly Earnings	Competitive or Self Employment	\$7.93	\$8.98	\$8.69	\$8.14	\$9.25	\$8.96	\$8.31	\$9.46	\$9.16	\$8.51	\$9.85	\$9.50
	Supported Employment in an Integrated Setting	\$6.12	\$6.47	\$6.36	\$6.21	\$6.50	\$6.41	\$6.32	\$6.72	\$6.57	\$6.67	\$6.86	\$6.78
	Total	\$7.73	\$8.76	\$8.47	\$7.87	\$8.97	\$8.68	\$7.93	\$9.13	\$8.80	\$8.06	\$9.41	\$9.03

In evaluating the earnings of individuals exiting the NC DVRS program with a paid employment outcome relative to other VR programs, there are two considerations that may mitigate performance on indicator 1.5. The first is with regard to the increase in the number and proportion of individuals who exit the program in supported employment in an integrated setting. Table 3 shows that the number of these individuals increased, both in number and proportion

each year, from 832 (9.3 percent) of 8,926 total paid employment outcomes in FFY 2004 to 1,092 (17.5 percent) of 6,256 paid employment outcomes in FFY 2007. The average hourly earnings of competitive and self-employment outcomes (employment status '1' and '3') was \$9.50, which is 51.2 percent of the State Average of \$18.54. Individuals with supported employment outcomes earned, on average, 70 – 73 percent what individuals with a competitive or self-employment outcome earned. Since the NC VR program places greater emphasis on supported employment than perhaps do other states, it is questionable as to whether competitive and supported employment outcomes should be grouped together for evaluative purposes. The second issue concerns the number and proportion of individuals who are transitional age youth of ages 23 or younger at case closure. The proportion of these individuals served is steady over time, accounting for 27 to 28 percent of all paid employment outcomes. These individuals, precisely due to their younger age and lack of work experience, earn, on average, 85 – 88 percent what individuals exiting the VR program at ages 24 or older earn. When examining only individuals ages 24 or older, exiting the VR program in competitive or self-employment, the average hourly wage is \$9.85, which is 53.1 percent the NC state average. Peer VR programs in other states may not serve as many youth or have as strong a program for supported employment as NC, though emphasis on these areas results in lower average wages when compared to that of the State as a whole.

TA: DVRS requests that RSA review DVRS' eligibility policy related to physical impairments.

3. Development of Individualized Plan for Employment (IPE)

Observation: DVRS data reflect that there is a high percentage of individuals determined eligible for which IPEs were developed on the same day that eligibility determinations were made, which implies that VR counselors are not spending much time: 1) conducting comprehensive vocational evaluations; 2) on career exploration; or 3) in providing information to eligible individuals to assist them in making “informed choice” prior to the development of the IPE. A similar finding was identified by RSA in its FY 2004 monitoring review report for DVRS. The report states that, “VR counselors had proceeded from the eligibility determination to Individual Plan for Employment (IPE) development with insufficient information on which to base VR needs and the employment goals.” (RSA FY 2004 Annual Review of DVRS, page 7)

- Although it was not verifiable during the monitoring review, some unit managers indicated that the high percentages of eligible individuals whose eligibility determination and IPE development took place on the same day might be a result of data entry errors. They explained that if an IPE date is not entered into the agency's electronic case management system, the IPE date would automatically default to the eligibility determination date.
- In FY 2007, DVRS reported that there were 5,467 individuals whose eligibility determination and IPE development took place on the same day. This represents 41.1 percent of all eligible individuals who had an IPE developed during the fiscal year. In FY 2006, DVRS reported that there were 8,723 individuals whose eligibility determination and IPE development took place on the same day, which represents 46.2 percent of all eligible individuals who had an IPE developed during the year, and in FY

2005, there were 8,600 individuals whose eligibility determination and IPE development took place on the same day, which represents 48.8 percent of all eligible individuals who had an IPE developed during the year.

- VR counselors indicated, throughout the RSA on-site monitoring review, that they were encouraged to develop IPEs in a timely manner, and that there has never been a concern over developing an IPE on the same day an individual is determined eligible for services. Some VR counselors felt that they were urged by managers or motivated by their personnel performance plan to develop IPEs quickly in order to meet their annual performance goals on IPE development. Other DVRS staff indicated that some counselors promote “informed choice” by simply letting eligible individuals choose whatever employment goal they want, rather than taking time to ensure that all IPEs are developed in a manner consistent with the individual’s unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

Recommendations: RSA recommends that DVRS:

- 3.1 Conduct service record reviews to verify the accuracy of the dates entered into the agency’s case management system for IPE development and the accuracy of these data as reported to RSA. The service record reviews should also evaluate the quality of services and employment goals. The results of the service record reviews should be utilized to help the agency identify potential issues to be remedied.
- 3.2 If this is not a data entry issue, develop goals and strategies to ensure that eligible individuals are provided the opportunity to exercise informed choice, and that the IPE is consistent with the individual’s unique strengths, resources, priorities, concerns, abilities, capabilities, and interests in accordance with Section 102(b) of the Rehabilitation Act and 34 CFR 361.46 (a) (1) of the implementing regulations.
- 3.3 Develop and implement a training plan for managers and VR counselors regarding informed choice and quality IPE development.
- 3.4 In its continuing search for a new case management system, troubleshoot any potential systems problems (such as the one that the agency believes may be leading to the high percentage of cases with same day eligibility and IPE development dates) in order to ensure any new system implemented by the agency minimizes errors in data entry, tracking and reporting.

Agency Response: DVRS agrees with many of the points in Observation 3. DVRS has begun an analysis of the areas of concern and identified problems related to data entry. The manager’s report during the monitoring visit was accurate regarding a data entry issue. DVRS is working with the Division of Information and Resource Management staff to correct this issue. There are several other data concerns that could be contributing to this problem. In addition, DVRS plans to review a random sample of service records to ascertain the extent to which this is an omission of the comprehensive needs assessment. As discussed during the monitoring visit, a revision of the written rehabilitation analysis is in progress to address some of these concerns.

All of the areas recommended will be analyzed further, developed and implemented.

TA: DVRS may request TA.

4. Counselor Vacancies

Observation: There have been counselor vacancies in multiple offices across the state that have led to loss of contact with individuals served, high unsuccessful closure rates, substantial delays and interruption of services, and low referrals to community rehabilitation providers (CRPs). This issue has become a significant concern among DVRS staff, managers and stakeholders.

- Agency management reported that the turnover rate for Rehabilitation Counselor I (RC I) is 25 percent and for Rehabilitation Counselor II (RC II), 20 percent. The projected number of counselors needed in five years is 382, including RC Is and RC IIs, based on the agency's current counselor turnover rate (NC DVRS State Plan FY 2008, Attachment 4.10, page 26). Consequently, the agency is facing challenges of retaining counselors or constantly hiring and training new counselors.
- VR counselors and managers indicated that counselor turnover in multiple offices is one of the key factors contributing to the overall decrease in VR employment outcomes because DVRS is losing knowledgeable and skilled professional staff. Unit managers reported that many counselors have fewer than two years of experience in VR and many newer counselors have left the agency after working for two years for higher salaries and less stressful jobs. One unit manager reported that 9 of 13 counselors in his office have fewer than 1.5 years of experience with VR. It appears that DVRS is constantly losing experienced counselors.
- Due to counselor caseload vacancies, DVRS is not able to maintain on-going contacts with individuals served. It was reported that newly hired counselors generally prioritize work to focus on referrals and applicants that are assigned to them. As a result, services to individuals in the caseloads inherited from former counselors were further delayed. Some new VR counselors indicated that there are still many service records in their caseloads that need to be closed unsuccessfully. They refer to these records as "dead wood" as the records are not active for extended periods of time, either because counselors could not reach the individuals or the individuals did not respond to counselors' communications.
- Some CRP directors indicated that VR counselor vacancies have significantly affected the number of referrals for CRP services from DVRS. In some situations counselor vacancies have gone unfilled for over a year, during which time referrals to CRPs were either very low or nonexistent. The SRC expressed concern that extended VR counselor vacancies across the state will increasingly continue to have an adverse impact on individuals with disabilities in NC.

- Some DVRS staff and management indicated that one of the primary reasons for DVRS counselor turnover is that VR counselors are not sufficiently compensated for their work commensurate with other professionals at the Master's degree level. A number of VR counselors have left the agency to work for schools, CRPs, mental health organizations, and other private entities. DVRS has no control over the state pay scale for counselor salaries. DVRS, however, has made the DSA aware of this issue and concern, and has communicated with the state personnel authorities to address this issue.

Recommendations: RSA recommends that:

- 4.1 Engage in formal strategic planning to guide the agency in the development of goals and strategies to hire and retain VR counselors, and to utilize agency personnel resources to ensure qualified staff effectively covers caseload vacancies;
- 4.2 Develop and implement an agency personnel succession plan for VR counselors, managers and support staff that ensures continued quality services to eligible individuals, and results in high performance outcome levels;
- 4.3 Develop and implement comprehensive training plans for new counselors that address: providing timely and quality VR services, improving employment outcomes, reducing the number of unsuccessful employment outcomes, increasing the weekly and hourly wages, increasing the percentage of outcomes that meet SGA, IPE development, and informed choice; and
- 4.4 Assign mentors to new counselors to assist them in case management and flow.

TA: DVRS may request TA.

Agency Response: RSA observation #4 accurately reflects many of the issues with recruitment and retention as evaluated by the recruitment and retention committee and during strategic planning sessions by the executive leadership team.

- 4.1 Formal strategic planning is in place via the agency's recruitment and retention committee and DVRS is seeing an improvement in the quality of candidates and the period of time positions are vacant.
- 4.2 It would be difficult for DVRS to develop and implement an agency personnel succession plan for all staff given the merit-based recruitment mandate, but DVRS agrees that succession plans for managers need to be developed and Human Resources is working with regional directors to begin looking at this.
- 4.3 DVRS is exploring a new employee orientation program that may be able to feed into a more comprehensive training program for new counselors and Casework Orientation and Services Training (COAST) will be continuously reviewed and revised to meet policy training needs.

4.4 DVRS has a mentoring program for new managers already in place and will be evaluating the effectiveness of it later this summer. Plans are to expand it to include counselors.

5. State Plan Development

Observation: Attachment 4.11(c) (1) of NC DVRS' FY 2008 State Plan contains eight priorities and 29 goals, many of which are not measurable. DVRS management confirmed that the agency does not have a formal process by which to assess periodic progress on meeting the goals.

Recommendation: RSA recommends that DVRS revise the State Plan by including a manageable number of measurable goals and establish and implement a QA process to assess periodic progress on meeting State Plan goals and priorities.

Agency Response: DVRS agrees with the observation and Recommendation 5. DVRS has revised the State Plan to include a more manageable number of measurable goals. DVRS is in complete agreement with the need to implement a QA process to assess periodic progress on meeting State Plan goals and priorities.

TA: DVRS may request TA.

CHAPTER 3: FISCAL MANAGEMENT OF DVRS VR AND SE PROGRAMS

RSA reviewed DVRS' fiscal management of the VR and SE programs. During the review process RSA provided TA 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, address the overall fiscal performance of the agency. The data related to matching requirements are taken from the respective fiscal year's final or latest Financial Status Report (SF-269). The carryover data are taken from the unobligated balance of federal funds portion of the fourth quarter SF-269. The MOE requirement data are 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 percentages are taken from the RSA-2.

Table 3.1
Fiscal Profile Data for DVRS for FY 2003 through FY 2007

Fiscal Year	2003	2004	2005	2006	2007
Grant Amount	65,108,335	68,947,326	68,932,927	70,522,109	73,870,252
Required Match	17,621,443	18,660,458	18,656,561	19,086,670	19,992,838
Federal Expenditures	65,108,335	68,947,326	68,932,927	70,522,109	54,882,898*
Actual Match	25,074,761	26,049,930	22,674,761	22,949,930	22,674,761
Over (Under) Match	7,453,318	7,389,472	4,018,200	3,863,260	2,681,923
Carryover at 9/30 (year one)	5,514,318	7,723,077	7,889,215	8,296,773	18,987,354
Program Income	13,706,807	11,667,816	12,371,553	13,642,536	10,483,713
MOE	25,074,761	26,049,930	25,074,761	26,049,930	22,674,761
Administrative Costs	7,001,950	6,775,364	8,554,910	7,247,095	7,817,117
Total Expenditures**	103,462,329	103,843,158	105,304,115	109,084,926	95,880,851
Percent Admin Costs to Total Expenditures	6.77%	6.52%	8.12%	6.64%	8.15%

*Deadline for obligating FY 2007 federal grant funds – September 30, 2008.

**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 VR program, other than for the construction of a facility related to a CRP, is 21.3 percent, as established in the 1992 amendments to the 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 VR 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 (SSA) 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 SSA 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.

MOE:

The 1992 amendments revised the requirements in Section 111(a)(2)(B)(ii) of the Act with respect to MOE provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the MOE 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 MOE 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 TA Provided to DVRS During the Review Process

RSA provided the following VR and SE program TA to DVRS during the review process regarding:

- a synopsis of each requirement and assessment of the agency's compliance with specific financial requirements, such as match, MOE, carryover, reallocation, program income, liquidation of outstanding obligations and grant closeout;
- DVRS' 3-year expenditure plan, developed at the request of RSA, to utilize the significantly increasing balance of carryover funds (FY 2006 - \$8,296,773, FY 2007 - \$18,987,354);
- OMB Circular A-87 requirements applicable to the theft of agency laptops, including, appropriate internal controls, insurance coverage requirements and the allowability of using federal grant funds to replace stolen equipment;
- fiscal planning, including a planning session between the DHHS, DSB and DVRS staff to respond to the realized and projected budget cuts, with emphasis on devising a strategy to: 1) ensure meeting the state's MOE requirement; 2) to identify all available non-

federal resources; 3) plan how sufficient expenditures would be coordinated between DSB and DVRS to meet the requirement each year; 4) determine FYs 2008 and 2009 dates for the release of unused federal funds by DSB with the subsequent transfer to DVRS; and 5) clarify release procedures and obligation deadline dates applicable to transferred federal grant funds;

- the current status of corrective actions taken to resolve findings stemming from the FYs 2005 and 2006 single audits and possible actions that can be taken by DVRS to avoid repeat findings as a result of the agency not having timely access to Medicaid rate changes;
- administrative expenses reported on the RSA-2 and determined that administrative expenditures, although relatively low in comparison to national averages for all VR agencies and general and combined VR agencies, still include expenses that should be moved to the program areas of the RSA-2 report (e.g., regional directors' salaries and support staff);
- the sources of funds currently used to match federal State VR Services Program funds and explored several match options being considered by DVRS; and
- the appropriate use of the establishment and innovation and expansion authorities.

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

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

1. Carryover Balances

Observations: A review of financial information (SF-269s - Financial Status Reports) submitted to RSA indicated that carryover funds increased 128.85 percent from FY 2006 to FY 2007. Specifically, \$8,296,773 was available to use in FY 2007 from federal state VR program funds received for FY 2006. At the end of FY 2007, \$18,987,354 was available to use in FY 2008 from funds made available for FY 2007.

- DVRS has provided RSA with an expenditure plan to significantly reduce carryover balances by the end of FY 2010 (September 30, 2010).
- DVRS anticipates that changes to financial needs tests, tuition and fees participation, maintenance rates, transportation mileage rates, computer purchases for students, in-school work adjustment budgets, planned innovation and expansion projects, and community rehabilitation program rates and transportation expenses, implemented over a two-year period will reduce carryover to within the national average of federal funds

carried over by all general/combined VR agencies (13 percent).

Recommendations: RSA recommends that DVRS:

- 1.1 Implement the fiscal changes outlined in the carryover expenditure plan presented to RSA during the FY 2008 onsite review.
- 1.2 Continue to assess the carryover expenditure plan throughout FYs 2009 and 2010 to determine the financial impact of implementing this plan.
- 1.3 Determine an appropriate level of carryover funds to begin each fiscal year and develop financial plans to ensure the availability of this level of federal funds, without maintaining balances in excess of projected program needs.

Agency Response: DVRS agrees with this recommendation. A three-year plan has been developed and is currently being implemented.

TA: DVRS does not request TA.

2. Maintenance of Effort (MOE)

Observations: In each federal fiscal year, state VR program grantees are required to expend an amount that is at least equal to the amount expended in the fiscal year that is two years before the current year. As an example, since DVRS expended \$22,949,930 in FY 2006, the agency would be required to expend a minimum of \$22,949,930 in FY 2008 or receive a dollar-for-dollar penalty (or reduction in federal funds) in FY 2009 for each dollar that program spending falls below the required MOE level.

- An anticipated budget reduction of \$2 million applicable to state fiscal year 2008 – 2009 will result in MOE shortfalls for federal FYs 2008 and 2009. Consequently, the potential FY 2008 MOE shortfall of \$1,359,437, if realized, will reduce federal funds made available to DVRS for FY 2009 by the total shortfall amount.
- Data were not readily available to project the impact of this budget reduction on FY 2009, but falling below the required MOE level of \$22,674,761, based upon FY 2007 program expenditures, will reduce federal funds made available for FY 2010.
- Such a drastic reduction in state matching funds will not only result in MOE penalties, but will also prevent DVRS from requesting and receiving additional federal funds made available at the end of each fiscal year through the reallocation process. During the period from FYs 2002 – 2006, \$5,239,292 in additional federal funds were received by DVRS with no impact to the MOE levels established for these years.

Recommendations: RSA recommends that DVRS:

- 2.1 Continue to pursue strategies that are designed to increase non-federal matching funds to reach a level sufficient to meet the state VR program's MOE requirement applicable to each fiscal year.
- 2.2 Assess the impact of carrying out planned program expansion activities in current and future fiscal years, taking into consideration the anticipated and/or realized budget cuts and anticipated MOE penalties. This information should be used in financial projections prepared for FYs 2009 and 2010.

Agency Response: DVRS agrees with and supports implementation of Recommendation 2 and will continue to work in concert with the DSU to identify all available resources. The three-year financial plan developed by DVRS incorporates planned program changes and identifies best estimates of related costs; including impact of known and projected state and/or federal funding changes. Additionally, DVRS is currently expanding its financial planning to extend the historical three-year plan by an additional two years.

TA: DVRS does not request TA.

CHAPTER 4: NC DSB VR AND SE PROGRAMS

Agency Information and Performance

Table 2.1 provides fiscal and program data for FY 2003 through FY 2007. The data provide an overview of the VR program's costs, outcomes and efficiency. The table identifies the amount of funds used by the agency, the number of individuals who applied, and the number who received services. It also provides information about the quality of the agency's employment outcomes, including outcomes for transition-age youths.

Table 4.1
VR and SE Program Highlights for NC DSB for FY 2003 through FY 2007

Data Elements	2003	2004	2005	2006	2007
Total funds expended on VR and SE	\$16,225,998	\$17,237,238	\$16,471,526	\$17,172,322	\$15,142,900
Individuals whose cases were closed with employment outcomes	664	700	700	700	700
Individuals whose cases were closed without employment outcomes	292	300	312	273	286
Total number of individuals whose cases were closed after receiving services	956	1,000	1,012	973	986
Employment rate	69.46%	70.00%	69.17%	71.94%	70.99%
Individuals whose cases were closed with supported employment outcomes	24	8	12	13	8
New applicants per million state population	167.78	163.93	152.19	159.48	139.85
Average cost per employment outcome	\$5,358.05	\$4,884.29	\$5,400.53	\$5,035.15	\$5,513.90
Average cost per unsuccessful employment outcome	\$5,183.36	\$7,159.96	\$7,652.23	\$6,989.32	\$5,530.35
Average hourly earnings for competitive employment outcomes	\$9.24	\$9.76	\$10.33	\$9.96	\$10.81
Average state hourly earnings	\$16.12	\$16.51	\$17.25	\$17.83	\$18.54
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	57.32%	59.12%	59.88%	55.86%	58.31%
Average hours worked per week for competitive employment outcomes	32.49	32.56	33.46	32.92	33.82
Percent of transition age served to total served	6.49%	5.70%	5.63%	6.78%	6.09%
Employment rate for transition population served	58.06%	54.39%	56.14%	62.12%	56.67%
Average time between application and closure (in months) for individuals with competitive employment outcomes	20.4	18.0	18.8	18.8	21.3

In FY 2007, DSB provided services to 2,927 eligible individuals under an IPE and assisted 700 individuals successfully achieved their employment goals. Of those who successfully achieved a employment goal, eight achieved a SE outcome. Over the past four years, DSB's number of employment outcomes has remained the same at 700 individuals successfully employed per year from 2004 to 2007. During this same time, the rehabilitation rate has increased from 55.43 percent in 2004 to 59.63 percent in 2007. The number of applicants and number of individuals served has decreased, with 1000 individuals served and 1,400 new applicants in 2004 and 986 individuals served and 1,267 new applicants in 2007.

VR and SE Service Delivery

DSB has seven regional/local offices located in Greenville, Wilmington, Fayetteville, Charlotte, Asheville, Winston-Salem, and Raleigh and a rehabilitation center located on the campus of the Governor Morehead School for the Blind in Raleigh, with a total of 37 VR counselors serving all 100 counties in NC.

The most frequent referral source for DSB services in NC is medical professionals. NC has several teaching hospitals with large eye centers, and they are very familiar with the agency and its services. Referrals from physicians and other medical personnel were the highest source of referrals during FY 2007, making up 36 percent of the total referrals from all sources. For the first half of FY 2008, they are responsible for 43 percent of referrals to the agency's VR program.

DSB has 57 state-funded social workers for the blind (SWB) in every county, and the SWBs are often the first point of contact for individuals with vision loss in need of services. If individuals indicate they want to work, the social worker immediately refers them to the appropriate VR counselor.

DSB has 16 IL rehabilitation counselors (ILRC) that also refer individuals to VR services if the individuals decide to seek employment.

The agency has seven transition programs that provide exclusive DSB VR services to students who are blind or who have low vision in 11 local education agencies (LEA) through third-party arrangements (the LEAs provide the match portion of the costs for the staff expense). NC has 115 LEAs. However, in FY 2007, only about four percent of DSB's referrals came from secondary schools.

Services provided by DSB staff directly include, but are not limited to, VR counseling, career guidance, career interest testing, job seeking skills training, job development, job placement and job coaching and small business development. Purchased services include: medical and psychological diagnosis, physical and mental restorations including medications, psychotherapy, surgery and medical devices, home modification, vehicle modification, SE services, job coaching, work adjustment, on the job training, vocational and academic training, tools and supplies and transportation.

DSB currently has contracts with 15 non-profit CRPs, operating in 23 offices and serving all 100 counties in the state. These CRPs provide SE services and long-term support services on an outcome-based method.

Personnel

DSB has a total of 275 FTE positions, including 11 administrative staff, six VR program management staff, one IL/OIB program manager, 30 VR counselors, six split supervisor-caseload carrying counselors, four supervisors (with no caseload), 16 ILR and OIB counselors, nine field-based orientation and mobility (O&M) staff, 57 social workers (SW) for the blind, four SW supervisors, ten SW management and support staff, ten field-based AT consultants/instructors, five deaf/blind consultants, eight nurse eye care consultants, seven business representatives/job placement staff, six community employment specialists, 14 teachers, three nurses, four evaluation staff, six dorm staff and six Rehabilitation Center/Evaluation Unit management staff, 34 field-based clerical support staff, six Business Enterprises (BE) counselors, eight BE management and support staff, and four other staff.

DSB established a master's degree in rehabilitation counseling or closely related field as its personnel standard under the CSPD and as its minimum education requirement for hiring VR counselors. Currently, 89 percent of DSB's counselors meet the standard.

The turnover rate for VR counselors has been 21 percent over the past year. Based on the turnover rate and current positions, including the number of individuals who are approaching retirement age, it is anticipated that eight new VR counselors will be needed during the next year. DSB actively recruits graduates from the five NC universities that offer graduate degrees in rehabilitation counseling studies.

DSB provides all staff classifications with appropriate job-related training. The program specialist for training analyzes the learning requests from staff and plans specific training activities to meet the identified needs.

Due to the number of staff with more than 25 years of service, including seven VR counselors, DSB has identified the need for succession planning and has taken action to address it, including utilizing the DHHS leadership training as a point of entrance for pre-supervisory training. The agency also conducted its own leadership/pre-supervisory training two years ago.

Data Management

DSB is currently using a case management system that is approximately twenty years old and is maintained at the DSA level. The system is not accessible to counselors and other end-users requiring AT software and devices; reports generated are limited in quality; and queries and maintenance of the system must be performed by a staff member from the IT department at the DSA level. Due to these restrictions and limitations, DSB is currently pursuing the purchase of a new case management system.

In the process of assessing different case management systems, DSB plans to procure a system that will improve its data collection process, reporting structure, and accessibility for the end-users. The benefits of an improved system in all these areas would ultimately improve the service provision to individuals the agency serves. DSB has reviewed systems and will make its selection following the submission of bids.

Quality Assurance

DSB has a QA system in place that primarily focuses on case management and service delivery through service record reviews. A QA staff member from the central office reviews approximately ten records per counselor each year. The QA staff prepares a report and feedback is provided to the supervisor. In addition to the QA staff reviews of services records, the office supervisor, as part of the review for each employee's work plan, conducts a review of ten records twice each year for each counselor. For those counselors that have not achieved independent status, their records are reviewed as they progress through the VR process.

Planning

DSB has a formal process for the State Plan development that involves agency management and staff, the SRC, and input from public hearings, consumers, focus groups and stakeholders. The SRC plays an active role in the development of the State plan, conducting public hearings and consumer surveys. DSB management consolidates input from the agency's professional staff, program staff, individuals served, and stakeholders in the process of planning for VR, IL and OIB programs. DSB does not have a separate strategic plan.

VR and SE Programs TA Provided to DSB During the Review Process

RSA provided the following VR and SE program TA to DSB during the review process regarding:

- contact information for state VR agencies using different case management systems;
- information (to the DSA and DSU) to assist in evaluating various case management systems; and
- overview, instructions and interpretation of RSA's MIS system to assist in the review of agency data and comparison of information to national and peer data.

Observations of DSB and Its Stakeholders about the Performance of the VR and SE Programs

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

- stakeholders indicated that the constructive partnerships between VR counselors and school personnel generate quality transition services for students;
- the need for increased buy-in from school districts to partner with DSB to increase VR services to transition-age youths who are blind or vision impaired;
- the difficulties in identifying students who need VR services in school systems where DSB does not have a cooperative agreement;
- DSB's statewide coverage of AT services provide the necessary AT that enable individuals to effectively perform their jobs;
- The difficulty in meeting high level needs of AT users on job sites, in particular the lack of availability of AT services following VR case closure to support ongoing AT needs on job sites;
- enhanced agency credibility through administrators/leaders who are blind;
- agency staff that are approachable and accessible to partner agencies and stakeholders through regular meetings;
- losing skilled and experienced staff due to retirements and staff turnover;
- difficulties in recruiting and retaining qualified VR counselors and other VR professional staff, including vision professionals and mobility instructors in rural areas, due to noncompetitive salaries for VR professionals with a master's degree;
- decrease in referrals to CRPs for SE services;
- the need for an updated web-based data management system with greater functionality;
- challenge of outreach to VR, IL and OIB consumers in rural areas; and
- the need to increase public awareness of DSB's services.

RSA discussed the observations of its stakeholders with DSB 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 to DSB about those observations. DSB responded to each of the recommendations and in those instances when RSA and DSB agreed upon a recommendation, RSA and DSB identified the TA that RSA would provide to DSB to successfully implement the recommendation.

1. Outreach to Hispanics/Latinos

Observation: DSB did not meet goal 3 of priority 4 under the current State Plan. DSB management and staff confirmed that the strategies to increase outreach to Hispanics/Latinos were not effective.

- DSB's FY 2006 comprehensive statewide needs assessment recommended that DSB "investigate strategies for reaching out to unserved and underserved populations, especially Hispanics who tend to exhibit higher rates of blindness and severe visual impairments." (NC DSB FY 2007 State Plan, Attachment 4.11(a), page 2)
- In response to this recommendation, DSB developed strategies and goals to "increase the percentage of the total consumers served who are Hispanics/Latinos from 2.9 percent during 2006-2007 to 3.5 percent of the total consumers served during June 1, 2007 to May 30, 2008." (NC DSB FY 2007 State Plan, Attachment 4.11(c)(1), page 2)
- DSB has reported that the objective was not reached. Throughout the on-site monitoring review, DSB management and staff confirmed that DSB needs to have effective outreach strategies to underserved populations particularly Hispanics/Latinos.
- The U.S. Census Bureau estimates that in 2006 the percent of persons of Hispanic or Latino origin was 6.7 percent in NC (NC Quick Facts from the U.S. Census Bureau). During the on-site review, DSB management reported that in FY 2006, the agency served 104 individuals from Hispanic/Latino population and 106 in FY 2007. The data show that the number of new applicants from the Hispanic/Latino population represented only 0.5 percent of all applicants in the DSB caseload in FY 2006 and FY 2007.
- DSB reported that the agency created five community outreach coordinator positions that were filled internally with DSB staff. None of the five community outreach coordinators has an Hispanic cultural background.
- VR counselors and staff indicated that there are cultural barriers for some minority populations, including the Hispanics/Latinos, to access VR services.

Recommendations: RSA recommends that DSB:

- 1.1 Determine the barriers impeding progress on the current strategies and revise the strategies, including those that will lead to improved outreach to Hispanic/Latinos.
- 1.2 Develop and implement a training plan for VR counselors, community outreach coordinators and management on cultural competency to increase DSB staff and managements' cultural awareness and sensitivity to minorities and to unserved and underserved populations.
- 1.3 Increase the number of staff who speak Spanish can effectively engage in outreach activities.

Agency Response: In preparing for the next Statewide Needs Assessment to begin in 2009, the Agency plans to build into the Scope of Work a requirement that the assessment look not only at demographics in terms of the populations served and underserved but also at the most effective ways of reaching the underserved groups, particularly Hispanics, in light of the limited success of the Agency's efforts to date. (1.1)

DSB will look at options for presenting cultural competency information to staff over the next two years. The Agency has provided several diversity workshops over the years using some very good presenters but as staff turn over occurs an ongoing need exists to provide training to newer staff. One option we are considering is smaller group training in district offices rather than larger and more formal training settings. The smaller setting could provide more opportunity for discussion and interaction. (1.2)

DSB acknowledges the need to increase the number of staff who have second language skills, but would like to point out that while none of the Outreach staff have other languages as their native language, the Outreach coordinator and one of the five field-based Outreach staff has sufficient Spanish skill to communicate effectively without an interpreter and several other staff across the State have some skill in speaking Spanish. It should be noted that the individuals who serve in these positions were in the positions serving other functions and the positions were modified to include the outreach role in recognition of the need to enhance our outreach effort throughout the State. The Department of Health and Human Services has recently executed a contract for telephone-based interpreters in a wide range of languages. The service is available statewide. While we recognize that the best option is in-person, communication between a staff member and consumer, we also realize that will not be feasible in many areas and hope this contract will enhance our efforts to communicate with consumers who do not speak English in a timely manner. (1.3)

TA: DSB does not request TA.

2. Serving SSI Recipients and SSDI Beneficiaries

Observation: The ratio of SSI recipients and SSDI beneficiaries served by DSB in comparison to all individuals served by the agency is relatively lower than the average percent of its peer agencies (For DSB, peer agencies are: MI-B, MN-B, NJ-B, and VA-B.).

- DSB reported that in FY 2006, the agency served 101 SSI recipients, which is 10.38 percent of the total individuals served, in comparison to its peers' average of 100 or 21.25 percent. The agency served 204 individuals SSDI beneficiaries, which is 20.97 percent of the total individuals served, in comparison to its peers' average of 144, or 30.56 percent.
- The number of SSI recipients successfully employed in FY 2006 was 43 (6.14 percent of all successful closures) compared to 49 or 15.70 percent for peer agencies. Among SSDI beneficiaries, 99 (14.14 percent of all successful closures) individuals achieved employment outcomes compared to 88 or 25.64 percent for peer agencies.

- During the on-site discussion, DSB reported that it received no referrals from the local SSA offices. The agency currently relies on the monthly Ticket to Work CD database from Maximus to identify the names of individuals who receive SSA benefits. The names are then distributed to local VR offices where counselors contact the individuals who may benefit from VR services. DSB reported that when the individuals were contacted, they were often not interested in applying for VR services.
- VR counselors and management indicated that many SSI/SSDI recipients and beneficiaries are fearful of losing their benefits. DSB staff indicated benefits planning services are critical to these individuals but that there is a waiting list for these services offered by a community service provider.

Recommendations: RSA recommends that DSB:

- 2.1 Establish cooperative relationships with local Social Security offices to increase referrals from local SSA offices, while continuing utilizing the Ticket to Work database CDs to generate a list of potential applicants to contact.
- 2.2 Develop goals and strategies to increase the number of applicants among SSI/SSDI recipients and beneficiaries and improve their employment outcomes.
- 2.2 Conduct an assessment of the need for benefits planning services among individuals who receive SSI/SSDI and VR services. Develop internal and/or external resources for benefits planning services to meet the needs of the individuals who receive SSI/SSDI and VR services.

Agency Response: In general the Agency agrees that more SSI/SSDI beneficiaries should be participating in the VR Program. In light of the fact that the Agency utilizes the Ticket Database, we will determine the feasibility and advantage of any other type working relationship with either the local SSA offices or DDU. Preliminary discussion indicates a better approach might be more aggressive use of the Database. (2.1)

The Agency will also include in the upcoming Needs Assessment a requirement that this population be given a special focus and that the contractor provide some suggestions. (2.2)
The Division is using the Benefits Planners located across the State but will re-emphasize to local staff the important role these people can play and the valuable information they can provide when working with beneficiaries. (2.3)

TA: DSB does not request TA.

3. Physical Impairments and Physical Restoration Services

Observation: DSB has disproportionately emphasized the provision of physical and mental restoration services in comparison to other services provided by the agency, and in comparison to other blind agencies.

- VR counselors and staff indicated that DSB serves many individuals with low vision and diabetes-related vision impairments in addition to individuals who are blind. They reported that the most common physical restoration services include surgeries for glaucoma and cataracts. They also reported that, in addition to providing funding for these surgeries, VR counselors and support staff provide post-surgery consultations on follow-up doctor's orders for medications and eye care procedures. It appears those services fall within the service areas of medical or nursing professionals. For those individuals whose only medical conditions can be corrected by surgery, and who have no permanent vision impairments after the surgical treatment, eligibility for VR services is questionable.
- Except for assessment services, DSB data show that "diagnosis and treatment of impairments" is the highest frequency of services provided to individuals served under an IPE in FY 2007.
- DSB reported that 620 of 700 (88.57 percent) individuals with employment outcomes in FY 2006 received purchased services of "diagnosis and treatment of impairments" in comparison to 27 individuals (3.85 percent) who received college or university training, 14 individuals (2 percent) who received occupation or vocational training, and 14 individuals (2 percent) who received on the job training during the same period.
- DSB supports the need to address the "physical restoration" issue but anticipates it may have an adverse impact on performance proportionate to the decrease in numbers of individuals receiving physical restoration services.

Recommendations: RSA recommends that DSB:

- 3.1 Ensure that eligibility requirements are met.
- 3.2 Develop and implement specific policies and procedures to ensure that individuals with significant disabilities receive multiple vocational rehabilitation services over an extended period of time.

Agency Response: The Agency carefully monitors eligibility determinations to ensure documentation states that impairments exist that produce impediments to successful employment, and that DSB VR Services are required for the individual to obtain, maintain or regain employment. North Carolina general statutes identify the Division of Services for the Blind as the provider of a range of services related to vision loss to individuals in North Carolina who are blind and visually impaired. Therefore, the program can provide specialized services to eligible individuals with eye conditions, eye diseases, and other disabilities (such as diabetes) that result in low vision and in vision loss with the major impediment to employment. Medical services are often provided in clinics or treatment centers where limited or no counseling or guidance is provided, or it is provided at a stressful time, such as after surgery with no follow-up. Counseling is provided by DSB VR regarding care and control of the condition that is centered on employment readiness. Job analysis, training to use residual vision without endangering it on

the job, and follow-up are services provided by the Counselor that are not purchased and may not be recorded in RSA data analysis. This is an area where the pursuit of a new data gathering system will be of value. Policies clearly define “significant disability” and the requirement of multiple services over an extended period of time. Our staff will revisit this definition and will ensure appropriate documentation in the case file. Staff will make changes to the existing data collection system that can be made economically to more accurately capture data with a goal of having an improved and more flexible system in the future. (3.1, 3.2)

TA: DSB requests TA. As the agency pursues the new case management system, RSA’s assistance to ensure it will provide information that is congruent with information provided by other agencies would be helpful.

4. Average Hourly Wage

Observation: DSB has not passed Indicator 1.5, ratio of average hourly VR wage to average state hourly wage, in five of the past six fiscal years (FY 2000-2004, FY 2006-2007). The average hourly wage at closure versus the state’s average hourly wage is the second lowest compared to all blind agencies in the nation. Meeting or exceeding the average wage as specified in Indicator 1.5 was identified by DSB as an area for improvement during the monitoring process.

- The average hourly earning of individuals served by DSB decreased from \$10.33 in FY 2005 to \$9.96 in FY 2006 while the state average hourly earnings rose from \$17.25 to \$17.83 during the same time period.
- DSB management and staff indicated that many individuals served by the agency live in rural areas and are not interested in college training. Due to limited job markets and transportation difficulties, VR counselors feel that assisting these individuals achieve competitive employment outcomes is very challenging.
- Stakeholders indicated that some of the VR counselors lack the necessary experience and skills to assist college-educated individuals who are blind or who have other vision impairments obtain higher paying jobs.

Recommendations: RSA recommends that DSB:

- 4.1 Increase individuals’ wages.
- 4.2 Utilize resources including current labor market information and other resources for career counseling, job placement activities, and customized training programs for individuals served.
- 4.3 Increase the provision of post secondary vocational and academic training opportunities for individuals served.

4.4 Increase training for VR counselors, business representatives, and employment specialists that will lead to quality IPEs and employment outcomes.

4.5 Utilize assistive technology that will lead to increased job placement in higher pay fields and positions, including technology and professional services.

Agency Response: It should be noted that, although meeting Standard 1.5 has been a challenge for the Agency, it actually increased its average wage in the five-year period of 2001-2005 in excess of that experienced by the State (an average of 16 percent versus 12 percent increase during the period). In its effort to continue to address the Standard, the Agency has planned a "State of the State Workforce Conference," to pull in NC Workforce Development representatives, NC Employment Security Commission staff and other workforce partners to utilize their resources in identifying labor market trends (4.2) and enhancing staff career counseling services and business development activities (4.3, 4.4). It has planned to utilize Employment Security Commission information in all possible situations to help ensure the accuracy of wage reports at closure. Also, it has planned one to two annual meetings of rehabilitation technology professionals and business relations and placement professionals to ensure maximum communication between the professions and to augment the connection between business needs and the most advanced technological services available to the Agency.

TA: DSB does not request TA.

5. Quality Assurance (QA)

Observation: DSB has a QA process in place that focuses primarily on service record review activities carried out by QA staff members and office supervisors. Discussions with DSB management, program support staff, and professional staff indicated that the agency's QA process is not comprehensive. Some of the agency's critical functions and subsystems such as data collection and analysis, VR, IL and OIB services delivery, progress achieved on goals in the State Plan, and program effectiveness and efficiency in relation to their costs and personnel resources utilized are not subject to the QA process.

- DSB has a QA staff position in the central office responsible for QA related to case management compliance. The QA staff, working closely with office supervisors, conducts service record reviews regularly for counselors at all local offices. The QA staff prepares reports and feedback to office supervisors. The agency reports that this QA system permits the agency to identify issues related to policy and procedures.
- DSB currently uses a case management system that is over 20 years old, is not accessible for end users, has limited data fields, and lacks the ability to generate reports to administrative staff, supervisors, and counselors. The system cannot produce the RSA 911, RSA 113, and RSA 269 reports. Therefore, DSB administrative staff produce these reports manually. DSA IT staff support the system. The ability to obtain data queries by administrative staff is very limited. DSB is actively pursuing a new case management system and hopes that once in place it will improve overall data management and program performance.

VR Recommendations: RSA recommends that DSB:

- 5.1 Develop a QA system that evaluates all aspects of agency VR, IL and OIB programs including a mechanism to assess periodic progress in achieving State Plan goals and priorities.
- 5.2 Continue efforts to purchase a modern case management system.
- 5.3 Until the new system is in place, use existing system and the RSA MIS to explore data queries and reports to establish a formal and continuous evaluation process.

Agency Response: The State Plan goals and priorities have been shared with Area Supervisors and related support programs (such as assistive technology field staff, outreach team leaders, and training staff). Specific tasks related to the achievement of these goals and priorities have been placed into the individual Work Plans. The Chief of Rehabilitation and the Assistant Director plan to meet quarterly to determine the level of achievement of these goals and priorities as identified on the 2008 State Plan and the 2009 State Plan. The State Rehabilitation Council has also asked for reports of progress and these will be provided. Case record monitoring will continue to include more analysis of case management analysis, such as queries and reports to examine issues identified in RSA data reports. Our current system will provide information for RSA reports, but it does require the assistance of another agency within the Department, the Division of Information Resource Management. (5.1, 5.2, 5.3)

TA: RSA input into the agency's process of purchasing of a case management system would be of assistance, especially with knowledge of other systems, both adequate and inadequate, across the country.

CHAPTER 5: FISCAL MANAGEMENT OF DSB'S VR AND SE PROGRAMS

RSA reviewed DSB's fiscal management of the VR and SE programs. During the review process RSA provided TA 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, address the overall fiscal performance of the agency. The data related to matching requirements are taken from the respective fiscal year's final or latest Financial Status Report (SF-269). The carryover data are taken from the unobligated balance of federal funds portion of the fourth quarter SF-269. The MOE requirement data are 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 percentages are taken from the RSA-2.

Table 3.1
Fiscal Profile Data for DSB for FY 2003 through FY 2007

DSB					
Fiscal Year	2003	2004	2005	2006	2007
Grant Amount	12,865,719	12,911,405	13,621,477	13,318,279	14,885,132
Required Match	3,482,082	3,494,446	3,686,626	3,604,566	4,028,632
Federal Expenditures	11,960,521	12,911,405	12,750,713	13,318,279	13,363,876*
Actual Match	3,201,558	3,226,597	3,256,000	3,207,415	3,388,974
Over (Under) Match	(280,524)	(267,849)	(430,626)	(397,151)	(639,658)
Carryover at 9/30 (year one)	0	1,430,286	600,758	0	1,942,547
Program Income	266,060	77,956	588,419	584,644	411,211
MOE	2,948,446	3,051,053	3,201,558	3,226,597	3,256,000
Administrative Costs	2,446,026	2,353,334	1,758,922	2,500,489	2,517,057
Total Expenditures**	16,225,998	17,237,238	16,471,526	17,172,322	15,142,900
Percent Admin Costs to Total Expenditures	15.07%	13.65%	10.68%	14.56%	16.62%

*Deadline for obligating FY 2007 federal grant funds – September 30, 2008.

**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 VR 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 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 VR 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 SSA 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.

MOE:

The 1992 amendments revised the requirements in Section 111(a)(2)(B)(ii) of the Act with respect to MOE provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the MOE 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 MOE 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 TA Provided to DSB During the Review Process

RSA provided the following VR and SE program TA to DSB during the review process regarding:

- a synopsis of each requirement and reviewed with staff RSA's assessment of the agency's compliance with specific financial requirements, including match, MOE, carryover, reallotment, program income, liquidation of outstanding obligations and grant closeout;
- fiscal planning, including a planning session between the DHHS, DSB and DVRS staff to respond to the realized and projected budget cuts, with emphasis on devising a strategy to ensure meeting the state's MOE requirement, to identify all available non-federal resources, plan how sufficient expenditures would be coordinated between DSB and DVRS to meet the requirement each year, determined FYs 2008 and 2009 dates for the release of unused federal funds by DSB with the subsequent transfer to DVRS, and clarified release procedures and obligation deadline dates applicable to transferred federal grant funds;

- the need to develop an expenditure plan to utilize the \$1,945,240 in federal funds carried over from FY 2007 to, as a first priority, expand and improve VR services provided by DSB;
- ensuring the transfer of any remaining FY 2007 funds to DVR in a timely manner to meet federal obligation requirements applicable to these funds;
- strengthening DSB's fiscal planning process to include the values of the agency, strategic and State Plan goals, innovation and expansion activities, actual and anticipated expenditures for each program, and actual and anticipated resources;
- the re-opening of SF-269s for FYs 2006 and 2007 to correct errors detected by DHS financial staff;
- the over-reporting of administrative expenditures on the RSA-2 reports, including expenses related to the Business Enterprise Program (BEP);
- the documentation (on SF-269's) of program income received in the state VR program that is transferred to IL programs;
- the need to ensure that the OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their time to one federal grant program, is only completed by staff that actually spend 100 percent of their time working on this one program; and
- maintaining time distribution documentation for all staff that spend time working on more than one program and ensuring that final charges to federal grant programs reflect the cost of actual and not budgeted time spent working in these programs.

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

RSA identified the following fiscal performance observations and made recommendations to DSB about those observations. DSB did not submit a formal response to these recommendations.

1. Financial Planning

Observation: DSB's financial planning process is not clearly defined and consists mainly of the development of the agency's yearly budget and subsequent monitoring of expenditures against the approved budget. As a result of not taking a more comprehensive approach to financial planning, financial resources are often far greater than identified programmatic needs.

- From discussions with DSB financial and management staff, there is no evidence that the agency's financial planning process is all inclusive and takes into consideration the

resources needed to achieve State Plan and strategic plan goals, innovation and expansion activities planned by the agency, projected federal and state financial resources and funding reductions, the federal fiscal year for which state funds are appropriated, staffing plans, state spending restrictions, number of consumers projected to be served each fiscal year and the cost of serving these consumers, or the projected cost and financial impact of prior year commitments for individualized plans for employment on the resources available in the current fiscal year and future funding periods.

- At the end of each federal fiscal year, this lack of planning results in DSB having a large carryover balance of State Vocational Rehabilitation Services Program funds that is available to expend in the succeeding fiscal year for allowable program costs. Each year, the required match for the federal funds carried over has been made by DVRS, which spends at a level above the statutory match requirement to meet the MOE requirement. A total of \$1,945,240 carried over from FY 2007 was available to expend in FY 2008.
- The anticipated \$2 million in state FY 2008-2009 budget cuts to funds made available to DVRS will also impact DSB. Instead of the millions of dollars in overmatch that the state has historically provided for the state VR program, resources will only be available to meet the statutory match requirement (21.3 percent). Unlike prior years, there would also be no cushion to request and receive additional program funds through the year-end reallocation process, and make it much harder to transfer funds that are not needed between DSB and DVRS.

Recommendations: RSA recommends that DSB:

- 1.1 Formally define and assign responsibilities and timetables for developing and implementing an on-going financial planning process that reflects the values of DSB and brings the agency closer toward meeting stated program goals for each fiscal year.
- 1.2 Include in the financial plan strategies for fully utilizing all federal and state program resources or take action to timely release federal funds that are not required by the agency in the applicable year. The first priority in releasing funds each year is to transfer these funds to DVRS, if they can be utilized by this agency. Any remaining funds should be released through the reallocation process for use by other state VR agencies that are able to utilize these funds.
- 1.3 Work closely with DVRS to fully utilize and maximize the use of all state VR program resources (federal and state), and to meet statutory requirements related to match, MOE, and carrying over federal funds.

Agency Response: A structure will be devised as appropriate that includes DVR, the Controller's Office and DSB to define responsibilities and timetables to provide a financial planning process across programs that will better utilize federal, state, and local funds and facilitate the timely release of federal funds that are not required by the agencies. (1.1, 1.2, 1.3)

TA: DSB does not request TA.

2. Financial and Statistical Reports

Observation: A review of FY 2007 SF-269s and the Annual Vocational Rehabilitation Program/Cost Report (RSA-2) prepared by DHHS financial staff disclosed errors in information previously reported to RSA. These reports were not reviewed by the DBS Budget Director before submission to RSA. Errors detected include:

- administrative costs were actually lower than reported costs (RSA-2);
- costs for providing assessment, counseling, guidance and placement are not separated from the cost of providing “other” services – orientation and mobility, rehabilitation teaching (RSA-2);
- expenditures for the BEP were underreported (RSA-2);
- expenditures for purchased services are reported based on a formula developed years ago, and in no way reflect actual amount expended with public or private vendors (RSA-2); and
- program income transferred from the state VR program to other formula grant programs is not appropriately documented. (SF-269)

Recommendations: RSA recommends that DSB:

- 2.1 Assign responsibility to the agency budget director for the review and approval of RSA-2s and SF-269s for accuracy of reported data before submission to RSA.
- 2.2 Take steps necessary to capture financial and statistical information in the manner prescribed by RSA to ensure the accuracy of reported information.
- 2.3 Continue with the agreed upon plan to reinstate the quarterly financial planning meetings between DSB, DVRS and DHHS financial staff assigned to both programs. The stated purpose of these meetings will be to review program expenditures and the accuracy of reported financial information, monitor compliance with the MOE requirement for both programs, and track the status of fund balances to ensure the appropriate and timely transfer of federal funds between NC VR agencies.

Agency Response: We agree that a review of the 269 report by the Budget Officer is appropriate and does, in fact, occur now. Emphasis will be placed on having the document reviewed prior to

submission in an effort to identify potential issues. However, actual approval authority rests with the DHHS Controller and cannot be delegated to the DSB Budget Officer. (2.1)

The Controller's Office staff, DSB Budget Officer and DVR Budget Staff will attend the RSA Fiscal and Data Conference in August 2008. This conference will provide training of the RSA-2 that will assist us in preparing the report. The categories of expenditures need to be analyzed to determine the appropriate reporting on the RSA-2. The account/center structure may need to be analyzed to provide a breakout of the expenditures for purchased services expended with public or private vendors. Additionally, as the agency's new case management/data collection system is developed the intent is to have a more reliable method of capturing data needed to prepare the RSA-2. Meanwhile, it is our shared belief that these issues can be addressed by our regular joint meetings. (2.2, 2.3)

TA: Based on the training received during the Fiscal and Data Conference, additional technical assistance may be needed related to the RSA-2. As discussed during the onsite visit, some components of the RSA-2 instructions are confusing and unclear. Any steps that RSA can take to clarify the instructions would be helpful and increase the likelihood that accurate data is reported and in a more consistent way among agencies.

CHAPTER 6: IL PROGRAM

Agency Information and Performance

In FY 2007, DVRS and DSB provided IL services to approximately 5,600 individuals through their state-funded IL programs. An additional 2,446 individuals in the state received IL services from six CILs funded directly by RSA.

Table 6.1 IL - NC: RSA-704 Part I Data

Data Elements	2006	2007
Funding: Title VII, Chapter 1, Part B	483,678	487,124
Performance: Total Served	1,576	1527
Performance: Total Consumer Service Records Closed	539	534
Performance: Cases Closed, Completed All Goals	433	445
Staffing: Total FTEs	24.00	24.5
Staffing: Total FTEs with Disabilities	9.00	8.4

IL Program Administration and Service Delivery

IL services are provided through DVRS and DSB's state-funded IL program and the RSA-funded statewide network of CILs. Both state programs reach individuals in NC's 100 counties, including in-home assessments and services.

DVRS' IL Rehabilitation Program (ILRP) provides IL and personal attendant care services to 5,200 consumers through its 16 local offices statewide. The ILRP includes a state-funded, consumer-directed personal care attendant program that currently serves over 400 individuals with significant disabilities. Consumers act as the employers, responsible for interviewing, recruiting, paying, supervising and evaluating their attendants. Consumers are also responsible for attendants' federal and state tax-related reporting. DVRS reimburses the consumers for their personal attendant costs and offers them personal assistance management training, counseling and administrative support services. In FY 2007, the ILRP program was funded by \$18.4 million in state general revenue funds.

DSB's IL Rehabilitation (ILR) program provided IL services to 422 consumers through seven local offices statewide. In addition, DSB provide IL services throughout the state through itinerant "mini-centers" in community-based locations such as churches, recreation centers and civic organizations. DSB's ILR and VR programs are partnering to host four mini-centers for transition-age youths in the summer of 2008. DSB also coordinates ILR services with its IL Services (ILS) program. ILS' social workers for the blind provide short-term disability adjustment and family support activities and refer consumers to ILR counselors for long-term IL

services. DSB's policy manual includes a detailed protocol for coordination and collaboration among its VR, ILR and ILS programs. Program staff often share case management and service provision responsibilities for individual consumers, with the goal of providing seamless and responsive independent living and employment services to consumers. In FY 2007, the ILR program was funded by \$482,121 general revenue state funds and \$9,743 in state matching funds.

The statewide network of CILs includes six centers funded directly by RSA under Title VII, Part C of the Act and two new CILs established with Part B funds in eastern North Carolina. The state also provides \$14,600 in Part B funds for the RSA-funded Part C centers, as well as \$800 in supplemental Part B funds to support the CILs' local nursing home transition activities.

Personnel

ILRP's 125 service delivery staff members include counselors, supervisors, rehabilitation engineers and other specialists. ILR's 16 counselors work closely with DSB's orientation and mobility specialists, social workers for the blind, deaf-blind specialists, nurse eye care consultants and assistive technology specialists. ILRP and ILR counselors are required to meet CSPD standards, including a master's degree in rehabilitation counseling.

Aside from service delivery personnel, three DVRS staff members are assigned to the IL program at the headquarters level: the chief of community services, an IL program specialist that serves as DVRS' ex-officio member of the SILC, and a staff member providing administrative support to the SILC. DSB's IL program is administered by the ILR program specialist that also serves as the agency's ex-officio member of the SILC.

The SILC presently does not employ staff, but plans to hire an executive director and administrative assistant after the SILC incorporates as a 501(c)(3) nonprofit organization in accordance with the FY 2008-2010 SPIL.

Data Management

DVRS and DSB manage ILRP and ILR program data on separate systems. Both systems are maintained at the designated state agency through the DHHS' DIRM mainframe computer. DVRS and DSB are in the process of developing new data management systems for their respective VR and IL programs.

Fiscal Management

In FY 2007, DVRS and DSB received \$487,000 in Part B funds and provided \$54,000 in required state matching funds. The state agencies are expected to receive \$395,876 and \$86,900, respectively, in Part B funds in FY 2008. In accordance with the FY 2008-2010 SPIL, approximately \$160,000 of the available FY 2008 Part B funds is to be allocated to the SILC, \$200,000 to the newly established CILs and \$84,000 to the current Part C centers. The remaining amount will be available for other SPIL activities such as a youth conference.

The SPIL provides that any Part B funds not spent by the end of the two-year budget cycle will revert to the ILRP and ILR programs.

Quality Assurance

DVRS' QDS staff review a sampling of each ILRP counselor's consumer service records. Based on the reviews, the specialists provide the counselors guidance and TA to improve the quality of service delivery. In addition, ILRP supervisors, counselors and staff receive training on federal regulations, state policies and procedures, customer service, consumer service records management, the Americans with Disabilities Act, accessible housing opportunities and other topics. ILRP counselors are evaluated based on IL-specific performance expectations and measures.

DSB's ILR program specialist annually conducts a random review of the consumer records for each IL counselor. Counselors and supervisors receive written report of findings, recommendations and corrective measures, as appropriate. The program specialist also reviews "mini-center" curricula, conducts "mini-center" site visits and accompanies ILR counselors on in-home visits. Consumer satisfaction surveys are mailed to all successful closures statewide at the end of the fiscal year to measure the quality of services and outcomes and to identify areas of unmet need.

Planning

The FY 2008-2010 SPIL was developed jointly by DVRS, DSB and the SILC with input from the CILs and the general public. Public input was gathered through a series of public hearings in various regions of the state. The latest SPIL significantly expands funding for the SILC and the statewide network of CILs and increases support for nursing home transition activities.

IL Program TA Provided to DVRS and DSB During the Review Process

RSA provided DVRS, DSB, the SILC, and CILs with TA on four IL-related issues during the review process.

- **Roles, Responsibilities, and Communication:** RSA provided TA to DVRS, DSB, the SILC and CIL representatives on statutory roles and responsibilities, and recommended that the parties take concrete steps towards improving communication. RSA has offered to provide TA and support as appropriate and upon request.
- **QA:** RSA provided TA to DVRS and DSB on addressing quality IL outcomes and recommended that the agencies develop IL performance targets, evaluation instruments and quality development activities based on the IL philosophy and four core services. RSA also recommended that DSB extend its ILR satisfaction survey to include all of its consumers, beyond those whose records were closed successfully as is presently the case.

- SILC Contract: RSA provided TA to DVRS and the SILC on the modifications necessary to bring the proposed SILC scope of work into compliance with section 705 of the Act.
- SILC Resource Plan: RSA provided TA to DVRS and the SILC on alternative SILC funding mechanisms for achieving a proper balance between the DSU's duty to receive, disburse and account for Part B funds under section 704(c) of the Act and the SILC's responsibility for the proper expenditure of funds and use of resources that it receives under the resource plan under 34 CFR 364.21(i)(4).

Observations of DVRS, DSB and Stakeholders about the Performance of the IL Program

RSA solicited input from DVRS, DSB, the SILC and the CILs and received the input below about the performance of the IL program.

- DVRS is implementing a promising pilot project in which ILRP counselors assist in meeting VR consumers' IL needs, as an example, by providing or arranging for personal care attendant services.
- DSB stakeholders expressed support for the agency's "mini-center" service delivery model and for VR-IL collaboration in DSB's high school transition efforts. Stakeholders also encouraged DSB to increase IL services for transition-age youths and expand its partnerships with school districts.
- DVRS, DSB, the SILC and the CILs discussed their challenges in establishing a strong, collaborative relationship in the development and implementation of the SPIL.
 - SILC and CIL representatives expressed concerns related to SILC autonomy, Part B funds contracting and disbursement delays, the SILC nomination and appointment process, the state-administered IL programs, and the possible reversion of Part B funds to the ILRP and ILR programs.
 - The DSUs expressed the need for the SILC and CILs to have a better understanding about the state's contracting procedures and the Boards and Commissions Office's appointment processes.

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

IL Program Performance Observations and RSA Recommendations

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

1. Expansion of the Statewide Network of CILs

Observation: In FY 2008, NC established two new CILs in Greenville and Wilmington to respond to IL needs in eastern NC which had been identified in the SPIL as an unserved area of the state.

- Each CIL received \$100,000 in part B funds in FY 2008 with small increases in FYs 2009 and FY 2010.
- As new CILs with a small funding base, these centers face specific operational and management challenges, recruiting and retaining qualified staff and board members, orienting and training staff and board members, establishing internal controls, maintaining consumer service records, developing policies and procedures, and meeting state contract requirements.

Recommendation: RSA recommends that DVRS provide training and TA to the new CILs.

Agency Response : This recommendation is applicable to DSB, and DVRS' response to Recommendation 1 is included in its response to Recommendation 2 below.

TA: DVRS does not request TA.

2. Part B contract management

Observation: In FY 2008, the SILC and the CILs have experienced delays finalizing their respective contracts for part B funds with DVRS.

- The SILC's contract has been delayed because the scope of work includes activities that exceed the statutory requirements.
- CILs have difficulties in meeting the state contract requirements because they do not fully understand the contracting and procurement requirements.

Recommendations: RSA recommends that DVRS:

- 2.1 Provide additional training and TA to CILs on the state's contracting and procurement requirements.
- 2.2. Develop contract guidelines specific to the SILC and the CILs.
- 2.3 Develop and implement a specific process for finalizing contracts with CILs and SILC in a timely manner to ensure that both have sufficient time to expend funds within the allowed time period.

Agency Response (DVRS): DVRS agrees with the RSA recommendations 1 and 2 and plans to implement both of them. DVRS is recruiting for a program specialist to coordinate these efforts and anticipates filling the position by the end of September 2008. This position will provide TA to the SILC and CILs with special emphasis on establishing the two new CILs. This assistance will include developing a budget template and developing a checklist with time-lines of deliverables.

In addition to the above recommendations, the DVRS plans to implement the recommendations below that were discussed during the RSA monitoring exit conference.

- DVRS ILRP will develop joint training for ILRP staff and the CIL staff.
- DVRS will include both ILRP information and CIL information when developing the State Plan for Independent Living.

Agency Response (DSB): This recommendation is not applicable to DSB.

TA: DVRS may request TA.

IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance finding and corrective action that NC is required to undertake. NC 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 NC.

Legal Requirement:

34 CFR 364.42(a): The State Plan must specifically describe (1) the objectives to be achieved; and (2) the financial plan for the use of Federal and non-Federal funds to meet these objectives. The financial plan must identify the source and amounts of other Federal and non-Federal funds to be used to meet these objectives. (b) The objectives required by paragraph (a) of this section must address (1) the overall goals and mission of the State's IL programs and services; (2) the various priorities for the types of services and populations to be served; and (3) the types of services to be provided.

34 CFR 364.43(a): The State Plan must describe the extent and scope of IL services to be provided under title VII of the Act to meet the objectives stated in
Sec. 364.43(b): The State Plan must provide that the State directly, or through grants or contracts, will provide IL services with Federal, State, or other funds.

Finding 1:

DVRS uses \$18 million in state general revenue funds to provide the four IL core services and other IL services through its ILRP. DSB uses \$500,000 in state funds to provide IL services through its ILR program.

However, the SPIL does not include the \$18 million in state funds in its financial plan nor does it describe how the State funds will be used to meet the objectives in the SPIL. The SPIL does not describe the ILRP or ILR programs and services nor their priorities for the types of services and populations to be served or the types of services to be provided. The SPIL does not describe the extent and scope of the IL services provided by the State through the state funds.

The NC SPIL does not meet the requirements of 34 CFR 364.42 or 34 CFR 364.43 because its financial plan does not describe the use of non-federal funds to meet the SPIL objectives and identify the source and amounts of those non-federal funds. In addition, the SPIL does not include the overall goals and mission of the State's ILRP and ILR programs and services, the priority services and populations, types of services and the extent and scope of IL services to be provided with state funds.

Corrective Action 1: The state must take corrective action to revise the SPIL in order to incorporate information about the ILRP and ILR's overall goals and mission, service and population priorities, types of services, and extent and scope of IL services, and the amount of state funds to be used. The state must submit to RSA, as part of its corrective action plan, the proposed revisions to the SPIL. RSA will provide TA to DVRS, DSB and the SILC regarding the proposed revisions to the SPIL and guidance as to whether a formal SPIL amendment process, including public hearings, would be required.

Agency Response: The Division accepts the RSA finding and will begin the process of revising the SPIL plan to address the RSA finding. The use of non-federal funds utilized to meet SPIL objectives will be addressed in the SPIL.

CHAPTER 7: OIB PROGRAM

Agency Information and Performance

DSB's OIB program served 1,104 individuals in FY 2007. The most common services provided were individual and family counseling; daily living; communications and low vision skills training; and low vision exams and screening services.

Table 7.1 OIB Program Highlights for DSB for FY 2006 and FY 2007

Data Elements	2006	2007
Expenditures: Title VII, Chapter 2	873,629	878,679
Expenditures: Total (including Chapter 2)	970,698	1,534,844
Performance: Total Older Individuals who are Blind Served	1,200	1,104
Staffing: Total FTEs	25.05	28.90
Staffing: Total FTEs with Disabilities	8.55	8.60

OIB Program Administration and Service Delivery

DSB administers the OIB program as part of its ILR program. Within the ILR program, IL and OIB are administered as a single program sharing the same staff, services, service delivery system, policy manual, staff development practices, job evaluation criteria and quality assurance procedures. The IL and OIB programs are differentiated only by the latter's age-based (55 years and older) eligibility requirement. Consumer cost services such as transportation, adaptive devices and assistive technology are allocated based upon the program through which the individuals are being served.

DSB's specialized staff provides all services. OIB services are provided in NC's 100 counties through ILR's seven district offices and DSB counselors' visits to consumers' homes and communities. In addition, DSB conducts itinerant "mini-centers" in community locations throughout the state. Mini-centers provide a minimum of 36 hours of IL skills training, peer support and adjustment counseling at community-based locations through the state. They are conducted on an itinerant basis, with the goal of reaching every county at least every two years. The training curriculum is often taught with the assistance of the consumers themselves.

ILR counselors also work closely with DSB's ILS program. ILS' social workers for the blind provide short-term disability adjustment and family support activities and refer consumers to ILR counselors for long-term IL services. DSB's policy manual includes a detailed protocol for coordination and collaboration among its VR, ILR and ILS programs. Program staff often share case management and service provision responsibilities for individual consumers, with the goal of providing seamless and responsive independent living and employment services to consumers.

Personnel

The OIB service provision staff includes 16 counselors who work closely with DSB's orientation and mobility specialists, social workers for the blind, deaf-blind specialists, nurse eye care consultants and assistive technology specialists. Presently, 31 percent of the ILR counselors have visual impairments. In addition, ILR counselors employ older individuals who are blind as support staff in the "mini-centers."

During FY 2007, DSB submitted an expansion budget request to the state legislature and obtained state funding for three new ILR counselor positions, one new assistive technology instructor position and additional case services funds.

Data Management

DSB utilizes an electronic data management system to track case service activities provided from referral through the rehabilitation process including post-closure services. The system also tracks case expenditures/encumbrances. DSB is in the process of developing an enhanced data management system for its VR, IL, OIB and ILS programs.

Fiscal Management

In FY 2007, the OIB program received \$878,679 in Title VII, Chapter 2 federal funds and \$97,631 in state matching funds. The ILR program also receives \$482,121 in state general revenue funds for both the IL and OIB programs.

Quality Assurance

DSB's ILR program specialist annually conducts a random review of the consumer records for each IL counselor. Counselors and supervisors receive written report of findings, recommendations and corrective measures, as appropriate. The program specialist also reviews "mini-center" curricula, conducts "mini-center" site visits and accompanies ILR counselors on in-home visits. Consumer satisfaction surveys are mailed to all successful closures statewide at the end of the fiscal year to measure the quality of services and outcomes and to identify areas of unmet need.

Planning

DSB was an active participant in the development of the FY 2008-2010 SPIL. Three of the SPIL goals reflect the particular interest of the OIB program: expansion of the network of CILs; nursing home transition; and disability-related issues monitoring. Title VII of the Act does not require a State Plan for the OIB program.

OIB Program TA Provided to DSB During the Review Process

RSA provided DSB with TA on three OIB-related issues during the review process.

- QA: RSA provided TA to DVRS and DSB on addressing quality IL outcome and recommended that the agencies develop IL performance targets, evaluation instruments and quality development support activities. RSA also recommended that DSB extend its ILR satisfaction survey to include all of its consumers, beyond those whose cases were closed successfully as is presently the case.
- 7-OB Reports: RSA provided TA related to the financial, staffing, demographic and outcomes data to be reported in 7-OB annual performance report for the OIB program.
- Data management system: RSA recommended several ways in which the DSB's upgraded case management system can be used to improve OIB service delivery and support DSB's implementation of the RSA recommendations in this report.

Observations of DSB and Its Stakeholders about the Performance of the OIB Program

RSA solicited the following input from DSB and a wide range of its stakeholders about the performance of the OIB program regarding:

- The community-based "mini-centers" are an effective service delivery vehicle, especially for the rural areas of the state; and
- the AT program is an effective component of the OIB program.

OIB Program Performance Observations and RSA Recommendations

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

1. OIB and IL Policies and Procedures

Observation: DSB administers the IL and OIB programs as a single program under the ILR using the same policies and procedures, staff development process, job evaluation, and quality assurance practices for both programs without distinguishing their respective requirements and features.

Recommendation: RSA recommends that DSB review and revise its ILR policy manual and other related management information and practices to distinguish the unique aspects and requirements of each program.

Agency Response (DSB): Agree

TA: DSB does not request TA.

2. OIB and IL Performance Reports

Observation: DSB does not consistently and accurately report OIB and IL data in its 7-OB and 704 annual performance reports.

- Financial, demographics and outcome data for the IL program are reported primarily in the 7-OB report instead of the 704 performance report.
- The 7-OB report does not accurately report DSB's staff costs related to administration and the provision of OIB services.
- DSB is in the process of updating its case management system.

Recommendations: RSA recommends that DSB:

- 2.1 Review and revise its reporting practices to ensure that the OIB and IL data are reported accurately in the appropriate report.
- 2.2 Utilize the updated case management system to improve accuracy in compiling data for both the 7-OB and 704 performance reports.

Agency Response (DSB): DSB agrees with the recommendations. Staff from the ILR/OIB Program has been and will remain involved in the process of assessing potential new systems and in the selection and implementation of the new system to ensure that the needs of the program from the perspective of the field staff and administrative staff will be addressed. (2.1, 2.2) It would be most helpful if the instructions provided for the 7-OB and 704 reports were thorough and clear.

TA: DSB requests TA.

CHAPTER 8: PROGRESS ON ISSUES RAISED IN PREVIOUS REVIEWS OF DVRS

As a result of the RSA review conducted with DVRS in FY 2004, the agency developed a CAP. In addition to the CAP, DVRS was subject to a PIP in accordance with 34 CFR 361.82 (b), because DVRS did not meet performance indicators 1.1, 1.2, and 1.5 for FY 2005 – FY 2007. A summary of progress on the CAP and PIP is described below.

CAP

Through the implementation of its CAP, DVRS has successfully resolved the following compliance finding:

- **Finding 1:** It is determined that in the six cases where the record showed inadequate documentation to support an eligibility determination, federal financial participation (FFP) is not allowable.

DVRS continues to resolve compliance findings related to the findings below and continues to work toward their resolution.

- **Finding 2:** DVRS must improve its performance in meeting the requirements of 34 CFR 361.45(b)(2). DVRS must take corrective action to ensure that VR staff has been properly trained in identifying the VR needs of individuals with disabilities. An appropriate assessment must be conducted and documented in each case to determine the nature and scope of VR services and the employment outcome to be included in the IPE.
- **Finding 3:** DVRS must improve its performance in meeting the requirements of 34 CFR 361.45(f). DVRS must take corrective action to ensure that VR staff has been properly trained in applying the provisions for developing the IPE. DVRS staff needs to be especially cognizant of when to conduct a comprehensive assessment and of the need to fully document determinations related to establishing an employment goal in the IPE.
- **Finding 4:** DVRS must improve its performance in meeting the requirements of 34 CFR 361.45(a)(2). DVRS must develop a specific plan that will assure adherence to the provisions of each IPE in the course of its implementation and submit the plan to RSA.
- **Finding 5:** DVRS must improve its performance in meeting the requirements of 34 CFR 361.46(a)(2)(i). DVRS must develop a specific plan that will assure that each IPE accurately and comprehensively identifies the VR services needed to achieve an employment outcome and must submit that plan to RSA.
- **Finding 6:** DVRS must improve its performance in meeting the requirements of 34 CFR 361.45(d)(6). DVRS must develop a specific plan that will assure that each IPE undergoes amendment as necessary to reflect all the significant services provided to the corresponding eligible individual.

- **Finding 7:** DVRS must improve its performance in meeting the requirements of 34 CFR 361.47(a)(14). DVR must develop a specific plan that will assure that records of services provided under 34 CFR 361.48 include documentation that demonstrates the services provided under the individual's IPE substantially contributed to the achievement of the employment outcome.

Status: DVRS will review cases to ascertain the extent to which the compliance issues have been addressed and corrected systemically. As discussed during the monitoring visit, a revision of the written rehabilitation analysis is in progress to address these IPE development issues.

DVRS will provide RSA quarterly reports on the progress of the implementation of the CAP and the results.

PIP

Through the implementation of its PIP, DVRS has not met the Evaluation Standard 1 – Employment Outcomes for the following indicators:

Performance Indicator 1.1 – Change in the number of employment outcomes from prior year

This indicator is the difference between the number of individuals exiting the VR program who achieved an employment outcome during the current performance period and the number of individuals exiting the VR program who achieved an employment outcome during the previous performance period. Required performance level: DVRS must equal or exceed previous performance period.

During FY 2007, 6,270 individuals exited DVRS with an employment outcome compared to 7,264 during FY 2006, representing a decrease of 994 individuals.

During FY 2006, 7,264 individuals exited VRS with an employment outcome compared to 8,742 during FY 2005, representing a decrease of 1,478 individuals.

During FY 2005, 8,742 individuals exited the NC DVRS program with an employment outcome compared to 9,019 during FY 2004, representing a decrease of 277 individuals.

DVRS did not meet the Performance Indicator 1.1 for three years FY 2005 – FY 2007.

Performance Indicator 1.2 – Of all individuals who exit the VR program after receiving services, the percentage that are determined to have achieved an employment outcome.

Required performance level for the general and combined DSUs is 55.8 percent.

DVRS performance level on Indicator 1.2 in the last three years:

FY 2007: 47.14 percent

FY 2006: 38.46 percent

FY 2005: 49.61 percent

Performance Indicator 1.5 - The average hourly earnings of all individuals who exit the VR program in competitive, self- or BEP employment with earnings equivalent to at least the minimum wage as a ratio to the state's average hourly earnings for all individuals in the state who are employed (as derived from the Bureau of Labor Statistics report "State Average Annual Pay" for the most recent available year).

Required Performance Level for the general and combined DSUs is a ratio of 52 percent.

DVRS performance level on Indicator 1.5 in the last three years:

FY 2007: 48.7 percent

FY 2006: 49.4 percent

FY 2005: 50.2 percent

Status: DVRS did not achieve the goal on its PIP. The agency will follow the RSA's recommendation to evaluate the effectiveness of the current PIP to differentiate the strategies that have been working from those that are not working. Jointly with RSA, DVRS will develop a new PIP leading to improved performance on Evaluation Standard 1 and provide quarterly reports to RSA on the progress.

TA: DVRS requests TA.

APPENDIX: SOURCES OF DATA

VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line I.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 supported employment 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

II 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”

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”