FISCAL YEAR 2009
MONITORING REPORT ON THE
VOCATIONAL REHABILITATION AND
INDEPENDENT LIVING PROGRAMS
IN THE STATE OF
CALIFORNIA

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

DECEMBER 24, 2009
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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 California (CA):

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

**California Administration of the VR, SE, IL and OIB Programs**

California’s Department of Rehabilitation (DOR) is the designated state agency (DSA) for the administration of the VR, SE, IL and OIB programs. DOR is housed within the California Health and Human Services Agency (HHS), and must have its state plans approved by HHS prior to submitting to RSA. CA DOR is the grantee for the Client Assistance Program and in turn subcontracts these services to entities throughout the state, the majority of which are centers for independent living (CILs).

DOR has five Divisions: Employment Preparation Services North/Central, Employment Preparation Services South, Specialized Services Division, Independent Living & External Affairs, and Administrative Services. All program services are provided through 13 districts and 93 offices covering 58 counties. The Specialized Services Division (Blind, Visually Impaired, Deaf, and Hard of Hearing) administers a virtual 14th district with separate supervision and reporting structures from the other districts.

The California State Rehabilitation Council (SRC) is attached to the Office of the Director, CA DOR, but is not housed within the Office of the Director. The SRC is supported by an Executive Director who is a DOR employee. The California Statewide Independent Living Council (SILC) is established as an independent state agency with the Executive Director as a state employee.

**DOR’s Performance Over the Past Six Years**

DOR’s employment rate has decreased 9.4 percent from 54.6 percent in FY 2003 to 45.2 percent in FY 2008, the number of new applicants has increased by 4,557 from 41,061 in FY 2003 to 45,618 in FY 2008, the number of individuals served has increased by 4,922 from 71,046 in FY 2003 to 75,968 in FY 2008, and the average hourly earnings has increased from $9.99 to $11.47.

Of those individuals who achieved an employment outcome, the number who achieved a supported employment outcome has decreased by 98 from 2,439 in FY 2003 to 2,341 in FY 2008 and these individuals’ average hourly earnings as increased from $6.44 to $6.92.
Strengths and Challenges: RSA identified the following programmatic strengths that contributed to DOR’s high or improved performance as well as the challenges DOR faces in its efforts to improve its performance.

Strengths:

- DOR actively collaborates at multiple organizational levels with multiple entities on behalf of individuals with disabilities.
- DOR collects, reviews and analyzes district level performance data and uses the information in agency planning.
- DOR’s highly professional, knowledgeable, and dedicated staff.
- DOR’s quality assurance system for third-party cooperative arrangements.

Challenges:

- DOR’s antiquated electronic case management system.
- DOR’s reliance on third-party cooperative arrangements for a large percentage of state matching funds and decreasing state funding.
- Recruiting and maintaining qualified staff.
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 Supported Employment under Title VI part B of the Act and programs offered under Title VII of the Act are substantially complying with their respective state plan assurances and program requirements.

In order to fulfill its monitoring responsibilities, RSA:

- reviews the state agency’s performance in assisting eligible individuals with disabilities to achieve high-quality employment and independent living outcomes;
- identifies strengths, areas of consistently high performance, areas of improved performance, challenges and areas of performance that need to be improved;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides technical assistance (TA) to the state agency in order to improve its performance, meet its goals, and fulfill its state plan assurances.

Scope of the Review

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

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

In addition, RSA also reviewed DOR’s progress on:

- the agency’s Corrective Action Plan that was established as a result of findings from RSA’s FY 2004 Section 107 monitoring review; and
- the assurances that DOR made to RSA in conjunction with its FY 2007 state plan.

Appreciation

RSA wishes to express appreciation to the representatives of DOR, the SRC, SILC, and the stakeholders who assisted the RSA monitoring team in the review of DOR.
CHAPTER 1: RSA’S REVIEW PROCESS

Data Used During the Review

RSA’s data collections are finalized and available at different times throughout the year. RSA’s review of DOR began in the fall of 2008 and ended in the summer of 2009. When FY 2008 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five year trend, RSA included the FY 2008 data in the report. Otherwise, this report relies primarily on RSA’s FY 2007 data collections as the most recent source of data about DOR’s performance. RSA also requested DOR’s district level data from FY 2004 to FY 2007. RSA analyzed this data and discussed the findings with DOR during the review period.

Review Process Activities

During the review process, the RSA DOR state team:

- gathered, shared, 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, and stakeholders;
- provided technical assistance during the review process;
- identified promising practices;
- identified performance areas for improvement and recommended that DOR undertake specific actions to improve its performance;
- identified compliance findings and required DOR to take corrective action;
- in collaboration with DOR determined whether RSA would provide technical assistance to improve its performance or correct compliance findings; and
- identified issues for further review.

RSA DOR State Team Review Participants

Members of RSA’s DOR state team included representatives from each of RSA’s State Monitoring and Program Improvement’s (SMPID’s) five functional units. The RSA review team was made up of the following individuals: Janette Shell, state liaison and review team leader (TA Unit); James Billy and Sue Rankin-White (TA Unit); Lawrence Vrooman, David Wachter, Jim Doyle, Brian Miller and Jessica Smith (VR Unit); Thomas Macy and Regina Luster (Fiscal Unit); Yann-Yann Shieh and Julya Steyh (Data Unit).

Information Gathering

During FY 2009, RSA began its review of DOR by analyzing information including, but not limited to, RSA’s various data collections, DOR’s VR and IL state plans, and the SRC’s Annual
After completing its internal review, the RSA team carried out the following information gathering activities with DOR and stakeholders in order to gain a greater understanding of DOR’s strengths and challenges:

- conducted three teleconferences with VR and IL stakeholders beginning in November 2008;
- conducted 11 teleconferences with DOR’s management beginning in September 2008;
- conducted three teleconferences with DOR IL program staff, SILC members and administrative staff, and OIB staff;
- solicited email input on the DOR’s strengths and challenges from a random sample of 175 DOR VR counselors in addition to input from DOR rehabilitation specialists, DOR partners in third-party arrangements, CILs, OIB program service providers, consumer advocacy organizations and community rehabilitation programs (CRPs); and
- conducted multiple on-site monitoring visits with DOR, the SRC, the SILC, and DOR partners on the following dates: June 16-20, 2008; November 19-20, 2008; February 2-11, 2009; and August 17-20, 2009.
The following table provides data on DOR’s VR and SE programs performance in key areas from FY 2003 through FY 2007.

### Table 2.1
DOR Program Highlights for VR and SE Program for FY 2003 through FY 2007

<table>
<thead>
<tr>
<th>Program Highlights</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total funds expended on VR and SE</td>
<td>$329,214,709</td>
<td>$324,077,262</td>
<td>$320,446,511</td>
<td>$335,027,176</td>
<td>$357,363,969</td>
</tr>
<tr>
<td>Individuals whose cases were closed with employment outcomes</td>
<td>13,644</td>
<td>13,643</td>
<td>13,803</td>
<td>14,226</td>
<td>13,282</td>
</tr>
<tr>
<td>Individuals whose cases were closed without employment outcomes</td>
<td>11,347</td>
<td>12,096</td>
<td>11,432</td>
<td>10,487</td>
<td>9,555</td>
</tr>
<tr>
<td>Total number of individuals whose cases were closed after receiving services</td>
<td>24,991</td>
<td>25,739</td>
<td>25,235</td>
<td>24,713</td>
<td>22,837</td>
</tr>
<tr>
<td>Employment rate</td>
<td>54.60%</td>
<td>53.01%</td>
<td>54.70%</td>
<td>57.56%</td>
<td>58.16%</td>
</tr>
<tr>
<td>Individuals whose cases were closed with supported employment outcomes</td>
<td>2,439</td>
<td>2,314</td>
<td>2,384</td>
<td>2,294</td>
<td>2,130</td>
</tr>
<tr>
<td>New applicants per million state population</td>
<td>1,157.30</td>
<td>1,175.17</td>
<td>1,088.51</td>
<td>1,109.43</td>
<td>1,173.73</td>
</tr>
<tr>
<td>Average cost per employment outcome</td>
<td>$5,003.13</td>
<td>$4,553.80</td>
<td>$4,783.02</td>
<td>$4,833.90</td>
<td>$5,348.30</td>
</tr>
<tr>
<td>Average cost per unsuccessful employment outcome</td>
<td>$3,709.59</td>
<td>$3,582.60</td>
<td>$3,614.30</td>
<td>$3,545.58</td>
<td>$3,852.12</td>
</tr>
<tr>
<td>Average hourly earnings for competitive employment outcomes</td>
<td>$10.52</td>
<td>$10.64</td>
<td>$10.82</td>
<td>$11.02</td>
<td>$11.37</td>
</tr>
<tr>
<td>Average state hourly earnings</td>
<td>$20.47</td>
<td>$21.07</td>
<td>$22.10</td>
<td>$22.97</td>
<td>$24.01</td>
</tr>
<tr>
<td>Percent average hourly earnings for competitive employment outcomes to state average hourly earnings</td>
<td>51.39%</td>
<td>50.50%</td>
<td>48.96%</td>
<td>47.98%</td>
<td>47.36%</td>
</tr>
<tr>
<td>Average hours worked per week for competitive employment outcomes</td>
<td>32.04</td>
<td>32.25</td>
<td>32.32</td>
<td>32.40</td>
<td>32.30</td>
</tr>
<tr>
<td>Percent of transition age served to total served</td>
<td>30.90%</td>
<td>32.90%</td>
<td>32.49%</td>
<td>33.45%</td>
<td>33.00%</td>
</tr>
<tr>
<td>Employment rate for transition population served</td>
<td>57.18%</td>
<td>54.86%</td>
<td>57.26%</td>
<td>62.04%</td>
<td>62.72%</td>
</tr>
<tr>
<td>Average time between application and closure (in months) for individuals with competitive employment outcomes</td>
<td>28.0</td>
<td>27.1</td>
<td>26.8</td>
<td>26.8</td>
<td>27.2</td>
</tr>
<tr>
<td>Performance on Standard 1</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
</tr>
<tr>
<td>Performance on Standard 2</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
</tr>
</tbody>
</table>
VR and SE Service Delivery

VR and SE services are delivered through three of DOR’s five divisions. Employment Preparation Services South delivers services to southern CA and includes the Community Programs Support & Development Branch. Employment Preparation Services (EPS) North/Central delivers services to northern CA and includes the Collaborative Services/Workforce Development Branch. The Specialized Services Division, Blind & Visually Impaired and Deaf & Hard of Hearing provides services statewide and includes the Orientation Center for the Blind.

DOR delivers VR services through 85 Branch and District Offices and purchases services through contracts with 452 CRPs. DOR also purchases services from individual service providers (ISPs) when a particular service is not available through a local CRP.

DOR purchases CRP services using fee-for-service arrangements or third-party cooperative arrangements. CRPs may also provide services as a sub-contractor under a third-party cooperative arrangement. DOR recently changed CRP contracts to a performance-based, fee-for-service basis.

The SE program is a coordinated, collaborative effort between DOR, mental health agencies and regional centers that provides both group and individual placements for individuals with mental health, developmental disabilities, traumatic brain injury and other most significant disabilities. The SE program offers crew work in a variety of settings including, but not limited to, Walgreens distribution centers and positions funded through state and NISH contracts. Crew positions are available in a variety of occupations and settings. Individual placements vary in occupational type as well and in such integrated settings as grocery stores, cafeterias, and self-employment ventures. DOR incorporates benefits planning into the Individualized Plan for Employment (IPE) development process.

DOR delivers services to eligible individuals with developmental disabilities in concert with the CA Department of Developmental Services that administers a state-funded entitlement program with a comprehensive continuum of services for individuals of all ages. DOR typically provides job placement and job coaching services in a SE model for eligible individuals with developmental disabilities.

The Collaborative Services/Workforce Development Branch collaborates with a variety of government programs to provide VR services. DOR has executed third-party cooperative arrangements to provide new or enhanced services with transition, mental health, welfare adult school, vocational training, college and university programs. In addition to these arrangements, DOR collaborates with the CA Department of Personnel Administration to develop and implement the Limited Exam Appointment Program, an expedited process for hiring individuals with disabilities in state government positions. DOR also collaborates with partners to form a Transition Community of Practice aimed at improving the continuum of transition services and facilitating the transition of students from school to adult life. The agency partners with Native American tribes receiving grants under section 121 of the Act to jointly provide VR services to Native Americans.
The Workforce Development Section (WDS), within the Collaborative Services/Workforce Development Branch, provides support and information to assist the business community to obtain and retain quality employees with disabilities. In addition, WDS disseminates employment opportunities and job openings, including those with state government, and best practices for job development to DOR staff. WDS led the development of new self-employment regulations, policies and procedures.

The Specialized Services Division of DOR includes Blind Field Services (BFS) and Deaf and Hard of Hearing Services (DHHS). Each of these programs is supported by an advisory committee to provide feedback on the programs and to problem solve with the deputy director on challenges facing the Division.

BFS has a supervisor for each district and a specialized services VR counselor in 44 offices located in the 13 districts. DHHS has 48 Rehabilitation Counselors for the Deaf across the state supported by 1.5 FTEs for a unit program manager and a program coordinator. The DHHS unit is responsible for program development, service provision and administration of contracts. The unit develops service contracts and arrangements where needed. Recently, the unit has moved from case service contracts to fee-for-service arrangements.

The Orientation Center for the Blind (OCB) is located north of Oakland, in Albany, CA. OCB provides the following training services:

- daily living skills;
- home management skills;
- orientation and mobility;
- communication skills, including Braille literacy;
- business methods; and
- counseling and guidance.

Most of the consumers are expected to complete the entire curriculum, but adjustments are made for individuals needing only a portion of the program. The curriculum takes an average of six to nine months to complete, but individuals move through the program at their own pace. The most frequently provided training programs are Braille literacy, access and use of computers using Jaws, orientation and mobility training, and home management skills.

**Personnel**

Each of the 14 districts is staffed by a District Administrator, a Clerical Supervisor, a Rehabilitation Specialist (contract administrator), and a Personnel Specialist. Each of DOR’s 85 offices is staffed by VR counselors (VRCs) for the EPS Division and the Specialized Services Division as well as case assistants, and supervisors. For FY 2007, the breakdown for all 1700 positions was:
Included in “Support Staff” are technical support, supervisory technical support, rehabilitation supervisors, rehabilitation specialists, district administrators and the staff of the OCB. “Other Staff” includes staff of the Mobility Evaluation program, Business Enterprise program, Services for the Deaf and Hard of Hearing and the Medical Services Section.

DOR has adopted the national standard for its Comprehensive System of Personnel Development. DOR VR counseling staff has two state personnel classifications: (1) Senior Vocational Rehabilitation Counselor – Qualified Rehabilitation Professional (SVRC-QRP); and (2) Senior Vocational Rehabilitation Counselor (SVRC). DOR hires only those VR counselors that meet the national standard.

DOR established the SVRC-QRP personnel classification in 2006 for counselors that meet qualifications consistent with the national standard for VR counselors. Counselors in this classification will perform all non-delegable functions required of VR counselors under the Act.

The SVRC classification applies to current VR counselors that do not meet the national standard. Counselors in this classification will perform other counselor functions, such as career counseling, authorizations for services and determining consumer financial participation.

To promote staff development, DOR employs an individual development plan (IDP) that is developed and reviewed at the time of the employee’s annual performance review. Staff Development Services (SDS) course offerings are based on a needs assessment, IDPs, and DA input, and are delivered through various methods. SDS conducts ongoing professional development activities for DOR staff, including new counselor training, and develops additional training tools and job aids. SDS collaborates and coordinates with EPS to provide Record of Service and SE Training, among others. Contract administration training is provided by the Collaborative Services Section and Community Resources Development (CRD) sections for their respective contractors.

DOR’s succession planning process indicates 78 percent of managers will reach retirement age within the next five years. As a result, leadership development and training is priority.

**Data Management**

DOR uses the Field Computer System (FCS) to manage consumer data. The FCS was implemented in 1990 to partially automate DOR case service functions. The FCS is written in Natural, a fourth Generation Language that is similar to COBOL. An FCS manual was developed in 1990 to assist staff in the use of FCS. FCS documentation consists of a number of online ‘pop-up’ screens that may or may not be specific to the areas in which they are accessed.
DOR has made many changes in FCS. As changes were implemented to the system, additional methods to access screens were created. DOR has updated the manual, but those updates have not kept up with the many changes that FCS has experienced.

The agency has executed a contract for a new case management system that is planned for implementation in FY 2012.

**Quality Assurance**

DOR has a system of planning and QA that informs planning and policy. The system includes standards for service providers, monitoring of those services and fiscal processes, feedback mechanisms from staff and consumers regarding quality of services, and processes for resolving contract and performance issues.

DOR has adopted the CARF standards for its CRPs and requires them to obtain and maintain accreditation as a quality assurance measure. The CRD section provides TA through site visits, guidelines for departmental certification and CARF accreditation, and invoice training as requested. The Collaborative Services section conducts onsite programmatic and fiscal reviews with third-party partner programs that include reviews of service records, contracts, financial compliance, internal controls, and results in a final report to the providers. Any findings must be addressed through a corrective action plan that DOR approves and monitors. DOR reviews CARF survey reports to monitor the quality of services provided by CRPs that are not associated with third party partner programs.

DOR has separate standards, mechanisms and review requirements for its ISPs that are comparable to those for CRPs and third-party partners. ISPs may provide tutoring, interpreting, vocational or other necessary services. DOR requires all ISPs meet the qualifications for the service category for which they apply, including but not limited to state or national certification and/or licensure as applicable.

DOR Audit Services section conducts audits of CRP and third party partner compliance with service, fiscal and administrative contract/grant requirements as well as with Government Audit Standards. Audit reports are issued to the external parties and to DOR management if any department internal deficiencies are noted. Follow up is performed to ensure findings are corrected.

DOR ties performance measurement of its staff, CRPs, and third-party partners to the federal statutory evaluation standards and performance indicators. DOR assigns goals related to the evaluation standards and performance indicators to districts and, in turn, specific goals are assigned to district units and/or branches. Achievement of individual goals and expectations is incorporated into staff performance appraisals.

The DOR Centralized Services unit performance review team conducts service record reviews on a regular basis and issues VR Efficiency Memoranda, highlighting aspects of service delivery identified as problematic. Some VR efficiencies provide staff with policy or procedural changes
or with performance data, such as the number of supported employment consumers served, how long they were served, the cost of services provided, and proper reporting codes.

Due to the limits of the current case management system, DOR central office prepares and distributes Targeted Management Information System (TMIS) reports to counselors, supervisors and district administrators. TMIS reports are available on a monthly basis and were specifically developed to provide usable and relevant information to staff for QA purposes. This is an integral piece in the QA system, especially as it relates to the RS role. The district activity report includes order of selection (OOS) information, the total number of applicants, consumers served and their types of disabilities, the number in IPE status, and closures. TMIS reports flag for review those individuals who have received services for a long time. Fiscal expenditure reports are distributed to DAs monthly and central office staff reviews the reports with DAs by telephone. With the new case management system, real time reports can be generated by staff at all levels at any time to assist with quality management.

As part of the VR service delivery redesign and case management system procurement projects, DOR conducted a business process analysis to evaluate the department’s processes and to determine where efficiencies and improvements were needed. The redesign includes mechanisms for evaluation and feedback to staff on performance.

DOR solicits staff input using a variety of methods including workgroups and focus groups on selected topics. In addition, the Director and Deputy Directors attend district wide meetings on a regular basis to understand staff issues and receive staff input on program improvement. The Director of DOR holds quarterly management team meetings with representation from all sections to discuss activities and performance for that quarter. Managers meet monthly with office supervisors to communicate systems status and performance information and to discuss policies and procedures.

In conjunction with the SRC, DOR conducts consumer satisfaction surveys throughout the year. DOR and the SRC designed a new consumer satisfaction survey which is in its second year of use. This new survey yielded more than a 20 percent response rate from the selected random sample for FY 2008. The SRC reviews results of the survey as well as hearing and appeals decisions, information on case closures and performance on the standards and indicators to provide feedback on agency performance to DOR.

DOR is required to submit a summary report describing administrative, fiscal and program internal controls biennially to the CA Department of Health and Human Services with copies to the CA Department of Finance, State Auditor, Governor, Legislature, and State Library. Any corrective action plans required must be submitted to the Department of Finance within 30 days of final review and every six months thereafter until all corrective actions have been implemented for the deficiencies noted.

**Planning**

The DOR Operations and Accountability section is responsible for developing and executing the strategic plan and the state plan for VR and SE. However, all sections are involved in strategic
planning with fiscal, program and succession planning functions integrated in the process. The deputy directors and the leadership team develop the draft strategic plan. DOR holds executive offsite meetings at least twice each year for review of the year’s performance, progress on the state plan goals and objectives as well as the strategic plan goals and objectives. The leadership uses this information to craft revisions in the strategic plan and prioritize the goals and objectives.

The SRC conducts its own strategic planning process. However, SRC members participate in work teams that review planning information developed by DOR staff and that contribute to the strategic plan. The SRC holds four quarterly meetings to review State plan performance measure results as well as tasks for developing, submitting and implementing the state plan.

DOR and the SRC have produced a new strategic plan outlining the agency’s mission, core values, guiding principles, goals and objectives as well as strategies to meet those objectives. The strategic plan provides a framework and direction for the agency and contains commitments that DOR has made under other CA government strategic plans. The State plan for the VR and SE programs aligns with the strategic plan. DOR expects its strategic planning, in part, to address the larger problems underlying internal and external audit and program review findings.

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

**1. Obtaining Public Comment on the FY 2010 State Plan**

For the FY 2010 State plan, DOR and the SRC implemented a new approach to obtaining public comment on DOR’s state plan with a goal of increased quantity, quality and diversity of participation and input. To increase the quantity of public input the DOR:

- highlighted three projects (VR State Plan, VR Comprehensive Statewide Needs Assessment (CSNA) and the American Recovery and Reinvestment Act of 2009 (ARRA)) to provide speakers more incentive to address any or all at a single venue;
- expanded dissemination of the public meetings notice through departmental staff at all levels and locations and by using a consolidated database of stakeholder contact information from DOR sections and units statewide;
- invited, by telephone, more than 100 stakeholders, to speak at the public meeting representing their area of expertise;
- posted the draft state plan on the DOR website; and
- notified stakeholders that the director and/or chief deputy director, along with at least two deputy directors, a representative of the SRC, and local district administrators would be present to listen to stakeholder testimony.

To obtain informed input, DOR provided guidance and background information in the public notice on the definitions of “unserved” and “underserved,” ARRA funding levels for VR, SE and IL programs, federal criteria for use of ARRA funds, and posed specific questions about the needs of unserved and underserved individuals.
To increase the diversity of the public input, the DOR worked with the CAP and the SRC to identify over 100 recommended speakers within 20 areas of the service delivery system and secured commitments from individuals to provide comments either at the hearings or in writing. Representatives from nearly all 20 areas provided input. Through these efforts, public participation increased significantly, as the following table demonstrates.

<table>
<thead>
<tr>
<th>Participation</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speakers</td>
<td>0</td>
<td>8</td>
<td>70</td>
</tr>
<tr>
<td>Sign-in attendance</td>
<td>0</td>
<td>23</td>
<td>244</td>
</tr>
<tr>
<td>Written comments</td>
<td>0</td>
<td>3</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>34</td>
<td>365</td>
</tr>
</tbody>
</table>

2. Bridges to Youth Self Sufficiency Project

The Bridges to Youth Self Sufficiency Project (Bridges) began as a jointly sponsored project by the Social Security Administration (SSA), DOR and seven CA school districts. The program targets individuals ages 14-25 who are receiving or are expected to receive Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI) or Childhood Disability Benefits. The program works with the individuals and their families to inform and motivate them regarding employment, work incentives and community resources. Bridges utilizes a team approach in conjunction with person centered planning to assist the individual with assessment, goal setting, plan development, future planning and benefits counseling to achieve employment.

Bridges begins with individuals in middle school and continues services through post secondary education. In addition, the project provides assistance in reporting income to the SSA after employment is achieved, thus providing a continuum of long term supports from a variety of state and community entities.

The Bridges program targets youth who possess certain key individual, family and community determinants of success such as:

- clear goals;
- a self reliant, self initiating personality;
- a positive attitude toward work;
- high family expectations for the individual;
- expectations of community inclusion; and
- available community resources.

Early implementation of services and the broad base of community support and acceptance created an environment that fostered the development of these traits. In practice, the career
programs in which the Bridges programs are embedded treat these criteria as goals and assist students and families in reaching the levels needed to successfully benefit from the Bridges program.

In three of the Bridges program sites that were reviewed, the program was effectively integrated into a larger program providing a broad base of services and supports surrounding employment, self advocacy and independence. For example, at the Whittier Union High School District (WUHSD), Bridges is part of a larger constellation of programs, including Projects With Industry, Workability I, Ticket to Work, the CA Mentoring Initiative, the Bridges Transition Training Team (BT³) and the WUHSD Career Connections program, that address various aspects of transition to work and provide community advocacy and support for transitioning students.

Data for all Bridges programs provided by DOR indicate that of 31 cases closed between July 1, 2007 and June 30, 2008, 71 percent achieved a successful employment outcome. The success rate for the WUHSD Career Connections program was 85 percent.

In preparation for the end of the SSA grant, a sustainability plan was developed in FY 2007-2008 that integrates the benefits counseling functions of Bridges into the other existing partner programs. The integrated approach used by the Bridges projects and the broad based efforts to develop long term funding sources for the continuation of the program constitute a promising practice that could be replicated by other school districts and state VR agencies.

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

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

- evidence-based practices in SE for individuals with mental illness;
- federal internship opportunities;
- professional development of VR staff;
- mapping its QA system;
- review regimen for policies, procedures, and CA code; and
- state plan goals, objectives, and needs assessment.

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

RSA solicited input from DOR and a wide range of its stakeholders about the performance of the VR and SE programs. DOR and its stakeholders shared the observations below.

- DOR has outstanding, professional, knowledgeable, and committed counselors.
- Consumer services are provided through collaboration, generating an atmosphere of innovation, creativity and support of best practices.
- Establishment of the Blind Field Services district is a strength.
• Staff value individualized services and informed choice.
• Staff morale is low due to high staff turnover, antiquated case management system, high caseloads, low pay scale, burdensome case recording process and requirements, and workplace safety concerns.
• DOR is challenged to maintain an adequate supply of CRPs, given a decrease in DOR referrals, a decrease in the hourly reimbursement rate for job coaches, use of a statewide fee for service schedule that does not consider costs in high cost of living areas in the state, and authorization of benchmark payments versus individualized number of hours for job placement services.
• DOR needs to establish casework and service delivery processes that meet the needs of mental health and transition youth.
• DOR has difficulty finding qualified rehabilitation counselors and interpreters for the deaf.
• DOR is challenged to provide timely services, given current budget pressures, elevated need to seek comparable benefits, and multiple levels of approval for some services.
• The purchase of computers and software is inconsistent across districts.
• Practices vary for issuing bus passes in areas where this service is available, with staff in some districts routinely issuing passes while additional approval is required in other districts.

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

Continuing Education Needs of DOR Staff

RSA solicited input from DOR to identify the following continuing education needs:

• leadership development;
• motivating employees;
• federal fiscal requirements for the VR, IL and OIB programs;
• managing individuals with threatening behavior in the workplace;
• serving individuals with autism, traumatic brain injury, substance abuse;
• service approaches to avoid recidivism; and
• incorporation of rehabilitation technology in the rehabilitation process.
VR and SE Performance Observations and RSA Recommendations

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

1. Employment Rate

Observation 1: Closing a large number of inactive service records, staffing shortages, a state hiring freeze, and a state-imposed furlough of state employees have impacted and will continue to impact the DOR employment rate.

- DOR RSA 911 data for FY 2003 through FY 2008 indicates that the employment rate increased from 54.6 percent in FY 2004 to 58.16 percent in FY 2007, before dropping to 45.22 percent in FY 2008. DOR administrators and counselors reported that during FY 2008, inactive cases were reviewed and closed in order to more accurately identify the current caseload and project the resources needed to more effectively manage the OOS. This process resulted in 16,824 unsuccessful closures in FY 2008, compared to an average of 13,720 per year for the five previous fiscal years.

- As a result of a continuing counseling staff shortage, extensive closure documentation requirements, and a cumbersome case management system staff delayed processing of unsuccessful case closures, resulting in lower numbers of unsuccessful cases being closed in FY 2006 (10,487) and FY 2007 (9,555) as compared to an average of 11,625 for the three previous fiscal years. (See Table 2.3)


<table>
<thead>
<tr>
<th>FY</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment outcomes</td>
<td>13,644</td>
<td>13,643</td>
<td>13,803</td>
<td>14,226</td>
<td>13,282</td>
<td>13,886</td>
</tr>
<tr>
<td>Without employment outcomes</td>
<td>11,347</td>
<td>12,096</td>
<td>11,432</td>
<td>10,487</td>
<td>9,555</td>
<td>16,824</td>
</tr>
<tr>
<td>Total outcomes</td>
<td>24,991</td>
<td>25,739</td>
<td>25,235</td>
<td>24,713</td>
<td>22,837</td>
<td>30,710</td>
</tr>
<tr>
<td>Employment Rate</td>
<td>54.60%</td>
<td>53.01%</td>
<td>54.70%</td>
<td>57.56%</td>
<td>58.16%</td>
<td>45.22%</td>
</tr>
</tbody>
</table>
Table 2.4
Calculation of DOR Employment Rate based on Three-Year Averages

<table>
<thead>
<tr>
<th>Closure Type/Employment Rate</th>
<th>FY 2003-2005</th>
<th>FY 2006-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Number of Successful Closures</td>
<td>13,697</td>
<td>13,798</td>
</tr>
<tr>
<td>Average Number of Unsuccessful Closures</td>
<td>11,625</td>
<td>12,289</td>
</tr>
<tr>
<td>Average Number of Total Closures after Receiving</td>
<td>25,322</td>
<td>26,087</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment Rate</td>
<td>54.09%</td>
<td>52.89%</td>
</tr>
</tbody>
</table>

- Employment rates based on those three year averages are 54.09 percent for FY 2003-FY 2005 compared to 52.89 percent for FY 2006-FY 2008, suggesting a slight decline in the employment rate when controlling for the variation in unsuccessful closures in FY 2006 through FY 2008.

- DOR has a 10 percent counselor vacancy rate and is operating under a hiring freeze. During the onsite portion of the review DOR was notified of a requirement to furlough staff two days per month and this has increased to three days per month at the time this report was drafted. This represents an additional 15 percent reduction in staff time per month. The stable levels in successful case closure data from FY 2003 to FY 2008 suggest that DOR has been at its service delivery capacity for a number of years, prior to the current reduction in staff time per month.

**Recommendation 1:** RSA recommends that DOR:

1.1 identify the factors that result in the delay in closing inactive cases and develop and implement standard criteria and practices for case closure to minimize delays;
1.2 identify the underlying factors for unsuccessful closures and develop plans to address these factors;
1.3 utilize the ongoing service delivery system redesign to identify ways to improve the employment rate in the current economic environment through improved service delivery methods and streamlined documentation processes; and
1.4 procure and implement a new and more efficient case management system as soon as possible.

**Agency Response:** DOR agrees with RSA’s overall observation. However, DOR has additional information to provide.

- During FY 2008, inactive cases were reviewed and closed to more accurately identify the current caseload and project the resources needed to more effectively manage the OOS.
- DOR is at its service delivery capacity, given the existing vocational rehabilitation service delivery model, budget and staff constraints. DOR is exploring a new service delivery model to address these issues.
- DOR agrees with the factors RSA identified that delayed closing inactive cases. In addition, DOR’s business process analysis (BPA) document that counseling staff spend a significant amount of time performing clerical/technical support functions that reduces
the time available for performing counseling functions. DOR proposes that the development of standard criteria and practices to prevent delays in closing inactive cases be based upon the factors already identified by RSA and in the BPA. During FY 2008, inactive cases were reviewed and closed to more accurately identify the current caseload and project the resources needed to more effectively manage the OOS.

- DOR is at its service delivery capacity, given the existing vocational rehabilitation service delivery model, budget and staff constraints. DOR is exploring a new service delivery model to address these issues.
- DOR agrees with the factors RSA identified that delayed closing inactive cases. In addition, DOR’s business process analysis (BPA) document that counseling staff spend a significant amount of time performing clerical/technical support functions that reduces the time available for performing counseling functions. DOR proposes that the development of standard criteria and practices to prevent delays in closing inactive cases be based upon the factors already identified by RSA and in the BPA.

**Technical Assistance:** DOR requests TA for Recommendations 1.1 – 1.3. DOR does not request TA for Recommendation 1.4.

2. **Electronic Case Management System**

**Observation 2:** DOR’s current case management system was implemented in 1990 and is based on obsolete programming language. It does not possess the capacity to make use of modern business technology. The procurement of a new case management system has the potential to assist with retention of qualified VRCs, timely and accurate fiscal reporting, and communication among all agency levels.

- The current case management system negatively impacts various agency functions, such as data collection and limited report queries, communication, fiscal management and availability of real-time reports, inefficient use of staff resources due to multiple entries of information, and protracted staff time for completing case management functions.
- The interfaces between FCS and other systems within DOR, such as, financial management system, client invoicing system, client encumbering system, counselor performance system, personnel management system, and check writing system are dated, inefficient and lack integration with external systems/programs, resulting in inefficient case management and processing flow.
- Many of DOR’s functions are accomplished using FCS, but there are a number of business functions that remain a paper-only process due to FCS limitations. As a result of FCS’s functional shortfalls, counselors are forced to duplicate information from the hard copy case file into FCS, and may have to enter that information in more than one location in FCS.
- VRCs identified frustration with this system as a source of low staff morale. Training a new counselor on the FCS system can take up to eight months to become proficient in basic case management and years to master the system. The difficulty in using FCS results in counselors devoting time to the system that could be spent providing services to consumers.
• FCS is not fully accessible for DOR staff with visual impairments and has limited reporting capabilities. Due to the nature of FCS, DOR has experienced difficulties in retaining technical support personnel. Currently many of DOR’s IT staff has limited knowledge of maintaining and upgrading FCS.
• Stakeholders expressed dismay that the system does not allow uploading of electronic files or electronic submission and processing of invoices.
• DOR conducted a thorough study of agency processes, work roles, needs and tasks to craft an extensive and very comprehensive set of specifications for the procurement of a new electronic case management system with up-to-date technology and functions.
• During the period of this review and since the execution of a contract for a new electronic case management system, the state of CA has suggested that such contracts may be cancelled in the future.

**Recommendation 2:** RSA recommends that DOR obtain and implement a new electronic case management system as soon as possible.

**Agency Response:** DOR concurs with Recommendation 2 and the Electronic Records System project is underway with an expected implementation date of October 2011.

**Technical Assistance:** DOR does not requesting TA.

3. Counselor Turnover

**Observation 3:** DOR experiences high levels of VRC turnover in many districts. Turnover, in combination with mandated staff position cuts, furloughs and a hiring freeze, will negatively impact the performance of the DOR VR program through increased caseload size, decrease in the number of employment outcomes achieved and potential delays in the provision of services.

The number of DOR VR counselors decreased by 172 (19.33 percent) between FY 2003 and FY 2007. This is the largest percentage of decrease among DOR staff. Table 2.5 describes DOR staffing levels during this period.

**Table 2.5**

<table>
<thead>
<tr>
<th>Staff Categories</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Percent Change from 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative staff</td>
<td>307</td>
<td>295</td>
<td>267</td>
<td>266</td>
<td>269</td>
<td>-12.38</td>
</tr>
<tr>
<td>Counselor staff</td>
<td>890</td>
<td>897</td>
<td>750</td>
<td>744</td>
<td>718</td>
<td>-19.33</td>
</tr>
<tr>
<td>Staff supporting counselor activities</td>
<td>636</td>
<td>606</td>
<td>688</td>
<td>667</td>
<td>667</td>
<td>4.87</td>
</tr>
<tr>
<td>Other staff</td>
<td>52</td>
<td>48</td>
<td>45</td>
<td>45</td>
<td>46</td>
<td>-11.54</td>
</tr>
<tr>
<td>Total</td>
<td>1,885</td>
<td>1,846</td>
<td>1,750</td>
<td>1,722</td>
<td>1,700</td>
<td>-9.81</td>
</tr>
</tbody>
</table>
Staff shortages and retention issues vary from region to region. In general, rural offices experience reduced turnover in staff as there is less competition for qualified rehabilitation counselors from other state, federal and private sector employers. In addition, rural areas tend to have a lower cost of living compared to urban areas, particularly the San Francisco Bay area. The higher cost of living is a barrier to maintaining qualified staff in urban areas, as CA does not offer locality pay despite the large variation in living costs from region to region and district to district. Many of the more tenured staff has reached the top of the pay range for their classification. As a result, counselors seek positions that will provide sufficient salary to meet their needs.

VR counselors, CRP staff and others indicate that the salary for DOR counselors cannot compete with that of similar positions in comparable state and federal programs, making it difficult to recruit or retain qualified staff and exacerbating existing staff shortages. In addition, little differential in pay exists between RS, SVRC-QRP and SVRC positions. As a result, counselors leave DOR for higher paying positions elsewhere.

The level of turnover has required DOR to allocate a significant portion of its training resources to new counselor training and training on the use of the FCS. Some DOR counselors indicated that the only training they received was in documentation of service provision or processing paperwork. Counseling staff specifically mentioned that training was needed to assist them in providing SE services. RSA’s review of the FY 2009 SDS schedule for training found that professional development offerings on emerging trends, evidence or research based practices, or similar topics that advance the quality of professional VR practice were not available.

Recommendation 3: RSA recommends that DOR:

3.1 identify the factors contributing to VR counselor turnover;
3.2 based on that evaluation, develop a plan to reduce counselor turnover; and
3.3 create and implement a staff development plan, addressing the skills and knowledge most needed by the agency to achieve its goals, the sources, technology and resources available for this plan.

Agency Response: As noted in the 2010 State Plan CSPD Attachment 4.10, As of February 28, 2009, the department’s 748.5 Full-Time Equivalent (FTE) SVRC and (SVRC- QRP) positions were serving 75,000 applicants and eligible individuals with disabilities, for a ratio of counselor to applicants and eligible individuals of one to 100.

The Department has initiated various activities to address counselor turnover:

- DOR created a Workforce and Succession Planning (WSP) position that is responsible for proactively working on recruitment. The WSP has improved recruitment materials and the website to make it easier for potential job candidates to use. The WSP has provided recruitment support to DOR on a difficult to fill one-position class and is networking with other agencies to share Workforce and Recruitment strategies.
- The Employee Exit Questionnaire (EEQ) was designed as a part of the exit interview process created by the WSP to capture data from separating employees on why they left
their positions, where they will work next as well as working conditions, employment practices, policies and procedures.

- DOR’s Centralized Services unit now offers expanded Rehabilitation Administrative Manual (RAM) 31 – SE training. The training offers the latest national, evidenced-based research in supported employment. Additional training topics have been selected based on vocational rehabilitation service delivery needs expressed by field staff, including Records of Services and best practices data, and RSA’s feedback to include training on non-habilitation SE for individuals with mental illness, veterans with brain injuries, and other stakeholders with cognitive limitations. The training will focus on six top-priority topics using multi-media learning tools. Topics currently under consideration include: Transitional Employment Services; proposed SE regulations defining transition and stabilization; dual diagnosis; and developing funding sources of extended services support. Participants will be provided a streamlined review of RAM 31 policies, procedures, and forms as well as SE FAQs.

**Technical Assistance:** DOR does not request TA with regard to Recommendations 3.1 or 3.2. DOR requests TA with regard to Recommendation 3.3. Specifically, DOR requests TA in areas related to developing and providing various trainings for staff throughout the state, specifically trainings on diffusing difficult situations, supervisors training, and training for trainers that would include tips for improved training skills. These trainings will be ARRA-funded.

4. Increasing the Number of Individuals Served by OCB

**Observation 4:** OCB is under-utilized and provides services that are more closely aligned with independent living skills than with employment readiness and job placement.

- OCB, established in the early 1950s, is one of the first residential rehabilitation centers for the blind in the nation. The center is housed in three one-story buildings on two acres. OCB programs focus on adjustment to blindness and serve only DOR consumers, primarily from northern CA. There are three additional residential rehabilitation centers in CA run by private non-profit organizations, one in northern CA and two in southern CA.
- The OCB budget for FY 2008-2009 was $2,487,076, with $330,534 for operating expenses and $2,156,542, for wages and benefits of 32 employees. At the time of the review OCB had eight staff vacancies.
- Table 2.6 indicates that the number of individuals served by OCB has declined from 76 in FY 2003 to 49 in FY 2007 that was an increase over the previous FY.

<table>
<thead>
<tr>
<th>Performance</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of individuals served</td>
<td>76</td>
<td>64</td>
<td>59</td>
<td>39</td>
<td>49</td>
</tr>
</tbody>
</table>

- The Chris Cole Rehabilitation Center (CCRC) is located in Austin, Texas and is operated by the Texas Division for Blind Services. OCB and the CCRC comparable programs due to geographic size, population diversity and the size of the VR programs for the states of
Fiscal Year 2009 Monitoring Report

State of California

CA and TX. In addition, OCB and CCRC have similar curriculum with respect to adjustment to blindness services. However, it should be noted that the CCRC is the only residential center for the blind in the state of TX. In FY 2007, OCB served 49 individuals with a budget of $2,450,765 and CCRC served 418 individuals with a budget of $5,427,869. While CCRC operated with a budget two times that of OCB, CCRC served eight times the number of individuals as OCB.

- The OCB staff indicated that the OCB website is hard to negotiate for the blind and visually impaired and lacks in-depth information about the services OCB provides. The staff also indicated that an improved website and more aggressive marketing of OCB as a rehabilitation and independent living resource to both the DOR VRC’s and potential consumers would increase the number of individuals it serves.

- The services provided by OCB are focused on orientation and mobility, independent living skills, home management skills and computer and Braille literacy. OCB staff indicated that little emphasis is placed on vocational preparation.

- OCB currently purchases vocational assessment services from Lighthouse for the Blind in San Francisco on an as needed basis. OCB staff indicated that the center’s most significant need is to develop a vocational program that can provide accessible vocational assessments, informational interviews, and training in vocational soft skills.

- Quality assurance information specific to services provided by OCB is not available, including the achievement of employment outcomes for individuals served by the center and consumer satisfaction with OCB services.

**Recommendation 4:** RSA recommends that DOR:

4.1 evaluate OCB operations and services, including its mission, purpose and role in the VR program;

4.2 based on that evaluation, develop a strategic plan, aligned with the DOR strategic plan, to increase utilization;

4.3 based on that evaluation and plan, increase vocational services provided by OCB;

4.4 develop and implement a quality assurance system including, but not limited to, tracking of employment outcomes achieved by individuals served at the center and consumer satisfaction surveys in order to evaluate the effectiveness of OCB services; and

4.5 redesign the OCB webpage to be accessible according to section 508 guidelines and to function as a marketing tool, communication link between referring VRC and consumer, or any other function as determined by DOR.

**Agency Response:** Subsequent to this visit, DOR reported that the number of residents served for FFY 2008 was 67, which represents a 37% increase over FFY 2007, and is comparable to the number of residents served in FFY 2003 and 2004.

The DOR researched CCRC for comparability to OCB, and interviewed its Director to assist in ensuring that comparable data be reported:

1. The CCRC has 110 total full-time staff, including 50 full-time teachers. They have been operating with only one vacancy. The OCB has 32 full-time staff, with 10 full-time teachers, and currently has 8 vacancies.
2. The CCRC reported serving 418 individuals. However, only 180 of these individuals were residential individuals served either on or off campus in activities such as information and referral, one day to one week tours, day students coming to CCRC for short one day to one week trainings, consultations and seminars. The CCRC has 10 full-time rehabilitation professionals who travel to blind individuals and groups outside the CCRC campus to serve 238 individuals. A significant part of their mission is to market and facilitate referrals to CCRC. The OCB does not track or count any individuals participating in any of these varied activities as being served.

3. Thus, in order to more accurately compare the number reported as served with similar residential services at the two centers, it is more useful to state that between FFY 2003 and 2007 CCRC served an average of 180 residents per year with 40 teachers, while OCB served an average of 57 residents per year with 10 teachers.

4. The CCRC Director verified that CCRC serves approximately 60 residential students at any given time, with an average length of stay of six to nine months. The OCB currently serves 25-28 residential students at any given time, with similar length of stay of six to nine months.

DOR recognizes the need for OCB to improve the quality and quantity of service provided, and to achieve a higher number of vocational outcomes. Toward this end OCB is well into implementing the steps outlined by RSA in Recommendation 4.

4.1 The DOR has evaluated OCB operations and services, including its mission, purpose and role in the VR program by (1) completing a comprehensive OCB staff classification and pay analysis, (2) publishing its first ever OCB Handbook detailing the policies and practices governing the center, (3) moving toward filling key vacancies that are vital, (4) initiating a $7 million renovation project designed to upgrade infrastructure, increase independent living and pre-vocational service capacity, establish OCB as the cutting edge hub for assistive technology for persons with blindness, and build a training and conferencing center to enable a more comprehensive venue to host non-residential trainings, conferences, seminars and services.

4.2 The OCB drafted a Strategic Plan, and will implement an inclusive stakeholder process upon appointment of a new OCB Administrator.

4.3 Included in the Strategic Plan Goals are maximizing average daily attendance, and to increase the percentage of graduating students who go to work.

4.4 DOR/OCB will develop and implement an information tracking system and research design to longitudinally monitor employment independent living outcomes, and measure impact of service changes.

4.5 DOR/OCB will design and launch an OCB webpage that will improve marketing of OCB services and accessibility of OCB information to consumers, staff, and the general public.

**Technical Assistance:** DOR requests TA with regard to Recommendations 4.1 – 4.5.
CHAPTER 3: FISCAL MANAGEMENT OF DOR’S VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, INDEPENDENT LIVING, AND OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS

RSA reviewed DOR’s fiscal management of the VR, SE, IL, and OIB 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, taken from fiscal reports submitted by the state agencies, speak to the overall fiscal performance of the agency. The data related to matching requirements are taken from the fourth quarter of the respective fiscal year’s SF-269 report. The maintenance of effort (MOE) requirement data is taken from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which it is compared). Fiscal data related to administration, total expenditures, and administrative cost percentage is taken from the RSA-2.

Table 3.1
Fiscal Profile Data for DOR for FY 2004 through FY 2008

<table>
<thead>
<tr>
<th>California (C)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Amount</td>
<td>247,893,144</td>
<td>248,655,290</td>
<td>260,883,309</td>
<td>277,134,998</td>
<td>276,152,015</td>
</tr>
<tr>
<td>Required Match</td>
<td>67,091,791</td>
<td>67,298,065</td>
<td>70,607,554</td>
<td>75,006,041</td>
<td>74,739,999</td>
</tr>
<tr>
<td>Federal Expenditures</td>
<td>247,893,144</td>
<td>248,665,290</td>
<td>260,883,309</td>
<td>275,993,414</td>
<td>264,339,750</td>
</tr>
<tr>
<td>Actual Match</td>
<td>67,091,791</td>
<td>67,298,065</td>
<td>70,607,554</td>
<td>76,186,444</td>
<td>72,402,704</td>
</tr>
<tr>
<td>Over (Under) Match</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,180,403</td>
<td>(2,337,295)</td>
</tr>
<tr>
<td>Carryover at 9/30 (year one)*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Program Income</td>
<td>18,684,191</td>
<td>11,196,373</td>
<td>11,140,020</td>
<td>11,614,760</td>
<td>9,261,429</td>
</tr>
<tr>
<td>Maintenance of Effort (MOE)</td>
<td>65,804,623</td>
<td>68,135,652</td>
<td>67,091,791</td>
<td>67,298,065</td>
<td>70,607,554</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>32,341,494</td>
<td>30,143,672</td>
<td>32,456,462</td>
<td>37,449,902</td>
<td>39,166,609</td>
</tr>
<tr>
<td>Total Expenditures**</td>
<td>324,077,262</td>
<td>320,446,511</td>
<td>335,027,176</td>
<td>357,363,969</td>
<td>355,831,561</td>
</tr>
<tr>
<td>Percent Admin Costs to Total Expenditures</td>
<td>9.98%</td>
<td>9.41%</td>
<td>9.69%</td>
<td>10.48%</td>
<td>11.01%</td>
</tr>
</tbody>
</table>

**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 Basic Support Program, other than for the construction of a facility related to a community rehabilitation program, was established in the 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, 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 for rehabilitating Social Security beneficiaries, payments received from workers’ compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated community rehabilitation program. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether
the agency carries over federal grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

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

**Maintenance of Effort (MOE):**

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

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

**Administrative Costs:**

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

**Fiscal Technical Assistance Provided to DOR During the Review Process**

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

- RSA’s preliminary assessment of the agency’s compliance with specific financial requirements, including match, maintenance of effort (MOE), carryover, reallocation, program income, liquidation of outstanding obligations and grant closeout;
- the importance and value of strategic fiscal and programmatic planning to efficiently and effectively utilize all program resources;
- the requirements for third-party cooperative arrangements under 34 CFR 361.28; written agreements, monitoring and oversight, and evaluation;
- improving the accuracy of SF-269 data, with emphasis on the period covered by the report, allowable methodologies for reporting program income and reporting income in the correct fiscal year, information required in the “remarks” section of the report, and requirements for the verification and liquidation of year-end unliquidated obligations;
• maximizing the use of federal and state resources, including, strategies for the timely obligation of state expenditures to ensure that all federal funds are available for use during the two year grant period;
• the impact of cancelling year-end obligations with large balances that result in increasing balances of federal grant funds that cannot be used by DOR;
• methodologies used by RSA for the reconciliation of the RSA-2 report and clarification of reporting instructions related to the fiscal year in which expenditures/obligations are reported, calculation of FTEs, the exclusion of indirect charges for unliquidated obligations and reporting Supported Employment Program expenditures;
• training in the basic financial requirements of RSA-funded formula grant programs, which included: RSA organizational structure, guidance and reference materials (including OMB Circulars), innovation and expansion expenditures, allotment process, match, maintenance of effort, program income, liquidation of obligations, carryover, reallocation process, importance of financial planning, reversion to donor prohibitions, allowable Randolph-Sheppard Program expenditures, the appropriate use of the services to groups authority, and the completion of financial and statistical reports;
• the appropriate use of working capital advances for establishment project recipients;
• match requirements applicable to the IL-Part B and OIB programs; allowable sources of match, valuing and documenting in-kind contributions, obligation deadlines that must be met to carryover federal funds, and submitting accurate and verifiable reports.

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

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

1. Non-federal Resources

Observation: The VR program is a state-federal partnership. The federal government provides 78.7 percent of the funding required to administer the program. The state provides the remaining 21.3 percent of allowable program costs (match). DOR does not receive sufficient state-appropriated funds to fully match its VR program allotment. As a result, the agency relies heavily on match provided by outside sources to fully utilize its yearly allotment of federal funds. In FY 2008, the match provided by outside sources (public agencies and community rehabilitation programs) reached 36 percent of the total match reported, and places DOR close to the top of VR agencies that must rely on outside funding sources to continue providing necessary VR services to eligible consumers. According to accounting and budget staff, DOR anticipates that projected state budget cuts for FYs 2010 and 2011 will further reduce state funds available to be used as match in the VR program. As public programs continue to experience monetary cuts, this may place long-standing cooperative programs with state VR agencies at risk of reduction or cancellation of financial support. Heavy reliance on outside funding sources to
meet VR program match requirements can have an immediate and negative impact on DOR’s ability to administer the program.

**Recommendation 1**: RSA recommends that DOR gradually reduce its reliance on outside funding sources to meet the match requirement for this program.

**Agency Response**: As acknowledged by RSA, California is experiencing significant budget deficits caused in part by a reduction in state revenues. According to the State Department of Finance, the California state budget deficit could reach $10 billion in the next state fiscal year. With consideration of the economic climate, DOR will continue to vigorously pursue state funds to match its VR federal allotment. DOR will continue to provide state level administration and monitoring of existing third-party cooperative programs to ensure on-going financial participation and program efficacy in support of successful vocational outcomes for DOR consumers.

**Technical Assistance**: DOR does not request TA.

2. Financial Planning

**Observation**: DOR has a well-defined financial planning process for the development of long-range fiscal and program goals. The plan is in sufficient detail to support legislative budget requests required to meet these goals and also track program progress and success. However, as part of the planning process, DOR does not plan for or monitor the ongoing use of non-federal and federal resources to ensure that VR program match and MOE requirements are met on or before September 30 of the fiscal year for which the federal funds are appropriated (year one of the budget period). RSA noted the following:

- From discussions with DOR’s financial and management staff, there is little evidence that the agency tracks, in sufficient detail, the expenditure of non-federal resources in the first year of the grant period. In recent fiscal years, this has become critical since California is an evenly matched state and historically liquidates obligations with 78.7 percent federal and 21.3 percent non-federal funds. There is no cushion (excess non-federal expenditures) to meet match and maintenance of effort requirements if the entire federal allotment is not expended in the first year of the grant period. Further, any federal funds remaining for carryover will not be available for use in the second year of the grant period since these funds will not have been match in accordance with federal requirements.
- Financial information submitted by DOR for FYs 2007 and 2008 indicates that over one-third of the total VR program’s federal and non-federal resources are reported as unliquidated obligations as of September 30 of the first year of each grant period. Cancellations of unliquidated obligations in the second year of the grant period further impact on DOR’s ability to meet program match, MOE and carryover requirements.
- Until FY 2007, the large percentage of outstanding obligations had no impact since sufficient obligations were always made on or before September 30 to expend all of the federal funds. Beginning in FY 2007, this cushion was no longer available due to state budget issues and state restrictions on obligating funds. By not over-obligating in the
first year of the FY 2007 and 2008 grant periods, DOR was not able to carryover
remaining federal grant funds and use these resources for allowable program
expenditures in the second year of the funding period.

- Compounding the loss of the federal funds remaining at year-end, are the additional
  federal funds lost before final expenditure reports are submitted for each FY. DOR
typically cancels 10 percent of outstanding year-end obligations. Cancellations after
September 30 result in the loss of the non-federal match and the accompanying federal
funds.

**Recommendation 2:** As part of its planning process, RSA recommends that DOR:

2.1 develop and implement a methodology to monitor the expenditure of non-federal resources
and the sufficiency and validity of non-federal obligations to ensure that program short-term
and long-term goals are achieved, and that VR program match and MOE requirements are
met on or before September 30 of the first year of the funding period.

2.2 develop and implement procedures to cancel obligations that have remained open for
extended periods before September 30 of the first year of the funding period to ensure that
federal resources are used for program purposes and not returned to the federal government.
This monitoring can be accomplished electronically by placing edits in the new case
management system being developed for DOR.

**Agency Response:** DOR acknowledges that its fiscal monitoring could be improved in the area
of match, MOE, and unliquidated obligations. The DOR Budget Office and Accounting
Office had methods for tracking match and MOE, and based on those methods DOR believed
it had met the requirements. However, late cancelation of obligations and the historical
methodologies used in reporting data on the SF 269s caused a reporting error that, when
corrected, resulted in revised figures. DOR began making fiscal monitoring improvements
during RSA’s visit in August to include better communication, strategies to meet match and
MOE to the maximum extent possible given the availability of non-federal resources, and
ideas to improve timely cancelation of obligations.

**Technical Assistance:** DOR does not request TA.

3. **Reallotted Funds**

**Observation:** Toward the end of each fiscal year, RSA requests that state VR agencies identify
their need for additional federal funds, or release excess federal funds for the current fiscal year
to be reallocated to other VR agencies that have a need for additional funds. RSA noted the
following:

- DOR requested additional VR funds through the reallocation process and, as a result,
  received an additional $5,682,196 in FY 2007 and $558,806 in FY 2008.
- DOR’s reconstructed FY 2007 expenditures, for the period ending December 31, 2008,
  reflects an unobligated balance of federal funds for this grant of $1,141,584. This is the
  final expenditure report that DOR plans to submit for the FY 2007 grant. DOR lost the
  ability to expend a total of $1,141,584 out of the $5,582,196 in additional federal funds
received, that could have been reallocated to other VR agencies, because they were not matched on or before September 30, 2007.

- DOR is reconstructing expenditures for FY 2008. From information provided by DOR, final financial reports for FY 2008, when submitted, will reflect an unobligated balance of federal funds of at least $15,280,454. Included in the amount being returned is the additional $558,806 that DOR received through the reallocation process in FY 2008.
- Federal funds received by DOR each year through the reallocation process are considered one-time increases to the VR program’s allotment. These additional funds must be obligated on or before September 30 of the fiscal year in which they are reallocated. DOR received a total of $6,241,002 in reallocated funds in fiscal years 2007 and 2008. Of this amount, $1,700,390 was not obligated in a timely manner and will be returned to the federal government upon the submission of final financial reports for FYs 2007 and 2008.

**Recommendation 3:** RSA recommends that DOR:

3.1 take the appropriate action to ensure that DOR has sufficient non-federal resources to match any additional funds requested through the reallocation process; and
3.2 ensure that any federal funds that cannot be matched, are released in a timely manner to allow these funds to be reallocated to other state VR agencies requesting additional funds.

**Agency Response:** The DOR has always ensured that there are sufficient non-federal resources to match the federal funds requested through reallocation. It is a matter of insufficient obligations and obligations that do not liquidate that have caused the inability to utilize the requested funds. Unanticipated hiring freezes, purchasing freezes, delays in approving the state budget and reductions to the General Fund have limited the ability to obligate funds. The unobligated balance of federal funds for the FY 2007 grant based on the revised SF 269s submitted in September 2009 totaled $1,285,563. DOR is currently working with RSA on return of those federal funds.

**Technical Assistance:** DOR does not request TA.

**VR and SE Programs’ Fiscal Management Compliance Findings and Corrective Actions**

RSA identified the following compliance findings and corrective actions that DOR is required to undertake. DOR must develop a corrective action plan (CAP) 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 RSA is available to provide TA to assist DOR.
1. Inaccurate Financial and Statistical Reporting

Legal Requirements:

34 CFR 361.12 states:
The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 361.63 states:
(a) Definition. For purposes of this section, program income means gross income received by the State that is directly generated by an activity supported under this part.
(b) Use of program income. (1) …Program income is considered earned when it is received.

34 CFR 76.702 requires that:
A State…shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds.

34 CFR 76.720, in pertinent part, states:
(a) This section applies to a State’s reports required under 34 CFR 80.40 (Monitoring and reporting of program performance) and 34 CFR 80.41 (Financial reporting), and other reports required by the Secretary and approved by the Office and Management and Budget (OMB) under the Paperwork Reduction Act of 1995, 44 U.S.C. 3501-3520.

(c)(1) A State must submit these reports in the manner prescribed by the Secretary, including…at the quality level specified in the data collection instrument.
(2) Failure by a State to submit reports in accordance with paragraph (c)(1) of this section constitutes a failure, under section 454 of the General Education Provisions Act, 30 U.S.C. 1234c, to comply substantially with a requirement of law applicable to the funds made available under that program.

34 CFR 80.20(a) states:
(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State… must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
**Finding:** While monitoring on-site, RSA identified several areas of concern with the financial and statistical reports submitted by DOR.

**Program Income:**
Since FY 2003, DOR has submitted revised SF-269 reports showing substantial increases – in all but one year -- in the reported program income amount for the VR program as compared to the amount reported on the 4th quarter SF-269 (dated September 30) for each fiscal year. In FY 2004, the revised SF-269 showed a significant decrease in program income reported for the VR program as compared to the amount reported on the 4th quarter SF-269 for that year (see Table 3.2 for actual reported program income amounts). While the revised reports may show changes in various fiscal categories reported by DOR due to the cancellation or liquidation of obligations, the program income amount reported should not change after the end of the 4th quarter of the Federal fiscal year because program income is considered earned in the year it is received (34 CFR 361.63(c)(1)). Revised SF-269s, submitted after the 4th quarter report (dated September 30), therefore, should not show changes in the program income calculation except to correct math errors. While on-site, RSA reviewed DOR’s accounting records and determined that the increased or decreased amount of reported program in the revised SF-269s for each of the affected fiscal years actually was the result of program income being reported for the wrong fiscal year. In other words, DOR revised SF-269s to include program income earned in the next Federal fiscal year, but reported it as earned in the prior Federal fiscal year.

DOR must establish procedures to ensure the proper and efficient administration of the VR program, and these procedures must ensure accurate data collection and financial accountability (34 CFR 361.12). These fiscal controls also must ensure proper disbursement and accounting of Federal funds (34 CFR 76.702). Furthermore, these accounting procedures must be sufficient to permit DOR to prepare required reports and trace expenditures to a level to ensure that the funds were not used in violation of Federal requirements (34 CFR 80.20(a)). DOR must submit its reports at the quality level required by the reports (34 CFR 76.720(c)(1)). In this case, DOR did not have procedures in place to account for its program income properly so that they could be reported accurately in the year earned (the year received). As a result, DOR has consistently submitted inaccurate financial reports that required substantial revisions to correct the errors. DOR’s failure to report program income accurately – in the Federal fiscal year received, as required by 34 CFR 361.63(c)(1) – violates Federal requirements to account for and report funds accurately at 34 CFR 361.12, 34 CFR 76.702, 34 CFR 376.720, and 34 CFR 80.20.

<table>
<thead>
<tr>
<th>Year</th>
<th>Program Income</th>
<th>Revised SF-269</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>15,936,904</td>
<td>21,130,604</td>
<td>5,193,700</td>
</tr>
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<td>2004</td>
<td>18,684,191</td>
<td>15,298,354</td>
<td>3,385,837</td>
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<td>2005</td>
<td>11,196,373</td>
<td>12,457,216</td>
<td>1,260,843</td>
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<td>2006</td>
<td>11,140,020</td>
<td>12,252,706</td>
<td>1,112,686</td>
</tr>
<tr>
<td>2007</td>
<td>11,614,760</td>
<td>12,401,559</td>
<td>786,799</td>
</tr>
<tr>
<td>2008</td>
<td>9,261,429</td>
<td>12,565,085</td>
<td>3,303,656</td>
</tr>
</tbody>
</table>
Lack of Support for Unliquidated Obligations Results in Failure to Satisfy Match Requirements:
For the past several years, DOR has included the following unliquidated obligations on year-end SF-269s submitted to RSA:

- FY 2004 - $19,414,360
- FY 2005 - $20,303,713
- FY 2006 - $23,291,163
- FY 2007 - $28,251,390
- FY 2008 - $31,463,173

DOR did not have supporting documentation, such as schedules or listings, for these unliquidated obligations to verify their accuracy prior to submitting the SF-269s for those years. DOR used the non-Federal share of these unliquidated obligations (21.3 percent) to meet VR program match, MOE, and carryover requirements applicable to each grant year. While conducting on-site monitoring, RSA reviewed DOR’s financial records and determined that some of the unliquidated obligations were reported in error. As a result, for many of those years, DOR had thought it had fully utilized its Federal VR grant allotment and had provided sufficient non-Federal expenditures for satisfying its match and MOE obligations under the VR program when in fact it had not. Because of the lack of supporting documentation, DOR did not realize, until the records were reconstructed during RSA’s on-site review, that it had not incurred sufficient unliquidated obligations in FYs 2007 and 2008 to fully utilize the Federal VR allotment and, furthermore, had not provided sufficient non-Federal unliquidated obligations to carryover those funds to the next fiscal year. Consequently, DOR forfeited the ability to carry over Federal funds and those funds should now be returned to the Treasury. For example:

- In FY 2007, DOR submitted a year-end SF-269 reflecting that sufficient non-Federal expenditures and obligations had been made to utilize the entire VR program Federal allotment of $271,452,802, and $5,682,196 in additional funds received through the reallocation process, with no Federal funds available for carryover. RSA’s review revealed that the FY 2007 SF-269 was incorrect; DOR in fact had a balance of $1,141,584 in unobligated Federal funds that year. DOR had not been aware that these Federal funds were no longer available for the agency’s use since the obligation period had long since passed.

- In FY 2008, DOR submitted a year-end SF-269 reflecting that sufficient non-Federal expenditures and obligations had been made to utilize the entire VR program Federal allotment of $275,593,209, and $558,806 in additional funds received through the reallocation process, with no Federal funds available for carryover. RSA’s review revealed that the FY 2008 SF-269 was incorrect; DOR in fact had a balance of at least $15,280,454 in unobligated Federal funds that year. At the time of this report, DOR’s fiscal staff was continuing to verify the financial records from FY 2008. Therefore, the full extent of the loss of Federal funds is not yet known. However, DOR had not been aware that at least $15,280,454 in FY 2008 Federal funds was no longer available for its use since the obligation period had long since passed.
In addition to the inaccurate SF-269s, it became apparent during RSA’s review that DOR’s RSA-2 forms submitted for FY 2004 through FY 2008 also are inaccurate. The RSA-2, which includes detailed information about expenditures and obligations incurred during any given fiscal year, could not be reconciled with the SF-269s for the same periods. DOR did not have supporting documentation to verify the amounts reported on the RSA-2s for FYs 2007 and 2008.

Federal regulations require DOR to have procedures in place to account for Federal funds properly and efficiently, and to a level to ensure that expenditures were not made in violation of Federal requirements (34 CFR 361.12, 34 CFR 76.702, and 34 CFR 80.20(a)). DOR also must have procedures in place to ensure the accurate preparation of required reports (34 CFR 76.720 and 34 CFR 80.20(a)(2)). DOR has consistently submitted inaccurate RSA-2s and SF-269s that have required substantial revisions to correct. DOR’s lack of supporting documentation or work papers to verify its expenditures and obligations has revealed that DOR does not have the required procedures in place to properly account for its Federal funds. As a result, DOR has unknowingly forfeited millions of VR grant funds which could have been avoided had it maintained the necessary documentation to verify its expenditures and obligations. DOR’s repeated submission of inaccurate reports and its lack of procedures to account for funds properly violate 34 CFR 361.12, 34 CFR 76.702, 34 CFR 376.720, and 34 CFR 80.20.

Lack of Internal Controls to Ensure Proper Administration:
During on-site monitoring, RSA learned that DOR staff responsible for preparing the SF-269s and RSA-2s had recently assumed these duties and had not received training on the financial requirements of the VR program. This lack of training -- along with DOR’s lack of internal controls to ensure the proper preparation of these reports, such as maintaining sufficient supporting documentation of expenditures and obligations – contributed to DOR’s inaccurate reporting. DOR’s failure to ensure its staff are trained in VR Federal requirements violates its responsibility to administer the VR program in a proper and efficient manner that ensures the proper expenditure and accounting of Federal funds (34 CFR 361.12 and 34 CFR 80.24(a)).

Corrective Action 1: DOR must:

1.1 cease reporting program income as earned in the wrong fiscal year;
1.2 cease submitting inaccurate SF-269s and RSA-2s, especially in terms of unliquidated obligations for which there are no supporting documentation to verify their accuracy;
1.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will ensure the accuracy and completeness of its SF-269s and RSA-2s, especially in terms of the accurate reporting of program income and unliquidated obligations; DOR also must assure that it will maintain sufficient documentation to ensure proper accounting of Federal funds;
1.4 submit a plan, including a timeline, describing the training that will be provided to staff responsible for preparing the SF-269s and RSA-2s, as well as other internal controls that will be implemented to ensure sufficient supporting documentation is maintained to enable DOR to submit accurate financial and statistical reports;
1.5 revise the 9/30 (4th quarter) and subsequent SF-269s submitted for the VR program for FYs 2007 and 2008 to accurately report: 1) the Federal and non-Federal expenditures/outlays; and 2) Federal and non-Federal obligations and unobligated balances; and
1.6 revise the 9/30 (4th quarter) and subsequent SF-269s submitted for the VR program for FYs 2005 through 2008 to accurately report program income received, disbursed, and transferred to allowable formula grant programs.

RSA reserves the right to pursue enforcement action, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: The DOR acknowledges that its financial reporting could be improved. The identified errors were not intentional and were due to lack of training, historical methodologies, and lack of comprehensive instructions for completion of the financial reports. DOR has already made the corrections required by RSA to the FY 2007 and FY 2008 SF 269s based on the technical assistance and training provided by RSA during its on-site visit in August.

In regards to program income, DOR would like to clarify it maintains a worksheet for tracking the program income received by federal year. The reason the program income was increasing after 9/30 was that DOR was only reporting program income on the SF 269 as it was transferred out. Due to this reporting error, DOR has subsequently revised the SF 269 to include the program income earned, along with the program income transferred out in accordance with federal requirements.

RSA has requested that DOR revise the SF 269s for FY 2005 and 2006 in regards to program income only. DOR’s review of the program income earned and transferred shows that the total amount of program income earned was transferred out in accordance with federal requirements. The schedule below provides support and as such DOR does not believe that a formal revision of the SF 269s is warranted for FY 2005 and FY 2006:

**Fed 05 - 10/1/04-9/30/06**
Fed 05 - SSA Recd (10/1/04-9/30/05) 12,089,172.27
Fed 05 Transferred out 3/05 – 8/06 12,089,172.27

**Fed 06 - 10/1/05-9/30/07**
Fed 06 - SSA Recd (10/1/05-9/30/06) 12,911,457.13
Fed 06 Transferred out 3/06 – 5/07 12,911,457.13

In regards to unliquidated obligations and expenditures reported, the figures reported on the SF 269 are based on data from the Financial Management System (FMS) and are supported by FMS, worksheets used to complete the SF 269s, and other documentation. The issue regarding unliquidated obligations was not lack of supporting documentation, since FMS has supporting detail of obligations, but rather a lack of sufficient analysis of the viability of these obligations liquidating. This was caused in part due to DOR historically have more than sufficient obligations to replace canceled obligations prior to FY 2007. The errors in reporting on the SF 269s, along with insufficient instructions for completing the RSA-2, resulted in errors in reporting on the RSA-2.
In regards to staff training, RSA provided technical assistance and written information to staff regarding accurate preparation of the SF 269s and RSA-2. At this time, DOR does not feel additional training is required. DOR staff are in contact with the RSA state liaison for California and can contact RSA in the event that additional questions arise. DOR appreciates technical assistance that RSA has already provided.

**RSA Response:** RSA has received the revised SF 269’s as required in 1.5 and 1.6, and no further corrective action is required for 1.5 and 1.6. DOR’s CAP should address corrective actions 1.1 through 1.4.

**Technical Assistance:** DOR does not request TA.

2. Establishment Project Match

**Legal Requirements:**

34 CFR 361.60(b)(3), in pertinent part, states:

> Contributions by private entities. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under [the VR program] if the funds are earmarked for –

- (i) Meeting in whole or in part the State’s share of establishing a community rehabilitation program or constructing a facility for community rehabilitation program purposes….

34 CFR 361.12 states:

> The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State… must be sufficient to:

  - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
  - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

**Finding:** DOR has one establishment project with a private non-profit CRP that is in its fourth year. DOR provides the Federal share of expenditures, as described in 34 CFR 361.5(b)(17)(ii), and the CRP provides the allowed non-Federal share of expenditures. Periodically, the CRP
submits an invoice to DOR for payment of the Federal share of expenditures as well as a check to cover the non-Federal share of expenditures. Rather than depositing the check into its VR account, as required by 34 CFR 361.60(b)(3), DOR cashes the check and gives the money back to the CRP as a “working capital advance.” When DOR pays the amount due on the invoice, it only pays the Federal share, 78.7 percent, of the expenditures.

Federal regulations require DOR to deposit into its VR account any contributions made by private entities for purposes of meeting the State’s non-Federal share of the expenditures for establishing a CRP (34 CFR 361.60(b)(3)(i)). DOR also is required to have procedures in place to administer the VR program properly and efficiently and ensure that funds are accounted for accurately and able to be traced to a level to ensure they were expended in a manner that does not violate Federal requirements (34 CFR 361.12 and 34 CFR 80.20(a)). In this case, the CRP – a private non-profit – provided the allowed non-Federal share of expenditures to DOR but DOR did not deposit this check into its VR account as required by 34 CFR 361.60(b)(3). Instead, DOR cashed the check and gave the money back to the CRP as an immediate cash advance for working capital. When DOR paid the invoice submitted by the CRP, DOR only paid the 78.7 percent allowed Federal share. The problem here is that DOR failed to comply with the required accounting procedures for these funds. The purpose of 34 CFR 361.60(b)(3) is for 100 percent of the expenditures for establishing a CRP to flow through the VR accounting system so that the funds can be traced to ensure that expenditures are allowable as audited through the State’s audit process, and that DOR can maintain sufficient administrative control over the expenditures to ensure the proper and efficient administration of the program. In this case, only 78.7 percent of the expenditures for the establishment of the CRP flowed through DOR’s accounting system, thus violating 34 CFR 361.60(b)(3), 34 CFR 361.12, and 34 CFR 80.20(a).

Corrective Action 2: DOR must:

2.1 discontinue the practice of immediately returning the non-Federal share of establishment expenditures to the CRP;
2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 361.60(b)(3) by depositing the CRP’s non-Federal share into DOR’s VR account and accounting for all expenditures for the establishment of a CRP through DPR’s VR accounting system; and
2.3 submit a detailed spreadsheet for FYs 2004 through 2009 listing the amount of non-Federal match for establishment projects that was not deposited in DOR’s account.

RSA reserves the right to pursue enforcement action, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: DOR acknowledges that invoices received by CRPs are paid at 78.7%. However, the invoices submitted by the CRPs for payment report 100% of the expenditures for the project. In addition, the match received and issued as an advance to the CRP is deposited and tracked in the accounting records under the Workshop Grant Matching Fund. This fund is part of the State’s year-end financial reporting. The match is deposited in the Workshop Grant Matching Fund, and upon request by the CRP, DOR provides a working capital advance of
21.3% to the CRP. When completing the SF 269s, the Establishment Project match is reported in the remarks section of the report and is included in the expenditures.

In regards to RSA’s request to submit a detailed spreadsheet for FY 2004 through 2009 listing the amount of non-Federal match for establishment projects, DOR is requesting that RSA re-evaluate this request since the Establishment Project match received is already reported on the SF 269s in the remarks section.

DOR is also requesting that RSA re-consider its request that DOR change its current procedures for accounting, disbursing, and tracking the non-federal match since the match is tracked in the accounting records and reported on the SF 269 expenditures as required by regulations.

DOR appreciates the technical assistance that RSA has already provided.

**RSA Response:** RSA respectfully denies DOR’s request to use the remarks section of the SF 269s rather submit a spreadsheet (see corrective action 2.3) in order to expedite and ensure the accuracy of the analysis of the information provided. RSA maintains the corrective action that DOR must modify its current procedures for accounting, disbursing, and tracking the non-federal match because its current practices are inconsistent with federal requirements.

**Technical Assistance:** DOR does not request TA.

### 3. Solicitation of Matching Funds from Contractors Providing Older Blind Services

**Legal Requirements:**

Section 752(f) of the Act requires States to provide matching funds of $1 for every $9 of Federal funds provided in the grant to the State under the Independent Living Services to Older Individuals Who Are Blind Program (OIB). Non-Federal contributions may be in cash or in-kind.

34 CFR 365.14(a) states:

A State may not condition the award of a grant, sub grant, or contract under section 713 of the Act or a grant, subgrant, or assistance contract under section 723 of the Act on the requirement that the applicant for the grant or subgrant make a cash or in-kind contribution of any particular amount or value to the State.

34 CFR 367.4(d)(2) provides that 34 CFR 365.14 is applicable to the OIB program.

**Finding:** DOR is not in compliance with 34 CFR 365.14(a) because the agency required contractors\(^1\) to provide match in order to receive OIB program funds. DOR is responsible for

\(^1\) DOR has referred to arrangements with OIB providers both as grants and contracts. It is RSA’s understanding that DOR enters into contracts with the OIB providers, and, therefore, RSA has used this term in the finding. Since grants and contracts are governed by different Federal requirements, DOR should ensure that it is using the appropriate mechanism for conveying the OIB program funds, is applying the appropriate regulatory structure, and using the correct terminology.
providing a 10 percent match to drawdown and utilize Federal funds received for the OIB program. Federal regulations allow this match to be made in cash or with in-kind contributions. As part of its procurement process for OIB program contracts, DOR indicated to the offerors that it intended to use contractor in-kind contributions as the source of its required 10 percent match. The contracts between DOR and OIB providers required the offeror to provide 10 percent of the contract amount in cash or in-kind while DOR would reimburse 90 percent of the costs of the program.

DOR ceased requiring match of OIB contractors as of fiscal year 2009 (10/1/08 – 9/30/09), but it still asked OIB contractors to provide the in-kind match voluntarily, indicating in a letter asking for the match that DORS does not have sufficient general fund dollars to support the match and implying a causal relationship between the provision of match by the OIB providers and the amount of OIB funds that DOR would be able to drawdown and provide to OIB providers. RSA’s review of the contracts and discussions with service providers reveals that, even when DOR withdrew the express requirement that OIB providers provide match and asked for voluntary contributions, the service providers understood that DOR was requiring them to contribute the 10 percent match in order to be considered for an award of OIB program funds. DOR sent this request only to OIB contractors, and DOR instructed all OIB contractors to report in-kind match in the form of certified time on their quarterly reports that they were required to submit to DOR under the contracts, further reinforcing the impression that match was required as part of the contract.

Corrective Action 3: DOR must:

3.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 365.14 and remove any remaining contract language that requires or asks for OIB providers to provide 10 percent match;
3.2 separate the process of procuring donations of match from the procurement and reporting processes for OIB contracts;
3.3 ensure that any letters to OIB providers that discuss the State’s obligation to provide the 10 percent match make clear that the awarding of a contract to provide OIB services is not contingent upon the OIB contractor providing the 10 percent match. The recommendations section below provides further guidance on any communication of this nature from DOR to the OIB providers;
3.4 report sources and amounts of match to RSA on its quarterly RSA-269 report;
3.5 retain in DOR files, for audit purposes, all documentation of the information reported on the RSA-269 -- federal and non federal share of obligations and expenses; and
3.6 submit a detailed spreadsheet listing the amount of matching funds obtained from OIB providers from FY 2005 to FY 2008.

RSA reserves the right to pursue enforcement action, including the recovery of funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Recommendations: In conjunction with the corrective actions, RSA recommends that DOR include in any communication to stakeholders about the need for donations for match these principles:
1. Distribute the letter to a broader group of stakeholders that includes other organizations in addition to OIB contractors that may be able to provide cash or in-kind contributions consistent with 34 CFR 365.13 and 365.15;

2. Include in the letter a –

   - statement that it is the State’s responsibility to provide the 10% match in order to drawdown and use OIB funds;
   - statement that the State is permitted to accept cash or in-kind contributions that comply with 34 CFR 365.13 and 365.15 from third parties, including OIB providers, but make no direct request for match;
   - description of the definition of “donation” and the forms it can take consistent with the federal requirements; description of the necessary documentation supporting the donation of in-kind match; and
   - the caution that donation of match is not required of grantees and that any in-kind contributions toward the State’s match under the OIB program, or lack of contribution, will have no affect on DOR’s process for awarding an OIB contract to the center;
   - a statement that the donation of certified time must be for allowable expenditures under the OIB program and activities conducted in accordance with federal regulations for the OIB program; and
   - a statement that the donor cannot receive a benefit from the contribution of match. However, the receipt of a grant, subgrant, or contract from the DSU is not considered a benefit to the donor of a cash contribution if the grant, subgrant, or contract was awarded under the State’s regular competitive procedures.

Agency Response: DOR acknowledges Findings and subsequent Corrective Actions 3.1 through 3.6. DOR believes that all letters now sent to OIB providers meet all referenced criteria based upon the technical assistance already provided by RSA. The DOR will follow recommended protocol in communication with stakeholders. The DOR believes that all letters now sent to OIB providers meet all referenced criteria based upon the technical assistance already provided by RSA.

RSA Response: RSA is reviewing DOR’s letter to determine if it is consistent with program requirements.

Technical Assistance: DOR requests TA with the corrective actions and recommendations.

4. Match/Carryover – State Independent Living and Older Blind Programs

Legal Requirements:

Section 19 of the Act provides that the State Independent Living Program (Part B program) and the Independent Living Services for Older Individuals who are Blind Program (OIB) can carryover any unobligated Federal funds appropriated for a fiscal year to the succeeding fiscal
year as long as the recipient complied with any requirements to provide a non-Federal match in the fiscal year in which the Federal funds were appropriated.

Section 712(b) requires States to provide matching funds of $1 for every $9 of Federal funds provided in the Part B grant to the State. Non-Federal contributions may be in cash or in-kind.

Section 752(f) of the Act requires States to provide matching funds of $1 for every $9 of Federal funds provided in the grant to the OIB program. Non-Federal contributions may be in cash or in-kind.

34 CFR 364.6(b) states:
Federal funds appropriated for a fiscal year under part B of chapter 1 and under chapter 2 of title VII of the Act remain available for obligation in the succeeding fiscal year only to the extent that the DSU complied with any matching requirement by obligating, in accordance with 34 CFR 76.707, the non-Federal share in the fiscal year for which the funds were appropriated.

34 CFR 365.12(b) states:
(1) The Federal share with respect to any State for any fiscal year is 90 percent of the expenditures incurred by the State during that fiscal year under its State plan approved under section 706 of the Act.
(2) The non-Federal share of the cost of any project that receives assistance through an allotment under this part may be provided in cash or in kind, fairly evaluated, including plant, equipment, or services.

34 CFR 365.15 states:
[I]n-kind contributions may be --
(a) Used to meet the matching requirement under section 712(b) of the Act if the in-kind contributions meet the requirements of 34 CFR 80.24(b)(7) through (g) and if the in-kind contributions would be considered allowable costs under this part, as determined by the cost principles made applicable by either subpart Q of 34 CFR part 74 or 34 CFR 80.22; and
(b) Made to the program or project by the Sate or by a third party (i.e., and individual, entity, or organization, whether local, public, private, for profit, or nonprofit), including a third party that is a grantee, subgrantee, or contractor that is receiving or will receive assistance under section 713 or 723 of the Act.

34 CFR 367.11(b) states:
With respect to the costs of the program to be carried out by the State pursuant to this part, the State will make available, directly or through donations from public or private entities, non-federal contributions toward these costs in an amount that is not less than $1 for each $9 of Federal funds provided in the grant.

34 CFR 367.4 states that 34 CFR 365.15 applies to the OIB Program.
Finding: DOR is not in compliance the statutory provisions governing match and carryover for the IL Part B and OIB programs because, according to the Financial Status Reports (SF-269s) submitted to RSA, DOR failed to provide non-Federal resources as match in the same fiscal year the Federal funds were appropriated, and therefore, used Federal funds in that fiscal year to which it was not entitled and carried over unobligated Federal funds to the succeeding fiscal year. (See sections 19, 712(b) and 752(f) of the Act and their implementing regulations at 34 CFR 364.6(b), 365.12(b)(1), 365.15, 367.4, and 367.11(b)). For example, in FY 2005, the SF 269 filed by DOR covering the last quarter of FY2005 showed that DOR did not meet its match requirements. In succeeding SF269s, however, DOR attempted to use in-kind services provided in FY 2006 to meet its non-Federal in-kind match for FY 2005. DOR continued to file SF 269s that showed that it was using in-kind contributions to meet its match for one fiscal year that were actually incurred in the succeeding fiscal year. This allocation of match is not consistent with Federal requirements. Obligations for in-kind contributions for match must be incurred in the same year in which the Federal funds that the State is matching were appropriated.

According to the SF 269s submitted by DOR, as outlined in the tables below, the agency did not meet the match and/or carryover requirements to expend all of the IL Part B (FYs 2005, 2006, 2007 and 2008) and OIB (FYs 2005, 2006, 2007, and 2008) Federal grant funds made available to the agency. DOR may be able to produce documentation to support obligations of in-kind match that were incurred in the same year as the Federal funds were appropriated, but at the time of the on-site visit, DOR could not produce sufficient documentation to support the allowability and assessed value of in-kind contributions used as match for the Federal funds used in the IL Part B and OIB programs.

The following table provides information related to the Federal funds used in the IL Part B program that were unmatched as of September 30 of the fiscal year for which the funds were appropriated:

<table>
<thead>
<tr>
<th>Table 3.3 California – IL Part B Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal allotment</td>
</tr>
<tr>
<td>Federal funds returned</td>
</tr>
<tr>
<td>Federal funds utilized</td>
</tr>
<tr>
<td>Federal funds matched as of 9/30</td>
</tr>
<tr>
<td>Unmatched federal funds expended</td>
</tr>
</tbody>
</table>

The following table provides information related to the Federal funds used in the OIB program that were unmatched as of September 30 of the fiscal year for which the funds were appropriated:
Table 3.4  
California – IL OIB Expenditures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal allotment</td>
<td>3,367,434</td>
<td>3,260,338</td>
<td>3,258,596</td>
<td>3,168,533</td>
</tr>
<tr>
<td>Federal funds returned</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Federal funds utilized</td>
<td>3,367,434</td>
<td>3,260,338</td>
<td>3,258,596</td>
<td>2,090,904</td>
</tr>
<tr>
<td>Federal funds matched as of 9/30</td>
<td>1,883,901</td>
<td>2,740,966</td>
<td>1,318,997</td>
<td>2,069,552</td>
</tr>
<tr>
<td>Unmatched federal funds expended</td>
<td>1,483,533</td>
<td>519,372</td>
<td>1,939,599</td>
<td>1,098,981</td>
</tr>
</tbody>
</table>

Corrective Action 4: DOR must:

4.1 take the steps necessary to reconstruct year-end (September 30 of year one for each grant) financial information (i.e., expenditures, obligations, and unobligated balances) for the IL Part B program for FYs 2005, 2006, 2007 and 2008, and for the OIB Program for FYs 2005, 2006, 2007 and 2008, to determine if errors were made in previously submitted financial information;

4.2 verify and inform RSA that the financial reports, as previously submitted are, in fact, correct or submit revised year-end (September 30 of year one for each grant) and subsequent financial status reports, including documentation supporting any changes to previously reported financial information, in order to accurately report Federal and non-Federal expenditures, Federal and non-Federal obligations, and unobligated balances of Federal funds;

4.3 develop procedures and implement internal controls to ensure that:
   (a) sufficient documentation is maintained to support in-kind contributions used as match in IL programs;
   (b) the in-kind match is provided from allowable sources;
   (c) the in-kind match is valued in accordance with Federal requirements; and
   (d) the in-kind match used is from allowable program activities; and

4.4 provide documentation to support in-kind contributions used as match in the IL Part B and OIB programs for FYs 2005 through 2008, as identified by DOR in the following tables:

Table 3.5  
DOR IL-Part B Program In-Kind Match

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Allotment</td>
<td>2,050,192</td>
<td>2,032,616</td>
<td>2,026,986</td>
<td>1,987,332</td>
</tr>
<tr>
<td>Required Match</td>
<td>227,799</td>
<td>225,846</td>
<td>225,221</td>
<td>220,815</td>
</tr>
<tr>
<td>Actual Match</td>
<td>415,700</td>
<td>444,698</td>
<td>992,461</td>
<td>603,571</td>
</tr>
<tr>
<td>Total In-Kind Match</td>
<td>415,700</td>
<td>444,698</td>
<td>992,461</td>
<td>603,571</td>
</tr>
</tbody>
</table>
Table 3.6
DOR OIB Program In-Kind Match

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Allotment</td>
<td>3,367,434</td>
<td>3,260,338</td>
<td>3,258,596</td>
<td>3,168,533</td>
</tr>
<tr>
<td>Required Match</td>
<td>374,159</td>
<td>362,260</td>
<td>362,066</td>
<td>352,059</td>
</tr>
<tr>
<td>Actual Match</td>
<td>322,649</td>
<td>360,823</td>
<td>346,999</td>
<td>360,872</td>
</tr>
<tr>
<td>Total In-Kind Match</td>
<td>322,649</td>
<td>360,823</td>
<td>346,999</td>
<td>360,872</td>
</tr>
</tbody>
</table>

RSA reserves the right to pursue enforcement action, including the recovery of funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

**Agency Response:** DOR acknowledges its financial reporting of in-kind match for the IL Part B and IL OIB may have been in error. However, DOR has obtained support, as discussed with RSA, for the match required for IL Part B for FY 2005 through FY 2008 and DOR has included it in the Table 3.5. DOR received more in-kind match than was required for each of the 4 years. The IL OIB Match was reconstructed and is noted in Table 3.6. Utilizing this match information, the DOR will submit revised SF 269s for both programs if it is determined that errors in reporting were made and ensure accurate financial reports in the future.

DOR has committed to using General Fund match for IL Part B for FY 09 forward.

**RSA Response:** RSA appreciates DOR’s response and will work with DOR depending upon the information that is generated as a result of DOR taking corrective actions 4.1-4.4.

**Technical Assistance:** DOR requests TA.
CHAPTER 4: INDEPENDENT LIVING PROGRAM

IL Program Administration and Service Delivery

The following table provides data on DOR’s IL program performance in key areas from FY 2006 through FY 2007.

Table 4.1
California IL Program Highlights for FY 2006 through 2007

<table>
<thead>
<tr>
<th>Program Highlights</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title VII, chapter 1, part B funds</td>
<td>2,032,616</td>
<td>2,026,986</td>
</tr>
<tr>
<td>Total resources (including part B funds)</td>
<td>18,235,652</td>
<td>6,029,927</td>
</tr>
<tr>
<td>Total FTEs</td>
<td>12.00</td>
<td>21.00</td>
</tr>
<tr>
<td>Total FTEs with disabilities</td>
<td>6.00</td>
<td>15.00</td>
</tr>
</tbody>
</table>

Note: Data elements are from the RSA-704 Part I Report.

DOR administers the IL part B program in CA and provides IL services through grants and contracts with the state’s network of 50 CILs, governed by 29 nonprofit boards of directors. The network provides total coverage within the state’s 58 counties. According to 704 Part II reports submitted by California CILs for FY 2006 - 2008, the following numbers of individuals received IL services: 2006 - 15,671; 2007 - 12,766; and 2008 - 12,640.

In addition to the part B funds, DOR allocates approximately $12.5 million to CILs for IL services, community organizing, and TA. DOR uses a funding formula that takes into account a base amount plus a population formula to determine the amount of funds to each CIL. The general service areas, such as community organizing, are determined as specified needs are identified.

The SILC is an 18 member council appointed by the Governor. Under Executive Order W-133-96, dated June 24, 1996, the Governor created the SILC as an independent state agency with duties consistent with those mandated in the Act. The SILC agency is funded solely with part B funds through an inter-agency agreement with DOR and uses the state Department of General Services for support services in the areas of personnel, fiscal, legal, and real estate. The agency maintains its own office outside DOR.

Personnel

The staff of DOR’s IL and External Affairs Division includes one manager, three community resource development specialists, one grants coordinator, one analyst, one accountant, and one administrative support staff. The staff is responsible for policy-making, monitoring grants to CILs, and providing TA to CILs. In addition, the staff develops the requests for applications, evaluate applications, and make funding determinations.
The SILC has three staff, including an executive director, a deputy, and an executive secretary. The executive director is an exempt state employee, hired and evaluated annually by the SILC members. The executive director hires, evaluates, and supervises the other two SILC staff.

Data Management

CA does not have a centralized comprehensive data collection and reporting system for IL data. CILs and other service providers have developed their own method of compiling data and maintaining consumer service records. They collect data on individuals served and services provided using manual count from paper and/or electronic records. They submit service data to DOR in quarterly reports, which DOR in turn aggregates for reports such as the RSA-704, Part I report, and for its own management purposes.

Quality Assurance

DOR resource specialists conduct periodic on-site monitoring of each IL service provider and collect quarterly reports to assess the quality of its IL services and outcomes, e.g., consumer satisfaction surveys, interviews with consumers, available outcomes data and/or efficiency measures. The resource specialists and the analyst review these reports and provide TA to centers where difficulties are identified. The CILs submit monthly billings based on their approved budget. The accounting staff reviews bills to ensure accuracy and completeness.

DOR Audit Services conducts audits of selected CIL grantees annually for compliance with the service, fiscal and administrative contract/grant requirements in accordance with Government Auditing Standards. In addition to audit reports issued to the external parties, a report may also be issued to DOR management for any department internal deficiencies noted. All findings must be addressed through a corrective action plan that Audit Services approves and monitors to ensure that the findings have been corrected.

In addition to providing quarterly reports to DOR, CILs conduct self-evaluations to assess the quality of services provided. DOR uses the federal evaluation standards as its standards for service providers.

Planning

The SPIL is the primary planning document for the IL program. The SILC, in conjunction with the DSU, conducts an annual needs assessment and convenes focus groups for planning purposes to inform the goals in the SPIL. The IL partners identified needs in the areas of leadership development, succession planning and CIL board development training.
IL Program Technical Assistance Provided to DOR During the Review Process

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

- SILC and DSU duties;
- SPIL development, goals and objectives; and
- prohibition of match requirement for grantees;

Observations of DOR and Its Stakeholders about the Performance of the IL Program

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

- DOR IL staff, SILC members, and SILC staff are relatively new in their respective roles since the submission of the current FY 2008-10 SPIL.
- The SILC staff and members expressed concerns about the number of activities included in the SPIL that had been developed by the previous staff and members and their capacity to fulfill them.
- DOR and CILs have close working relationships.
- DOR contracts with CIL staff to provide IL services, Client Assistance Program services, and benefits analysis in local VR offices.
- CILs indicated that DOR should develop, pay for and maintain a uniform database to be used by all CILs to improve the consistency and accuracy of data.
- CILs and their foundation indicate that one of their greatest challenges is that they cannot expend part B or other state funds allocated to them during the time of a state budget impasse.
- Based on the experience during the past year when there was a high turnover in CIL leadership, CILs need succession planning and board development.
- SILC members are working together to develop unique approaches in delivering IL services to specific populations, including Native Americans, returning veterans, individuals with TBI, and individuals in rural areas not located near a CIL.

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

1. Staff Development and Training

Observation 1: At the time of the review, the majority of DOR IL staff, SILC members, and SILC staff were new to their respective positions. While these individuals had other types of IL experience based on previous positions, they did not have experience specific to their new duties.

Recommendation 1: RSA recommends that DOR IL staff, SILC members, and SILC staff develop and implement a training plan addressing the specific training needs of DOR and SILC staff and SILC members to better prepare them to perform their respective duties.

Agency Response: DOR and the SILC thank the RSA for the observation and recommendation. DOR and the SILC assert that DOR and SILC will continue to identify and utilize best practices in training however do not identify this as an unmet need that will need to be monitored.

Technical Assistance: DOR and the SILC do not request TA.

IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance finding and corrective action that DOR is required to undertake. DOR 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 RSA is available to provide TA to assist DOR.

1. SILC Appointments and Term Limits for Non-Voting Members

Legal Requirements:

34 CFR 364.21(b)(1) - Appointment. Members of the SILC must be appointed by the Governor or the appropriate entity within the State responsible, in accordance with State law, for making appointments.

34 CFR 364.21(b)(2)(i)(b) - Term appointments. Each member of the SILC shall serve for the term of three years, except that - (3) No member of the SILC may serve for more than two consecutive terms.
Finding 1: CA is not in compliance with the federal requirements for SILC appointments because the ex-officio members of CA’s SILC are not appointed by the Governor and are not subject to the same term limits as voting members.

Corrective Action 1: CA must take the steps necessary to ensure that all SILC members are appointed by the Governor and subject to the uniformly required term limits specified in federal regulations, regardless of their status as ex-officio, non-voting or voting members.

Agency Response: DOR acknowledges Finding 1 and Corrective Action 1.

Technical Assistance: DOR and the SILC do not request TA.

2. SILC Responsibilities

Legal Requirements: 34 CFR 364.21(g) - Duties. The SILC shall -

(1) jointly develop and sign (in conjunction with the DSU) the State plan required by section 704 of the Act, and 34 CFR 364.20;
(2) monitor, review, and evaluate the implementation of the State plan;
(3) coordinate activities with the State Rehabilitation Council established under section 105 of the Act and councils that address the needs of specific disability populations and issues under other Federal law;
(4) ensure that all regularly scheduled meetings of the SILC are open to the public and sufficient advance notice is provided; and
(5) submit to the Secretary all periodic reports as the Secretary may reasonably request and keep all records and afford access to all records, as the Secretary finds necessary to verify periodic reports.

Finding: CA’s SILC is not in compliance with the federal requirements related to SILC duties because, according to the SPIL objectives, the SILC is performing responsibilities outside its mandated functions. Federal funds under the Act are provided to enable the SILC to carry out only those duties and functions specified in 34 CFR 364.21(g). Therefore, if a SILC engages in other activities, these other activities must be funded through other public or private sources and must not impair or interfere with its federally mandated functions.

During the review process, new SILC members and SILC staff indicated they did not perform some of these activities that had been included in the SPIL by the previous SILC staff and members. They also expressed their concerns that some of the goals were not reasonable to be completed within the identified timelines.

Specific SPIL goals and objectives that must be revised, along with RSA’s comments related to the revisions, are described below. Note that in some instances, if the entity performing the objective changes, the goal and objective can remain as it is written, e.g., if the SPIL is revised to show that the DSU performs the activity in lieu of the SILC.
Goal 1: Actively involve people with disabilities in State Independent Living Council (SILC) activities and support their active participation in conferences addressing unmet needs.

1.A: SILC will host no fewer than one community forum annually targeted to include statewide disability-related networks for the purpose of assessing community independent living needs and to identify possible collaboration projects. Forums will be held in alternating years in Sacramento, Orange County, and other locations easily accessed by independent living consumers.

**RSA Finding:** The SILC may not use resource plan funds to conduct this activity. Funds to be used for activities such as hosting or sponsoring workshops and conferences should be entered in the “other SPIL activities” item of the SPIL financial plan table and retained by the DSU for disbursement.

1.E: DOR and SILC will develop and strengthen IL options for youth and work with the appropriate agencies to educate parents and students regarding their rights during the development of individualized educational plans (IEP) and transition plans for students 12 years of age and older. To accomplish this, DOR will fund a youth-related demonstration project in FFY 2008 through 2010. Progress will be described in the annual 704 Report.

**RSA Finding:** Developing and strengthening IL options for youth and working with agencies to educate parents and students regarding their rights during the development of IEP and transition plans for students is not one of the SILC’s statutory duties.

1.G: Each year SILC and DOR will provide assistance for youth participation in California's annual Youth Leadership Forum.

**RSA Finding:** Providing assistance for youth leadership forums is not a SILC statutory duty.

1.H: SILC will annually provide scholarships for consumers to participate in statewide conferences such as, but not limited to, the Respectability Conference, Coordinated Leadership Conference, the annual meeting of the California Association for Coordinated Transportation and the annual conference of Housing California. Up to 15 consumers each year will benefit from these scholarships.

**RSA Finding:** Providing scholarships for consumers to participate in conferences, statewide or otherwise is not a SILC statutory duty.

Goal 2: Develop and strengthen the Independent Living Network in California.

2.B: SILC will recommend one or more appointees, as vacancies exist to the Assistive Technology Advisory Committee and coordinate activities with the Assistive Technology Network and similar statewide organizations to increase the availability of information and funding related to the use of assistive technology in independent living centers.
RSA Finding: The activities stated in this objective are not part of the SILC’s statutory duties and may not be conducted using resource plan funds.

2.C: Throughout the duration of this plan, the DOR and SILC will participate in the implementation of the California Olmstead Plan for the purpose of facilitating the deinstitutionalization of persons with disabilities by means of:

- continuing to provide technical assistance and identifying issues for the Olmstead Advisory Committee, the Health and Human Services Agency, and pertinent state departments;
- assuring that consumers and advocates are informed of administrative hearings and meetings to assure their opportunity to participate;
- extending the grant for the Southern California Transition demonstration grant through FFY 2008; and
- continuing grants to independent living centers for one-time institutional transition costs through FFY 2010.

RSA Finding: The SILC may participate in the stated activities in this objective only to the extent that they are related to the SILC statutory duties outlined in 34 CFR 364.21(g). The SILC may not use resource plan funds to conduct activity 1. The SILC may conduct activity 2 only for public hearings organized by the SILC; otherwise, informing consumers of activities by other agencies is not a SILC statutory duty. The SILC may not use resource plan funds to conduct activities 3 and 4.

2.D: DOR and SILC will seek to increase the availability of funding for assistive technology for consumers, including those who are members of traditionally under-represented populations, through coordination with other organizations with similar goals.

RSA Finding: Seeking to increase the availability of funding for assistive technology for consumers is not a SILC statutory duty and may not be conducted using resource plan funds.

2.G: Throughout the three years of this plan, SILC will provide ongoing budgetary and staff support for the conduct of meetings and public hearings; for SILC member training and travel; for SILC member participation in statewide and national educational activities and conferences; and for the production and dissemination of educational or resource information to the general public, independent living centers, partner agencies, the Legislature and the Governor related to independent living and disability issues.

RSA Finding: Production and dissemination of educational or resource information to the general public, independent living centers, partner agencies, the Legislature and the Governor related to independent living and disability issues is not a SILC statutory duty and may not be conducted using resource plan funds.
2.I: Throughout the three years of this plan, SILC will conduct educational forums and provide research reports on issues critical to the disability community, as requested and approved by the SILC membership.

RSA Finding: While the SILC may conduct public forums and hearings, these must be related to other statutory duties outlined in 34 CFR 364.21(g). Public education and production of research reports on disabilities issues are not related to any of the outlined SILC statutory duties and the SILC may not use resource plan funds to conduct these activities.

Goal 3: Promote the development of community resources to enhance the independence of Californians with disabilities.

3.B: Throughout the three years of this plan, SILC will review, monitor and promote state and federal legislation, policies and regulations that will enhance the independence of people with disabilities. SILC will provide policy recommendations and technical assistance to the Governor, Legislature, and public and private entities to enhance the independence of persons with disabilities, in California.

3.D: Throughout the three years of this plan, SILC staff and/or members will serve on committees and task forces with other state, federal and private entities to define and recommend solutions to barriers to independent living, including but not limited to:

- promoting long-term care services for people with disabilities in their home and community;
- promoting accessible, affordable housing for people with disabilities by working with the appropriate agencies and lawmakers to procure more access to affordable, accessible housing, prevent housing discrimination that impacts persons with disabilities and facilitate implementation of universal design for housing accessibility;
- promoting equal access to affordable transportation for Californians with disabilities in both rural and urban settings;
- maximizing employment options through cooperation with the DOR Vocational Rehabilitation Program, the DOR Independent Living Program, federally funded Senior Employment and Older Americans Act programs, State Workforce Investment Board, California Governor's Committee on Employment of People with Disabilities, and with the Employment Development Department to ensure that One-Stop Centers established under the Workforce Investment Act are accessible to and able to address the employment and independent living needs of people with disabilities; and
- promoting accessible, affordable health care for persons with disabilities (For example: Working with the Department of Health Services in revising the State Medicaid Plan).

RSA Finding: The activities related to 3.B and 3.D constitute systems advocacy as defined in 34 CFR 364.4(b), and are not SILC statutory duties and may not be conducted using resource plan funds.

Goal 4: Effect improvement in the quality of community life for people with disabilities through systems change and self-advocacy activity.
4.A: Throughout the three years of this plan, DOR will fund a centralized Systems Change Network "Hub" to coordinate statewide systems change efforts. Funding to support that hub will be dependent on the accomplishment of pre-determined objectives identified by the DOR and SILC and/or identified in this Plan. DOR and SILC will meet annually with the grantee to develop additional, and timely, statewide systems advocacy priorities.

**RSA Finding:** Meeting with grantees to develop statewide systems advocacy priorities is not a SILC statutory duty and may therefore not be conducted using resource plan funds. Determining objectives for the IL program or for inclusion in the SPIL is an activity that must be conducted by DOR and the SILC in collaboration with the CILs and other IL partners in the state.

**Corrective Action 2:** The CA SILC must take corrective actions to revise the SPIL objectives related to these activities to align the SILC’s mandated duties with federal requirements (note: consistent with the requirements at 34 CFR 364.20(b), if these constitute material changes in the information in or the operation of the SPIL, it must be amended).

**Agency Response:** DOR and the SILC acknowledge RSA’s findings and subsequent Corrective Action 2 and specifically note that the finding reflects the letter of statute and regulations. The DOR and SILC however assert that the DOR and SILC’s collaborative efforts identified in the existing SPIL reflect the collaborative spirit intent of both statute and regulations.

DOR and the SILC are addressing identified findings and corrective actions. Though the DOR and SILC are unable to divert the resources necessary to amend the current SPIL, the DOR and SILC have begun the work of developing the next triennial SPIL, which will appropriately reflect the mandated functions of the DOR and the SILC. Nonetheless, the DOR and SILC requests that RSA reconsider its strict interpretation of the governance, and recognize environments in which professional relationships thrive and collaborations are fostered.

**RSA Response:** RSA accepts the suggestion of DOR and the SILC that the corrective actions be completed in the development of the new SPIL rather than to amend the current SPIL. RSA will provide TA during the development of the next SPIL to accomplish the corrective actions.

**Technical Assistance:** DOR and the SILC will seek clarification and guidance from RSA as the next SPIL is developed and written.
CHAPTER 5: INDEPENDENT LIVING FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAM

The following table provides data on DOR’s OIB program performance in key areas from FY 2005 through FY 2006.

Table 5.1
California ILOIB Program Highlights for FY 2005 through FY 2006

<table>
<thead>
<tr>
<th>Expenditures, Performance, and FTEs</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title VII, chapter 2 expenditures</td>
<td>3,189,884</td>
<td>3,188,006</td>
</tr>
<tr>
<td>Total expenditures (including chapter 2)</td>
<td>3,557,377</td>
<td>3,550,871</td>
</tr>
<tr>
<td>Total served older individuals who are blind</td>
<td>3,701</td>
<td>4,113</td>
</tr>
<tr>
<td>Total FTEs</td>
<td>69.31</td>
<td>66.84</td>
</tr>
<tr>
<td>Total FTEs with disabilities</td>
<td>31.27</td>
<td>24.66</td>
</tr>
</tbody>
</table>

OIB Program Administration and Service Delivery

DOR delivers OIB program services through 17 contractors across the state, 11 of which are located in or north of the San Francisco Bay area. The OIB contracts are executed through a competitive process every two years. Contracts for FY 2008 range from $50,000 to $535,000. The number of individuals served in the OIB program increased by 602 from 4,113 in FY 2006 to 4,715 in FY 2008.

Personnel

DOR assigns a full-time program director as the administrator of the OIB program. All other staff for the OIB program are contractor staff. DOR does not provide training for its OIB contractors. The DOR program director’s on-site visits and reviews may include the provision of training and technical assistance.

Data Management

Contractors indicated that they collect data on individuals served and services provided using paper records as well as electronic databases. They submit service data to DOR in quarterly reports that is aggregated for reports such as the 7-OB report and other management reports.

Quality Assurance

The DOR OIB project administrator has responsibility for conducting contract reviews through on-site reviews and periodic reports. During the on-site reviews, the project administrator reviews the budget to ensure tracking of OIB contract funds and conducts service record reviews to ensure that the contractor serves an unduplicated number of individuals. Each contractor submits quarterly reports to DOR covering service provision data, expenditures, and certified staff time that is used for match purposes.
Planning

Prior to the on-site portion of this review, the OIB program had not developed a Strategic Plan. DOR indicates that it has initiated the strategic planning process for the OIB program and hopes to have a plan in place in October 2009.

OIB Program Technical Assistance Provided to DOR During the Review Process

RSA provided TA to DOR during the review process regarding conditioning an award on the provision of match and data collection and reporting.

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

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

- Increased collaboration and coordination between OIB vendors and CILs could maximize resources, such as having CILs make referrals of individuals who are blind to OIB providers to utilize an accessible computer lab.
- There are not sufficient resources to meet the needs of this population. Since most of the funds provided for services cover only adjustment to blindness services, there are no funds for much-needed low vision aids.

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

OIB Program Performance Observations and RSA Recommendations

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

1. OIB Policies and Procedures

Observation 1: The data collection methods that DOR uses result in inaccurate, and perhaps unreliable, data.

- There is no common case management or data management system for the OIB program.
- There are no policies and procedures to guide service provision and data reporting.
• Service providers using electronic data collection methods do not use the same software, increasing the possibility of inconsistent and inaccurate data. Some providers indicated they use a manual system for collecting data.
• The 7-OB data reported for FY 2007 and 2008 are identical.

**Recommendation 1:** RSA recommends that DOR:

1.1 develop a common database for use by OIB providers to ensure consistency and accuracy in reporting; and
1.2 develop OIB service policies to be used by all providers.

**Agency Response:**

1.1 DOR’s existing computer system does not support the development or use of a common database for use by OIB providers. If resources become available in the future, the DOR will consider this recommendation.
1.2 DOR acknowledges the need to develop specific service-delivery policies for the OIB program in addition to broad guidelines contained in OIB grant provision documents and OIB quarterly report form instruction definitions.

**Technical Assistance:** DOR requests TA for recommendation 1.2 only.

**OIB Program Compliance Findings and Corrective Actions**

RSA identified the following compliance finding and corrective action that DOR is required to undertake. DOR 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 RSA is available to provide TA to assist DOR.

1. **Collection and Reporting of OIB Program Performance Data**

**Legal Requirement: Section 752(i)(2)(A)** An application for a grant under this section shall contain an assurance that the agency will prepare and submit to the Commissioner a report . . . that shall contain, at minimum, information on (i) the number and types of older individuals who are blind and are receiving services (ii) the types of services provided and the number of older individuals who are blind and are receiving each type of service (iii) the sources and amounts of funding for the operation of each project or program; (iv) the amounts and percentages of resources committed to each type of service provided; [and] (v) data on actions taken to employ, and advance in employment, qualified individuals with significant disabilities, including older individuals who are blind.

**Finding:** DOR is not in compliance with this federal requirement because it is not capturing and reporting all required data. In addition, DOR has not consistently reported its data to RSA. There appears to be some confusion created by the fact that the state fiscal year is for a different
period than the federal fiscal year. The FY 2007 and 2008 7-OB reports include identical data. DOR did not collect data for new requirements for the FY 2008 7-OB report as RSA will require reporting of this data beginning with the FY 2009 7-OB report.

**Corrective Action 1:** RSA requires that DOR develop a plan for collecting and reporting all required data annually, without error, on the RSA-7-OB report.

**Agency Response:** DOR acknowledges the finding and subsequent Corrective Action 1.

**Technical Assistance:** DOR requests TA.
CHAPTER 6: PROGRESS ON ISSUES RAISED IN PREVIOUS REVIEWS OF DOR

RSA reviewed DOR third-party cooperative agreements in FY 2000, 2003 and 2004. Issues raised by RSA during those reviews included providing services that are not new or enhanced services, serving individuals who are not eligible for VR services, and poor documentation practices regarding fiscal management and certifying time for match. Table 6.1 describes the number and types of third-party cooperative arrangements from FY 2005 through FY 2008.

Table 6.1
DOR Number and Type of Third Party Cooperative Arrangements for FY 2005 through FY 2008

<table>
<thead>
<tr>
<th>Type</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>WA II</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of co-ops</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Percent</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>WA III</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of co-ops</td>
<td>30</td>
<td>28</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Percent</td>
<td>17%</td>
<td>17%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>WA IV</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of co-ops</td>
<td>12</td>
<td>12</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Percent</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>TPP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of co-ops</td>
<td>87</td>
<td>85</td>
<td>85</td>
<td>87</td>
</tr>
<tr>
<td>Percent</td>
<td>51%</td>
<td>51%</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>MH</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of co-ops</td>
<td>25</td>
<td>25</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Percent</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Welfare</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of co-ops</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Percent</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Total Coops</td>
<td>172</td>
<td>166</td>
<td>165</td>
<td>164</td>
</tr>
</tbody>
</table>

*WorkAbility II (WA II): Third party cooperative agreements with Adult Schools, Regional Occupational Centers, and Regional Occupational Programs
* WorkAbility III (WA III): Third party cooperative agreements with Community Colleges
* WorkAbility IV (WA IV): Third party cooperative agreements with California State Universities and Universities of California
* Transition Partnership Programs (TPP): Third party cooperative agreements with Secondary Schools Local Education Agencies
* Mental Health (MH): Third party cooperative agreements with County Mental Health
* Welfare: Third party cooperative agreements with County Welfare
Since that time, DOR has developed an extensive policy and review process supporting their third-party agreements. All agreements are evaluated using the federal performance standards and indicators. DOR instituted a three-year audit/monitoring cycle for all agreements. These audits cover both programmatic and fiscal issues. All match is certified by the grantee, and is usually staff time. However, in some instances the match is cash sent to DOR.

RSA reviewed DOR data regarding the current number, types, and performance of the programs as well as the demographic data for individuals served under these programs. Data in Table 6.2 indicate that the employment rate for transition youths served through third-party cooperative arrangements for FY 2006 and FY 2007 is 11 percent higher than that for those served through other service mechanisms.

Table 6.2
Comparison of the Performance of DOR Transition-Age-Youths Served Under Cooperative Agreements with Those Not Served Under Cooperative Agreements
FY 2006/ FY 2007

<table>
<thead>
<tr>
<th>Program</th>
<th>With employment outcomes</th>
<th>Without employment outcomes</th>
<th>Employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Agreements</td>
<td>2,680</td>
<td>1,475</td>
<td>0.65</td>
</tr>
<tr>
<td>Not Cooperative Agreements</td>
<td>1,304</td>
<td>1,118</td>
<td>0.54</td>
</tr>
<tr>
<td>Total</td>
<td>3,984</td>
<td>2,593</td>
<td>0.61</td>
</tr>
</tbody>
</table>

Note. Applications taken from consumers 21 years and younger
Source: CA DOR

Table 6.3 indicates that the employment rate for individuals with mental illness served under a third-party arrangement is 5 percent higher than for those who are not.

Table 6.3
Comparison of the Performance of DOR Consumers with Mental Illness Served Under Cooperative Agreements with Those Not Served Under Cooperative Agreements
FY 2006/ FY 2007

<table>
<thead>
<tr>
<th>Program</th>
<th>With employment outcomes</th>
<th>Without employment outcomes</th>
<th>Employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Agreements</td>
<td>1,084</td>
<td>990</td>
<td>0.52</td>
</tr>
<tr>
<td>Not Cooperative Agreements</td>
<td>1,411</td>
<td>1,576</td>
<td>0.47</td>
</tr>
<tr>
<td>Total</td>
<td>2,495</td>
<td>2,566</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Source: CA DOR

In addition, the RSA review team interviewed 18 MH, TPP and WA third-party arrangement partners in seven districts about their relationship with DOR, the strengths and challenges of the program and their program practices. RSA also interviewed DOR staff serving individuals under these arrangements.
RSA reviewed a sample of four contracts for third-party arrangements, one for each type of arrangement (MH, TPP, Welfare and WA). The contracts use standard language about new or expanded services and provide for the same array of services, included job placement, assessment, and job coaching among others. All contracts indicate that only VR eligible individuals can participate in the services. DOR audit reports for some programs indicated that individuals who are not eligible for VR services were being served under these agreements and those reports required the partner to take corrective action. DOR also provided RSA with a copy of its contract manual for third party arrangements, its training materials for this program, a sample of audit reports with corresponding corrective action plans and quarterly follow up reports.

Based on the information reviewed, RSA determined that:

- the services provided are consistent with the contracts in place;
- the services provided meet the test for new and enhanced services;
- the services are provided to VR consumers only; and,
- the partner staff do not perform non-delegable functions.

RSA notes that since the last RSA review, DOR:

- ensured that the schools met production goals including the number of referrals, plans and placements;
- developed and implemented a program review process;
- developed reports, forms and formal contract processes;
- developed formal contract process;
- focused on outcomes;
- developed and implemented tracking mechanism for expenditures;
- required production reports from partners;
- provided monthly consumer listings;
- implemented cross-training with school staff on a regular basis to ensure working knowledge of respective program requirements; and
- established contract administrators in each district knowledgeable about contract law (previously had only 1 to 2 analysts).

As a result of the RSA review conducted with DOR in FY 2004, the agency developed a Corrective Action Plan (CAP). A summary of the progress that DOR has made on the CAP is described below.

**Corrective Action Plan**

Through the implementation of its CAP, DOR has successfully resolved compliance findings related to the following topics, resulting in its CAP being closed on October 3, 2008:

- determining eligibility with inaccurate or inadequate diagnostic information;
• presuming eligibility of individuals receiving SSI or SSDI benefits;
• establishing and implementing standards for the prompt and equitable handling of referrals;
• determining each applicant’s eligibility within 60 days of his or her application;
• developing and implementing IPEs in a timely manner;
• writing IPEs that contain timelines for the initiation of services;
• documenting in the record of services that the services provided under the IPE contributed to the achievement of the employment outcome;
• developing and signing IPEs prior to the student’s exit from school;
• submitting accurate and complete reports to RSA;
• documenting that third-party cooperative agreements provide new or modified services and that the services provided by the cooperating agency are available only to applicants for, or recipients of, services from the state VR agency;
• adopting (in the absence of a state licensure, certification or registration standard) a CSPD standard that is based upon the national standard; and
• developing and implementing an interagency agreement between the state VR agency and the state entity responsible for administering a public institution of higher education to ensure the provision of VR services that are included in the IPE.
APPENDIX: SOURCES OF DATA

VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes - RSA-113 line D1
- Individuals whose cases were closed without employment outcomes - RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services – RSA-113 line D1+D2
- Employment rate – RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes – Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population – RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website: [http://www.census.gov/popest/states/NST-ann-est.html](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](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 application 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 application is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at application 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

• Standard 1 – To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).

• Standard 2 – To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU’s performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

II. Program Highlights (From RSA 704 report)

• Title VII, chapter 1, part B funds – Subpart I, Administrative Data, Section A, Item 1(A)
• Total resources (including part B funds) – Subpart I, Administrative Data, Section A, Item 4
• Total FTEs - Subpart I, Section F, sum of Item 2 for the column

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• Total FTEs with disabilities - Subpart I, Section F, sum of Item 2 for the column

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

• Title VII, Chapter 2 expenditures - Part I-Sources and Amounts of Funding, (A)(1)
• Total expenditures (including Chapter 2) - Part I-Sources and Amounts of Funding, (A)(6)
• Total served older individuals who are blind - Part III-Data on Individuals Served During This Fiscal Year, (B)-Gender, sum of (1) + (2)
• Total FTEs - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column
• Total FTEs with disabilities - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column