



Mary Taylor, CPA
Auditor of State

OHIO REHABILITATION SERVICES
COMMISSION
PERFORMANCE AUDIT

JULY 3, 2008



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Auditor of State

To the General Assembly, Governor's Office, Commissioners and Staff of the Ohio Rehabilitation Service Commission, and Interested Citizens:

In response to the authorization granted in the FY 2008-09 Biennial Budget Bill (House Bill 119), the Auditor of State's Office conducted a performance audit of the Ohio Rehabilitation Services Commission (ORSC or the Agency). Assessments were based on areas of concern brought forth by the Ohio General Assembly, the Ohio Office of Budget and Management, the Ohio Office of Inspector General, and ORSC. The audit provides an independent evaluation of ORSC's management and planning strategies; its organizational structure; its methods of financial management and technology implementation; as well as its vocational rehabilitation and disability determination services. These areas were selected because they encompass a comprehensive review of the Agency.

The performance audit contains recommendations which, if implemented, would provide service and operational improvements, while enhancing efficiency and effectiveness. While the recommendations contained in the audit report are resources intended to assist in improving operations within the Agency, ORSC is also encouraged to assess its operations and develop alternative strategies independent of the performance audit. This report has been provided to ORSC and its contents have been discussed with the Commissioners and appropriate personnel. The Agency has been encouraged to use the results of the performance audit as a resource in improving overall operations and delivery of services.

An executive summary has been prepared which includes the project history; the scope, objectives and methodology of the performance audit; and conclusions comprising a summary of noteworthy accomplishments, recommendations, issues for further study and financial implications.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 3, 2008

Executive Summary

Project History

In accordance with the FY 2008-09 Biennial Budget Bill (House Bill (HB) 119), the Legislature directed the Auditor of State (AOS) to conduct a performance audit of the Ohio Rehabilitation Services Commission (ORSC). AOS provided ORSC with a general understanding of the performance audit, including the terms and objectives of the engagement and the nature and limitations of the services to be provided, the Agency's required involvement and assistance, and other terms and conditions designed to ensure that professional services are performed to achieve the objectives of the audit. Objectives were based on areas of risk identified through the planning process, as well as areas identified by the Ohio General Assembly, the Ohio Office of Budget and Management, the Ohio Office of Inspector General, and ORSC.

Based on AOS research and discussions with ORSC officials, audit topics and objectives were identified which comprise several functional areas and the Agency's two major divisions. The audit examined ORSC's management and planning strategies, its organizational structure, its methods of financial management, and technology implementation, as well as services in vocational rehabilitation and disability determination.

The goal of the performance audit process was to assist ORSC management and its Commission in improving management practices, consumer service levels, and, where appropriate, identifying areas of potential cost reduction. The ensuing recommendations comprise options ORSC can consider in its continuing efforts to improve consumer services and standardize its management practices.

Objectives

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The overall objective of the performance audit is to assess selected operations of ORSC. Assessments were conducted in this performance audit for each of the following areas:

- Organizational Systems (Administration) including:
 - Strategy, which encompasses strategic planning, benchmarking and measurement systems, governance and oversight, and organizational transparency;
 - Structure, which includes organizational structure and relationships with other State government bodies;
 - Financial Management, which includes financial planning and management practices, as well as contract management practices; and
 - Support Systems and Technology, which include production systems, workflow management issues, and information technology.

- Assessment of Organizational Effectiveness including:
 - Vocational Rehabilitation, which encompasses case management, quality assurance, performance management to achieve goals for clients, consumer services, provider monitoring, and business services; and
 - Disability Determination, which encompasses case management, processing standards, internal management, and flexibility in relation to the federal Social Security Administration.

Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

Audit work was conducted between October 2007 and April 2008, and data was drawn from fiscal years (FY) 2006 and FY 2007 where applicable. To complete this report, the auditors gathered a significant amount of data pertaining to ORSC, conducted interviews with numerous individuals associated internally and externally, and reviewed and assessed available information. Several other State agencies provided information for this audit, including the Office of the Governor, the Office of Budget and Management, the Office of Information Technology, the Ohio Department of Aging, the Ohio Department of Education, the Ohio Department of Mental Health, the Ohio Department of Mental Retardation and Developmental Disabilities, and the Bureau of Workers' Compensation.

External stakeholders interviewed for this audit include:

United Cerebral Palsy of Greater Cleveland	Ohio Association of Persons in Supported Employment
Ohio Legal Rights Services	Governor's Council on People with Disabilities
National Federation of the Blind of Ohio	Ohio Statewide Independent Living Council
Ohio Developmental Disabilities Council	Ohio Business Leadership Network
Brain Injury Association of Ohio	Ohio Olmsted Task Force
The Center for Independent Living Options	Employment Leadership Alliance (ad hoc workgroup within the Ohio Council of Behavioral Healthcare Providers)
The Ohio Association of the Deaf, Inc.	Directors of Centers for Independent Living
Ohio Association of Goodwill Industries	Business Enterprise Program Vendors
Ohio State Legal Services Association	
ARC of Ohio	
Ohio Association of Rehabilitation Facilities	
Ohio Alliance of Work Centers	
Ohio Association of Adult Services	

The performance audit process involved significant information sharing with ORSC, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform ORSC of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from ORSC was solicited and considered when assessing the selected areas and framing recommendations. Finally, ORSC provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on ORSC's comments.

In addition, several state rehabilitation and disability determination services (DDSs) agencies were selected to provide benchmark comparisons for the areas assessed in the performance audit. AOS identified California, Texas, New York, Florida, Illinois, Pennsylvania, Michigan, New Jersey, Georgia, and North Carolina as peer state rehabilitation agencies. These states were chosen because they are closest in terms of population (according to U.S. Census Bureau's 2000 actual population and the 2006 estimates) and in terms of vocational rehabilitation dollars spent in 2005 (according to the Rehabilitation Services Administration). When included, Ohio's population is the seventh largest. AOS also identified 4 of the 10 peer states, referred to as the "selected states," that operate combined agencies under the Order of Selection¹ regulations, similar to Ohio. These four states, California, Georgia, Illinois, and Pennsylvania, are used to provide closer comparisons in various areas of the report. Program operations for the Bureau of Vocational Rehabilitation (BVR), the Bureau of Services for the Visually Impaired (BSVI), and the Bureau of Disability Determinations (BDD) were also evaluated against the peer and selected

¹ The *Order of Selection* is the order to be followed in selecting eligible individuals to be served as outlined in the State Plan. Ohio serves significantly and most significantly disabled individuals.

states (where applicable). The peer states were also used (where applicable) to assess the overall structure of the Agency.

The Rehabilitation Services Administration's (RSA's) FY 2006 Annual Reports were used as the primary data source for information on the peer state agencies for the BVR assessment as FY 2007 was not yet available. The primary data source for information on ORSC and peer state agencies' DDS operations came from the Social Security Administration (SSA). However, not all information requested from SSA was provided. AOS submitted a Freedom of Information Act request to the SSA Office of Public Disclosure on November 5, 2007. As of March 2008, SSA had not provided either a cost estimate for providing the information or the information itself. AOS attempted to obtain the information on the peer states by obtaining State Agency Operation Reports (SAORs) for all the peer states from ORSC. However, AOS was informed that ORSC did not have the authority to provide SAORs, as this information was the property of SSA, and SSA never provided the information requested. The information requested included summary data for the following areas:

- Performance profiles for each state, including 3 years of data on initial allowance and denial rates, workload data, accuracy rating, DDS processing time, and overall processing time (SSA only provided this information for six states in the Chicago region);
- Data on the cost per claim processed;
- Appeals data by state (including the number of claims appealed at each level, and, for each level of appeal, the percentage of claims approved and the percentage of claims denied); and
- Data on staffing per state (including total salary and benefit costs and number of staff).

Since information on peer states was not provided, a detailed staffing and workload comparison could not be completed, nor could assessments on denial rates or claims processing accuracy and cost. AOS was able to obtain some Social Security information with the help of Senator Sherrod Brown and his staff.

In addition to data obtained on the peer states, representatives from each of the peer states, except Illinois, were interviewed to provide additional information on processes and structure. The Illinois disability determination services unit declined to participate in the interview process.

Furthermore, external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- International City/County Management Association (ICMA);
- Government Finance Officers Association (GFOA);
- National State Auditors Association (NSAA);
- The American Institute of Certified Public Accountants (AICPA);
- Society for Human Resources Management (SHRM);

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- Government Accountability office (GAO);
 - The American Management Association (AMA);
 - The Government Auditing Standards Board (GASB);
 - The Association of Government Accountants (AGA);
 - The American Society for Training and Development (ASTD);
 - The National Association of Corporate Directors (NACD);
 - The Community Driven Institute (CDI); and
 - National Institute of Standards and Technology (NIST).

Information used as criteria (benchmarks or leading practices) was not tested for reliability.

The Auditor of State and staff express appreciation to the Ohio Rehabilitation Services Commission, Senator Sherrod Brown and his staff, Dr. Bruce Growick, Associate Professor in the College of Education and Human Ecology at the Ohio State University, stakeholders interviewed for this review, and the rehabilitation services and disability determination services agencies in the states of California, Texas, New York, Florida, Illinois, Pennsylvania, Michigan, New Jersey, Georgia, and North Carolina for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

This section of the executive summary highlights specific ORSC accomplishments identified throughout the course of the audit.

- ORSC issues an annual report and bimonthly magazine, *NewsNet*, that provides valuable information on Ohio's VR services. These documents highlight the Agency's accomplishments and the personal experiences of individuals who have benefited from services. ORSC's web page provides a link to the annual report and bimonthly magazine. It also includes links to obtain informative publications and videos on a variety of topic areas.
- ORSC's Leadership Development Program allows the Agency to identify, grow, and promote talented employees from within its ranks. As ORSC faces increasing turnover in management positions as a result of retirements, this program will help the Agency address succession planning needs through development of current employees who exhibit management and leadership potential.
- ORSC is in the processes of automating BDD case records. Although the Agency does not completely utilize its electronic signature policy (see **R6.3**) and does not store HR and financial information electronically (see **R6.4**), moving toward electronic case records has many benefits and is considered a best practice.

- ORSC voice over internet protocol (VoIP), as well as video conferencing, has cut down on travel and expenses for communication. Video conferencing enhances convenience and improves productivity by allowing ORSC employees to attend meetings by conferencing in from remote work sites so that all employees do not have to be at one site.
- ORSC has implemented extensive security measures, such as computer encryption to ensure confidentiality of data. ORSC participated in an Office of Information Technology survey which tested 620 security requirements. The Agency was compliant with 92 percent of the requirements. ORSC was partially compliant with two-thirds of the remaining requirements, and not compliant with only 13 of the requirements. Once ORSC's case management system is replaced (see **R6.2**), the Agency expects to be compliant with all 620 requirements.
- BVR and BSVI have developed effective methods for evaluating and communicating performance statistics with staff. The Bureaus use a variety of reports to illustrate past, present, and expected service levels. Additionally, individual area managers and supervisors have unique methods for examining and communicating performance with their respective teams. Benchmark and activity reports allow management to examine individual counselor performance in relation to year end targeted goals, providing supervisors with an underlying view of performance throughout the year. Various cost and authorization reports illustrate areas of purchased services and the amounts billed each month to individual providers. These reports provide ORSC with efficient methods of communicating service statistics with staff and allow managers and supervisors to effectively monitor individual counselor performance.
- ORSC has increased the overall number of persons provided vocational rehabilitation services each year from FFY 2001-02 through FFY 2005-06. It has also demonstrated consistent improvement in the areas of *individuals served* and *successful closures with employment outcomes*. See also **vocational rehabilitation**.
- The Cooperative Disability Investigation Unit is a partnership between the Bureau of Disability Determinations, Social Security Administration Office of the Inspector General (SSA OIG), and the Social Security Administration Chicago Regional Office. The Cooperative Disability Investigations (CDI) unit investigates allegations of fraud and similar fault in SSA's disability benefit programs for purposes of criminal prosecution and/or civil/administrative action. According to the SSA OIG, Ohio's CDI unit has an effective work group and is unique in that a volunteer work group assists the CDI unit by reviewing cases and preparing analyses. The volunteer work group creates a buffer between the SSA OIG, CDI unit, and the claim adjudication process. Furthermore, the Cleveland-based CDI unit investigates statewide referrals of claims with suspected fraud

or similar fault. Since federal fiscal year 2003, the CDI unit has identified \$68,154,350 in SSA program savings.

Subsequent Events

In early 2008, a Commission vacancy occurred; this vacancy has been filled. However, another Commissioner has resigned, resulting in one vacancy on the Commission.

In February 2008, ORSC's IT Department implemented a new organizational structure which reassigns responsibilities in various areas including business analysis, security systems, direct desktop support, and server operations.

Also in February, ORSC implemented cost cutting measures to achieve a 10 percent reduction in its General Revenue Fund (GRF) allocation in response to Governor Strickland's directives to State agencies. The Agency actions included hiring controls, a freeze on administrative equipment purchases, restrictions on travel, and an emphasis on using teleconference and video conferencing. In addition, ORC reviewed budgets to identify consulting/purchased personal services which could be eliminated to generate additional reductions. Finally, because the reduction in GRF funding impacts ORSC's available match for federal funds, the Agency held preliminary meetings with the Board of Regents (BOR) to identify potential spending by the BOR that might serve as match for federal funds. For FFY 2006-07 ORSC had reduced its carry-over balance to approximately \$28 million. The SFY 2007-08 reductions in ORSC's GRF budget will accelerate the spend-down of this balance.

On March 4, 2008, ORSC announced its partnership with the Athens-Hocking-Vinton Alcohol, Drug Addition and Mental Health Services and Eli Lilly, a pharmaceutical company, to implement vocational rehabilitation services based on the concept that employment is a companion to mental stability and should be part of the goal for individuals with mental illness.

On March 27, 2008, the Governor issued Executive Order 2008-05S which consolidates and transitions Ohio's workforce development programs. While these changes do not directly impact ORSC's workforce programs, the Order does significantly change oversight of the programs with which ORSC partners in its workforce development activities.

In April 2008, ORSC's Human Resource Department, which underwent reorganization in 2007, started a succession planning gap analysis. It plans to use the results of the gap analysis to develop short-term strategic goals.

On April 30, 2008, ORSC indicated it will discontinue the contract for EmployOn, its on-line resume resource system. The Agency noted that this system will be available in the future through the Ohio Board of Regents.

In May 2008, ORSC implemented a call center in the Bureau of Disability Determination to improve handling of incoming calls (see **R8.3**)

Also in May, ORSC began a workgroup to address recommendation to reorganize the Employment Services Unit (see **R7.10**). The scope of the workgroup's assignment includes a review and evaluation of the Customer Service and Resource Development team's performance outcomes, a best practice comparison and review of other states' employment models, a resource review and efficiency evaluation, and satisfaction service levels and preferences obtained from the Agency's partners.

After the completion of fieldwork for this audit, ORSC developed and implemented a monthly videoconferencing training series for all staff to address issues identified during supervisory and quality assurance reviews. The Agency has also implemented quality and compliance education days to review policies, procedures and trends. ORSC re-established its quality assurance unit and this unit is reviewing a random sample of cases from each field office. Similarly, ORSC reviewed BDD's business continuity plan at a supervisory team meeting and a copy of the plan was sent to all supervisors with directions to post in each BDD unit.

Finally, staff from ORSC, the Office of Budget and Management and the Office of Information Technology agreed to research changes needed to allow the Agency to produce electronic fund transfers for its case services and BDD vendors, and develop a web site to provide remittance information to vendors. This process had not been resolved at the time of reporting.

Audit Conclusions

The performance audit project included assessments of the operations of ORSC, including an assessment of the organizational systems (administration) and an assessment of organizational effectiveness. An explanation of the overall conclusions found in each area follows.

Organizational Systems (Administration)

Organizational Strategy- ORSC is governed by an appointed seven-member Commission and is directly overseen by an Executive Director and a team of administrative staff. During 2007, two new commissioners were appointed to the Commission and a third Commissioner left in 2008, making Commission education and annual self-evaluation important areas of evaluation. ORSC's Commissioners and administrators have developed planning and budgetary documents to guide the Agency's long-term decision making processes. However, ORSC's planning and budgeting activities could be strengthened by establishing clearer linkages between its financial resources and planned activities. Furthermore, benchmarks and performance measures are not included in all Agency planning documents and ORSC's reporting on its annual achievements could be further enhanced. Finally, the Commission and Agency have strong communication

practices in some areas, but communication was noted as an issue by internal and external stakeholders.

Organizational Structure - ORSC is structured according to the Code of Federal Regulations and State statute. In practice, ORSC has a hybrid organizational structure with functional units such as Human Resources, Information Technology, and Financial Management that serve the entire Agency, as well as divisional units (or programs), including the Bureau of Vocational Rehabilitation (BVR), Bureau of Services for the Visually Impaired (BSVI), and Bureau of Disability Determination (BDD), that exist to provide services geared toward a specific population. The administrative functions and BDD are housed in the Agency headquarters located in the Greater Columbus area, while BVR and BSVI are housed in field offices throughout the State. Opportunities to enhance efficiency within this structure were identified, and in the short-term, reorganizing ORSC's internal structure to improve workflow could address issues of efficiency, effectiveness, and customer service. Also, while ORSC partners with some State agencies to provide services to disabled consumers, its partnerships could be strengthened with improved communication and increased levels of collaboration. Finally, ORSC's Commission structure represents a minority organizational approach compared to program arrangements in other states. Most other states house their vocational rehabilitation and DDS programs in either health and human services agencies or agencies responsible for workforce development. Examining options for strengthening the oversight function of the Commission or restructuring ORSC within Ohio's overall governmental structure might help the State achieve a more streamlined and client-centered system, mitigate some of the communication and partnership issues identified in this audit, and result in cost savings for the State through consolidated administrative services. In making any change to ORSC's structure, Ohio should ensure that resources are appropriately targeted to meet the needs of individuals with disabilities.

Financial Management - ORSC's Fiscal Department is responsible for the management of funds averaging approximately \$246.2 million per state fiscal year (SFY). These funds are used for the operation of programs facilitated by BDD, BVR and BSVI, and for administration support. While ORSC's financial audits have not resulted in a fiscal finding of recovery, the Agency has a weak control environment, which is primarily a byproduct of its organizational emphasis on service delivery, consumer satisfaction, and maximizing counselor authority with regard to case decisions. The Agency hired a Chief Financial Officer in 2007 to improve its financial management. However, more detailed and comprehensive internal controls are needed to limit the potential for fraud and abuse of State and federal resources. Furthermore, procedural change is needed for selected BDD and BVR operations to ensure compliance with the ORC, and to increase the level of segregation of duties among purchasers. Finally, ORSC has no audit committee or internal audit function.

Support Systems and Technology - ORSC has many independent information technology systems, but also relies on SSA for its disability determination system, the Office of Information Technology for e-mail and firewall services, and the Office of Budget and Management for the Ohio Administrative Knowledge System (OAKS) used for accounting and payroll processing. The ORSC Technology Department sufficiently manages its case processing and day-to-day functions. However, ORSC's Technology Department has initiated numerous technology projects to enhance communication, planning, and case management that have not been completed. The administration should ensure that these projects are completed.

Organizational Effectiveness (Programs)

Bureau of Vocational Rehabilitation - ORSC's Bureau of Vocational Rehabilitation (BVR) and Bureau of Services for the Visually Impaired (BSVI) provide services to disabled Ohioans to assist with obtaining or retaining employment. Service production statistics compared to peer States and federal performance measures show ORSC achieved a higher percentage of cases closed with employment outcomes for those individuals that receive VR services, but show that the Agency has a higher percentage of unsuccessful closures in terms of its total case closures. Potential intake issues exist and the policies and procedures regarding eligibility determination and the delivery of services must be clarified and consistently applied to improve the process and quality of services provided. Finally, standardizing operations within the Employer Service Unit (ESU) may improve the services and education provided to current and potential employers of disabled individuals. In the long-term, Ohio should consider combining all of its workforce programs, including those offered by ORSC, under one agency to address inefficiencies and duplication in the provision of workforce development services.

Bureau of Disability Determinations (BDD) - BDD is driven by policies established by SSA. The operations within BDD appear to be well-run and efficient, and there are controls in place that prevent fraud, waste, and abuse, while ensuring confidentiality. The Bureau recently transitioned from a paper-driven system to an automated electronic system. This has decreased the amount of time the Bureau waits for information from SSA field offices and has increased the ease with which BDD can gather information from medical sources. As a result of the shift to electronic case processing, there are now some areas in which BDD could strengthen its internal operations. By reassessing the job duties of clerical staff and implementing a call center, BDD could potentially improve its efficiency.

Key Recommendations

The performance audit contains several recommendations pertaining to ORSC. The following are the key recommendations from the report:

In the areas of Organizational Strategy, ORSC should:

- Better communicate its mission and priorities to internal and external stakeholders. The mission statement should be clearly aligned with ORSC's objectives and operations and should reinforce the expectation that the Agency work in conjunction with other State agencies to provide services. In addition, Agency leaders should ensure that clear and measurable short-term goals are incorporated into its strategic plan. Lastly, ORSC should benchmark its performance and use this information to measure future progress.
- Develop a companion document to the Agency's budget document which clearly identifies the linkages between budgetary line items and the accomplishment of strategic plan goals. Furthermore, ORSC should thoroughly scrutinize all budgeted funds for their impact on goals and objectives within the strategic plan. Enhanced coordination of funding with the Agency's mission and goals could result in more effective and targeted use of resources and, over the long term, could allow the Agency to serve a larger population of consumers.
- Promote organizational transparency by developing performance measures and openly reporting program/service outputs and outcomes for all Agency functions. Performance measures should be tied to the budget and should be reported annually as part of a long-term trend analysis.
- Encourage the Commission to complete an annual self-evaluation regarding goal achievement and effectiveness in providing direction for the Agency. Also, ORSC should devote a portion of each Commission meeting to training for new and experienced Commission members. Finally, ORSC, with its legal counsel, should review meeting practices to ensure compliance with both the letter and spirit of the Ohio Open Meetings Act.
- Complete a communications audit for all Agency bureaus and significant programs. Determining which communication methods are most effective from a receiver-oriented perspective would help the Agency address the underlying elements of communication weaknesses.

In the areas of Organizational Structure, ORSC should:

- Seek to achieve a more streamlined, client-centered system, reduce organizational complexity and costs, and increase accountability by considering changes in its governance structure. Several options exist for restructuring, each of which would result in differing costs and savings, and have varying impacts on consumer services. Options within Ohio's current structure include strengthening the existing Commission through implementation of the performance audit recommendations and a slight increase in the

level of Commission oversight, as well as merging the Agency with an existing cabinet-level agency or elevating it to a cabinet-level position as a stand-alone organization.

- Reorganize its internal structure to facilitate more efficient workflow processes and improve alignment within the organization. Units addressing like populations and services should be grouped together, while administrative functions should be enhanced through greater coordination and co-location. Assistant director positions within the divisional units (specifically BVR and BSVI) should be given direct responsibility for critical services and support functions. Finally, ORSC should consider creating a second assistant executive position, such as an assistant executive director or chief program officer, to oversee BVR, BSVI, and BDD services, to enhance continuity within the organization and improve the span of control at the Executive Director's level. Executive-level leaders should review the organizational structure annually and make adjustments as appropriate to ensure that it appropriately supports the mission, vision, and strategic goals (see **R3.1** in organizational strategy).
- Request the Governor and General Assembly to clarify ORC § 3303.41 to define the relationship between ORSC and the Governor's Council on People with Disabilities (Governor's Council or Council). If the Governor's Council is to be independent of ORSC, the Governor should consider changing the process used to select staff for the Council and the location of its office.

In the areas of Financial Management, ORSC should:

- Improve its internal controls over several financial areas by creating an audit committee and an internal audit function. The audit committee and internal audit function would help identify internal control weaknesses and methods for appropriately addressing potential risks within the organization, including those cited in financial audits.
- Improve internal controls by expanding and, when necessary, updating existing policies and procedures. ORSC should evaluate policies and procedures on an annual basis (if **R5.1** is not implemented) to ensure that they are consistent with management's expectations, ORSC's goals, and legal requirements. Proper control procedures help to ensure that personnel comply with standards set forth, while providing guidelines for the implementation of internal controls, including:
 - Developing comprehensive financial policies;
 - Creating policies to address long-term forecasting;
 - Establishing policies and procedures to address budget creation;
 - Instituting policies and procedures to address purchasing;
 - Developing procedures to help eliminate the potential of misappropriation or misuse of government resources;

- Eliminating procedures for automatic payment of certain contracts; and
- Establishing policies and procedures for contract management.
- Initiate an amendment to OAC 3304-1-04 (C) through its administrative rulemaking authority. Specifically, ORSC should revise this rule to allow the Executive Director to authorize a designee or designees to sign grants and contract service agreements on his behalf. The rule change should be proposed to and approved by the Commission prior to initiation of the statutory rulemaking process.

In the area of Technology and Support Systems, ORSC should:

- Work with OBM to produce electronic fund transfers (EFTs) for its providers and vendors through OAKS. The Agency should also create remittance advices that are viewable online so that vendors or providers can match EFTs with remittances. By using EFT capabilities, ORSC will be able to significantly decrease the number of paper checks and remittances that need to be printed and mailed.
- Complete its written disaster recovery plan and include details for several steps of escalation in order to prepare the Agency for emergency situations. The IT Director should oversee thorough testing of the plan, making updates as needed.
- Ensure the business contingency plan is consistently followed by BDD adjudicators during system downtimes in order to help reduce unproductive work hours. During system downtimes, employees are unable to perform their regular day-to-day functions, resulting in a negative impact on productivity within the Bureau of Disability Determination. ORSC should explore additional creative options for effectively dealing with computer downtime and other external constraints that affect employee productivity. One option might include allowing employees to temporarily assist with tasks in other areas (i.e. “float”). Since computer downtime rests outside ORSC’s control, the Agency should plan alternative employee activities accordingly.

In the area of BVR, ORSC should:

- Ensure all vocational rehabilitation (VR) staff that take part in the determination of consumers’ eligibility consistently follow the Agency’s criteria for eligibility. This can be reinforced by requiring supervisors to complete 10 case reviews for each counselor and using team meetings as a means to provide training for areas that are inconsistent across the State. In addition, ORSC should more clearly explain how job saves should be handled and classified by counseling staff by developing policies and procedures for this activity in the VR manual.

- Include eligible consumers who are categorized as Non-Significant Disability (Non-SD) on its Order of Selection Holding List. Including these consumers would help ORSC ensure that if and when the Agency can financially serve all eligible consumers, those interested and eligible could be easily contacted for services. Until that time, Non-SD individuals should receive appropriate counseling and referral services from ORSC according to Agency policy. In order to ensure that its policies are followed, ORSC should make certain that all VR staff involved in the eligibility process are aware of and understand the Agency's policies regarding eligible Non-SD consumers. This should include assurance that staff is aware of the distinction between the criteria necessary for services and those that may be applied to job saves.
- Expand its efforts to obtain consumer feedback through various methods, including the development of a confidential method to obtain feedback on services provided by the VR staff and various service providers.
- Through legislative action, advocate that the General Assembly and Governor's Office implement changes in the administrative oversight structure of the State's workforce development programs. The General Assembly should use recommendations from the Governor's Workforce Policy Advisory Board (WPAB) as the basis for those changes.

In the area of BDD, ORSC should:

- Reduce the number of pending disability claims by employing its current resources more efficiently. This could be achieved by reassigning claim development responsibilities to support staff and subsequently increasing the number of claims assigned to adjudicators. In addition, administrators should ensure adjudicators are processing 15 claims per week, similar to peer states. When redistributing duties, BDD should periodically ensure the appropriateness of adjudicator and support staff levels.
- Implement a call center to handle all incoming calls. In order to determine appropriate staffing levels, BDD should first implement a workforce management system to track call data. BDD could begin staffing the call center with 2 FTEs for a six month period of time and use data from the workforce management system to determine if additional staff is needed. BDD should provide in-house training to call center staff and adjudicators in an attempt to increase confidence in the call center and equip call center staff with information needed to speak with claimants and other callers. Furthermore, BDD should use the Oregon DDS as a model and develop a call center manual. The manual should include standard language and protocols for call center staff.

If BDD implements a call center, it should revise the "Phone and Desk Coverage, Security Procedure," OH-94-2, (*BDD Operations Manual*) to reflect phone coverage responsibilities within the Bureau. Moreover, a workforce management system would

enable BDD to track its performance and incorporate benchmarks into its policy. Costs to implement a call center would be paid by the Social Security Administration and any reduction in staff associated with its implementation would be a cost savings to the federal program. However, these funds could potentially be applied to purchases for medical evidence to reduce the number of pending disability claims, if approved by the Social Security Administration.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. Those issues may not be directly related to the audit objectives or may be issues that were outside the scope of the audit. AOS has identified the following as issues requiring further study:

- **Video Bridge** - Additional study by the Agency to determine the benefit of enhancing video conferencing capabilities would allow executives to make a more informed decision regarding purchase of a video bridge. According to OIT, there may be an opportunity for OIT obtain a sufficient video bridge which could be available to ORSC to support desktop video on laptops. Once the Agency becomes aware of the expanded capabilities available to them through this OIT initiative, they can explore all viable options in this area.
- **E-mail and Firewall Services** - Additional analysis is needed to determine the benefits of ORSC bringing its e-mail and firewall services in-house rather than contracting for them through OIT. Once additional information is gathered, the Agency will be able to make an informed decision regarding bringing the services in-house or continuing to obtain these services through OIT.
- **Marketing and Communications Strategy** - During the course of the performance audit, ORSC's Office of Communications underwent significant changes. The Director of the Office of Communication served as acting Director since October 2007 but was officially named to the position in December 2007. Since then, the Director has been working with the Assistant Director of Communications to develop an updated communications and marketing plan. Prospectively, the updated communications plan was presented to the Commission at its February 2008 meeting. According to the Director, the plan will focus on aligning resources (staff and technology) to promote increased public awareness (part of ORSC's strategic plan), overcoming media and marketing challenges, and expanding community outreach. Media integration has a central role in any effective public relations plan. Failure to deploy the right media for an appropriate purpose could have negative consequences by diluting either the effectiveness or efficiency of the program. Additional consideration of these factors, in light of the

Agency's need to improve public relations with its many stakeholders, could help ORSC identify effective ways to modify and expand its communication and marketing strategies.

- **Technology usage and VR Services** - ORSC should determine the efficiency and effectiveness of the EmployOn system with regard to overall job development efforts and communication with intra- and extra-agency stakeholders (see **R7.12** in vocational rehabilitation). Although ORSC administrators believe the system, if used properly, can be efficient and effective, the Agency's current use of the system may be a source of inefficiency. After completion of audit field work, ORSC decided to discontinue use of the EmployOn system.
- **Discretionary Grants** - ORSC has recently increased discretionary grant funding from sources outside RSA. While this practice is commendable, RSC should continue to actively seek additional grants from RSA. Examples of discretionary grants found on RSA's web-site include the Assistive Technology State Grant for Technical Assistance, Centers for Independent Living, Demonstration and Training, and Rehabilitation Training. Once financial and budgetary concerns have been addressed, ORSC should investigate the benefits and costs of hiring a full-time grant writer. ORSC has experimented with a grant writer position in the past and did not find the position to be cost effective; however, a re-evaluation of this option is warranted. A full-time staff member will help facilitate the grant proposal process, while potentially increasing the number of grants received.

In addition, ORSC should consider developing guidelines for the grant writing process. It could also use the Ohio Office of Budget and Management Federal Grants Resource Center (FGRC) in an effort to obtain additional grant funding. FGRC provides centralized electronic notification of potential federal grant opportunities to state and local governments, assists state and local program staff throughout the grant identification and application process, provides grant management support, identifies best practices and training opportunities, and collects information concerning grants that are being actively pursued as a way of coordinating agency efforts and state resources. This resource could be used to help streamline the Agency's grant processes.

- **Interagency Information Sharing** - During the course of the audit, the Bureau of Disability Determination (BDD) began to examine the possibility of sharing information regarding fraud and similar fault with other State agencies. The Cooperative Disabilities Investigations (CDI) Unit typically investigates cases of fraud or similar fault before an individual is approved for SSI or SSDI benefits. However, in some instances, an individual may already be receiving benefits when fraud/similar fault are identified. In such cases, the claimant may also have Medicaid benefits based on SSI eligibility. If the CDI Unit investigation finds a claimant not eligible because of fraud or similar fault,

there is a possibility that the claimant is not eligible for Medicaid benefits either. Currently, BDD is not permitted to share information with ODJFS, the State Medicaid Agency, regarding instances of fraud or similar fault. In order to provide information to ODJFS regarding instances in which fraud or similar fault is found, BDD would need dispensation from SSA. BDD should continue to investigate options for sharing information with other agencies that may be impacted by findings of the CDI unit.

- **Bureau of Disability Determination Staffing Levels** - BDD should consider monitoring its staffing levels to ensure they are appropriate for electronic claim processing workloads. When monitoring staffing levels, BDD could take into consideration the responsibilities of its support staff compared with the responsibilities of support staff at other DDSs. For instance, the Florida DDS support staff has a number of responsibilities related to claims processing in addition to those assigned to Ohio's DDS support staff. Examining this matter, after issues with pending cases and case assistants are resolved, may provide the organization with better insight into more effective staffing practices.
- **Personal Care Assistance Program (PCA)** - The Personal Care Assistance (PCA) Program is a consumer driven and controlled program targeted to consumers who are employed or actively seeking employment. This program is funded with Social Security reimbursements and has been offered for over 20 years. It is unique in that it allows the consumer to oversee his/her own attendant. The consumer pays the attendant (\$8.00 per hour) and maintains all the records for the service, including taxes and payroll. These records are submitted to RSC and the consumer is reimbursed. The per hour cost is set by RSC and has not increased in several years. There are four levels in this program, and consumers can move back and forth between them. They are as follows:
 - Employed;
 - Active Job Search;
 - Currently in Training; and
 - Need personal care assistant in order to remain independent.

Many stakeholders became concerned about the PCA program after ORSC made recent rule changes. While ORSC indicated that it provided ample opportunity for public comments, consumers of these services indicated that ORSC did not provide adequate advance notice, and, as a result, it was difficult for them to provide public comments on the proposed rule changes. PCA services are not traditionally covered by insurance, and the funding sources that support the program are discretionary dollars that are always at risk of being reduced, depending on ORSC's funding. According to ORSC staff, due to budgetary issues, the Agency will eventually restrict eligibility for the PCA program. As a result, some of the consumers using the program may no longer be able to live independently in the community and could either need to enter a care facility, such as a nursing home, or have family members care for them. Due to the impact that elimination

or changes to this program may cause, ORSC should review the program with other State officials to determine their full impact and the potential costs to the State if individuals lose employment and the ability to live independently. ORSC should also identify other State, county, or local agencies that may be able to provide comparable services to this population so that a seamless transition can be made in the event of any service reductions. Finally, the input of consumers should be invited on a broad scale so that the true costs and benefits of program changes can be ascertained.

- **Business Enterprise Program (BEP)** – The BEP, a component of BSVI, provides visually impaired Ohioans with the opportunity to operate cafeterias, snack bars, convenience stores, and vending locations throughout the state. Nationally, this is known as the Randolph-Sheppard Program. Ohio's BEP managers are self-employed entrepreneurs who derive their income from the successful management of food service facilities. Each prospective manager completes a comprehensive 16-week training program before becoming licensed. Stakeholders expressed a number of concerns about this program, particularly that ORSC changed its philosophy concerning the program without input from consumers. Consumers also remarked that ORSC is strictly focused on cost cutting measures over service, and are concerned that present management will bring the program to an end. Lastly, consumers stated that additional oversight and accountability is needed in the program. Specifically, consumers said, “We need a program that is administered fairly and operates with a clear oversight process.” An analysis of this program was not included in the scope of this Performance Audit, although the issues raised by stakeholders parallel those related to general vocational rehabilitation services. Based on these concerns and other allegations voiced by stakeholders, ORSC should implement a feedback mechanism, such as a satisfaction survey, to obtain additional input from BEP participants. An alternative option for the Agency would be to use a third party to conduct the program review. The use of an external entity may increase participation and the quality of feedback obtained.
- **Transitional Youth** – ORSC’s 2007 Needs Assessment Report noted that transitional youth is an underserved population in the disabled community and that this population is likely to be active in other service systems. In addition, several stakeholders interviewed for the performance audit expressed concern that Ohio does not have a comprehensive or coordinated approach to meeting the needs of transitional youth as they prepare to leave high school and enter the work force. ORSC, working in cooperation with the Ohio Department of Education and Kent State University, was awarded a five-year grant to improve services to transition youth with disabilities. ORSC’s practices in working with transitional youth varied by region and some stakeholders expressed concern that they were not a priority population for the Agency. ORSC, along with other State agencies, including the Ohio Department of Education, the Ohio Department of Mental Health, and the Ohio Department of Mental Retardation and Developmental Disabilities, should use program assessments, comparative information from programs in other states, and

feedback from stakeholders to identify the gap between the service needs and the provision of services for transitional youth. This study should result in a collaborative approach to increased coordination of services.

- **Improving Relationships with Community Rehabilitation Programs (CRPs)** – Although ORSC has made recent efforts to improve relationships with its CRPs, the CRPs interviewed for this audit expressed frustration with ORSC’s business practices (referral practices and agency certification requirements) and its willingness to work with CRPs to resolve problems and concerns. CRPs indicated difficulties in expressing their concerns at local and regional levels due to their perception that ORSC staff would reduce referrals in response to any complaints or concerns (see also **vocational rehabilitation**). This audit report includes a recommendation to improve communication (see **R3.8**); however, ORSC should further examine its relationships with CRPs and investigate alternative communication strategies to engage this group. In addition, ORSC should review its practices to ensure equity in the treatment of CRPs.

Summary of Financial Implications

ORSC receives over 86 percent of its funding from federal sources and is required to sustain a maintenance of effort (marginally increase its State contribution each year). Therefore, opportunities to directly reduce costs to the State through enhanced efficiency or reduced Agency costs are limited. If ORSC reduces its expenditure of State funds used to match federal dollars, the Agency may be financially penalized in future years and may not be able to provide the same volume of services to eligible consumers. However, numerous opportunities to redirect costs to consumer services through enhanced efficiency and improved management were identified in the audit. These are enumerated throughout the report.

The following table summarizes the performance audit recommendations that contain direct and quantifiable financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	Estimated Annual Cost	Estimated Annual Cost Savings
R4.2 Add Assistant Executive Director position to table of organization.	\$113,000	
R5.1 Implement an audit committee	\$10,000	
R5.1 Implement an internal audit function ¹	\$0 to \$75,500	
R6.1 Implement electronic fund transfers.		\$167,300
Total Impact of Performance Audit Recommendations	\$123,000 to \$198,500	\$167,300

Source: AOS recommendations

Note: The cost for recommendation **R4.2** is the midpoint of the salary range for this position based on the Ohio Department of Administrative Services salary schedule for FY 2007-08.

¹ ORSC could potentially avoid these costs altogether depending on the decisions made about its governance structure.

Finally, several recommendations would yield cost savings and/or allow financial resources to be redirected within the Agency; however, the dollar savings for these recommendations could not be readily quantified. Non-quantifiable cost savings were identified in the following recommendations:

R3.3 – Strengthening the linkages between budgetary line items and the accomplishment of strategic plan goals would ensure a more targeted use of resources and may allow ORSC to serve additional consumers.

R4.1 - Changes to the Agency structure would yield varying costs and benefits depending on the option selected. Increasing Commission oversight would potentially result in a slight increase in costs to the Agency; elevating the Agency to a cabinet-level position would likely be budget-neutral and consolidating it into an existing agency could potentially yield a reduction in

administrative costs. Furthermore, a reduction in duplicative services or service overlap, described, in part, elsewhere in this report, may yield cost savings or permit administrative expenses to be redirected to consumer services. The projected costs and savings associated with this recommendation could not be calculated because of the various factors and decisions that would impact the potential financial implication.

R4.5 - Improving coordination with State partners would help ORSC ensure that its case services are effectively managed for mutual consumers and that resources wasted on service duplication are minimized. While this would yield a cost savings to ORSC and its State partners which could be redirected to consumer services, this amount could not be quantified.

R5.8 – By eliminating the 20 day threshold, ORSC would mitigate the risk of processing payments for medical evidence which does not fulfill the adjudicators’ requests. Improved controls over payments for medical evidence would likely yield a cost savings or improve the cost effectiveness of the medical evidence gathering process, although a financial implication could not be calculated at this time.

R5.8 - Improved contract management processes would enhance the cost effectiveness of ORSC’s contracts and ensure that it receives full value for the services for which it contracts. This would yield a financial benefit to the Agency, although a dollar savings could not be estimated.

R6.4 – Fully implementing electronic storage for Agency administrative records (e.g. HR records) will help ORSC reduce the costs associated with storage of paper records and increase the efficiency of records retrieval.

R6.6 – Implementing an Agency-wide intranet will reduce the costs associated with printing manuals and updates, and the cost of the labor associated with compiling and distributing paper manuals and reports.

R7.3 - Complying with the Least Cost Policy and ensuring that that the funding allocated for VR is used in the most effective way might allow ORSC to allocate additional funding to increase the number of its staff available to provide services to consumers. This would also free up resources that could be directed to consumers who may not, at this time, be eligible for services.

R7.9 – Consolidating workforce development programs would reduce duplication and redundancy and reduce program administrative costs.

R7.11 – Consolidating programs used to communicate tax incentives for hiring people with disabilities to employers would reduce administrative costs and increase the targeted application of these programs.

R8.2 - Increasing communication with ODJFS and the CDJFS offices may help decrease the number of claims that BDD processes and denies because claimants are found to be ineligible. Through improved communication, BDD could also potentially decrease the number of applicants filing for SSDI who are seeking Medicaid benefits. This would reduce the costs associated with obtaining medical evidence for cases that are not appropriate for SSDI and allow ORSC to redirect the resources used for obtaining medical evidence and processing claims to reduce its number of pending cases. While this would result in a financial implication for the Agency, the cost savings and redirected resources could not be quantified.

R8.4 – If ORSC implements a call center, additional cost savings may be identified through a reduction in support staff needed to manage incoming calls. This cost reduction would result in a reduction in federal funding for agency operations and, therefore, no cost savings to the State would result. The level of cost reductions would be dependent on the number of positions eliminated or staff redirected into other activities.

Program Overview, History, and Current Status

Introduction

This section provides a brief history of vocational rehabilitation services and Social Security programs for persons with disabilities and their relationship to the Ohio Rehabilitation Services Commission (ORSC or the Agency). This section also contains an overview of the structure and services provided by ORSC.

Vocational rehabilitation (VR) programs¹ were initiated in Ohio in the mid-nineteenth century and formalized under federal law by 1922. Social Security disability determination services (DDS) were added to the program in 1955. ORSC was established as a separate commission in 1970 to administer Ohio's VR and DDS programs.² VR programs are largely federally funded under Titles I, III, VI, and VII, as well as specified portions of Title V of the Rehabilitation Act of 1973. DDS is federally funded at 100 percent through Title II and XVI of the Social Security Act.

All 50 states have some form of VR and DDS programs. In most cases, these programs are housed within various state agencies. DDS is provided through ORSC's Bureau of Disability Determination (BDD) which partners with individuals to achieve disability determination outcomes. ORSC's VR focus is to help people with severe disabilities obtain or retain jobs, a function which is accomplished through the Agency's Bureau of Services for the Visually Impaired (BSVI) and Bureau of Vocational Rehabilitation (BVR). According to the Rehabilitation Act of 1973, an individual is eligible for assistance if he/she has a physical or mental impairment which constitutes or results in a substantial impediment to employment, and requires VR services to prepare for, secure, retain, or regain employment. According to section 361.36 of the Code of Federal Regulations (CFR), each state must either be able to provide the full range of services to all eligible individuals, or include in the state plan the order to be

¹ Vocational rehabilitation programs serve individuals with disabilities who seek employment; they are commonly divided into services for those with disabilities and services for those who are visually impaired. Throughout this report, vocational rehabilitation and references to the Bureau of Vocational Rehabilitation (BVR) may include services to the blind and visually impaired.

² In accordance with Ohio Revised Code (ORC) § 3304.12, ORSC is governed by a seven-member Commission appointed by the Governor. ORC requires that no more than four Commissioners be members of the same political party. At least three Commissioners must be from rehabilitation professions, including at least one from the field of services to the blind, and at least four Commissioners must be handicapped individuals, and of those, at least two but not more than three must have received VR services from a State VR agency or the Veterans' Administration.

followed in selecting eligible individuals to be served.³ In accordance with criteria established by the state for the order of selection, individuals with the most significant disabilities⁴ will be selected first for the provision of VR services. Additionally, CFR § 361.37 indicates that each state agency shall implement an information and referral system to ensure that all individuals with disabilities, including eligible individuals who do not meet the agency's order of selection criteria, are provided accurate VR information and guidance (which may include counseling and referral for job placement).

General Disability Statistics

According to the U.S. Census Bureau's *American Community Survey (2005)*, there were estimated to be approximately 40 million Americans, or 15 percent, with some type of disability. The same survey estimated that approximately 1.7 million Ohioans, or 16 percent of the State's population, have some type of disability. Furthermore, in 2004, the National Organization on Disability released a survey showing that Americans with disabilities are at a critical economic disadvantage compared to other Americans. The survey found that people with disabilities, relative to those without disabilities, are:

- Less likely to report being employed full- or part-time (35 percent versus 78 percent);
- More likely to live in poverty with annual household incomes below \$15,000 (26 percent versus 9 percent);
- More likely to drop out of high school (21 percent versus 10 percent);
- More likely to have inadequate transportation (31 percent versus 13 percent);
- More likely to go without needed health care (18 percent versus 7 percent); and
- Less likely to report being very satisfied with life (34 percent versus 61 percent).

The survey findings note that the severity of disability makes a significant difference, and that people with severe disabilities have much greater disadvantages.

Recognizing the barriers to full community participation and employment, the federal government implemented several acts to address the needs of individuals with disabilities. Through the twentieth century, federal laws expanded and clarified the definitions of certain types of disabilities, extended recognized disabilities, and developed and enhanced programs to assist people with disabilities in improving their standard of living. DDS serves as the gateway to formal federal recognition of a disability for the purpose of obtaining Social Security benefits while VR seeks to assist the people with disabilities in achieving a higher degree of

³ Ohio uses an "order of selection" model and serves significantly and most significantly disabled individuals.

⁴ An individual with a most significant disability means an individual who meets the designated state unit's criteria for most significant disability.

independence. Despite federal and state efforts, statistics indicate that individuals with disabilities continue to encounter challenges to independence.

Vocational Rehabilitation

VR services developed in the U.S. when Congress passed the Soldiers Rehabilitation Act of 1918, offering services to wounded and disabled World War I veterans to help them return to work. Based on the success of initial VR programs, additional legislation was passed in 1920 and 1936 expanding VR to the civilian population and to specific disabilities (visual impairments). The VR Act Amendments of 1943 expanded VR services to citizens with cognitive disorders (i.e., mental illness and mental retardation). The Act also provided funding for certain types of corrective treatments and equipment.

The emergence of specialized jobs and provision of services to individuals with highly complex disabilities required a professional staff to administer VR programs. Under the VR Act Amendments of 1954, Congress provided federal funding for VR research and college training programs, professionalizing the VR workforce. More importantly, the amendments established a state-by-state per capita funding formula.

Although VR programs lost some of their specialization under the VR Act Amendments of 1965,⁵ the Rehabilitation Act (RA) of 1973 refocused VR efforts. The RA mandated that services be provided to those with the most severe disabilities, provided a definition of “severe disability,” established an appeals process for decisions regarding services, and mandated the development of individualized rehabilitation plans.⁶ The RA was amended in 1978, 1986, and 1992 to clarify definitions of specific disability categories, establish independent living centers, and ensure consumer choice in service provision.

Other federal legislation has impacted VR services but has not specifically modified the program or services offered. The Americans with Disabilities Act of 1990, Workforce Investment Act of 1998, and the Assistive Technology Act of 2004 all have resulted in expanded employment opportunities for individuals with disabilities.

Table 2-1 provides a summary of major federal legislative initiatives related to the history of VR services.

⁵ These amendments expanded eligible populations to those who were disadvantaged rather than just those who were disabled. As a result, VR services became generic jobs programs rather than disability employment programs and services became more generic and less specialized.

⁶ Those without disabilities who had been eligible for VR services were moved to other government programs.

Table 2-1: VR Historical Legislative Summary

Legislative Action	Legislative Action Summary
Smith-Fess Act of 1920	The Smith-Fess Act of 1920 is considered the beginning of the public rehabilitation program for persons with disabilities. Funds were provided for vocational guidance, training, occupational adjustment, prosthetics, and placement services.
Randolph-Sheppard Act of 1936	The Randolph-Sheppard Act of 1936 provided the opportunity for persons who were blind to be licensed to operate vending stands in federal buildings.
VR Amendments of 1943	The VR Amendments of 1943 expanded services to include physical restoration and also required states to submit a written state plan to the federal government. In addition, provisions were expanded to include service to persons with mental retardation and mental illness.
VR Act Amendments of 1954	The VR Act Amendments of 1954 made major changes to VR financing. Funding to state VR agencies was determined by a formula that considered state population and per capita income. Extension and improvement project grants were added, as were research and demonstration grants. Training grants for VR agency staff were also included.
VR Act Amendments of 1965	The VR Act Amendments of 1965 expanded services to reach a broader population; (e.g. persons with a substance abuse history and those with socially handicapping conditions). Economic need was eliminated as a means test for service eligibility.
Rehabilitation Act (RA) of 1973	The RA of 1973 changed the name of the legislation from the Vocational Rehabilitation Act to the Rehabilitation Act. A priority to serve persons with severe disabilities was mandated. Affirmative action programs were established in Title V, Sections 501, 502, 503, and 504. The establishment of the Individual Written Rehabilitation Program was a major step to ensure the enhanced involvement of the consumer in developing a rehabilitation plan of action.
RA Amendments of 1978	The RA Amendments of 1978 responded to consumer concerns for added involvement by establishing independent living centers. A focus on peer counseling and guidance emerged.
RA Amendments of 1986	The RA Amendments of 1986 enhanced support for rehabilitation engineering, with clear definitions of rehabilitation engineering services (rehabilitation technology). In addition, support was established for special projects and demonstrations in supported employment.
RA Amendments of 1992	The RA Amendments of 1992 outlined the intent of Congress to ensure consumer choice in career opportunities, with competitive employment as the desired outcome.
Workforce Investment Act (WIA) of 1998, Final Rule 2000	The WIA of 1998, Final Rule 2000 implemented reforms of the job training system and provided guidance for statewide and local workforce investment systems. The systems were expected to increase the employment, retention and earnings of participants, and increase occupational skill attainment, and as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation. Key components included the "One-Stop" service delivery system, information and access to training resources through Individual Training Accounts, universal access to core services, increased accountability for results, a strong role for local boards and the private sector in the workforce investment system, state and local flexibility, and improvements to youth programs.
Assistive Technology Act of 2004	The Assistive Technology Act of 2004 enhances access to assistive technology devices and services to give individuals with disabilities greater control over their lives, allowing them to participate more fully in their home, school, and work environments and in their communities. Assistive technology devices include communication devices, appliances adapted for accessible living, environmental control devices, modified housing, adapted computers, and specialized software.

Source: RSA, SSA, US Department of Labor, and Michigan Department of Labor and Economic Growth

Today, the US Department of Education's Office of Special Education and Rehabilitative Services (OSERS) provide a wide array of support to states in three main areas: special education, vocational rehabilitation, and research. OSERS guides policy designed to improve results and outcomes for persons with disabilities. The Rehabilitation Services Administration (RSA), a sub-agency within OSERS, is the principal federal agency authorized to carry out Titles I, III, VI, and VII, as well as specified portions of Title V of the Rehabilitation Act of 1973. RSA is responsible for the formulation, development, and implementation of regulations, policies, and guidelines. It also provides federal leadership for, and administration of:

- Basic state and formula grant programs;
- Independent living centers;
- Service projects;
- Rehabilitation training discretionary grant programs;
- Randolph-Sheppard vending facilities; and
- Helen Keller National Center programs.

According to RSA, these programs provide comprehensive and coordinated VR, supported employment, and independent living for individuals with disabilities, in order to maximize their employability, independence, and integration into the workplace and the community. Finally, RSA serves as a resource and clearinghouse of information in the development of national programs to reduce or eliminate social and environmental barriers experienced by persons with disabilities.

Social Security Disability Determinations

The Social Security Act of 1935 was designed to provide benefits for retired workers aged 65 and older. Beginning in the 1950's, changes were made to the Social Security program to address needs of disabled individuals. At the federal level, the Social Security Administration (SSA) operates the following programs for disabled individuals:

- **Social Security Disability Insurance (SSDI or Title II):** SSDI benefits are available to disabled adults with a history of employment covered by Social Security. To be eligible for a Social Security benefit, a worker must earn sufficient credits based on taxable work to be "insured" for Social Security purposes. Disability benefits are payable to blind or disabled workers, widow(er)s, or adults disabled since childhood, who are otherwise eligible. The amount of the monthly disability benefit is based on the Social Security earnings record of the insured worker.

- **Supplemental Security Income (SSI or Title XVI):** SSI disability benefits are available to disabled children or adults with limited income and resources.⁷ The monthly payment varies up to the maximum federal benefit rate⁸, which may be supplemented by the state or decreased by countable income and resources.

While SSDI and SSI are federal benefit programs administered by the SSA, all initial decisions regarding medical eligibility of applicants for these programs are made by state agencies commonly referred to as Disability Determination Services (DDS). These state-level agencies, evaluate all applications in their states for the SSDI and SSI programs in accordance with Titles II and XVI of the Social Security Act and applicable federal regulations. The structure of each DDS is dictated by its state and may be centralized or decentralized.⁹

SSA defines disability as the inability to engage in any substantial gainful activity by reason of a severe physical or mental impairment that is medically determinable and is expected to last at least 12 months or result in death. A child under the age of 18 is determined to be disabled if he or she has a medically determinable physical or mental impairment(s) that causes marked and severe functional limitations, and that can be expected to cause death or last for a continuous period of 12 months or more.

The process SSA uses to determine eligibility is complex and involves a number of decision-makers at different offices. Financial eligibility is determined by local Social Security offices and disability status is determined by the state DDS units (see **disability determination** for additional detail). Medical evidence is the basis for the determination of disability. Each person who files a disability claim is responsible for providing medical evidence¹⁰ showing that he or she has (an) impairment(s) and the severity the impairment(s). Based on a review of the medical evidence, a decision is reached based on SSA regulations and the claimant is informed of the determination. If a claimant is not satisfied with the disability determination, he/she may appeal and the DDS will reconsider its finding. The current appeals process involves up to three levels of appeal beginning at the DDS level (called reconsideration), escalating to a federal administrative judge review, and then to SSA's Appeal Council for the final level of appeal.¹¹

SSA fully funds all direct and indirect costs including salaries and benefits; rent, equipment, supplies, and travel; systems and telecommunications activities; and medical costs associated

⁷ The resource limits in 2008 are \$2,000 for an individual or child and \$3,000 for a couple.

⁸ The SSI federal payment standard in 2008 is \$637 per month for an individual and \$956 for a couple.

⁹ Decentralized DDSs are located in two or more cities or district localities within the state.

¹⁰ If the individual can not provide the evidence or if it is outdated, a consultative exam is arranged by ORSC and costs are paid by the Agency.

¹¹ The reconsideration stage is currently not being used in the states of Alabama, Alaska, Colorado, Louisiana, Michigan, Missouri, New Hampshire, Pennsylvania, and part of New York and California as part of a prototype project. In these areas, a claimant dissatisfied with the initial decision of the DDS can request a hearing before an Administrative Law Judge (ALJ).

with making disability determinations. The DDSs are funded as part of the SSA annual appropriation using a workload driven model and annual spending plans based on their estimated closures.¹²

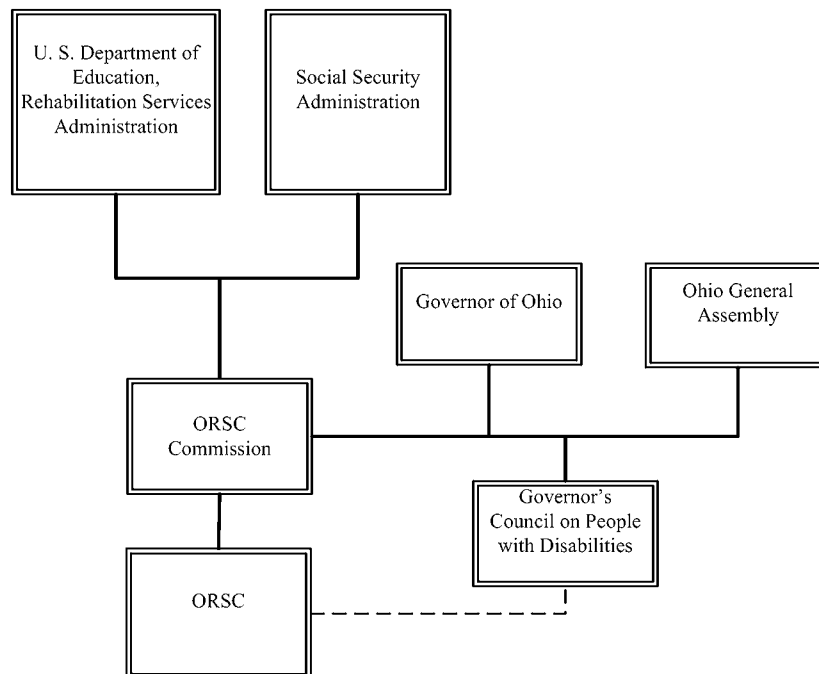
Overview of Ohio’s Vocational Rehabilitation and Disability Determination Services

At the time of the passage of the Smith-Fess Act of 1920, Ohio had already established programs to serve specific disability populations through the Ohio State Schools for the Deaf and Blind and the Commission for the Blind. By 1935, the State had VR offices in Columbus, Cleveland, Cincinnati, and Canton operated by the Ohio Department of Public Welfare and the Ohio Department of Education. Under the VR Act Amendments of 1954, Congress provided a permanent authority and annual appropriation to support VR services in the states.

By 1968, Ohio’s VR program had 51 offices throughout the State. That year, the Ohio Governor’s Council on Vocational Rehabilitation recommended the implementation of a new State agency to administer all of the State’s VR programs. In June 1970, House Bill 929 provided for the creation of an independent seven-member commission to direct Ohio’s VR program. The Ohio Rehabilitation Services Commission (ORSC) assumed responsibility for the Bureau of Services for the Visually Impaired (BSVI), transferred from the Department of Public Welfare, as well as the Bureau of Vocational Rehabilitation (BVR) and the disability determination function, transferred from the Department of Education.

Chart 2-1 illustrates ORSC and its reporting relationship to oversight agencies. These include the Ohio General Assembly, the Governor, the Governor’s Council on People with Disabilities (Governor’s Council), and, at the federal level, SSA and RSA.

¹² Closures are the estimated number of claims the DDS will process during a federal fiscal year.

Chart 2-1: ORSC State and Federal Reporting Relationships

Source: AOS

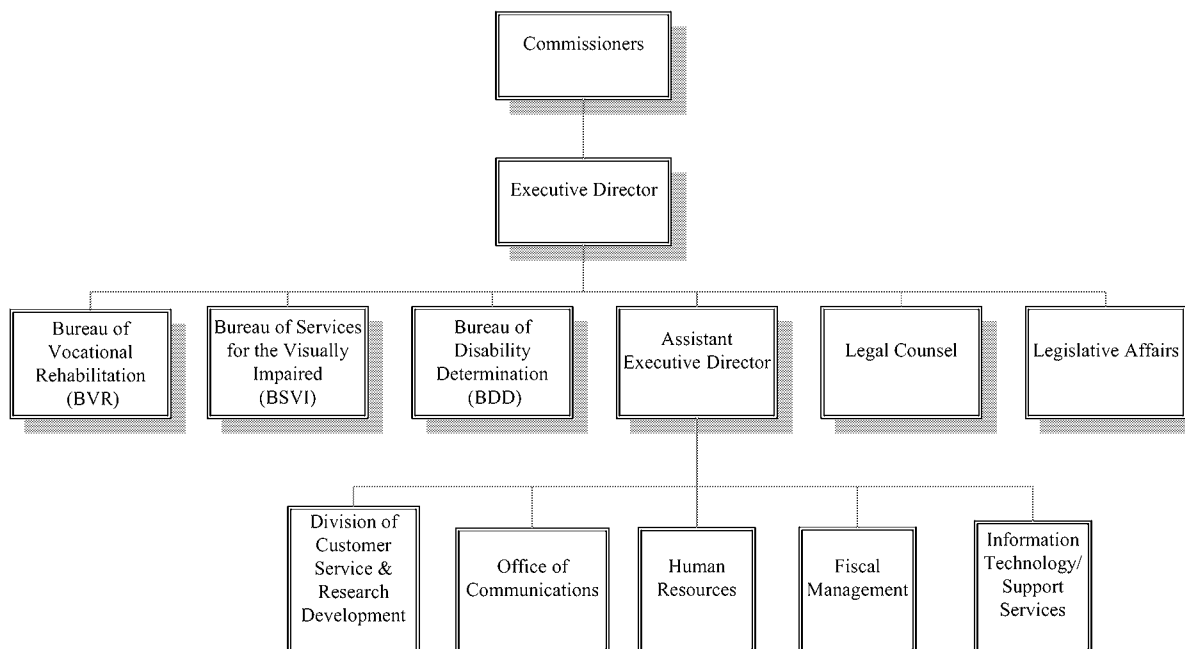
As **Chart 2-1** shows, ORSC reports to multiple agencies which may have differing expectations or oversight responsibilities. Not pictured are the several State agencies and multiple county agencies with whom ORSC has various partnerships and interagency agreements. Overall, ORSC has interagency agreements with six State agencies, works with an additional two State agencies on a regular basis, and reports to four agencies or bodies, excluding its Commission and the Governor's Council.

In federal fiscal year (FFY) 2006-07, ORSC employed 1,337 staff, including the commissioners:¹³ 451 in the BVR, 545 in the BDD, 126 in BSVI and 208 in administration, human resources, workforce development, and other programs not related to VR programs. The Agency's budget includes approximately 1,390 positions which reflects the 75 vacancies the Agency is trying to fill; the budget includes 665 positions in vocational rehabilitation and 569 positions in BDD.

¹³ ORSC employs 1,299 full time and 38 part-time employees who are included in this count. This count is as of January 2008.

Chart 2-2 shows ORSC's high-level organizational structure.

Chart 2-2: ORSC Organizational Hierarchy



Source: ORSC

Overall, ORSC is organized into three service bureaus, and various departments that provide administrative services, such as fiscal management, human resources and information technology. The Division of Customer Service and Resource Development (CSRSD) provides ancillary services in support of BSVI and BVR. The three bureaus and CSRSD are further described below.

Bureau of Vocational Rehabilitation (BVR) and Bureau of Services for the Visually Impaired (BSVI)

According to ORSC's 2008 State Plan, vocational rehabilitation services will be provided to individuals that are categorized Most Significant Disability-Level 1-first priority for services, and Significant Disability-Level 2-second priority for services. A third category Non-Significant Disability does not currently receive vocational rehabilitation services from ORSC. ORSC defines these categories as follows:

- **Most Significant Disability (MSD)** - A person who meets the definition of “significant disability”, but whose disability seriously limits two or more functional capacities rather than one or more.
- **Significant Disability (SD)** - A person who has a physical or mental disability that seriously limits one or more functional capacities (such as mobility, communication, self-care, self direction, interpersonal skills, work tolerance, and work skills) in terms of an employment outcome; and
 - Who is expected to need multiple VR services over an extended period of time; and,
 - Who has one or more physical or mental disabilities resulting from: amputation, arthritis, autism, blindness, burn injury, cancer, cerebral palsy, cystic fibrosis, deafness, head injury, heart disease, hemiplegia, hemophilia, respiratory or pulmonary dysfunction, mental retardation, mental illness, multiple sclerosis, muscular dystrophy, musculoskeletal disorders, neurological disorders (including stroke and epilepsy), paraplegia, quadriplegia, other spinal cord conditions, sickle cell anemia, specific learning disability, or end-stage-renal disease, or another disability or combination of disabilities determined to cause comparable substantial functional limitations.
- **Non-Significant Disability (Non-SD):** A person who has a disability but whose impairment does not rise to the level of a significant disability. Such an impairment is characterized by some recognizable limitation in functioning, but the consumer:
 - Does not require an accommodation to perform the activities listed; or
 - Is limited in performing the listed activities occasionally but not regularly; or is able to perform the activity with some difficulty but can perform the activities listed without substantial assistance.

VR counselors provide assessments that determine each prospective consumer’s program eligibility based on three factors: a physical, mental, or emotional impairment, or visual impairment for BSVI, which creates or results in a substantial barrier to employment; the potential to benefit from VR services in terms of employment outcome; and the potential that VR services will help the consumer obtain and retain employment. When consumers are determined ineligible for services, but disagree with the determination, they may seek assistance from the Client Assistance Program (CAP).¹⁴

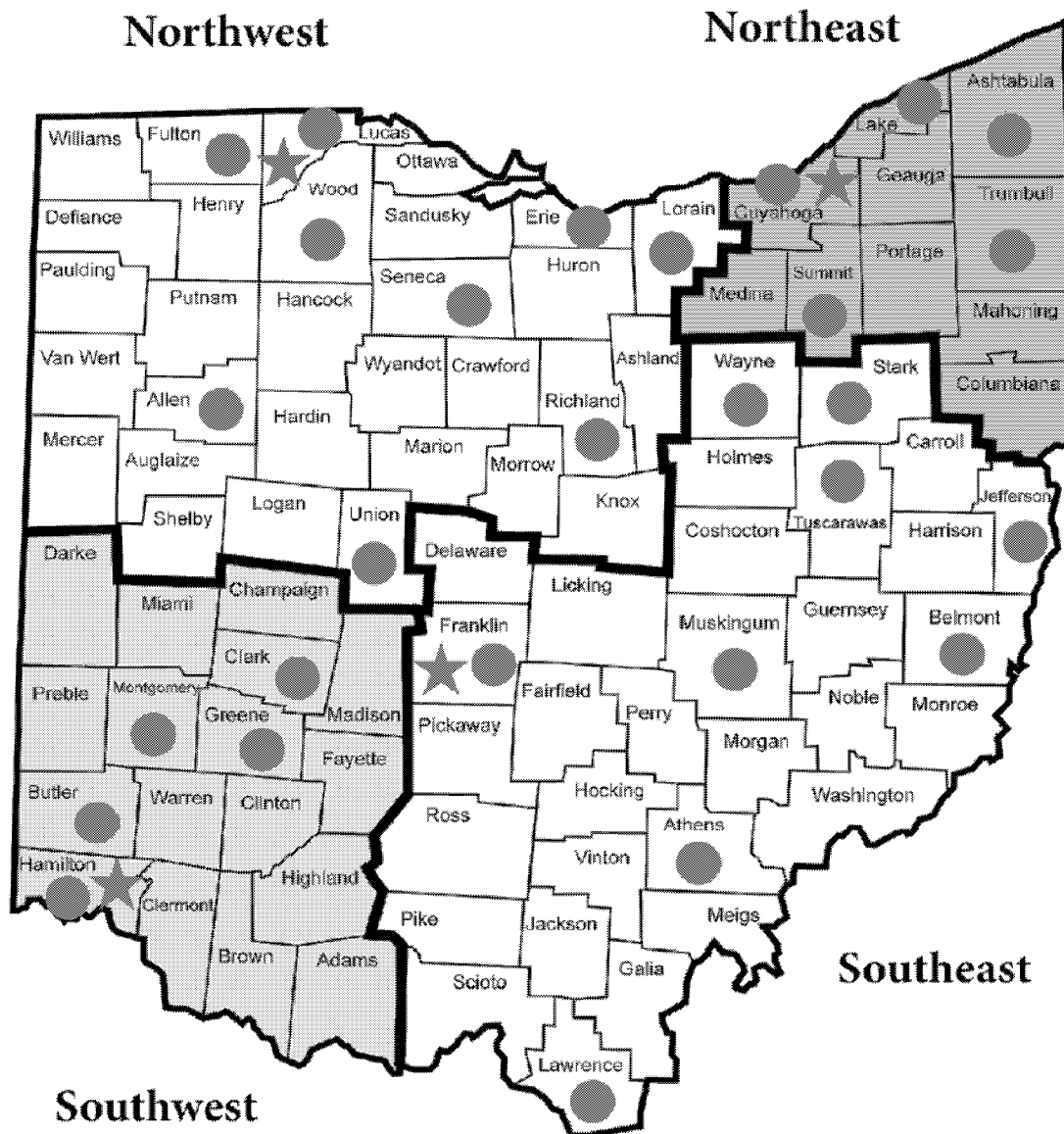
¹⁴ CAP is administered by the Ohio Legal Rights Service, whose mission is to protect and advocate for the human, civil, and legal rights of people with disabilities. Ohio Legal Rights Services provides advocacy, information and referral services to applicants and consumers of ORSC services. CAP helps individuals obtain information concerning the ORSC system and assists with problems that arise between counselors and consumers.

After eligibility for services has been determined, the VR counselor and the consumer develop an individualized plan for employment (IPE). During IPE implementation, counselors work with consumers to identify the services necessary to reach the vocational goal. ORSC purchases services, such as assessments, evaluations, personal and work adjustments, job coaching, and job placement, from external community rehabilitation providers (CRPs). (See **vocational rehabilitation** for additional detail).

In addition to its central administrative office, ORSC has 49 BVR and BSVI offices throughout the State.¹⁵ ORSC divides Ohio into four vocational rehabilitation service delivery areas. Each of the four service delivery areas is administered through an area office. **Map 2-1** provides the locations of the Agency's area offices and field offices served by each of the four ORSC area offices. In addition to these locations, BVR and BSVI counselors also serve clients at the various county one-stop locations.

¹⁵ Some of these offices may be co-located; however, ORSC lists them as separate offices with distinct staff.

Map 2-1: ORSC Regional and Satellite Offices



Source: ORSC

Note: The locations of the area offices are noted by a star and the circles note the counties where a BVR or BSVI office is located. Some counties have multiple offices.

BSVI provides other specific employment-related programs including the Business Enterprise Program,¹⁶ which licenses Ohioans who are blind to operate cafeterias, snack bars, convenience stores, and vending locations¹⁷ throughout the State; and EnterpriseWorks¹⁸ which helps individuals decide if self-employment is right for them. The Independent Living Program for Older Individuals with Vision Loss provides independent living services to people age 55 or older whose recent severe visual impairment makes competitive employment extremely difficult to obtain, but for whom independent living goals are feasible. Services are designed to help people adjust to loss of vision by increasing the ability to care for their individual needs.

Table 2-2 highlights the program outcomes for ORSC's VR services.

Table 2-2: Program Outcomes for ORSC VR Services

Description	FFY 2005	FFY 2006
Total funds used	\$152,747,460	\$156,067,839
Successful employment outcomes	8,221	8,589
Average hourly earnings	\$10.49	\$11.23
Average hours worked per week	31.89	33.24
Average cost per employment outcome	\$18,580.16	\$18,170.66
Average time between application and closure (in months) for individuals with successful employment outcomes	18.1	18.8
Total individuals served	32,328	32,862
Average cost per individual served	\$4,724.93	\$4,749.19
Average number of individuals served per total staff	42.54	43.18
Average number of employment outcomes per total staff	10.82	11.29

Source: RSA

For those consumers served by ORSC in FFY 2006, over 43 percent were self-referred for services. The education level at the time of initial referral varied, with 42 percent having completed high school or a Certificate of General Educational Development (GED), 18.3 percent attended high school, and 14.6 percent had attended college but had not attained a degree. Most of those served were between 35 and 54 years of age. Although the types of impairment vary, the following were the most prevalent impairment categories:

- Hard of hearing - 1,579 or 18.4 percent;
- Orthopedic/Neurological - 1,084 or 12.6 percent;
- Cognitive - 1,047 or 12.2 percent; and
- Psychosocial - 1,050 or 12.2 percent.

¹⁶ ORSC is the Randolph-Sheppard licensing agency for the State.

¹⁷ These vending locations are on State or federally owned or leased property.

¹⁸ The EnterpriseWorks program offers self assessment tools and classes, market analysis information, business plan development assistance, identification of financial options, and business development counseling. It is available to both BSVI consumers and BVR consumers (if deemed appropriate by the counselor).

Bureau of Disability Determination (BDD)

ORSC's DDS unit, the Bureau of Disability Determination (BDD), uses a centralized model. All disability claims are processed in ORSC's central office, which is located in the greater Columbus area. **Table 2-3** provides key performance measures for the disability determination process completed by BDD.

Table 2-3: ORSC's BDD Performance Summary

Indicator	FFY 2004	FFY 2005	FFY 2006	FFY 2007 (thru 9/21)
Full-time Equivalent (FTE) Employees	599.9	627.6	625.4	587.9
Claims Cleared per FTE	310.4	292.8	263.7	288.1
Initial Claims Received	118,749	110,979	114,293	117,406
Initial Claims Cleared	113,866	119,218	115,768	112,250
Initial Claims Pending	31,470	23,130	22,373	27,715
Reconsideration (appeals) Received	36,266	35,312	32,241	39,531
Reconsiderations Cleared	34,343	37,037	28,461	41,975
Reconsiderations Pending	7,705	5,974	10,384	7,942
Initial Claim Allowance Rate	29.2	28.3	26.6	25.9
Initial Claim Denial Rate	70.8	71.7	73.4	74.1
Processing Time (days)– SSDI claims	96.9	93.8	95.2	84.6
Processing Time (days)– SSI claims	99.6	96.2	93.4	86.3
Accuracy	96.7%	94.7%	94.2%	96.4%

Source: SSA

Note: The table only includes FFY 2007 data through September 21, 2007 because this was the most up to date information available at the time auditors were conducting fieldwork. The FFY terminated on September 30th.

Table 2-3 highlights the number of initial disability claims along with the number of appeals (reconsiderations) processed by BDD. BDD's processing time and the accuracy of its claim determinations is monitored by SSA (see **disability determination**). In FFY 2007, BDD experienced an increase in initial claims and reconsiderations received after the two prior fiscal years had seen a decline in these two measures.

Division of Customer Service and Resource Development (CSR)

CSR's functions include quality management, workforce development, employer services, and consumer affairs. One key program that is administered by CSR staff is the Personal Care Assistance (PCA) program (see also **issues for further study** in the **executive summary**), which

was enacted as a component of the VR program to help consumers with severe physical disabilities complete daily living tasks. During FFY 2005-06, the program included 270 participants who were either employed, in an active job search, in training that may lead to employment, or who required assistance to maintain independent living in non-institutional settings (see **issues for further study** in **executive summary**).

The Employer Services Unit (ESU) within CSRD offers recruitment, placement and retention services, training, and technical assistance to businesses hiring individuals with disabilities. The ESU is also responsible for administering the Governor's Initiative on Jobs for People with Disabilities¹⁹ and communicating incentives for hiring people with disabilities, such as the Work Opportunity Tax Credit.²⁰ The productivity standards for the ESU staff include expectations that the staff, at a minimum, maintain 40 active employer accounts; record 35 services per month, and 420 services per year; identify 11 job saves²¹ per year; give 6 presentations per year; and maintain membership in at least 2 professional organizations (See **disability determination** for review of this unit.)

ORSC Funding

ORSC's total funding for State fiscal year (SFY) 2007-08 and SFY 2008-09 was established through House Bill 119 at approximately \$265 million, and \$273 million, respectively. However, less than 10 percent of ORSC operating budget is comprised of State General Revenue Fund (GRF). ORSC GRF budgeted levels are approximately \$26.6 million in SFY 2007-08, and \$26.9 million in SFY 2008-09.²² The majority of the State's funding for VR and related services comes from the federal government. The federal funds consist of discretionary and formula grants for VR awarded by RSA, and direct funding from SSA for BDD operations and other SSA programs. (See **Table 5-1 in financial management** for a description of ORSC revenues and expenditures by fund.)

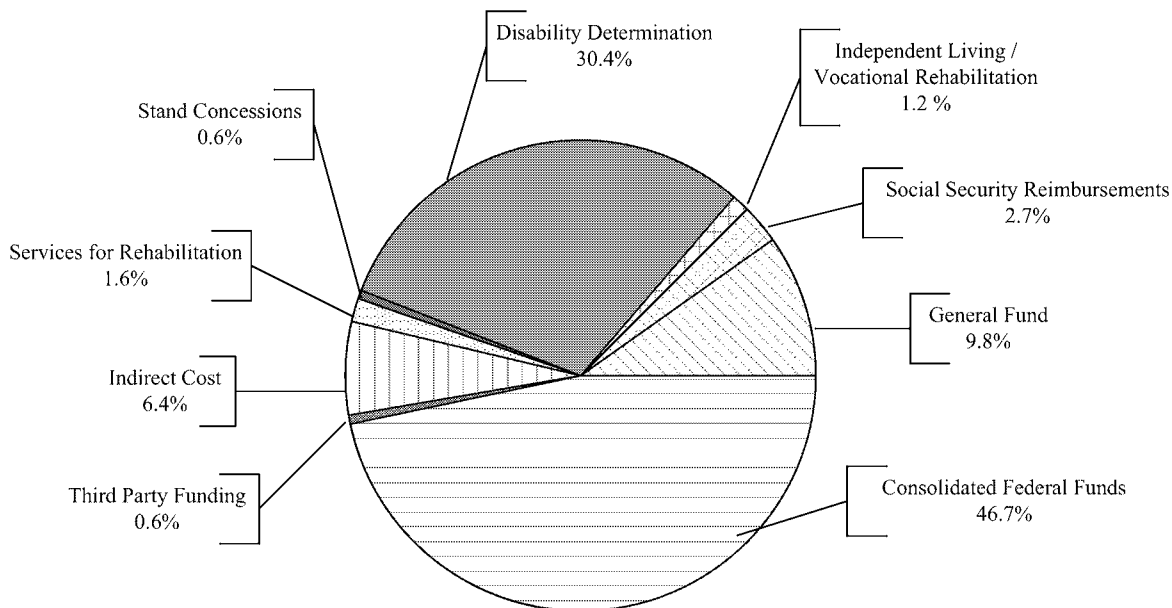
Chart 2-3 shows ORSC's nine revenue sources in SFY 2006-07. ORSC's total revenue in SFY 2006-07 was \$251.7 million.

¹⁹ The Governor's Initiative on Jobs for People with Disabilities provides help in the form of technology and equipment to businesses, resulting in full-time jobs paying livable wages with benefits for persons with disabilities. Through a contract, ORSC provides a fixed financial incentive to the business in return for a position allocation. ORSC targets about \$5,000 in assistance per position created; however, this target amount is flexible depending on the quality of the jobs created.

²⁰ The Work Opportunity Tax Credit Program is a federal tax credit which provides Ohio employers with a credit against their federal tax liability for hiring individuals from nine target groups of disadvantaged job seekers.

²¹ Job saves refers to services to help an individual retain employment.

²² Due to State economic issues, ORSC reduced its budget under executive order in February 2008 by 10 percent. Therefore GRF is \$23.9 million in SFY 2007-08 and \$24.2 million in SFY 2008-09

Chart 2-3: ORSC SFY 2006-07 Revenue Sources²³

Source: Central Accounting System

In SFY 2006-07, approximately 55.9 percent of ORSC funds were received from RSA²⁴ and were used to fund statewide vocational rehabilitation programs and support services. These funds can be used to serve mutually-eligible consumers of the Ohio Department of Job and Family Services (ODJFS), the Ohio Department of Mental Retardation and Development Disabilities (ODMRDD), and the Ohio Department of Mental Health (ODMH). These programs are conducted on a state to federal matching dollar basis. For example, GRF funds appropriated for Services for People with Disabilities provides 21.3 percent of the funds for VR services, with federal grant awards providing the remaining portion. In addition to the main VR Grant Award, federal funding for Independent Living Services requires a 10 percent state match. Matching funds are also required for other State vocational rehabilitation programs, such as services to the elderly. Federal draw-downs normally occur once a percentage of GRF funds have been obligated to ORSC activities and services. ORSC obligates funds on a rotating basis. For example, if ORSC were to spend \$1,000 on Independent Living Services, it would request and obligate \$9,000 from RSA. This rotation occurs on a monthly basis so ORSC spends its GRF

²³ For a detailed description of fund codes, see **Appendix A in financial management**.

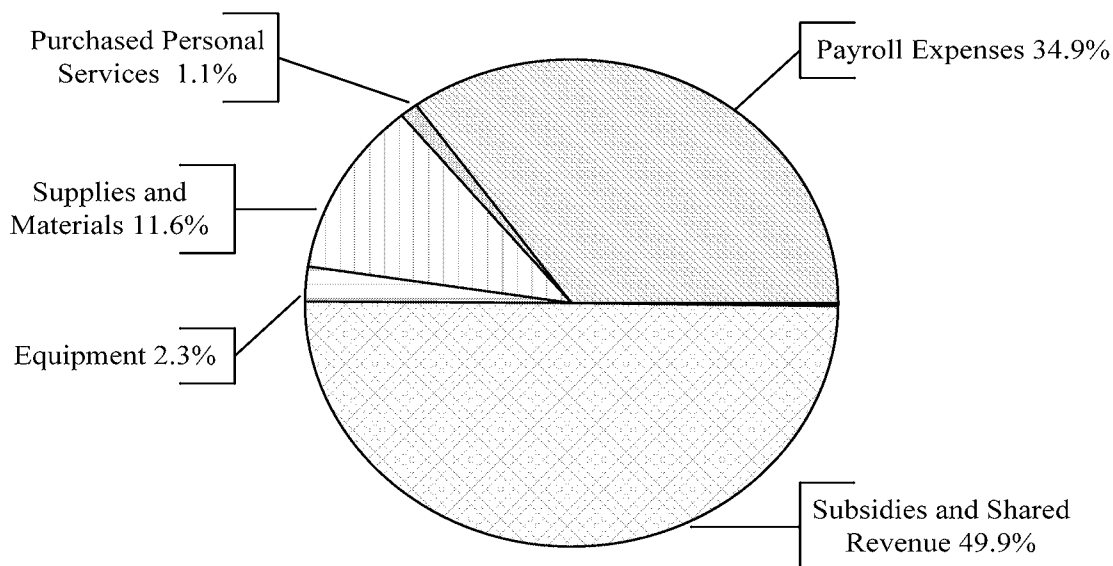
²⁴ RSA funds consist of Independent Living/Vocational Rehabilitation, Services for Rehabilitation, Consolidated Federal, and Indirect Costs, as identified in **Chart 2-3**.

monthly allotment then draws down and obligates the corresponding federal dollars. This practice occurs for the majority of ORSC programs.

SSA funds are received for BDD and Social Security Personal Care Assistance, Community Centers for the Deaf, and Vocational Rehabilitation. SSA represented approximately 33.1 percent of ORSC operating funds in SFY 2006-07.

Third party funding includes direct allocations and funds transferred from other State entities that may serve a mutual population, such as ODMH, ODMRDD, and Ohio Department of Rehabilitation and Corrections (ODRC). These funds allow for additional federal dollars to be drawn-down and enable the Agency to serve a larger number of people with disabilities. Stand concession funds consist of both service charges and federal funds and are earmarked for the maintenance, repair, and remodel of vending stands, as well as the purchase of new equipment.

Chart 2-4 shows the expenditures for ORSC in SFY 2006-07. ORSC's total expenditures in SFY 2006-07 were \$252.8 million.

Chart 2-4: ORSC SFY 2006-07 Expenditures by Object²⁵

Source: Ohio Rehabilitation Services Commission.

Chart 2-4 shows that ORSC spent approximately 49.9 percent or 126.1 million on subsidies and shared revenue, which are payments for rehabilitation services. In SFY 2006-07, ORSC also spent approximately \$88.3 million, or 34.9 percent, for payroll (salaries and wages, supplement payments, fringe benefits, and termination payments).

In SFY 2006-07, ORSC also spent approximately \$29.3 million, or 11.6 percent, on supplies and materials (which includes indirect costs (\$16.6 million), Central and field office rent (\$5.5 million), and technology and travel charges) and \$5.7 million, or 2.3 percent, on equipment. A majority of these expenses were for office equipment or machines. These expenditures also include the purchase of automobiles, telephone and central systems such as key stations, and set-up for communications.

²⁵ Total expenditures reported in SFY 2006-07 exclude *judgments or settlements* of \$26,500. These payments are made as a result of a judgments rendered in any court other than the Court of Claims or settlements reached as a result of negotiation. Furthermore, expenditures exclude *State Assistance – Interagency* funds of approximately \$255,000. These expenses included payments made from State appropriations to other State agencies or between funds via an intrastate voucher.

Lastly, **Chart 2-4** shows that approximately 1.1 percent of ORSC expenditures were associated with purchased personal services in SFY 2006-07. This category includes payments for professional fees, consultant fees, and temporary work furnished by private companies. A majority of ORSC's expenses were associated with payments for consultant and contractor fees, and temporary services for administrative management and support.

GRF expenditures accounted for approximately 9.8 percent of ORSC total expenditures in SFY 2006-07. GRF expenses increased by an average of 5.5 percent from SFY 2004-05 through SFY 2006-07.²⁶ However GRF spending levels have remained constant as a percent of total spending within the respective SFYs. ORSC expenditures exceeded revenues by approximately \$1.1 million in SFY 2006-07; however, ORSC had a carryover balance of approximately \$33.5 million at the end of FFY 2005-06. This carryover balance has allowed ORSC to incur spending levels higher than actual revenue collections. Since most of the carryover balance is federal dollars, there are strict limitations on its use. Additionally, ORSC cannot use the carryover balance as part of the match for the federal draw-down. ORSC has implemented spending plans in an effort to reduce the total carryover balance. By FFY 2006-07, ORSC had reduced the carryover balance to approximately \$28 million. However, ORSC representatives commented that the State budget situation will result in the carry-over being spent more quickly than they anticipated as the GRF reductions will force accelerated spending of these carryover dollars (see also **financial management**).

²⁶ GRF expenses increased by 8 percent from SFY 2004-05 to SFY 2005-06 and decreased 1.1 percent from SFY 2005-06 to SFY 2006-07.

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**ORGANIZATIONAL
STRATEGY**

Organizational Strategy

Background

This section focuses on organizational strategy within the Ohio Rehabilitation Services Commission (ORSC or the Agency). ORSC's operations were evaluated against leading practices for the purpose of developing recommendations for improvement. Best practices were derived from various organizations including the Society for Human Resource Management (SHRM); the Government Finance Officers Association (GFOA); the American Management Association (AMA); the Government Auditing Standards Board (GASB), the Association of Government Accountants (AGA), the American Society for Training and Development (ASTD); the Non-Profit Sector Leadership Program (NPSLP); the National Association of Corporate Directors (NACD); the Community Driven Institute (CDI); and the Ohio Attorney General.

Governance

In accordance with Ohio Revised Code (ORC) § 3304.12, ORSC is governed by a seven-member Commission appointed by the Governor. ORC requires that no more than four Commissioners be members of the same political party. Further, at least three Commissioners must be from rehabilitation professions, including at least one Commissioner from the field of services to the blind, and at least four handicapped individuals, no less than two nor more than three of whom have received vocational rehabilitation (VR) services offered by a State VR agency or the Veterans' Administration. The composition of ORSC's Commission meets the statutory requirements.

In addition, ORC § 3304.14 provides that the Commission shall appoint an administrator (the Executive Director) to serve at its pleasure. The Commission may delegate to the Executive Director the authority to appoint, remove, and discipline such other professional, administrative, and clerical staff members as are necessary to carry out the functions and duties of the Commission.

Strategic Planning

ORSC has a written strategic plan outlining its mission, vision, values, and goals that is in effect from December 2006 through September 2009. In comparison to many governmental entities, ORSC follows recommended practices in planning and has incorporated several leading practice elements. The three-year plan identifies key results on which the Agency will focus in order to achieve its goals and objectives. However, a review of the strategic plan suggests it should be revised to further clarify the Agency's mission and goals (see **R3.1**). ORSC could also enhance

communication about, and public understanding of, the plan by explicitly linking elements of the strategic plan to the Agency's budget (see **R3.2**) and by communicating goal achievement to stakeholders on a more frequent basis (see **R3.3**).

Significant Historical Issues

In 2004, and again in 2005, the Ohio Office of the Inspector General (OIG) investigated and reported on conditions related to management deficiencies within ORSC and its Commission. While both investigative reports were forwarded to the Franklin County Prosecutor's Office for review, no additional legal action resulted.

The 2004 OIG report was completed in response to an anonymous written complaint alleging fraud or theft in office. The report concluded that wrongful acts or omissions had occurred and recommended that ORSC implement strict separation between Commissioner and staff duties, institute specific payroll documentation procedures detailing the daily activities of each Commissioner, and review the travel expense processing and reimbursement procedures to ensure consistency with legal requirements.

The 2005 OIG report was completed in response to an anonymous written complaint alleging improper practices, mismanagement, and contract steering. The report concluded that two wrongful acts had occurred, both ethics-related violations. The OIG recommended that ORSC ensure all new Commissioners and Agency employees be made fully aware of the potential for conflicts of interest when employed by outside agencies with ties to ORSC. The OIG further recommended the Agency provide additional employee training to ensure proper procedures are followed and personal relationships with vendors are avoided when processing and awarding contracts.

ORSC has implemented all of OIG's recommendations on policies and procedures. When developing a response to the OIG report, the Agency sought direct input from the Governor's Office. ORSC continues to proactively seek the opinion of the Governor's Office on all matters directly related to the OIG's recommendations, which helps the Agency reassure the Governor and OIG that they have considered the recommendations when making changes to the Commissioners' roles and responsibilities.

In addition, ORSC has an ethics policy which is consistent with the Ohio Ethics Commission's (OEC) model ethics policy for State agencies. Further, it has processes in place to ensure new and existing employees and Commissioners are familiar with the Agency's ethics policies and procedures. Finally, ORSC requires mandatory ethics training which is scheduled in a manner consistent with the Governor's Executive Order 2007 – 01S ethics training timelines. Providing all employees with a consistent and accessible ethics policy allows ORSC to promote its official measure of ethical conduct while ensuring that the Agency is better protected from the potential negative effects of unethical employee behavior.

Organizational Transparency

ORSC's Legislative Liaison is responsible for the Agency's direct communication with the General Assembly and the Ohio Congressional delegation. Turnover within the General Assembly (due to term limits) requires ORSC and, in particular, the Legislative Liaison, to continually communicate and educate incoming legislators who may have little or no prior knowledge of Agency programs, services, and goals. Since 2005, one full-time staff position within the Office of Legislative Affairs was added in an effort to ensure prompt response to legislative concerns and consumer complaints, and to help mitigate any loss of support the Agency might otherwise experience as a result of increased legislative turnover.

During the State fiscal year (SFY) 2007-08 budget development process, ORSC was able to successfully build support within the General Assembly to obtain funding sufficient to meet the Agency's federal vocational rehabilitation maintenance of effort (MOE) funding requirement.¹ ORSC's budget also included earmarked funds for the first time (which the Agency sought unsuccessfully to have removed). The earmarks were confirmed as not uncommon by sources familiar with the budgeting process in both the State Senate and House of Representatives. ORSC's Legislative Liaison has actively worked to communicate the Agency's opposition to the earmarks. In addition, the Agency did not follow directions conveyed to it in a meeting by the Office of Budget and Management (OBM) and instead, relied on its historically strong relationship with members of the General Assembly. More effective presentation of its allocation strategies could have helped ORSC better communicate funding needs to all applicable parties (see **R3.3**).

ORSC appears to have successfully and effectively promoted itself to the General Assembly. However, the Agency has not been as successful in promoting transparent and clear communication to all relevant parties, specifically, other State agencies that deliver similar services, and community agencies serving ORSC consumers. For further discussion see **organizational structure**.

Performance Measures

ORSC has established performance targets for many of its Bureaus and programs. While these targets often exceed federal minimum performance targets, ORSC could enhance the use of these targets by focusing on outcomes rather than outputs. ORSC could improve performance reporting and organizational transparency by including detailed trend analyses in the Agency's budget document. Additionally, ORSC could implement GASB's suggested criteria for effective communications and potentially earn the AGA's Certificate of Achievement in Service Efforts

¹ MOE is a federal requirement that requires grant recipients or sub-recipients to maintain a certain level of state or local fiscal effort to be eligible for full participation in federal funding.

and Accomplishments. For further discussion of ORSC's performance targeting and transparency see **R3.4**.

Organizational Strategy Audit Objectives

The following performance audit objectives were reviewed in this section:

- What is ORSC's strategic planning process? Is the strategic plan effectively linking organizational and operational goals with revenue sources?
- How efficient and effective are ORSC's governance and oversight structures?
- To what degree does ORSC promote organizational transparency?

Recommendations

Strategic Planning and Performance Reporting

R3.1 ORSC should better communicate its mission and priorities to internal and external stakeholders. The mission statement should be clearly aligned with ORSC's objectives and operations and should reinforce the expectation that the Agency work in conjunction with other State agencies to provide services. In addition, Agency leaders should ensure that clear and measurable short-term goals are incorporated into its strategic plan. Lastly, ORSC should benchmark its performance and use this information to measure future progress. This will enhance the Agency's overall transparency and ability to more clearly communicate goal achievement to both internal and external stakeholders (See R3.2).

ORSC's strategic plan, which is publicly available on the Agency's web site, covers a three-year time period from federal fiscal year (FFY) 2006-07 through FFY 2008-09.² The strategic plan includes an overview of the programs offered by ORSC as well as a description of how the strategic plan was established. ORSC's mission is to partner "with individuals with disabilities to achieve quality employment, independence, and disability determination outcomes." ORSC's strategic plan includes five long-term goals along with accompanying strategic objectives and action steps for accomplishing each goal (see R3.2). However, the strategic plan does not include short-term, or tactical, goals that are linked to performance measures.

ORSC refers to its core Strategic Planning Team as the "Make It Happen Team" (the Team). The Team includes members of senior management and employee representatives. According to the Executive Director, everyone in ORSC had an opportunity to give input on the strategic plan through surveys. External stakeholders were allowed to give input through open meetings. Information gathered through forums held during completion of the State VR plan³ was also incorporated. The actual plan was developed in a top-down manner whereby the Commission members developed the mission, vision, values and goals which were then handed off to the senior management team and a facilitator to develop action steps. The Executive Director indicated that some

² ORSC operates primarily on the FFY, October 1 through September 30, because the majority of the Agency's funding and performance indicators are based on federal agency requirements.

³ The State VR plan is a requirement of 34 Code of Federal Regulations (CFR) 361. There is a public participation component. Prior to the adoption of any substantive policies or procedures governing the provision of vocational rehabilitation services under the State Plan and supported employment services under the supplement to the State Plan, including making any substantive amendments to the policies and procedures, the Agency must conduct public meetings throughout the state to provide the public, including individuals with disabilities, an opportunity to comment on the policies or procedures.

elements of the strategic plan had been carried forward from previous plans but that it is an evolving process.

Mission statements from peer states showed evidence of a greater focus on the partnership aspect of providing services. ORSC has not effectively partnered with other State agencies for the provision of services (see **organizational structure**). It could potentially improve these interactions by placing greater emphasis on interagency collaboration when developing and revising the strategic plan.

Furthermore, *Human Resource Plans: The Foundation for Organizational Strategic Planning* (Society for Human Resource Management (SHRM), 2003), suggests that organizational success is dependent, to a large extent, on stated long-range (strategic) and short-range (tactical) plans (or short-term goals) which are developed in phases including the following:

- **Formulation** - Vision, mission, and organizational values should be developed and adopted at this stage. Once these are established, it is important to determine how and when to communicate this information both internally and externally to stakeholders.
- **Development** - It is important to understand the status quo before a roadmap for the future can be determined. A simple and effective way to gain a clear picture of the current state of the organization is to conduct a strengths, weaknesses, opportunities, and threats (SWOT) analysis. This process answers four basic questions:
 - What are the organization's internal strengths?
 - What are the organization's internal weaknesses?
 - What external opportunities would move the organization forward?
 - What external threats might hold the organization back?

Some of the topics included in the SWOT analysis are staff capabilities, benefit programs, employee services, information systems, office facilities, and the reputation of departments within the organization. At this point, long-term strategies are created. These are specific results that an organization seeks to achieve its basic mission. The time frame for long-term strategies is three to five years.

- **Implementation** - In order to complete long-term strategies, short-term objectives should be established. Short-term objectives are milestones that can be accomplished within six months to one year. These objectives allow for continuous commitment and frequent evaluation of the long-term strategy. Each

short-term objective will need an action plan and resource allocation budget (i.e., finances, human capital, equipment, technology, etc).

- **Evaluation** - Regular reviews of the organizational strategy are vital to the success of the plan and can help to quickly resolve unforeseen issues. In addition, it is important to track data regarding the results of implementation of the strategic plan. Information gathered over the course of time allows for evaluation and assessment of how well the organization has performed in relation to its plan goals and objectives. A strategic plan should reflect results in measurable terms. Being able to articulate return on investment metrics is critical to future resource allocations and the ability for the initiative to have a positive impact. Two of the most common measurements are time and budget. Strategy evaluation will lead to decisions focused on either altering strategies, or waiting for desired results. Change is an inevitable part of the process and taking corrective action is necessary to keep the organization on track in achieving its vision.

ORSC has not fully implemented all elements of the implementation phase which SHRM describes as *work toward achievement of short-term objectives (milestones that can be accomplished within six months to one year)*. These short-term goals fuel commitment and ongoing evaluation of the long-term strategy. Development of short-term goals involves setting action plans and allocating appropriate resources (including finances, personnel, and equipment) to help ensure goal achievement. Furthermore, ORSC's stakeholders expressed concern that the Agency's mission statement appeared inconsistent with its actual priorities and that service outcomes were not always consistent with consumer expectations of "quality employment and independence." The Chair of the Commission noted that the Agency has only been engaged in strategic planning for about two years and it will continue to work to improve its practices in this area.

While ORSC has generally implemented all recommended strategic planning phases, it has not established sufficient short-term goals by which to benchmark progress toward the achievement of long-term goals. Improving stakeholder and public perception of progress could, over time, improve relationships and overall support for ORSC initiatives. In addition, ORSC might benefit from additional input from the Governor's Office as it develops its goals and program priorities. Although ORSC draws the majority of its funding from federal sources, it does so using State dollars. As a result, the Agency should ensure its goals also reflect the priorities and expectations of the Governor and General Assembly.

R3.2 ORSC should improve reporting on progress toward the achievement of its strategic plan goals. Progress should be regularly and formally shared through monthly management reports and the annual report. Improved communication of goal achievement will help ORSC leaders better explain program needs and budgetary appropriation requests to Agency stakeholders, members of the Administration, other State agencies, and the General Assembly.

To achieve its mission and vision, ORSC has developed five goals along with accompanying strategic objectives and action steps for accomplishing each goal. The strategic plan goals include the following:

- **Goal 1** - Meet and/or exceed its federal performance indicators;
- **Goal 2** - Increase public awareness of its programs and services;
- **Goal 3** - Acquire and maintain a level of funding to insure the sustainability of services;
- **Goal 4** - Increase efficiency and effectiveness of our processes and systems which are responsive to our internal and external customers' needs; and
- **Goal 5** - Have a diverse and qualified staff committed to the Agency's mission and vision that reflects Ohio's population.

Every month the Executive Director provides an information packet and report to Commissioners summarizing the recent activities of each bureau and team. While this does not constitute a formal review or update of the strategic plan, it serves as a status update on achievement of strategic plan goals. ORSC is approaching the end of the first year of the strategic plan and the Executive Director expects that there will be a year-end wrap-up session to discuss overall status and whether any changes are necessary.⁴ The Executive Director indicated that there may need to be adjustments to the action steps but that the mission, vision, values, and goals would likely remain the same.

In its FFY 2005-06 annual report, ORSC noted that it had surpassed its production goal for the third consecutive year. Furthermore, ORSC stated that, over the last eight years, the Agency has continually increased the number of successfully employed people while operating with flat State general revenue funding. ORSC also noted that, since 1998, general revenue funding for the Vocational Rehabilitation (VR) Program has declined by about 10 percent, from more than \$27 million in FFY 1999-00 to \$24.3 million in FFY 2006-07. ORSC noted that it continues to exceed production goals and attributes this to careful management of resources to maintain quality, increase efficiency, and reinvest

⁴ ORSC's Commissioners had planned for a February 2008 retreat at which issues such as Commission effectiveness and evaluations of the Agency's progress toward achieving strategic plan goals would be addressed. This retreat occurred after audit fieldwork was completed and as such was not evaluated as part of these analyses.

savings into core operations. According to ORSC, during 2006, it implemented or continued the following cost saving measures:

- Reduction in the number of office locations and square footage per employee;
- Expansion of a telecommuting initiative to further reduce the need for office space;
- Requirement for means-based participation by consumers in the costs of their higher education; and
- Use of electronic case folders in the Disability Determination Program to improve file management and accelerate case processing.

Finally, ORSC's annual report contains a statistical summary of characteristics of its rehabilitated population in FFY 2005-06, by area and by county, as well as sources and uses of funds during FFY 2005-06.

ORSC's strategic plan became effective beginning in December 2006 and is only partly addressed by the FFY 2005-06 annual report. While it appears that the annual report contains updated information on some of the goals, there does not appear to be a comprehensive update on progress toward overall goal achievement. Also, though stakeholders noted that they appreciated the Agency's newsletter and annual report, almost all stakeholders interviewed were unaware of ORSC's new strategic plan or efforts to accomplish its stated mission and goals.

In addition, ORSC tends to track progress relative to federal goals which are output oriented. Furthermore, Agency-developed goals focus primarily on program outputs rather than outcomes. For example, ORSC tracks consumers who achieve employment for 90 days, after which the Agency considers the consumer's outcome as "successful employment" based on the federal standard (see **vocational rehabilitation**) and receives information from ODJFS⁵ on individuals still employed after 36 months. However, this does not take into account the ongoing quality of employment or how the level of employment ensures independence for the consumer.⁶ Furthermore, although ORSC tracks average hours worked and average hourly wage as a component of "employment quality", consumers remarked that the jobs in which they were placed did not fulfill their ultimate plans for employment (e.g. jobs represented entry level or a "starting point" and

⁵ Annually, ODJFS runs a match of closed ORSC cases against its unemployment compensation database. FY 2002-03 was the most recent year for which data was available. The lag is due to the process used to compare data in a historical static database.

⁶ Although ORSC can report in its annual report that it has surpassed federal production goals for the third straight year, the Agency cannot accurately report how many of those who were determined to have successful employment outcomes as judged by the consumers' ability to maintain employment and independence. Although this type of ongoing assessment is not required by federal performance targets, it would help the Agency to determine which of its services are the most efficient and effective in producing desired outcomes.

consumers were surprised that their cases were closed after 90 days in the entry level jobs).⁷

ORSC's difficulty in providing a clear annual update on goal progress could be partly attributed to the lack of short-term goals within the strategic plan (also see **R2.1**). Further, some of the long-term goals lack quantifiable or measurable results. For example, goal 5, concerning staff quality and diversity, does not appear to be addressed in the FFY 2005-06 annual report. Furthermore, the goal lacks specific targets for what would constitute a "qualified staff." There are a number of training areas that have been identified but no specific competencies that staff would be expected to hold.

Recommended Budget Practice on the Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) recommends that a government develop measurable objectives and incorporate performance measures in accordance with the following guidelines:

- Results should be specific and measurable (expressed as quantities or at least as verifiable statements) and short- and long-term timeframes for completion are included;
- Performance measures are identified in order to provide useful information on whether goals and objectives are being met;
- Strategic plans are implemented in concert with stakeholder input and are clearly linked to the operating budget, the capital plan, and the government's other financial planning efforts;
- Progress toward goals is monitored at regular intervals. (Governments should develop a systematic review process to evaluate the extent to which strategic goals have been met.); and
- Reassessment of the strategic plan takes place based on external factors and changes which may affect the environment and thus achievement of stated goals with necessary adjustments made as needed. Ideally, governments should conduct these reviews every year.

Developing clear and measurable short- and long-term goals would allow ORSC to better benchmark progress or areas for improvement on at least an annual basis and perhaps more frequently, depending on completion timeframes. Incorporating benchmarks into the strategic plan would allow ORSC to actively monitor the achievement of stated goals and adjust action plans as necessary rather than reformulating the entire strategic plan every three years.

⁷ Agency representatives commented that post employment support was available through an amended plan or supported employment. New cases can also be opened if a consumer wishes to obtain additional services. The audit did not note these post employment services occurring in the ORSC's case file sample.

R3.3 ORSC should develop a companion document to the budget document which clearly identifies the linkages between budgetary line items and the accomplishment of strategic plan goals. Furthermore, ORSC should thoroughly scrutinize all budgeted funds for their impact on strategic goals and objectives. Avoidance of expenditures which do not help ORSC meet specific goals within the strategic plan would increase expenditure efficiency and provide a more effective allocation of resources. More clearly linking expenditures to strategic plan goals could promote a better understanding of how ORSC's budget ties to the long-term strategic plan and could result in increased support for the Agency, particularly when competing for scarce budgetary resources.

ORSC's biennial budget document summaries from SFY 2005-2007 and SFY 2007-2009 were reviewed. Formal budget document summaries were compiled by the Legislative Services Commission after development by the Agency in conjunction with OBM, as is the case for all State agencies (see also **financial management** on the budgeting process). The budget summaries explain the purpose of the Commission and include a summary of total funding and graphs showing the distribution of total funding by service and by fund source. The budget documents are further broken down through a series of statements on *program descriptions* and *implications of the enacted budget*, called *implication of executive recommendation* in the SFY 2007-2009 budget summary, covering the following categories:

- Vocational Rehabilitation Case Services;
- Business Enterprise Program;
- Brain Injury;
- Personal Care Assistance Program;
- Community Centers for the Deaf;
- Bureau of Disability Determination;
- Independent Living Program; and
- Program Management.

Sections throughout the budget document (entitled *Implication of the Enacted Budget*) refer to a number of goals and performance measures. For example, the SFY 2005--2007 budget includes the following implication regarding VR case services:

In addressing VR Case Services, ORSC shows performance outcomes (number of clients placed, average hourly wage, average hours worked per week, and annualized income) as actual for both FFY 2002-03 and FFY 2003-04 as well as an estimate for FFY 2004-05 and projections for FFY 2005-06 and FFY 2006-07. ORSC also notes the level of funding committed to VR Case Services over the biennium would likely result in either a flat or slightly decreased number of clients placed. However, at the same time, ORSC believed that the average hourly wage would improve over the biennium.

According to the Executive Director, the strategic plan and budget are linked, but the average person outside of ORSC would not be able to determine exactly how goals and budgetary actions are intertwined because these links are not illustrated in the LSC budget summary. Also, strategic plan goals and budgetary actions are discussed in Commission meetings but direct linkages are not explicitly discussed. There has been discussion about what effect over- or under-spending the budget would have on goal achievement over the course of an entire year. New program proposals are always evaluated based on whether they would help ORSC meet its mission, vision, and goals. Finally, while the monthly management reports to the Commission outline what steps have been taken within each department toward goal achievement, the monthly management reports do not clarify the link between specific budgetary actions and goals within the strategic plan.

Recommended Budget Practice on the Establishment of Strategic Plans (GFOA, 2005) advises all governmental entities to use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals. The article further recommends that governments incorporate performance measures to provide an important link between the goals, strategies, actions, and objectives stated in the strategic plan and the programs and activities funded in the budget. Performance measures also provide information on whether goals and objectives are being met.

Furthermore, *Implementing Your Strategic Plan: How to Turn "Intent" Into Effective Action for Sustainable Change* (American Management Association (AMA), 1999) recommends that organizations do the following:

- Base resource allocation on factual information and the strategic plan;
- Develop and follow an annual strategic plan and budget review process;
- Include all programs and resources in the review process, not just new programs;
- Allocate and train staff in strategic plan priority areas; and
- Look ahead and plan for future program extensions to the strategic plan.

The AMA cautions against letting only top administrators and members of the oversight board dictate resource allocation, and separating resource allocation to priority issue programs from departmental plans and the ongoing budget. Finally, some need for reallocation of resources will be necessary once the budget has been aligned to the strategic plan. AMA recommends that organizations hold program review meetings on a quarterly basis to discuss increased or decreased resource needs by program and department. Ultimately, these recommended practices are intended to result in much more efficient resource allocation than would otherwise result from the usual budgetary process or by just increasing funding for those who "shout the loudest."

Without clearly linking the strategic plan and budgetary actions, ORSC cannot ensure that all budgetary items are supporting strategic plan goal achievement. As such, ORSC may continue to fund programs and initiatives which do little to achieve strategic plan goals and are not in line with Agency priorities. Furthermore, the lack of a clear understanding of how the budget and strategic plan reinforce each other could inhibit stakeholders' ability to understand key operations within ORSC. This could potentially lead to decreased support in future State budget development activities and impact the Agency's ability to obtain enough State funding to meet its MOE (see also **R2.1**). On the other hand, enhanced linking of financial resources to mission and goals could result in more effective and targeted use. Over the long term, it could decrease spending in non-mission critical areas and allow the Agency to serve a larger population of consumers.

R3.4 ORSC should promote organizational transparency by developing performance measures and openly reporting program/service outputs and outcomes for all Agency functions. Performance measures should be tied to the budget (see R3.1) and be reported annually as part of a long-term trend analysis (see R3.2). Once clear performance measures are in place and reported for all programs and operations, ORSC should enhance its performance reporting practices by implementing the Government Auditing Standards Board's (GASB) 16 suggested criteria for effective communication.⁸

Each of ORSC's strategic plan goals is followed by a one-sentence "Overall Strategy" statement and then a series of "Objectives and Agency Action Steps." The agency action steps are not program specific although some of them apply more readily to particular bureaus. On the other hand, some of the action steps are ambiguous. For example, in the objective stating "RSC will obtain agreements with partners that expand and enhance services," the agency action steps are to "maintain and enhance existing relationships" and "seek to expand the number of beneficial partnerships." These action steps do not clearly define the activity required or the performance target (such as a percentage increase or development of a new partnership program) to be measured in order to determine successful goal achievement. With action steps that are ill-defined and ambiguous, there is often little consensus on what should be done and who should be accountable, or when the goal has been achieved.

ORSC reports performance measures through a number of reports including the following:

- The Commissioners' Report: Monthly Management Reports;

⁸ ORSC's full implementation of all GASB criteria would allow it to apply for the Association of Government Accountants' (AGA) Certificate of Achievement in Service Efforts and Accomplishments (SEA) reporting.

- The monthly Executive Director's Report to the Commission; and
- The Chief Financial Officer's monthly budget reports to the Commission and to the bureaus.

Furthermore, the Agency commented that it provided several additional reports including quarterly reports to legislators, community rehabilitation programs, and State partner agencies (ODMH, ODMRDD, and ODJFS), and weekly internal reports from the Executive Director.

According to *Reporting Performance Information: Suggested Criteria for Effective Communication* (GASB, 2003), governments should publish reports that communicate relevant, reliable information about the results of programs and services to elected officials, citizens, and other stakeholders. To assist, GASB has developed 16 suggested criteria that governments can use when preparing external performance reports. These criteria are divided into three broad topical areas including external reporting on performance information, deciding what performance information to report, and communicating performance information. GASB notes that while the criteria are presented in a logical sequence, they are not necessarily presented in order of importance. The first seven criteria pertain to general guidelines for reporting performance information to external parties:

- **Purpose and scope** – The purpose and the scope of the report should be stated clearly and should include information about the completeness of the report in its coverage of key, major, or critical program and services.
- **Statement of major goals and objectives** – The report should clearly state the major goals and objectives of the organization and the source for those goals and objectives.
- **Involvement in establishing goals and objectives** – The report should include a discussion of the involvement of citizens, elected officials, management and employees in the process of establishing goals and objectives for the organization.
- **Multiple levels of reporting** – Performance information should be presented at different levels (or layers) of reporting. The relationship between levels of available performance information should be clearly communicated and should include how the user can find information at the different levels reported.
- **Analysis of results and challenges** – The report should include an executive or management analysis that objectively discusses the major results for the reporting period as well as the identified challenges facing the organization in achievement of its mission, goals, and objectives.

- **Focus on key measures** – The report should focus on key measures of performance that provide a basis for assessing the results for key, major, or critical programs and services; and major goals and objectives of the organization. An external performance report should be concise, yet comprehensive in its coverage of performance.
- **Use reliable information** – The report should contain information that readers can use to assess the reliability of reported performance information.

The following seven criteria outline how and what to report:

- **Relevant measures of results** – Reported performance measures should be relevant to what the organization has agreed to try to accomplish and, where possible, should be linked to its mission, goals, and objectives as set forth in the strategic plan, budget, or other source.
- **Resources used and efficiency** – Reported performance information should include information about resources used or costs of programs and services. It also could report performance information relating cost to outputs or outcomes (efficiency measures).
- **Citizen and consumer perceptions** – Citizen and consumer perceptions of the quality and results of major and critical programs and services should be reported when appropriate.
- **Comparisons for assessing performance** – Reported performance information should include comparative information for assessing performance, such as to other periods, established targets, or other internal and external sources.
- **Factors affecting results** – The report should include a discussion of identified external and internal factors that have had a significant effect on performance and will help provide a context for understanding the organization’s performance.
- **Aggregation and disaggregation of information** – Reported performance information should be aggregated or disaggregated based on the needs and interests of the intended users.
- **Consistency** – Reported performance measures should be consistent from period to period; however, if performance measures or the measurement methodology used is significantly changed, that change and the reason(s) for the change should be noted.

The last two criteria address communicating performance information:

- **Easy to find, access, and understand** – The availability of an external report on performance and how to obtain that report should be widely communicated through channels appropriate for the organization and intended users. Performance information should be communicated through a variety of mediums and methods suitable to the intended users.
- **Regular and timely reporting** – Performance information should be reported on a regular basis (usually annually). The reported information should be made available as soon after the end of the reporting period as possible.

GASB notes that initially a government likely will not be able to meet all of the suggested criteria. However, this should not discourage it from using the aforementioned as a basis for developing a report. Rather, the government should state the degree to which it was unable to meet certain criteria. GASB emphasizes that what is most important is that a government begin the process of performance reporting, that a set of user-oriented criteria be used as a basis for that reporting, and that the government be committed to continually improving the reporting of performance information.

Certificate of Achievement in Service Efforts and Accomplishments Reporting (Association of Government Accountants (AGA), 2007) explains what efforts the AGA undertakes to evaluate government service, efforts, and accomplishments (SEA) reports. The AGA has established a program to stimulate state and local governments' issuance of performance reports; help the governments strengthen their performance reports; and recognize, through a Certificate of Achievement program, those reports that meet the GASB criteria, and eventually those that issue truly outstanding reports. The AGA notes that receiving the Certificate of Achievement in SEA reporting, while desirable, should not be viewed as an end in itself. The real value is participating in the program and being able to benefit from the self-improvement that can result from developing a performance report that is submitted to the program for review and then implementing the program's recommendations. A report that adheres to the GASB criteria and the high standards established for the AGA program will be able to enjoy the public recognition of not only having produced a truly outstanding performance report, but also being a leader in accountability to its citizens.

Many governments publish budget documents that include detailed program information such as goals, performance measures, and historical performance. An early adopter and recognized national leader in developing this type of enhanced budget document is the City of Scottsdale, Arizona. The City of Scottsdale, in its published budget document, presents the individual programs within each City department and includes specific information about program descriptions, goals and objectives, performance measures,

customers, partners, and staffing, along with a summary of the program operating budgets by expenditure category and the applicable funding sources. Further, the budget document includes a user guide which has the following key definitions:

- **Program Performance Measures** -- how effectively and efficiently a program performs its services over a period of time;
- **Program/Service Outputs** -- Summarizes the program's level of key service activities for a FY; and
- **Program/Service Outcomes** -- Summarizes the program's key service outcomes for a FY.

Although ORSC could significantly improve its benchmarking and reporting practices by implementing all 16 GASB suggested criteria for effective communication, it could move toward this goal by first implementing broader performance reporting measures such as those illustrated in the City of Scottsdale's budget. ORSC tracks and reports progress toward meeting benchmarks in a number of ways, but has not done so in a manner which promotes clear performance transparency. By first implementing performance reporting changes, based on the City of Scottsdale example, and then expanding that model to meet all 16 GASB criteria, ORSC may ultimately be publicly recognized by the AGA as having produced an outstanding performance report and also being a leader in accountability to its citizens.

Governance and Organizational Transparency

R3.5 ORSC's Commission should complete an annual self-evaluation regarding goal achievement and effectiveness in providing direction for the Agency. Commission members should rate themselves using a questionnaire form similar to that developed by the Non-Profit Sector Leadership Program (NPSLP). Self-evaluation, as part of an ongoing improvement process, would help the Commission define and enhance its own effectiveness while potentially improving public perceptions of that effectiveness.

ORSC's Commission provides oversight and direction in the development of both the Agency's strategic plan and budget (see **R3.1**). At the September 2007 Commission Meeting, the Commission voted to set goals for FFY 2007-08. In addition, ORSC evaluates goal achievement in the form of performance statistics. Numerically, ORSC knows exactly where the Agency stands in meeting its federal performance goals. However, as previously noted, these benchmarks are output driven and do not include more sophisticated outcome measures which would allow the Agency to gauge its service quality more accurately (see **R3.2**).

The Commission scheduled a review of its abilities as a governing body for February 2008 to determine what it could do better in the coming year. However, this is not a formal process in that it is not a specific session set up to complete a Commission self-evaluation.

Structural Options for Board Self-Evaluations (National Association of Corporate Directors (NACD), 2005), notes that oversight body self-evaluation is beneficial for organizations. These benefits include: enhanced public perception, more clearly defined culture, and enhanced effectiveness. Further, NACD recommends that prior to completing a self-evaluation, the oversight body should choose a valid evaluation instrument, determine if the evaluation will be formal or informal, and clarify how it will use the data gathered through the evaluation process. Finally, NACD stresses that a structured self-evaluation should be part of a continuous process of improvement.

The NPSLP has developed a *Board Self-Evaluation Questionnaire* (2005). This type of questionnaire allows oversight bodies (boards and commissions) to rate performance in the following five areas:

- How well has the board done its job?
- How well has the board conducted itself?
- How effective is the board's relationship with the executive director?
- How does the performance of individual board members rate?
- How does the performance of the board chair rate?

Each of these sections should be completed individually and the results of the first three sections should be shared among the members. The fourth section (individual performance) is a self evaluation and the results should not be shared among the members. The fifth and final section (chair performance) should be given to the chairperson for feedback but not discussed by the group.

The Commission Chair noted that there might not be as much long-term value in completing a formal self-evaluation at this point given that there will be two new Commissioners and the time involved may be better spent establishing an effective working relationship. The Commission Chair further noted that once a relationship and clear direction had been established, taking into consideration the new Commissioners' input, the Commission would be able to effectively self-evaluate. However, by putting off self-evaluation at this point, the Commission may miss the opportunity to identify its existing strengths and weaknesses. In addition to self-evaluation benefits outlined by

NACD, identification of an effectiveness baseline would allow the Commission to assess the positive or negative impact that the addition of the two new Commissioners has on the group. In the future, regardless of Commission member turnover, a self-evaluation exercise should always be completed.

R3.6 ORSC should devote a portion of each Commission meeting to training for new and experienced Commission members. Establishing a more formalized training session, perhaps a half hour at each Commission meeting, would help strengthen the Commission's collective understanding of important ORSC details, such as the disability determination process. Establishing a formal venue would ensure that all Commissioners' questions and comments on a given topic are addressed, not just those Commissioners who choose to be more actively engaged at the formal meetings.

ORSC provides new Commissioners with an orientation packet that includes a number of information resources related to the Agency's operations. Commissioners noted that the orientation packet was extensive and provided them a solid, broad outline of all programs and activities within ORSC. New Commissioners also undergo an intensive one to two-day orientation to discuss the Agency's bureaus and activities with the Executive Director, other Commissioners (if available), and the bureau directors. There is no formal new Commissioner mentoring program but the Commission Vice-Chair indicated that the idea had been discussed with the Commission Chair.

The Commissioners, as a governing body, have a collective background which provides each of them base-line knowledge of the vocational rehabilitation field. This is reinforced by ORC § 3304.12 which requires the Commission's composition be determined by professional background, political standing, and disability status. Even with an extensive background and almost two years of experience, the Commission Chair indicated that active engagement is still necessary to make well informed decisions.

Each month, the Commissioners are given an information packet that briefs them on all activities of ORSC, even though meetings are held every other month. In addition, the Executive Director provides the Commission with a report on departmental activities. The Commission Chair noted the Executive Director has been communicating effectively through these reports and has been in communication on a more regular basis with the Commission. The Commission Vice-Chair uses the information packets as an ongoing education resource and tries to use them to come up with a few questions that she asks at the Commission meeting as a way to expand his understanding of more technical issues. Although the level of this type of engagement appeared to vary depending on the individual Commissioners, the importance of this engagement to the informed decision making process should not be overlooked.

While the Commissioners do not engage in formal ongoing training, other than mandatory ethics training, the full Commission meets once a year for a two-day conference. This meeting was scheduled for February 2008 and the Commission planned to work with a facilitator to focus on how it can better address Agency issues, as well as how to more effectively work together. This conference was not established as a training session and training topics were not included in the agenda.

Ongoing Board Education: Ensuring Board Members Have the Knowledge They Need (Community Driven Institute (CDI), 2005) notes that every member of a board should go through intensive orientation-style training, every year. The reason for this is twofold. First, every board member can use a reminder course on issues that arise throughout the year. Second, there are always new items that arise that the whole board should be knowledgeable about.

All board members are likely to agree there are at least one or two areas in which they could improve. These areas of improvement should serve as a starting point for ongoing education because they help to foster active engagement and interest on the part of all board members. Moving forward from these narrowly defined areas of improvement will create the desire to learn within the board itself, rather than starting with much more generalized topics. The next step is to take 15 minutes at each upcoming board meeting, to discuss one of those topics.

The CDI notes that part of the reason boards become disengaged from ongoing learning is that they typically delegate that learning to an executive director; leaving it entirely to his/her discretion to determine what the board needs to know to do its job. When the board is actively involved in determining the contents of its own orientation program and ongoing training, board members take far greater interest in what they need to learn. Making board education part of every meeting simultaneously teaches the board what it needs to know and strengthens its culture.

ORSC's Commissioners are constrained in the amount of time that they may formally spend working on Commission business. As such, it may be difficult to have the Commissioners meet specifically for training. However, by not formally planning a short training opportunity at each meeting or a more lengthy separate training session the learning process may be hindered or narrowly focused on very selective topics. To reduce the cost of training, the Commission could use the Agency's video bridge for virtual training sessions, use on-line training opportunities, or incorporate brief training sessions into its regular meeting agenda.

R3.7 ORSC, with its legal counsel, should review its meeting practices to ensure compliance with both the letter and spirit of the Ohio Open Meetings Act. Further, ORSC should consider the appearance of propriety when planning and carrying out all Commission meetings and ensure that meetings also honor the spirit of the law in fact and appearance.

During the FFY 2007-08 budget preparation process, ORSC's Commissioners, Executive Director, and Chief Financial Officer (CFO) held a series of meetings which were split into two rounds and held at various locations around the State. Each meeting was attended by the Executive Director, the CFO, and one Commissioner; these meetings were not held as public meetings. Notes from the meetings were compiled into two summaries, one for each round of budget discussions. While these summaries can be requested as public records, the meetings which led to these summaries were not held as public meetings. In addition, discussion summaries were not readily available at the Commission meeting and stakeholders would not have known to request them.

The formal Commission meeting discussion of the FFY 2007-08 budget, while open to the public and transmitted by videoconference, was relatively high level and did not include a detailed discussion of budget issues. These discussions were instead encompassed in the summaries. Based on the events occurring at the formal meeting and at the budget discussions, it appears that a majority of the substantive budgetary discussions took place outside of the formal Commission meetings. As a result, the opportunity for discussion and debate about budget topics was very limited and the opening for public comment very constrained. In hindsight, the Commission Chair noted that the Commission might improve its public communication through a more open budgetary discussion process.

Agency representatives commented that the reason for the individual meetings was due to the complexity of the State budget process and to provide more of a training opportunity for Commissioners than may be available in the regular meetings. The intent, as described by the Agency, was to educate and pose questions for the Commissioners to consider based on staff analysis and recommendations. However, minutes from these meetings clearly showed that some program decisions were communicated (e.g. "All commissioners agreed that [ORSC] should not pursue full match this year" or "...Commissioners unanimously agreed...").⁹ Furthermore, these issues were not debated or discussed in the public meetings, indicating that a decision had been reached prior to the public meeting.

According to the Ohio Attorney General and Auditor of State publication, *Ohio Sunshine Laws 2008* (2008), the Ohio Open Meetings Act is based on the principle that citizens

⁹ *Summary of Second Round of 2008 Budget Discussions*, August 10, 2007 as provided by ORSC.

must be able to observe the operations of their representative government. To that end, the Open Meetings Act is intended to require public bodies to take official action and to conduct deliberations about official business in open meetings. The law is to be liberally construed with these goals in mind. There are limited situations, however, where a public body may adjourn into executive session to discuss matters privately.

Before a public body is subject to the requirements of the Open Meetings Act, it must first have a meeting. A “meeting” is a prearranged gathering of a majority of the members of a public body to conduct, transact, deliberate, or discuss public business. Each of these characteristics must be present; otherwise, the gathering is not a meeting and is not subject to the Open Meetings Act requirements. However, a public body must not circumvent the spirit of the law by scheduling *back-to-back discussions of public business which, taken together, are attended by a majority of the members*. Such “round robin” or “serial” meetings appear to violate the Open Meetings Act.

According to ORSC, prior to meetings taking place, all meeting formats and group compositions are reviewed to ensure that the Agency maintains compliance with the Open Meetings Act. However, it appears that holding budget discussions in this manner restricts the public’s ability to see first hand how the budget is being developed. In addition to potentially restricting the amount of public discussion during the budget development and allocation process (see **financial management**), the practice of holding round-robin style budget discussion meetings appears to place ORSC in violation of the spirit of the Ohio Open Meetings Act.

Ensuring compliance with the Ohio Open Meetings Act will not only reinforce public trust through improved stakeholder involvement but it could also help ORSC avoid potential legal action, invalidity of resolutions, and/or applicable fines and fees.

R3.8 ORSC should complete a communications audit for all Agency bureaus and significant programs. Internal and external communication is a major weakness for the Agency and this weakness has negatively impacted the provision of its services. Determining which communication methods are most effective from a receiver-oriented perspective would help the Agency address the underlying elements of these weaknesses. Without a complete reassessment and overhaul of Agency communication efforts, process improvement efforts may fall short and consumer service efforts may experience reduced effectiveness.

ORSC communicates with stakeholders primarily through its web site while internal communications are facilitated through the use of videoconferencing. Despite the use of these two methods, ORSC communicates in an Agency-oriented manner which is not effective for consumers, stakeholders, and other State agencies. Throughout the course of the audit, ORSC’s consumers and stakeholders noted communications deficiencies and

ambiguity in the Agency's message. In addition, areas of poor internal communication were also identified. Significant weaknesses were noted in the following areas:

- **Disability Determinations** – ORSC has not clearly communicated to consumers and stakeholders the purpose of the Bureau of Disability Determination (BDD). Furthermore, ORSC has not clearly communicated the types of service offered through BDD and the conditions under which those services are provided. Lack of clear communication concerning the purpose of the Bureau and what services are actually offered has created a situation in which many consumers seek services without a clear understanding or appropriate and consistent service expectations (see **R8.2 in disability determinations**).
- **Vocational Rehabilitation** – ORSC has not clearly communicated to consumers and stakeholders the purpose of the Bureau of Vocational Rehabilitation (BVR) and Bureau of Services for the Visually Impaired (BSVI). Furthermore, ORSC has not clearly communicated the type of services offered through each of these Bureaus and the conditions under which those services are provided. Lack of clear communication to consumers and stakeholders has created a situation in which consumers feel that services are provided inconsistently and, at times, arbitrarily (see **R7.1 in vocational rehabilitation**).
- **Employer Services** – ORSC's Employer Services Unit (ESU) has not effectively communicated its purpose and scope of services to its business partners. In addition, ESU has not communicated consistently or effectively with community rehabilitation programs (CRPs) or other partner entities, such as the Ladders to Success program. As a result, ESU often provides services in a duplicative and disjointed manner. Lack of clear information regarding scope and purpose has created a situation in which Agency partners and stakeholders are not effectively making use of the ESU. For further information on ESU communications see **R7.11 in vocational rehabilitation**.
- **Internal Communications** – ORSC has not clearly and effectively communicated important policy and procedure information to Agency employees. Either policies have not been recently reviewed, approved, and disseminated or the new policies were never clearly explained to the employees along with guidance on implementation. Lack of up-to-date policies and procedures or a clear understanding of those which are in place has created an incongruous service delivery climate. As a result, consumers and stakeholders feel strongly that the quality of service, and ultimately the quality of consumer outcomes, is highly dependent on individual counselors rather than the Agency as a whole. For further information on internal communications see **R6.6 in support systems and**

technology; R7.1, R7.2, R7.3, and R7.4 in vocational rehabilitation; and R8.4 in disability determination.

- **Interagency Communications** – ORSC has not communicated effectively with other State agencies, including those with which it coordinates to provide services to consumers. Lack of clear communication with other State agencies has created a disjointed State-wide service structure which consumers are often charged with navigating on their own in order to obtain services from multiple agencies. In addition, lack of communication with other agencies has created inefficiencies in service provision as agencies may be providing duplicative or overlapping services. For further information on interagency communications see **R3.1 and R3.2 in organizational strategy, R4.6 in organizational structure, and R8.2 in disability determination.**

According to the *Handbook of Public Relations* (Heath, 2001), poor communication slows productivity, reduces quality, can create turnover, and can contribute to negative organizational culture or climate. Organizations often use a *communication audit* to determine the most efficient and effective means of communication. The communication audit is a two step process by which the organization can solve problems, plan processes, and drive organization change.

The first step of the communications audit focuses on assessing the vehicles used to convey information within the organization. Factors of assessment may include use, usefulness, effectiveness, perceived trust, and comprehensiveness. Analysis resulting from these assessments will allow the organization to determine which information vehicles can be redesigned and which (if any) can be eliminated. The second step of the audit is to examine information needs in specific areas as identified by preliminary research (i.e., surveys, focus groups, and interviews). This step assesses individual satisfaction with the availability of information relative to needs, the understandability and usefulness of the information, and composite preferences of communication vehicles.

The end result of the communications audit process is that the effectiveness of every vehicle is determined, information needs are ascertained, and preferences for information flow are identified. In addition, it identifies information delivery vehicles that will maximize the probability of a given message being received in an accurate and timely manner. Using the results of the communications audit to reengineer communications should be fairly straightforward. Based on an analysis of the data, vehicles can be reengineered, discarded, or created. Information needs can be prioritized by topic and job function or by any other demographic or geographic factor and matched with employee preferences.

A communications audit would help ORSC identify and tailor its information sharing vehicles to fit not only the needs (i.e., content, clarity, and timeliness) of the Agency's employees and departments, such as BDD, BVR, BSVI, and ESU, but also accommodate the needs of extra-Agency consumers, stakeholders, and partners. ORSC's methods of communication have been developed to accommodate its needs but have not taken into account the extent to which consumers, stakeholder, and other State agencies rely on its information. ORSC is a service-oriented agency and as such, communication with, and service provision to, consumers is the key to success. Without taking into account the information needs of others, ORSC has neglected to address one of the most important aspects of its services. A communications audit could be completed in-house by the Office of Communications or could be contracted to a consultant.

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**ORGANIZATIONAL
STRUCTURE**

Organizational Structure

Background

This section of the performance audit focuses on the organizational structure of the Ohio Rehabilitation Services Commission (ORSC or Agency) and the impact of the Agency's organization on the administration of vocational rehabilitation programs in Ohio. It includes assessment of the efficiency and effectiveness of the Agency's structure within State government, its ability to leverage partnerships with other State agencies, the relationship between internal structure and service delivery models, and how these areas compare to the organization and structure within peer states.¹ Issues of the interrelationship between structure and workflow were also examined. The organizational structure was evaluated based on compliance with State and federal laws and regulations, including the Ohio Revised Code (ORC), Ohio Administrative Code (OAC), and Code of Federal Regulations (CFR).

Structural Framework

The Ohio Rehabilitation Services Commission serves as the State Plan² designated independent commission and agency to oversee vocational rehabilitation in Ohio. It also serves as Ohio's State Disability Determination Service (see **disability determination**). Vocational rehabilitation and disability determination comprise the two primary duties of ORSC. Each of these areas is monitored by a federal agency (see **agency overview, history, and current status**).

In accordance with ORC § 3304.12, the Agency is governed by an independent seven-member commission appointed by the Governor (see **organizational strategy**). By statute, the Commission appoints the Executive Director.³ A diagram of the Agency's executive level organizational structure is presented in **program overview, history and current status**.

In the field of vocational rehabilitation, ORSC reports to and is monitored by the Rehabilitation Services Administration (RSA), a division within the U.S. Department of Education. RSA oversees grant programs that help individuals with physical or mental disabilities obtain employment through the provision of State vocational rehabilitation programs. Its major grant program provides funds to state vocational rehabilitation agencies based on guidelines outlined in the CFR. States must submit a plan (the State Plan) outlining how vocational rehabilitation

¹ See **executive summary** for a listing of the 10 peer states.

² State Plans must contain one of two assurances; either that the designated state agency is an independent state commission which is consumer controlled and is responsible for overseeing state vocational rehabilitation programs, or, that the State has established a rehabilitation council that meets the CFR requirements.

³ The current Executive Director was appointed in 2001.

services will be provided to the Secretary of the Department of Education in order to receive federal funding. The Plan must designate a single state agency to administer vocational rehabilitation. Vocational rehabilitation may be administered through one of two agency types, either combined or general. Combined agencies serve eligible individuals with various disabilities including the blind or visually impaired. General agencies serve eligible disabled individuals *except* for the blind or visually impaired. When established in 1970, ORSC was designed to operate as a *combined* Agency.

ORSC, through BDD, is responsible for making medical disability determinations for Social Security disability benefit programs as the State's Disability Determination Services (DDS) agency.⁴ This component of operations is entirely funded by the Social Security Administration (SSA) and staffing levels, workflow management technology decisions, and most procedures are governed or strongly influenced by SSA.

ORSC also interacts with the Governor's Council on People with Disabilities (Governor's Council) which is a 21-member Council⁵ designed to work with the Governor and General Assembly. The Governor's Council, promulgated under ORC 3303.41, has nine distinct responsibilities centered on educating, developing cooperative networks, and advising the Governor on issues and concerns related to people with disabilities. In accordance with statute, the Governor's Council is assigned to ORSC for administrative purposes. The Governor's Council is provided office space through ORSC and receives administrative support from two ORSC employees. Its Executive Secretary⁶ is also an ORSC employee assigned to the Governor's Council by the Executive Director. (For an additional discussion on the Governor's Council and its relationship with ORSC, see **R4.4**).

Commission Role in Agency Structure

The Rehabilitation Services Commission is one of 56 independent commissions and boards that are directly funded by the State of Ohio.⁷ In general, members of the boards and commissions are appointed by the Senate, House, Governor, or other Cabinet, Judicial, or Executive positions. During the past several years, the Commission has faced challenges related to its role in the Agency. In 2004, The Ohio Office of the Inspector General (OIG) released the report of an investigation into the Commission's actions. The report found that five of the six members were paid for an average of 76.6 hours per two-week payroll period during 2003. OIG also found

⁴ OAC 3304-1 states that decisions about Social Security disability benefits are made by the Bureau of Disability Determination (BDD). BDD follows Title 20 of the Code of Federal Regulations § 400-499. See also **disability determination**.

⁵ Eleven members must be persons with disabilities.

⁶ ORSC changed the title of this position in the Department of Administrative Services job description to "Executive Director". Any changes in job function occurring in conjunction with the change in title could not be determined as the prior versions of the description were not available.

⁷ There are approximately 200 boards and commissions authorized in Ohio statute; however, some of these receive no direct State funding as they are funded through fees or an agency that acts as their fiscal agent.

reasonable cause to believe an act of omission occurred when the Commissioners became directly involved in the day-to-day administrative functions of the Agency and failed to effectively delegate administrative tasks to the Executive Director and staff of ORSC. The OIG's report prompted a reversion in the Commission's role to that of an oversight body.

During 2007, the Commission had three vacancies due to resignations and term limits. The positions were vacant for approximately four months. The Governor filled two of the vacancies in November 2007 and the third vacancy in March 2008. Turnover in the Commission will necessitate an additional focus on orienting new members to the role and duties of the Commission (see **R3.6**).

In the *Final Report on the Ohio Rehabilitation Services Commission (Governor-Elect Transition Report)*, released December 2006, reviewers noted that major issues facing the Agency included collaboration with its interagency partners at the State level and increasing services to individuals with psychiatric disabilities (see **R7.2**). Additional issues included a need to focus on performance standards and a more business-oriented service model, as well as improving the focus on employment for people with disabilities (see also **R7.9**). The review included a number of suggestions on how ORSC could participate in the Governor's *Turn Around Ohio* plan; however, the level integration of these suggestions into the Agency strategic plan⁸ has been limited. Recently appointed Commissioners may bring an additional emphasis to meeting the spirit of the suggestions included in the review.

Issues surrounding governance processes and the Commission's role in relation to the administration of ORSC appear to have been largely resolved. However, recent State financial issues and concerns voiced by stakeholders raise issues of efficiency and effectiveness of the Commission structure for disability determination and vocational rehabilitation services in Ohio. The Commission structure was implemented during a period of agency devolution in Ohio, although its formation combined two programs that previously were in separate State agencies. More recent studies have shown that the decentralized service model used in Ohio, while able to serve specific populations in a manner more focused on their particular needs, creates large scale systemic inefficiency. As a result, an examination of the continued appropriateness of this structure may be pertinent, particularly in light of State fiscal concerns (see **R4.1**).

⁸ ORSC's strategic plan was formulated in 2006 before the *Turn Around Ohio* plan; however, no updates to the Agency plan have been made to address the review's suggestions.

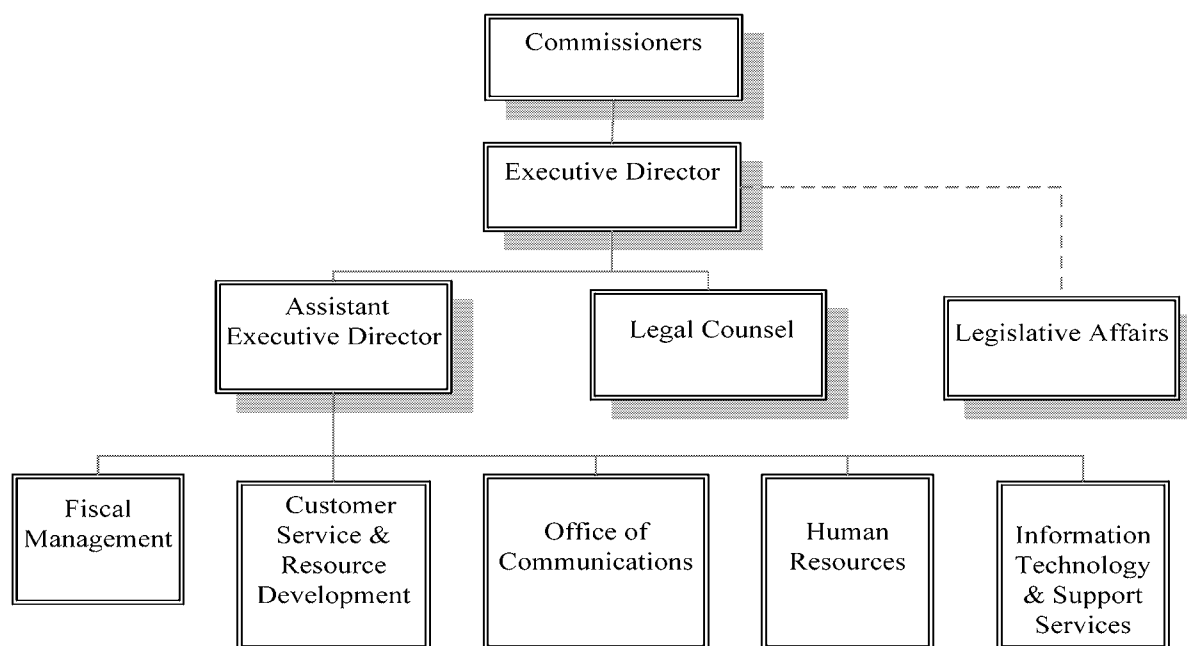
Agency Structure

ORSC uses a hybrid organizational structure with functional units, such as human resources, information technology, and finance, which serve the entire Agency. Divisional units, including the Bureau of Vocational Rehabilitation (BVR), Bureau of Services for the Visually Impaired (BSVI), and Bureau of Disability Determination (BDD), were designed to provide services to a specific population.

Functional Units

Functional units are housed at the Agency headquarters and are illustrated in **Chart 4-1**.

Chart 4-1: ORSC Functional Units



Source: ORSC

As illustrated in **Chart 4-1**, Legislative Affairs reports directly to the Executive Director. Its primary function is to maintain constituent relations, receive and resolve consumer complaints, serve as a liaison to the State General Assembly and the Ohio congressional delegation, and monitor and track State and federal legislation that impacts ORSC programs and consumers.

The Assistant Executive Director oversees several functional units and reports directly to the Executive Director. These functions and their responsibilities include the following:

- **Fiscal Management** – Processes accounts payable, conducts financial reporting, compiles departmental budgets, and monitors budget line item balances. See **financial management** for a full description of this unit.
- **Customer Service & Resource Development (CSRD)** – Solicits potential employers of disabled consumers, serves as a liaison to other State agencies, supervises Consumer Advisory Council staff, provides support to vocational rehabilitation, surveys consumers, and conducts research on Agency programs.
- **Office of Communications** – Communicates Agency services to the public and works with other departments to market the practice of employing people with disabilities to potential employers.
- **Human Resources** – Processes payroll, conducts benefits administration, presents new hire orientation and training, administers the employee leadership development program, and reviews employee requests for modifications to the job site or job functions. ORSC describes human resources' responsibilities as talent acquisition, talent management, total rewards, and training and organizational development. The Agency states that it is responsible for aligning human capital and business strategies to support organizational goals. These responsibilities were implemented in September 2007.
- **Information Technology & Support Services** – Troubleshoots computer-related problems, provides software program support, assesses facility space, tracks central office inventory, and performs mail room functions. (See also **support systems and technology**).

The Legal Counsel is represented as a parallel position to the Assistant Executive Director in **Chart 4-1** and also reports directly to the Executive Director. The Legal Counsel oversees the vocational rehabilitation (VR) appeals process and the VR policy unit, serves as the liaison to the Ohio Inspector General's Office, and provides support to the Attorney General's Office at formal hearings. The Legal Counsel also provides legal support for field offices throughout the State. Also, it updates language within contract templates used Agency-wide, although it does not monitor Agency contracts (see **R5.6** in **financial management**).

Divisional Units

Divisional units are illustrated in the organizational chart in **program overview, history and current status**. The divisional units of the Agency include BVR, BSVI, and BDD, each of which has a Bureau Director who reports directly to the Executive Director.

- BVR and BSVI are decentralized departments with operations carried out in numerous field offices located in each of four quadrants in the State (Northwest, Northeast, Southeast, and Southwest). Each region has an area headquarters⁹ that oversees several field offices that cover multiple counties. The number of field offices and counties included in each region varies based on the population and complexity of the area. These range from the northeast regional office that oversees four field offices and covers 10 counties, to the southeast regional office that oversees 13 field offices serving 31 counties.¹⁰ Area offices and field offices within each region are shown in **Map 2-1 in program overview, history and current status**.

The Northwest Regional Office serves the largest number of consumers and has one area manager responsible for overseeing operations. It has two assistant managers who oversee BVR and BSVI operations respectively.

Each of the other three regional offices has two area managers; one each over BVR and BSVI, and one assistant manager who oversee administrative support functions.

ORSC uses a private service model to deliver vocational rehabilitation services to its consumers. Once eligibility has been determined, counselors perform a comprehensive assessment to identify the vocational rehabilitation needs of the consumer and the scope of services to be included in the individualized plan for employment (see **vocational rehabilitation**). The services needed for the consumer to reach the desired employment outcome are provided by Community Rehabilitation Programs (CRP). CRP's provide services such as community-based assessments, vocational evaluations, personal and work adjustments, job coaching, and job placement.

- BDD is a centralized department in which all operations are headquartered in Columbus. It is the State's DDS agency and makes initial eligibility determinations for Social Security disability benefit programs (see **disability determination**).

The federal oversight agencies monitor performance measures reported by the divisional units. The performance measures are described in greater detail in **organizational strategy**.

⁹ Area offices do not provide direct services and are sometimes co-located within the same building with one or more field offices.

¹⁰ ORSC indicated that the number of teams managed by each area office is comparable among its area offices.

From an organizational life cycle perspective, ORSC is a mature organization. In general, it is a secure and relatively stable agency, in which the founding members are exiting the organization (see **R4.7**). Recently ORSC has begun hiring executive leadership employees from outside of the agency in order to enhance the range of skills and breadth of experience within the Agency. Depending on the theoretical framework used to describe it, ORSC is in a *produce and sustain* phase or becoming *very bureaucratic*.¹¹ In order to sustain its momentum, the Agency will need to continue to examine options for change and involve all levels of employees in reinvigorating its attention to mission (see **R4.8**). Because of turnover in the upper levels of the organization, extensive opportunities to leverage change and create transformation may exist. On the other hand, the Agency may find, through its examination of issues and the implementation of process improvement initiatives, those changes in its governance structure would be beneficial (see **R4.1**).

Staffing

In State fiscal year (SFY) 2007-08, ORSC budgeted for 1,388 full-time and 60 part-time positions. As of January 2008, the Agency had 1,337 employees, of which 1,299 were full-time and 38 were part-time. Although ORSC has 75 vacancies (excluding BDD),¹² not all are being filled at this time. However, if vacant positions were filled, overall staffing levels would still be below the budgeted level. Like many other State agencies, ORSC has been impacted by high turnover due to employee retirements (see **R4.7**). Also, no notable change in hiring practices has resulted from the recent State budget cuts, although the Agency commented that a hiring freeze has forestalled its ability to hire and future budget challenges may require ORSC to reduce its staffing levels based on State and federal funding. In part, this is attributable to the large amount of federal funding used to support Agency operations. **Table 4-1** shows the number of current employees and vacancies in each Bureau or department.

¹¹ Bureaucratic or very bureaucratic organizations are characterized as large and formalized with small jobs and many descriptions, large multiple departments, and many internal systems.

¹² Vacancies are as of February 12, 2008

Table 4-1: ORSC Employees and Vacancies by Unit¹

Bureau / Department	Current Positions	Vacancies
Executive / Legislative Affairs	9	1
Fiscal	37	8
Customer Service & Resource Development	57	13
Communications	7	2
HR	27	2
IT & Support Services	65 ²	2
Legal Counsel	6	1
BVR	451	38
BSVI	126	8
BDD	545	0 ³
Total	1330	75

Source: ORSC

¹ Table does not include the seven members of the commission

² Includes 50 IT positions and 15 facilities maintenance positions.

³ Staffing for BDD is determined by SSA.

As illustrated in **Table 4-1**, the divisional units, BVR and BSVI,¹³ and BDD, are the largest components of the Agency. Staffing levels within ORSC are dependent upon multiple factors. Of these two units, ORSC has the greatest degree of staffing latitude in BVR, as staffing levels for BDD are determined by SSA.

Staffing levels in BVR and BSVI are determined based on workload measures. Counselor staffing levels are determined by a workload matrix which generates a caseload estimate. To determine the caseload estimate, the total budgeted amount for case services (the amount that can be spent) is divided by the previous years' average caseload spending (average dollars per consumer). This yields the potential number of consumers who can be served based on the appropriated amount and the average cost per consumer. Counselors are then assigned a number of cases based on their skill level and experience (see **vocational rehabilitation**).

ORSC has faced some challenges filling vacancies in the vocational rehabilitation counselor classification due to the Master's Degree requirement set by RSA. As a result, ORSC has hired caseload assistants and opened the educational requirement for employment to include various types of Master's Degrees. The Agency has provided assistance to existing counselors in obtaining Master's Degrees. In comparison to like-sized, combined agencies, ORSC appears to have a similar level and mix of staff in its BVR and BSVI functions.

¹³ Throughout this section, BVR is used to collectively refer to the two portions of the vocational rehabilitation program—BVR and BSVI.

State Partnerships

ORSC has developed partnerships with several other State agencies (State partners). The purpose of the partnerships is to serve mutual consumers (e.g., persons with cognitive disabilities or mental health issues). The State partners refer consumers to ORSC to receive vocational rehabilitation services. Referred consumers must meet the eligibility requirements set by ORSC (see *order of selection* in **vocational rehabilitation**).

In some cases, ORSC has an interagency agreement with its State partner under which the partner provides a cash transfer so ORSC can “draw down” additional federal matching funds. The partner designates specific funds in its budget for ORSC. In other cases, funds that used to be transferred to ORSC are now directly allocated to the Agency in the State biennial budget. In return, ORSC appoints a liaison to each State partner who meets regularly to discuss items concerning their agreement. The interagency agreement also requires ORSC to provide services to those consumers who are clients of the partner and are also eligible to receive vocational rehabilitation services. While ORSC must serve eligible consumers regardless of the interagency agreement, the agreements are intended to foster a greater degree of cooperation and coordination (see **R4.5**).

The most significant partnerships are described below. Each of these agencies have current interagency agreements with ORSC:¹⁴

- **Ohio Department of Job & Family Services (ODJFS):** In accordance with the federal Workforce Investment Act, ORSC partners with ODJFS to provide services at the One-Stop Centers across Ohio.¹⁵
- **Ohio Department of Mental Health (ODMH):** ODMH refers eligible clients to ORSC to receive vocational rehabilitation services.¹⁶
- **Ohio Department of Mental Retardation and Developmental Disability (ODMRDD):** ORSC provides special transition weekend programs to MRDD clients and provides them with vocational rehabilitation services.
- **Ohio Bureau of Worker’s Compensation (BWC):** BWC refers eligible injured workers to ORSC to obtain additional training in order to return to employment.

¹⁴ The Ohio Board of Regents (OBR) had partnered with ORSC to provide secondary education to disabled consumers but this program has been discontinued. The Ohio Department of Alcohol and Drug Addiction Services (ODADAS) had an interagency agreement with ORSC, but it has been discontinued and ODADAS does not refer clients to ORSC. Finally, the Ohio Department of Aging (ODA) is in the process of developing an interagency agreement with ORSC.

¹⁵ ODJFS has an interagency agreement with ORSC for workforce development and one-stop centers.

¹⁶ ODMH and ORSC obtained a grant from Johnson & Johnson for supported employment.

- **Ohio Department of Education (ODE):** In accordance with the Individuals with Disabilities Education Act (IDEA), disabled high school students receive vocational rehabilitation services from ORSC to assist them in transitioning from school to work.
- **Ohio Department of Rehabilitation and Corrections (ODRC):** ORSC vocational rehabilitation counselors work with inmates to enhance their vocational skills and help arrange for employment after the inmate is released.

Although ORSC has developed several partnerships to capitalize on funding opportunities and ensure improved service delivery for mutual consumers, several of the State partners expressed concerns about communication processes with ORSC. The Agency takes several steps to communicate with its State partners at the executive level, include State partners in training, and convey Agency results to them through formal reports. However, in some cases, the State partners questioned the value of the agreement as the service level received by its referred consumers was not at the level expected. (See also **R4.5.**) In other instances, communication between executive directors may not impact line-staff who interact between agencies.

Organizational Structure Audit Objectives

The following questions were used to evaluate the organizational structure within ORSC:

- Does ORSC's agency structure and location within State government appear to be efficient and effective?
- How do elements of the organizational structure enhance or constrain efficiency and/or effectiveness?
- Do staffing levels appear to be appropriate?
- Does the agency have effective collaboration and interaction with external agencies?
- Does evidence suggest economy and efficiency could be increased through adoption of either a private or public model for service delivery?

Recommendations

R4.1 To achieve a more streamlined, client-centered system, reduce organizational complexity and costs, and increase accountability, the Governor and General Assembly should consider the placement of the Agency within State government and examine the costs and benefits of restructuring it. Several options exist for restructuring, each of which would result in differing costs and savings, and have varying impacts on consumer services. Options within Ohio's current structure include strengthening the existing Commission through implementation of the performance audit recommendations and a slight increase in the level of Commission oversight or elevating the Agency to cabinet-level status as a stand-alone agency. If recommended improvements in the issues identified in this audit are not achieved, another option is to merge the Agency with an existing cabinet-level agency. Any significant change to the current commission form of governance would require additional actions by the State to ensure ongoing compliance with federal regulations.

ORSC is a highly complex organization due to a number of factors, including its size, its geographically dispersed nature, the challenges it faces in coordinating with other agencies, and the specialization required of counselors. It must provide services to clientele who may not immediately benefit from its services and is often challenged to meet increasing consumer expectations. Furthermore, the independent commission form of governance, although permitted under the CFR, is not widely used in the United States. A stand-alone commission provides a high level of autonomy and decision-making power for the organization. However, a stand-alone commission must exercise a greater level of diligence in coordinating with other human service agencies and reducing duplication of services.

Statistically, ORSC appears to be performing at a level above national averages. However, stakeholder interviews conducted during the audit routinely noted limited standardization in Agency processes, inconsistent service delivery, and poor coordination between interagency partners and consumer stakeholder groups. A State partner noted that inconsistencies among ORSC field offices, data sharing issues, and communication break-downs hamper the effectiveness of service. Stakeholder groups noted that accountability within the Agency seemed weak which impacted the perceived fairness of service distribution. Finally, many stakeholders commented on the inconsistency in interactions with counselors, from the level of effort exerted on a case to what services are approved or disapproved.

None of the peer states (other large states) uses a commission form of governance. According to RSA, the only other combined or general type of VR agencies that have an independent commission are Alabama, Oklahoma, and South Carolina. In fact, some

states have made recent changes to their governance structure in an effort to improve the effectiveness of vocational rehabilitation service administration. In 1999, the Florida Legislature established an independent commission (similar to Ohio). However, in 2002, due to management issues and declining outcome performance, the Legislature abolished the commission and restructured the organization as a division within the Department of Education. Similarly, Texas identified gaps in services, limited coordination among human service agencies, high administrative costs, and a confusing array of administrative and agency processes. In 2003, it consolidated 12 state agencies into 5 which are administered by a Health and Human Services Commission (HHSC). The purpose of the reorganization was to create a client-centered system that was efficient in its use of public resources, focused on results, and more accountable. The Texas Department of Assistive and Rehabilitation Services (DARS) is one of the five newly organized agencies; it oversees rehabilitation services, services for the blind, early childhood intervention, and disability determination services.

The other peer states have positioned rehabilitation services functions within a separate state agency. California, Illinois, and North Carolina provide vocational rehabilitation services through the Department of Human Services in each state. Georgia, Michigan, New Jersey, and Pennsylvania provide vocational rehabilitation services through the Department of Labor. The New York Department of Education oversees its vocational rehabilitation services, while the visually impaired receive services through the Office of Children and Family Services. In general, other states use the following arrangements for vocational rehabilitation:

- Twenty percent place this service in the state Department of Education;
- Forty percent place this service in the state Department of Labor; and
- Forty percent place this service in the state Department of Health and Human Services.

In addition, 80 percent of the peer states placed DDS in the same agency as vocational rehabilitation.

A recent study by the Maine Office of Program Evaluation & Government Accountability (OPEGA) of the State of Maine's boards, committees, commissions, and councils examined a total of 261 boards and commissions. The analysis found that approximately 349,000 hours of employee staff time and \$12 million were consumed by Maine boards and commissions in 2007. Furthermore, OPEGA noted that the consolidation of boards and commissions would reduce administrative costs and streamline State government. Cost savings could be achieved by eliminating a percentage of boards with little or no activity, reconsidering the number of seats on boards, consolidating boards sharing the same focus, reducing expenditures for refreshments and facilities, and evaluating compensation for board members.

According to the publication, *In Search of Structural Excellence* (Leadership & Organization Development Journal, 1994), states that have certain structures are more conducive to realizing particular goals and strategies. However, because of the complexity of an organization's situation, it is difficult to identify a single ideal structure. Dynamic changes in goals and resources, as well as the environment may preclude a static ideal structure. Organizations should seek to make structural changes based on a number of contingency factors. Contingency or situational factors include the organization's strategy, size, technology, and environment. As complexity increases among these situational factors, the need for coordination also increases. Evidence of trouble maintaining sufficient coordination is often an indication of inappropriate organizational structure.

Alternative governance structures may lead to a more effective and successful structure for services provided by ORSC. Change in Agency governance could help improve coordination and accountability, and enhance client confidence; however, administrators would need to pay close attention to any change to ensure that Agency values and consumer service levels are not undermined. An alternative structure that facilitates increased coordination and collaboration with other major partners could improve the coordination of services for consumers and enhance the organization's level of accountability. Also, if the Governor and General Assembly change the governance of the Agency to a form other than Commission-based, they will need to ensure that the State maintains compliance with federal regulations. If a merger or elevation to cabinet-level is contemplated, the Governor and General Assembly could consider restructuring the existing Governor's Council or another advocacy group to meet the requirements of a state rehabilitation council.¹⁷

One ORSC Commissioner expressed concerns that merger with another State agency would cause potential disruptions in services for persons with disabilities. The Commissioner has prior experience in a State agency merger and notes that such a change is difficult and does not always yield desired improvements. ORSC Commissioners also indicated that additional analysis would be needed to determine capacity in other State agencies to handle such a merger, and identify the actual costs and benefits to the State in making such a significant change.

While increasing Commission oversight would potentially result in a slight increase in costs to the Agency, elevating the Agency to a cabinet-level position would likely be budget-neutral and consolidating it into an existing agency could potentially yield a slight reduction in administrative costs. Furthermore, a reduction in duplicative services or service overlap, described, in part, elsewhere in this report, may yield cost savings or permit administrative expenses to be redirected into consumer services. The projected

¹⁷ According to CFR Title 34 Section 361.16, a state must have an independent commission or a state rehabilitation council.

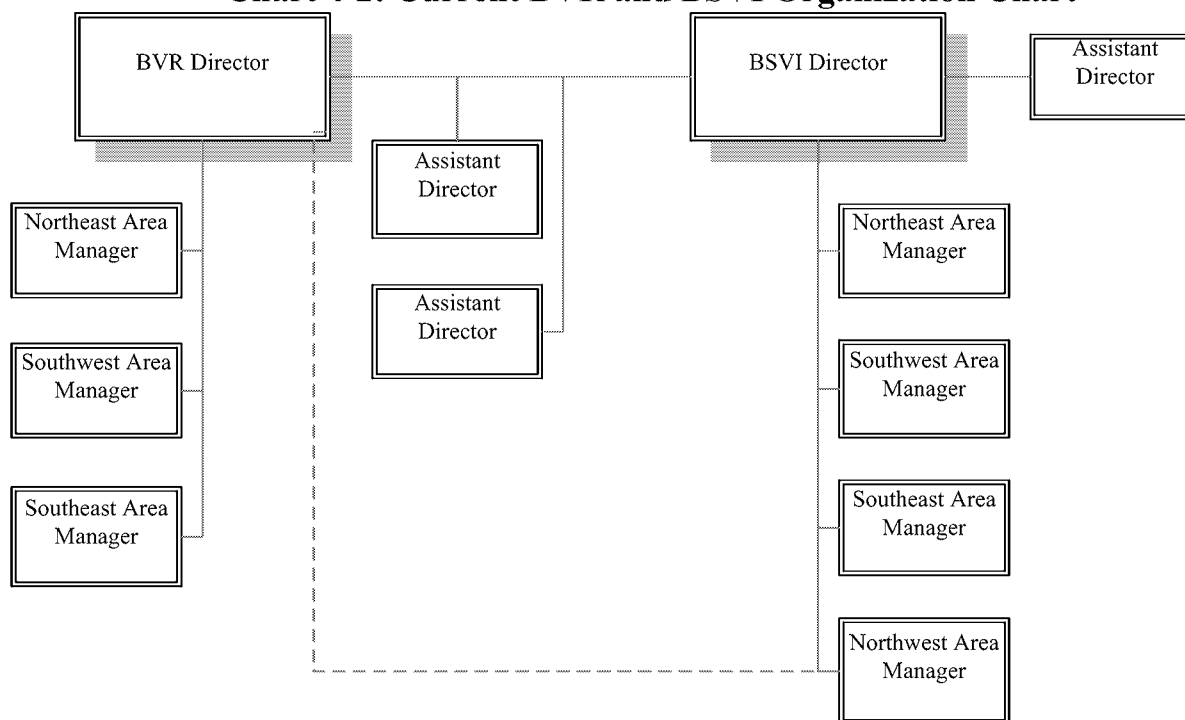
costs and savings associated with this recommendation could not be calculated because of the various factors and decisions that would impact the final result.

R4.2 ORSC should reorganize its internal structure to facilitate more efficient workflow processes and improve alignment within the organization. Units addressing like populations and services should be grouped together, while administrative functions should be enhanced through greater coordination and co-location. Assistant director positions within the divisional units (specifically BVR and BSVI) should be given direct responsibility for critical services and support functions. Finally, ORSC should consider creating a second assistant executive position, such as an assistant executive director or chief program officer, to oversee BVR, BSVI, and BDD services, to enhance continuity within the organization and improve the span of control at the Executive Director level. Executive-level leaders should review the organizational structure annually and make adjustments as appropriate to ensure that Agency structures appropriately support the mission, vision, and strategic goals (see R3.1 in organizational strategy).

ORC § 3304.15 permits the Commission to establish administrative subdivisions to carry out its functions and duties. The statute specifies that there be a Bureau of Services for the Visually Impaired, a Bureau of Vocational Rehabilitation, and a Bureau of Disability Determination. Other work units and functions have been added since the formation of the Commission in 1970, several of which provide valuable support services to the vocational rehabilitation services units. However, they may not be favorably located within the organization to best serve their internal and external customers. Likewise, reporting relationships may no longer make sense within the organization based on the purpose of certain units and divisions¹⁸.

For example, BVR, BSVI, Workforce Development, and the Employer Service Unit (ESU) all work to assist disabled consumers seeking to obtaining employment. However, Workforce Development and the ESU do not report to the directors of BVR or BSVI. Instead, they are located within the Division of Customer Service and Resource Development (CSRD) which reports to the Assistant Executive Director. To ensure that these units are able to provide interagency services to BVR and BSVI, the Agency has built layers of communication between these areas. The organizational structure of BVR and BSVI is shown in **Chart 4-2**.

¹⁸ The term division is used in this section to describe what ORSC describes as its three major programs, BVR, BSVI, and BDD.

Chart 4-2: Current BVR and BSVI Organization Chart

Source: ORSC

Chart 4-2 illustrates the relationships within BVR and BSVI. The regional offices are represented within the organization by area managers who report to the directors of BVR and BSVI respectively.¹⁹ Three assistant directors serve as liaisons to internal functional units, such as Communications, HR, and Fiscal, and have no supervisory responsibilities. The directors of BVR and BSVI report directly to the Executive Director. In addition, the Director of BDD reports to the Executive Director. In total, the Executive Director's direct reports include the directors or executive assistant director of six units or functions.

CSRD (not pictured) is comprised of four departments. These include the following:

- **Quality Management** - Acts as the liaison between the CRPs and the vocational rehabilitation programs. It is responsible for technical assistance for the online data (fee schedule), performs research, produces reports, and conducts needs assessments to monitor the quality of services between ORSC, CRPs, and the consumer.

¹⁹ Although the Northwest Area manager reports directly to the Director of BSVI, she works with the Director of BVR to resolve program concerns. This relationship is different than that of the other offices because the Northwest Area manager serves both BVR and BSVI.

- **Consumer Affairs** - Supports ORSC's consumer advisory council, provides external community outreach and develops partnerships to mutually serve consumers.
- **Workforce Development** - Provides support to BVR and BSVI by developing and monitoring programs and contracts related to vocational rehabilitation services.
- **Employer Services** - Builds relationships with employers and provides education regarding awareness for working with individuals with disabilities. Employers may contact an Employer Service Specialist (ESS) about an individual that has developed a disability but is looking for ways to "save the job." ESSs can help the employer by providing education and assigning a counselor to the disabled worker.

Although functions within CSRD provide continuous support to BVR and BSVI, the reporting relationships are not as efficient as if the functions resided in the BVR and BSVI structure.

Organizational structures can be categorized as either mechanistic or organic (*Organizational Behavior*, Osland, Kolb & Rubin, 2001). Mechanistic structures have tasks broken down into specialized, separate parts; rigidly defined tasks; centralized authority and control; vertical communication; rigid departmentalization; clear chain of command; narrow span of control; and high formalization. Most bureaucracies are mechanistic. Organic structures have employees contribute to the common task of the unit; broadly defined tasks; decentralized authority and control; horizontal communication; cross-functioning teams; cross-hierarchical teams; wider spans of control; low formalization. These are flatter structures in which leaders are never too far removed from what is actually happening organization-wide.

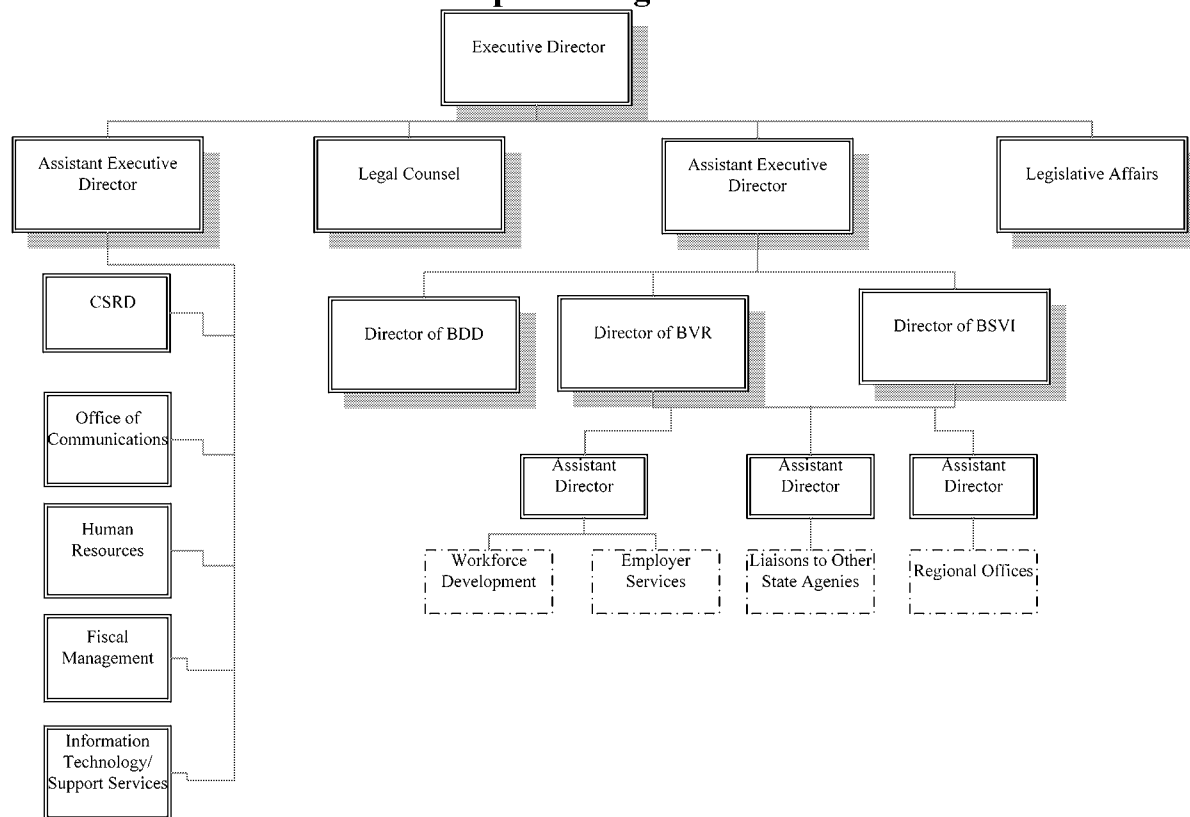
In *Organizational Life Cycles: Revisited* (Gross, Mathiasen, Franco, 1998), the authors explain that organizations move through distinguishable life cycles as they grow and mature. Each stage requires a different management style and organization structure. A loose management style may no longer be sufficient to assure accountability and satisfactory communication. In order to achieve greater coherence, consistency, and coordination, the organization should redefine its structure to consolidate and integrate programs.

A common theme derived from stakeholder interviews involves the lack of consistency among field and regional offices in serving consumers and the subsequent confusion experienced by Community Rehabilitation Program (CRP) providers who carry out individualized plans for employment (IPEs). Reorganizing the reporting relationships of

critical CSRD units would enhance their ability to provide internal services to BVR and BSVI counselors. Furthermore, providing direct supervisory responsibilities to the assistant directors would enhance oversight and coordination of these functions.

Span of Control and Public Organizations (Public Review Administration, 2003) suggests that span of control is an important organizational variable because it affects how well the organization functions. Narrow spans of control imply close supervision, while wider spans of control require more autonomy on the part of the subordinate. Span of control relationships in a lower level of an organization may be irrelevant to how spans of control are structured at a higher level of the same organization. Also, the similarity of jobs should allow a single supervisor to oversee more subordinates performing the same tasks.

Improving the level and quality of communication at the executive level may help ORSC address consistency and partnership issues that were identified in this audit. The creation of a second Assistant Executive Director position to manage the divisional units would improve direct communication among the Executive Director and his subordinates and provide a stronger chain of command when he is not in the office. Because of the complexity and breadth of operations in the divisions and the outreach focus of the Executive Director, a more limited number of direct reports would permit higher quality and more concentrated communication at the executive level. A proposed organizational structure is shown in **Chart 4-3**.

Chart 4-3: Proposed Organization Structure

Source: AOS

Note: In early March, ORSC relocated the Governor's Council in the organization. It was moved from a component unit of the CSRD to a direct subordinate of the Assistant Executive Director.

As outlined in **Chart 4-3**, the responsibilities of the current assistant directors of BVR and BSVI could be reassigned to manage specific areas within the bureaus: workforce development and employer services, the regional offices (to improve consistency, continuity, and standardization), and interagency agreements (liaising with State partners). This structure increases the effectiveness of the workflow between functions that support one another or work together closely.

ORSC's organization structure does not fully support its mission or the strategic goals of the Agency. For example, workforce development processes are fragmented across the Agency and the service model employed by ORSC does not include evidence-based best practices for individuals with a mental illness or cognitive impairment (see **vocational rehabilitation**). By appropriately aligning internal organizational structures to achieve short- and long-term goals, ORSC could help close gaps in consistency and issues caused by lack of standardized processes.

Financial Implication: Adding an assistant executive position to the organization would cost the Agency an additional \$60,000 to \$71,500 annually (including salary and benefits), depending on the qualifications of the candidate.

R4.3 ORSC should continue efforts to increase and improve standardization within the organization and ensure employees receive training on newly established standard operating procedures. Standard operating procedures (SOPs) should be developed for all major aspects of operations. Standardized and formalized processes will help improve consistency within the organization, ensuring that consistent processes are followed in both the functional and divisional units and perpetuated through periods of higher employee turnover.

As ORSC supports two primary divisions within its organization, vocational rehabilitation (through BVR and BSVI) and BDD, and has both a centralized office and several field offices, standard operating procedures are critical in communicating the required and preferred processes in the organization. Furthermore, many of the processes used by the Agency permit front-line employees great latitude in decision-making (particularly BVR counselors). While the Agency has developed some employee manuals and processes, these are not up to date and may not be consistently followed. For example, the BDD manual has not been updated to include the Agency's paperless process. Likewise, BVR counselors noted that they either did not know of, or chose not to follow, certain Agency processes.

ORSC has been characterized by stakeholders as having a high degree of variability in service delivery between regional offices. The level of inconsistency in processes was an important and prevalent issue brought forth in several stakeholder interviews. For example, stakeholders commented that the level and quality of service received was highly dependent upon the counselor assigned to the case. The great amount of discretion given to counselors in carrying out their duties leads to variations in service delivery. Although these factors have been noted at some levels within the Agency, it has not taken recent steps to standardize processes.

A standard operating procedure (SOP) is a set of written instructions that documents a routine or repetitive activity followed by an organization. The development and use of SOPs are an integral part of a successful quality system because they provide individuals with the information to perform a job properly, and facilitate consistency in the quality and integrity of a product or end result. SOPs describe both technical and fundamental programmatic operational elements of an organization.

According to *Guidance for Preparing Standard Operating Procedures* (U.S. Environmental Protection Agency, April 2007), SOPs detail the regularly recurring work processes that are to be conducted or followed within an organization. They document the

way activities are to be performed to facilitate consistent conformance to technical and quality system requirements and to support data quality. However, if not written correctly, SOPs are of limited value. In addition, the best written SOPs will fail if they are not followed. Therefore, the use of SOPs needs to be reviewed and reinforced by management.

Accordingly, the organization should have a methodology in place for determining what procedures or processes need to be documented. These SOPs should then be written by individuals knowledgeable about the activity and the organization's internal structure. SOPs should be written with sufficient detail so that someone with limited experience with, or knowledge of, the procedure, but with a basic understanding, can successfully reproduce the procedure when unsupervised.

SOPs should be reviewed and validated by one or more individuals with appropriate training and experience with the process. The finalized SOPs should be approved by the governing body. Lastly, SOPs need to remain current to be useful. Therefore, whenever procedures are changed, SOPs should be updated and re-approved. They should be also systematically reviewed on a periodic basis (e.g. every 1 to 2 years) to ensure that the policies and procedures remain current and appropriate, or to determine whether the SOPs are even needed.

According to *Organizational Behavior* (Osland, Kolb & Rubin, 2001), standardization of processes reduces variability and leads to overall improvement in coordination. Furthermore, implementation of standardized operating procedures adds numerous benefits, including the following:

- Reduces operating costs;
- Reduces worker discretion (and variability in processes);
- Improves formalization by having written procedures; and
- Improves coordination.

As ORSC manages its transition to a mature Agency, it should update existing policies and procedures to reflect recent changes to its processes. Similarly, it should ensure that general employee and financial policies are made readily available on its intranet (see **support systems and technology**). Standard operating procedures could be compiled and maintained in-house by employees who are “experts” in particular areas of operation. Using a team approach or members of the Leadership Development Program could also ensure that these are developed at minimal cost to the organization. By implementing SOPs in critical areas of operation, the Agency will improve compliance with State laws and administrative rules (see **financial management** and **vocational rehabilitation**), enhance client satisfaction, and ensure adherence to recommended practices within the organization.

R4.4 The Governor and General Assembly should clarify ORC § 3303.41 to define the relationship between ORSC and the Governor’s Council on People with Disabilities (Governor’s Council or Council). If the Governor’s Council is to be independent of ORSC, the Governor should consider changing the process used in selecting staff for the Council and the location of its office. Changing the location and staffing of the Council could mitigate concerns about its independence as expressed by Council members and stakeholders.

In general, the purpose of the Governor’s Council is to serve in an advisory capacity to the Governor’s Office and, as needed, to the General Assembly on issues relating to the needs, problems, and other concerns of people with disabilities. According to ORC § 3303.41, the Governor’s Council has the following key powers and responsibilities:

- On employment:
 - To cooperate with all employers in locating or developing employment opportunities for people with disabilities, as well as the President’s Committee on Employment of the Handicapped;
 - To encourage cooperation among employers, unions, rehabilitation agencies, bureaus, and organizations with a specific goal to facilitate employment of people with disabilities;
- To assist local, state, and federal agencies in coordinating their activities for the purpose of securing maximum utilization of funds and efforts that benefit people with disabilities; and
- To serve in an advisory capacity to the Governor’s Office directly and, as needed, to the General Assembly on issues relating to the needs, problems, and other concerns of people with disabilities.

Members of the Governor’s Council are appointed by the Governor. Annually, the Council reports to the Governor on its activities and on the state of Ohio’s people with disabilities. The report may include any recommendations believed necessary or desirable to carry out the purposes of the statute.

Also, under the statute, the Council is “assigned to the rehabilitation services commission for administrative purposes.” This assignment is repeated in OAC § 3303-1-01. The Governor’s Council receives administrative support from two administrative assistants and one rehabilitation program specialist employed by ORSC. The Executive Secretary of the Governor’s Council is appointed by ORSC’s Executive Director and reports to the Assistant Executive Director. Office space is provided at ORSC headquarters for

Governor's Council personnel. Finally, ORSC support teams in IT, human resources, communications, and fiscal management also provide support to the Council.

According to the by-laws of the Governor's Council, the Executive Secretary directs the daily operations of the Council, acts as chief spokesperson for the Council, distributes meeting minutes, schedules meetings, and provides necessary clerical and support services.

In practice, the statute is unclear as to the desired relationship between the Council and the ORSC. Furthermore, the practical staffing and office space relationships create a perceived conflict of interest. In some aspects, this stems from the ambiguity of the portion of the statute that assigns the Council to ORSC for administrative purposes. Furthermore, a representative from the Governor's Office stated that ORC § 3303.41 was not clear and that the current language in the statute could lead to various conflicting interpretations. Stakeholders believed that the Council's relationship with ORSC was intended to be a financial arrangement only and that ORSC had no supervisory role over the Council.

Because the statute implies a level of independence for the Council, stakeholders assume that it functions as an advocate for people with disabilities. Furthermore, members of the Council expressed concern that their independence as an organization was compromised because of the office location and the staffing arrangements. The Council should pursue clarification from the Governor and General Assembly to ensure that it is representing disabled Ohioans and reporting to the Governor in the manner expected.

By clarifying the relationship between ORSC and the Governor's Council as stated in ORC § 3303.41, the Governor and General Assembly can reduce the ambiguity in the role of the Council and clarify its purpose. Also, this would help ORSC and Governor's Council mutually identify strategic plan short and long-term goals. Finally, stakeholders will have a clear understanding of the intent and responsibilities of the Governor's Council and its relationship to consumers and ORSC.

R4.5 ORSC should increase the level of collaboration with its State partners and should strengthen its interagency relationships. In part, this can be achieved by inviting comments and concerns, holding public meetings, convening focus groups, and maintaining well-defined interagency agreements that seek to maximize the use of shared resources.

ORSC should also conduct semi-annual regional group meetings with its State partners to help educate and inform ORSC and State partner employees about the different services targeted to particular groups of consumers. These meetings would provide a vital arena for sharing information among the organizations, particularly between ORSC regional offices and county human service agencies. It could also

help counselors better understand the particular needs of certain groups and be more aware of the resources available to them in serving certain consumers. Finally, it would help counselors and local State partner representatives develop a higher degree of collaboration in serving mutual consumers.

ORSC provides vocational rehabilitation to clients who may also be consumers of services provided by other State agencies (State patterns). ORSC appoints liaisons to communicate with those agencies. The liaisons assist in addressing technical issues and members of ORSC's administration occasionally meet with their partner agency representatives. In addition, ORSC provides quarterly reports to other human service agencies, meets periodically with other agency directors, sponsors joint trainings, and has worked with State partners to develop collaborative products.

However, several of the partners expressed concern about the level of service provided to referred consumers. For instance, ODMH indicated that consumers were often discouraged by ORSC's orientation process. In addition, ODMRDD stressed that ORSC employees in the regional and field offices do not have a comprehensive understanding of the waiver program used for its consumers. Overall, stakeholders expressed concern that turnover at ORSC has created a knowledge deficit with respect to the level of coordination with other State agencies that is needed to achieve optimum results.

Multiple agencies are often involved in employment efforts for disabled individuals. Each agency has its own philosophy and selection criteria, uses various models of treatment and recovery, and has staff with different backgrounds and experiences. When an individual with disabilities has to navigate a series of unintegrated programs, differences can often become barriers to service.

To increase collaboration among agencies, *Customized Employment Employers and Workers: Creating a Competitive Edge* (National Center on Workforce and Disability, 2007) recommends agencies sponsor information sessions on various systems that allow each system to explain its role in state and local workforce development. The sessions allow state agencies to describe their basic purpose, the population they serve, and the resources and services they provide. In many aspects, the lack of knowledge regarding other agencies is a barrier to collaboration.

Furthermore, successful interagency partnerships must have a clear mission, focus on actions that produce intended outcomes, and consistently track and evaluate their impacts. Partnerships with an employment mission for individuals with significant disabilities must focus on the timeliness and quality of services delivered and job outcomes achieved. Employment services and outcome data are critical in determining the partnership's success in fulfilling its mission.

There can be major challenges in establishing effective interagency partnerships. Successful interagency partnerships provide services using evidence-based principles such as the following:

- A clear focus on competitive employment outcomes exists;
- Individualized job goals are established;
- Individuals move rapidly to employment;
- Service coordination, employment, and clinical services are integrated; and
- Employment supports are continuous after initial employment.

When these principles are in place, a clear focus on competitive employment exists from the start of the intake process. Service coordinators, intake staff, job coordinators, and therapeutic staff are better able to incorporate discussions about work early in their meetings with the individual.

Other factors also impact successful partnerships. On the financial side, *Real Work for Real Pay* (Wehman et al., 2007), notes that the formation of meaningful agreements of collaborators between public agencies is an essential way to maximize resources. The sharing of resources targeted to similar tasks is an extraordinary way to leverage existing dollars to create a larger pool of potential resources than any one agency may be able to amass on its own. Inevitably, any successful inclusive employment program will reflect interagency partnerships.

Similarly, stakeholder values and expectations, in this case those of the State partners, must be addressed and managed. *Managing Public Service Contracts: Aligning Values, Institutions, and Markets* (Public Administration Review, 2006) suggests that identifying and balancing stakeholder values are politically challenging tasks. A variety of means are available to reach stakeholders with more intense and deeply held preferences including through public meetings, advisory committees, and focus groups. When identifying stakeholder values, it is necessary to identify the tools, resources, and constraints that define the range of action that might be taken in delivering services.

By strengthening its relationship with other State agencies, obtaining feedback on a regular and frequent basis, and conducting semi-annual regional group meetings, ORSC will be able to better serve disabled consumers referred by its State partners. Regular meetings with counterparts in the partner agencies will help build working relationships and provide continuing education to employees. Furthermore, using the expertise of the partners may improve ORSC's outcome statistics for particular populations. For example, an ODMH representative suggested that a separate orientation for mental health consumers may help those consumers in following through with the orientation process. Improving collaboration with the partners and increasing its attentiveness to the particular needs of referred consumers will help ORSC better demonstrate its intent to serve these

individuals in a manner consistent with other disabled populations. Assigning responsibility for communicating and collaborating with the State partners to an assistant manager would strengthen ORSC's focus on this issue (see **R4.2**). Finally, improving operating procedures and enhancing consistency in the process will ensure that counselors and other front-line employees use procedures developed jointly with partner agencies (see **R4.3** and **R7.2**).

Improving coordination with State partners would help ORSC ensure that its case services are effectively managed for mutual consumers and that resources currently expended on service duplication are minimized. While this would yield a cost savings to ORSC and its State partners which could be redirected into consumer services, this amount could not be quantified.

R4.6 ORSC should develop and implement a staffing plan that is aligned with the Agency's mission and strategic goals. The staffing plan should include the workload measures determined by each bureau and department as well as a succession plan (see R4.7). ORSC should also conduct a workforce planning analysis to identify the demographics and competencies of its employees. As part of the workforce planning analysis, the Agency should develop strategies to close the gaps between current and future staffing needs.

ORSC does not have a staffing plan. The bureaus and departments within the Agency determine staffing needs based on each bureau's and department's workload measures. The bureaus and departments notify the HR Department when additional staffing is needed. Recently, the HR Department began tracking vacancies within each bureau or department, with the exception of BDD.²⁰ ORSC's Human Resources Department has identified a large number of employees who will soon be eligible for retirement. Moreover, during the audit, auditors requested staffing information for the last 10 years to complete a staffing trend analysis. The data requested included employee name, current position, start date, and termination date, if applicable. ORSC was unable to provide historical staffing information and auditors were unable to complete a trend analysis.

The Director of Human Resources also conducted an analysis of counselor workforce demographics. The analysis found that only 15 percent of counselors have been employed at the Agency for at least nine years. In several interviews with counselors and stakeholders, turnover in the Agency was cited as a problem—hampering communication, coordination and consistency. The Director indicated ORSC needed to develop strategies to raise the retention period by at least 15 percent.

²⁰ BDD staffing is determined and authorized by SSA.

Limited staffing records are available to ORSC for decision-making and analytical purposes. Historically, ORSC has not maintained its personnel records in a manner that would track employee promotions and movement within the organization. Furthermore, in its transition to the Ohio Administrative Knowledge System (OAKS), the State's central administrative computer system implemented in 2006, ORSC opted not to maintain electronic versions of historical information. OAKS only contains data from its implementation to the present. ORSC could compile this data manually from paper records but the labor associated with this task would undermine any savings resulting from staffing analyses. (See also **R6.4**).

Strategic Staffing Plans (Society for Human Resource Management (SHRM), 2002) notes that high performing organizations use plans and systems to monitor and control the cost of engaging human capital. The process for developing a staffing plan includes: establishing organizational goals and objectives, analyzing positions and functions, and determining the staffing levels required to perform current or projected work. The plan should also consider the proper mix of full-time, part-time, and temporary staff. The staffing plan should be approved by the governing authority.

Workforce Planning: The Key To True Staff Forecasting And Strategic Staffing (SHRM, 2005) recommends that human resources staff should understand what specific types of people, competencies, and skills will be needed in the future and develop relationships with sources of that talent well before there is a need to fill a role. Workforce planning is a process to assess workforce content and composition to respond to future business needs.

Workforce Planning: The Strategy Behind Strategic Staffing (SHRM, 2007) states that workforce planning puts a company "one step ahead," resulting in informed staffing decisions that benefit the company in both the short- and long-term. It also provides a framework for other human resource policies and programs, such as training, compensation and diversity management. More importantly, it helps an organization recognize the most effective and efficient use of its human capital in creating a workforce that is and will continue to be flexible and responsive. Workforce planning follows the following four-step model:

- **Supply Analysis:** identify the demographics and competencies of the company's current workforce. Then examine attrition statistics, including resignations, retirements, internal transfers and promotions, and involuntary terminations.
- **Demand Analysis:** forecast the competencies that will be required by the future workforce for the organization to be successful. Both internal and external influences must be considered. Predict how the business may change by

considering the business mission, strategies and goals, as well as legislation, economic conditions, technological advances, and market competition.

- **Gap Analysis:** compare the supply and demand data collected. The result is the determination of skill surpluses and deficiencies. While identifying competencies that are lacking is an obvious goal of this activity, it is equally important to understand which are in excess. Gap analysis helps pinpoint who is at risk and proactively deal with each situation as appropriate.
- **Solution Analysis:** Develop strategies for closing the gaps identified.

Although the Director of Human Resources analyzed the staffing needs for the counselor positions, all staffing for the Agency should be analyzed to determine appropriate staff levels. Furthermore, the Agency should monitor trends in staffing so that adjustments may be made to underperforming or underutilized areas of the organization. By developing and implementing a staffing plan, as well as completing a workforce planning analysis, ORSC can predict roles, functions, and skills that are needed to enhance its success. Likewise, it will be able to ensure continuity of operations as staff transitions occur.

R4.7 Under the direction of its Succession Advisory Committee (SAC),²¹ ORSC should conduct a succession planning gap analysis as recommended by the American Society for Training and Development (ASTD). This analysis should be based on retirement projections and ORSC's planned source of future employees. ORSC should evaluate whether its current Leadership Development Program (LDP) will prepare an adequate number of qualified internal candidates to fill projected vacancies. This should be reviewed in the context of past hiring practices and should account for the number of management level employees that the Agency typically hires. Results of the gap analysis should be considered when developing short-term strategic plan goals (see R3.1 in organizational strategy). Finally, ORSC should complete a human resource audit to complement the Agency's annual employee reviews. As a part of each employee's review, management should assess career advancement potential. Identifying high potential employees within the organization through performance evaluations, supervisory feedback, and self-selection will help ensure succession planning strategies and leadership development programs are effectively designed to address future needs.

ORSC's Human Resource Department has determined that a high number of ORSC employees will soon become eligible for retirement (one-third of the agency in the next

²¹ The SAC consists of the Executive Director, Assistant Director, three bureau directors, and three bureau assistants.

five years). An analysis, performed by the Ohio Department of Administrative Services (DAS), confirmed ORSC's assessment and focused attention on the issue. In its retirement analysis, ORSC found that soon-to-be retirement eligible employees were heavily weighted toward experienced and management staff. The Agency conducted a gap analysis to identify the positions that would be affected and used this information to develop its LDP and select candidates for the program.

According to ORSC, the LDP is a 12-month program which is open to all employees and participants are selected based on their potential for leadership, productive participation, and effective interpersonal work and communication. Participants in the LDP are charged with completing a team-based project related to the organization that will allow participants to develop and apply management skills. The LDP Coordinator indicated that the LDP began in March 2007 and at the time of the start of the audit, the program was about half completed. ORSC used information from high performing public and private organizations to develop the competencies used in its LDP. In order to evaluate the success of the LDP, ORSC plans to track participant awards and promotions over time as well as program alumni performance. ORSC is going to be soliciting feedback from both participants and management, and a summary of the feedback will be included in the Commissioner's report.

According to the publication *Succession Planning: Career Development* (ASTD, 2000), succession planning entails identification of employees who possess the skills to meet future organizational challenges. ASTD has identified the following five basic succession planning components but emphasizes that succession planning should be tailored to the specific organization:

- **Replacement Planning** - This is the primary component of succession planning and at its simplest, is an identification of employees who may potentially be able to fill positions as they become vacant. When conducting replacement planning, follow these suggestions:
 - Create a bottom-up approach whereby managers at lower levels make initial recommendations as to who can be replacements for their direct reports.
 - Have each higher level of management review the recommendations and make revisions. (If an interdepartmental movement strategy is being used, managers should include recommendations from other parts of the organization).

- Identify competencies for all key positions through a formal job analysis process in highly technical, detailed, and stable organizations. Managers, or a panel of managers, can evaluate individuals against these standards.
- Use group meetings in more flexible organizations to discuss replacement skill level, readiness, and potential to get a fairly accurate judgment of a person's capability. Use group consensus about general skills for the future.
- **Human Resource (HR) Audit** - This component focuses on determining whether employees at different levels should stay within their own positions or move to different positions and distinguishes key development strategies. This component also helps designate the pools of employees qualified for specific position vacancies. During annual employee evaluations, management staff should assess each employee for readiness for advancement, potential to move into a new position, and development required to achieve advancement. Assessing these key characteristics for all employees will help management ensure that all employees are being equally considered as part of the succession plan.
- **Identifying High-Potential Employees** - This component focuses on identification of employees who have the ability to move into key positions within the organization. In identifying these employees, management must look at critical characteristics of potential leaders including: results driven, people skills, mental ability, lifelong learning, integrated thinking, flexibility, and energy.
- **Employee Input** - This component focuses on linking employee career development goals and desires with organizational succession planning needs. When seeking employee input, managers should consider obtaining employee input through direct discussion, having employees complete career interest forms, entering employee job preferences into a database, and using the intranet to make career opportunity information available to all employees.
- **Development Programs** - This final component is the design and implementation of employee career development programs. Organizations are increasingly using leadership development programs to fast-track high-potential candidates, and many of the more effective programs are using action learning. Further, managers are being asked to coach and mentor throughout these development programs. When devising a development program, several guidelines should be followed including determining if a skill-based or job-based strategy should be used, assessing the skills and development needs of high-potential employees, and patterning a plan design to reflect how employees learn.

Many governments analyze leadership turnover, past hiring practices, and the potential to develop talented employees from within as part of a staff planning. One such government that was an early adopter and recognized national leader in developing this type of enhanced staffing plan is the City of Sacramento, California. The City of Sacramento identified a succession planning need and developed a leadership development program called the Leadership Management Institute (LMI). The LMI has been successful in allowing Sacramento to prepare for retirement staff turnover and ensure that a sufficient number of qualified employees are ready to replace the outgoing management cohort. The LMI includes several steps which other governments may be able to incorporate into their own leadership and succession planning efforts. The first step is for the organization to project its leadership turnover. The second step is to determine the organization's past practices toward hiring management staff. The third and final step is for the organization to evaluate the yield of its leadership development efforts. In short, the LMI recommends that each organization evaluate its leadership development yield in light of the projected management turnover and the organization's expectations of whether those individuals will come from inside or outside the organization.

Although ORSC has begun to address staff retirement and turnover issues, the Agency has not implemented practices which would help strengthen its succession planning strategy. Without formally assessing each employee's management potential, the Agency may not be efficiently directing training resources toward employees with the greatest potential. Assessing management potential as part of the annual evaluation could help identify highly qualified employees who might otherwise not apply to the program.

R4.8 To improve the organizational climate at ORSC and to ascertain the organization's readiness for change, the Commission and Agency administrators should conduct a survey of internal and external stakeholders to identify and understand the gap between the Agency vision and current reality. Surveying stakeholders will enable the Agency to identify proposals for change and ensure that identified organizational issues are attributed to their root causes. As a component of the survey, the Commission and administration should request feedback on critical agency processes and procedures and evaluate the gap between the current status and desired state. Using a collaborative effort to identify potential areas for change may help improve employee morale and retention while refocusing counselors on consumer services. The Commission may be able to glean some of this information from prior surveys conducted as part of its strategic plan and efforts to assess employee perceptions and job satisfaction.

During the course of the audit, employees and stakeholders expressed dissatisfaction with aspects of Agency operations. Employees expressed concerns about production goals and the impact they perceived the goals were having on customer service. Stakeholders also remarked on issues related to communication and coordination, as well as consistency in

services and the level of assistance received. Employees participate in process improvement on a limited basis, predominately through the Leadership Development Program. The Agency does administer climate surveys for the purpose of updating its strategic plan. In addition, ORSC has conducted surveys to assess employee perceptions and job satisfaction.

According to *Organizational Behavior* (Osland, Kolb & Rubin, 2001), when employees participate in data gathering and determining the root source of problems, they take greater ownership of the results and are more committed to making change happen. Committed employees are less resistant, which ensures that organizational changes are more readily adopted. An organization may use surveys, process improvement teams, or other methods to ensure inclusion in the change process.

Also, *Employee Involvement* (SHRM, 2007) suggests that participatory management practices create opportunities for employee to express their opinion by encouraging upward communication and facilitating employee input in organizational decisions. For example, organizations can involve their employees through team briefings, workplace committees, problem-solving groups, regular meetings with senior managers, surveys, focus groups and suggestion boxes.

Change Management: Lessons About Employee Involvement (Heatherfield, n.d.) states that organizations should create a plan to involve as many employees as possible during the change process. Organizations should try to involve all stakeholders and employees who will feel the impact of the changes as the individuals directly affected by the change should be involved in the learning, planning, decisions, and implementation of the change.

Obtaining employee opinions requires management's commitment to follow up on suggestions from employees and take them into account in organizational decision-making. Employee involvement is most effective in a culture that encourages and respects expressions of support, as well as those of discontent. Organizations may benefit from honest, innovative feedback that challenges accepted practices. A fear of being penalized for negative feedback could lead to organizational silence—the intentional withholding of work-related ideas, information and opinions. This reluctance to share information has potentially negative consequences on trust, motivation and organizational commitment.

Organizational issues within ORSC are related to several factors, including its size, geographic divisions, use of technology to share information, and low levels of coordination internally and with other organizations. Change has not been addressed within the organization, as it has been in a growth process since its inception in 1970. However, the Agency is reaching a point of maturity and a large number of its founding

employees are preparing for retirement, making this an opportune time to review the organizational health of ORSC and initiate changes. The following steps will help ensure a successful change process:

- Forming a guiding coalition to lead the change process;
- Creating a tentative plan to operationalize the new shared vision;
- Analyzing potential resistance and obtain participation;
- Establishing an implementation plan;
- Communicating the change;
- Implementing the change; and
- Evaluating and make corrections.

Without implementing a change process, ORSC will continue to experience organizational issues that can hamper its future success. Changes have greater likelihood of success when those in decision-making roles believe the status quo is no longer good enough and when there is critical mass that supports the change. Indications are that ORSC has reached this point in its organizational development and could capitalize on the change process to resolve internal issues, as well as those identified in this audit.

Financial Implications Summary

The following table summarizes the estimated annual costs of recommendations presented in this section of the report.

Summary of Recommendations for the Organizational Structure Section

Recommendation	Estimated Annual Costs
R4.2 Creating a second Assistant Executive position to oversee BVR, BSVI, and BDD services	\$60,000 to \$71,500
Total	\$60,000 to \$71,500

Source: AOS recommendations

Note: Estimated salary and benefit costs are based on Executive Director 2 and Executive Director 3 class titles (step 1) salary schedule with 30 percent added for benefits.

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Financial Management

Background

This section focuses on financial management at the Ohio Rehabilitation Services Commission (ORSC or the Agency). The section includes assessments of the Agency's financial policies and procedures, including an analysis of the effectiveness and efficiency of established internal controls and financial decision-making processes in the areas of budgeting, purchasing, and fiscal management. Comparisons were made between existing conditions at ORSC and leading financial management practices, including the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), the American Institute of Certified Public Accountants (AICPA), the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the United States Government Accountability Office (GAO), and the International City/County Management Association (ICMA). Furthermore, testing was completed to ensure compliance with legal requirements set forth in the Ohio Revised Code (ORC) and the Ohio Administrative Code (OAC).

Organizational Function

The Fiscal Management Department is responsible for financial planning, budgeting, purchasing, and other aspects of financial management. Fiscal management plays an important role at ORSC as the Agency processes a high volume of purchase orders and payments for vocational rehabilitation clients.¹ The Department consists of 44 FTEs² (full-time equivalents) including a Chief Financial Officer, who oversees the Department, and 3 FTE fiscal officers, consisting of the Budget Manager, Team Leader, and Finance Manager. The fiscal officers manage approximately 41 staff across the three functional areas within the Department: Budget, Finance, and Audit. The following are brief descriptions of the duties and responsibilities and the number of FTEs allocated for each unit:

- **Budget** – The Budget Unit consists of 4 FTEs, who, in conjunction with the administration, develop the ORSC budget, monitor performance of the budget, and compile monthly financial reports for administrators and Commission members.
- **Finance** –The Finance Unit consists of 38 FTEs, whose main responsibilities include accounts payable and providing fiscal services to the Bureau of Vocational Rehabilitation (BVR) and the Bureau of Disability Determination (BDD). Fiscal services include cash management procedures, drawdown of federal funds and financial reporting.

¹ The average number of vouchers processed daily during a six month period in 2007 was 1,105.

² The total FTEs includes three vacancies.

- **Audit** – The Audit Unit consists of 2 FTEs who are responsible for auditing sub-grantees³ of ORSC. During State Fiscal Year (SFY) 2006-07, the auditing group performed 20 audits of case service agreements, community centers for the deaf, independent living contracts, and independent living /older blind contracts.

State and Federal Funding

State Funding

ORSC receives State monies from the General Revenue Fund (GRF); however, the level of GRF is dictated, in part, by the amount of federal resources ORSC is seeking to obtain. The United States Code of Federal Regulation (CFR), Title 34 Chapter III - Part 361 outlines the federal share for financing state vocational rehabilitation programs. The matching ratio, for every dollar of state funds allocated, is approximately four dollars of federal funds. Each state must maintain a Maintenance of Effort (MOE), which is a minimum level of funding from non-federal sources, or its allowable amount may be reduced.⁴ In recent years, ORSC has been fully funded and has been able to meet and or exceed its MOE. In the event a state is not able to meet or exceed MOE, any remaining available funds may be reallocated to other states. ORSC has been able to take advantage of this situation in the past and has received additional funding to increase services to disabled Ohioans. Although ORSC planned to meet its MOE levels for SFY 2007-08 and 2008-09 through significantly increased GRF appropriations, it has been notified by the Office of Budget and Management (OBM) that the Agency's GRF will be reduced by 10 percent each year of the biennium. The Agency indicated this may affect its MOE and could, in future years, result in a deficit.

Additional State funding is provided to ORSC from the State Special Funding Groups. These consist of Third Party Funds and the Services for Rehabilitation Fund. Third party funds are used as a State match for federal funds and are transferred from other State agencies that serve mutual populations. Third Party Funds are used to maximize the available federal draw down.

³ Sub-grantees are entities that receive federal funds which are filtered through ORSC. Their expenditures typically exceed \$50,000 - \$75,000.

⁴ If a state fails to meet its maintenance of effort, federal funding is reduced by an amount equal to the difference between non-federal expenditures in the previous Federal Fiscal Year (FFY) compared to the amount from two years prior. For example, in FFY 2007-08, a state must maintain an MOE level at least equal to its expenditures from non-federal sources for FFY 2005-06. If the state's FFY 2007-08 non-federal expenditures were less than FFY 2005-06, the state would have an MOE deficit and federal funding could be reduced in FFY 2008-09 by the amount of the deficit.

Federal Funding

ORSC receives federal funds from two sources.⁵ The U.S. Department of Education Office of Special Education, Rehabilitation Services Administration (RSA) provides federal funds for vocational rehabilitation services. ORSC also receives funds from the Social Security Administration (SSA) for expenditures associated with operations for disability determination services (DDS) provided through the Bureau of Disability Determination (BDD) at ORSC. BDD is fully funded by the federal government. All personal services, benefits, supplies and materials, and contracted services are charged back to SSA.

Vocational Rehabilitation Funding

RSA⁶ funds, and the majority of State funds, are used to support the operations of statewide workforce investment programs and support services. These programs and services include assistance to eligible persons with disabilities in becoming employed, to individuals who require assistance with independent living, and to elderly persons with work capacity limitations. Further, vocational rehabilitation funds are used to serve mutually eligible consumers of the Ohio Department of Job and Family Services (ODJFS), the Ohio Department of Mental Retardation and Developmental Disabilities (ODMRDD), and the Ohio Department of Mental Health (ODMH). See **organizational structure** for additional information on ORSC's State partners.

Budgeting Process

The Budget Unit issues a memo at the beginning of the budgeting process, outlining the requirements for each department in developing the Commission's operating budget (see **R5.5**). The Bureau of Vocational Rehabilitation (BVR), Bureau of Services for the Visually Impaired (BSVI), the Central Office Executive and Management Staff, and the Bureau of Disability Determination (BDD) are responsible for developing proposed budgets for their respective departments, with assistance from the budget analysts. Each department's budget must link projected expenditures to departmental goals and needs, on a per line item basis. The memo also provides federal revenue projections, which are considered when linking departmental goals to the proposed budget. The budget memo also outlines a timeframe for submitting the proposed departmental budgets, making group presentations, submitting a draft budget to the Commission, and securing Commission approval of the budget.

Before the implementation of the Ohio Administrative Knowledge System (OAKS), the ORSC budget was monitored on a weekly and monthly basis. Monthly reports were routinely supplied to each director and manager, while weekly reports were developed for directors or managers

⁵ Also see **program overview, history, and current status** for explanations of the different types of federal resources provided.

⁶ RSA funds consist of Consolidated Federal and Independent Living/Vocational Rehabilitation funds identified within **Table 5-1**.

who requested them. The reports served as a check and balance to ensure that expenditures were coded to proper cost centers and to scan for irregularities. In addition, a monthly Budget Highlight report, internally called the Commissioners Monthly Budget Report, was issued, which was supplied to management and the Commission. This report presented a summary of financial data pertaining to client services, case services, other operational areas, grant reports, and indirect costs. The Budget Highlight report also presented a year-to-date budget report, based on the federal fiscal year, for each fund. These reports were used as tools to determine if adjustments to the operating budget were needed. ORSC has the authority to make budget adjustments from one cost center to another, but Commission approval is needed to increase overall appropriations.

The Budget Unit was unable for an extended period of time to develop the weekly, monthly, or Budget Highlight reports due to the OAKS implementation in July 2007; however, during the audit ORSC began exporting data from OAKS and the Case Authorization Tracking System (CATS) to run daily, weekly, and monthly detailed reports. The Budget and IT teams continue to collaborate on further automating the production of these reports.

ORSC Revenues and Expenditures

In SFY 2006-07, ORSC reported expenditures⁷ of approximately \$253,000,000, an increase of 4.1 percent over SFY 2005-06. The following is a breakdown of expenditures by the functional areas of ORSC:

- **Administrative Costs - \$24,600,000.** These expenditures include costs associated with payroll and fringe benefits, assistive technology, and program management expenses. Administrative costs include expenditures from both state and federal funds, and represented approximately 9.7 percent of ORSC's total expenditures in SFY 2006-07.
- **Bureau of Vocational Rehabilitation - \$143,500,000.** These expenditures include costs associated with MRDD Services, Mental Health Services, Vocational Rehabilitation / Job and Family Services, Office for People with Brain Injury, Services for People with Disability, Independent Living Council, Services for Elderly, Independent Living Services, Vocational Rehabilitation, and Indirect Costs. Vocational Rehabilitation represented approximately 56.7 percent of ORSC's total expenditures in SFY 2006-07.
- **Bureau of Disability Determination - \$76,900,000.** These expenditures include costs associated with the operations of BDD, which determines the disability eligibility for the Federal Social Security Disability Insurance and Supplemental Security Income.

⁷ The reported expenditures vary due to rounding and incomplete data pertaining to GRF funds. GRF expenditures were not reported in the same cost categories as those shown in the report.

The Bureau of Disability Determination represented approximately 30.3 percent of ORSC's total expenditures in SFY 2006-07.

- **Social Security Reimbursement (SSR) Fund Group – \$5,650,000.** These expenditures include the Personal Care Assistance program, and costs associated with the operations of Services for the Deaf, which provides grants to Community Centers for the Deaf in Ohio. SSR programs represented approximately 2.2 percent of ORSC's total expenditures in SFY 2006-07.
- **Other - \$1,900,000.** These expenditures include costs associated with the operations of concession stands and monies received from other State entities to provide services to mutual eligibility consumers for vocational rehabilitation. Other expenditures represented less than 1.0 percent of ORSC's total expenditures in SFY 2006-07.

Table 5-1 shows SFY 2004-05 through SFY 2006-07 revenues and expenditures by fund, as well as the percent change from year to year.

Table 5-1: Rehabilitation Services Commission Revenue / Expenditures

	SFY 2004-05	SFY 2005-06	% Change	SFY 2006-07	% Change
Revenues					
State Resources					
General Revenue Fund (GRF) ¹	\$24,296,832	\$24,296,832	0.0%	\$24,684,552	1.6%
Indirect Cost (4W5) ²	\$15,883,387	\$16,073,505	1.2%	\$16,126,770	0.3%
Service for Rehabilitation (4L1)	\$3,839,100	\$3,858,911	0.5%	\$3,997,680	3.6%
Stand Concessions (467) ³	\$1,431,106	\$1,461,105	2.1%	\$1,602,204	9.7%
Third Party Funding (468)	\$832,028	\$246,555	(70.4)%	\$1,481,543	500.9%
Total State Resources	\$46,282,453	\$45,936,908	(0.7)%	\$47,892,749	4.3%
Federal Resources					
Consolidated Federal (379)	\$111,195,122	\$113,700,860	2.3%	\$117,525,254	3.4%
Disability Determination (317)	\$73,732,503	\$75,557,889	2.5%	\$76,502,274	1.2%
Social Security Reimbursement (3L1)	\$8,962,651	\$4,730,121	(47.2)%	\$6,751,793	42.7%
Independent Living / Vocational Rehabilitation (3L4)	\$3,675,538	\$3,317,278	(9.7)%	\$2,998,602	(9.6)%
Total Federal Resources	\$197,565,814	\$197,306,148	(0.1)%	\$203,777,923	3.3%
Total Revenues	\$243,848,267	\$243,243,056	(0.2)%	\$251,670,672	3.5%
Expenditures					
State Resources					
General Revenue Fund (GRF)	\$23,309,606	\$25,178,039	8.0%	\$24,888,525	(1.1)%
Indirect Cost (4W5)	\$16,735,547	\$15,656,737	(6.4)%	\$15,659,540	0.0%
Service for Rehabilitation (4L1)	\$1,801,837	\$2,903,325	61.1%	\$6,586,629	126.9%
Stand Concessions (467)	\$1,274,498	\$1,308,886	2.7%	\$1,117,809	(14.6)%
Third Party Funding (468)	\$1,464,466	\$883,452	(39.7)%	\$832,965	(5.7)%
Total State Resources	\$44,585,954	\$45,930,439	3.0%	\$49,085,468	6.9%
Federal Resources					
Consolidated Federal (379) ⁴	\$110,784,673	\$112,366,618	1.4%	\$118,055,432	5.1%
Disability Determination (317)	\$73,287,976	\$74,197,094	1.2%	\$76,902,459	3.6%
Social Security Reimbursement (3L1)	\$12,876,570	\$7,162,459	(44.4)%	\$5,632,094	(21.4)%
Independent Living / Vocational Rehabilitation (3L4)	\$3,742,846	\$3,226,710	(13.8)%	\$3,100,346	(3.9)%
Total Federal Resources	\$200,692,065	\$196,952,881	(1.9)%	\$203,690,331	3.4%
Total Expenditures	\$245,278,019	\$242,883,320	(1.0)%	\$252,775,799	4.1%

Source: Central Accounting System and the Ohio Rehabilitation Services Commission

¹ General Revenue Fund dollars represent appropriated amounts.

² Fund 4W5 comprises both federal and state revenue sources.

³ Fund 467 comprises both operator service charges and other non-federal revenue.

⁴ Fund 379 is formula grant revenue received from RSA.

Revenues

Table 5-1 illustrates that on average, 19.0 percent of ORSC's revenues were from State resources in SFY 2004-05 through SFY 2006-07. GRF funding represented approximately 52.3 percent of the total amount of State funds received during the period. GRF revenue is used for expenditures such as personal services, independent living, assistive technology, and matching federal dollars. House Bill (HB) 119, the state budget bill for the 127th General Assembly, includes approximately \$2 million in additional GRF funding for ORSC beginning in SFY 2007-08. While this is a significant increase, the majority of these funds will be used to match federal dollars to support vocational rehabilitation programs (on a 1 to 4 ratio).

The majority of State revenue illustrated in **Table 5-1** has remained constant, with the exception of Third Party Funds. Fluctuations in Third Party Funds occur based on the number of cooperative contractual agreements ORSC has with other state agencies. Funding also fluctuates based on the availability of federal dollars as described in the *State Funding* section of this report.

Table 5-1 also shows that 81.0 percent of ORSC revenues received during this period were from federal sources, consisting of SSA and RSA payments. The Consolidated Federal Fund represented approximately 57.2 of total federal revenue sources over the three year period. The Consolidated Federal Fund is used to assist eligible persons with disabilities in preparing for and obtaining employment. Social Security Reimbursements decreased by approximately \$2 million from SFY 2004-05 to SFY 2006-07, due to changes at the federal level to programs including Social Security Community Centers for the Deaf, Social Security Administrations Costs, Social Security Older Blind, and Social Security Independent Living. However, ORSC was able to use reserve funds to continue operating its independent living program.

Expenditures

ORSC's total expenditures⁸ have increased by an average of 1.5 percent from SFY 2004-05 through SFY 2006-07, as shown in **Table 5-1**. With the exception of the Services for Rehabilitation Fund and Social Security Reimbursement Fund, the expenditure amounts by fund code have remained consistent. From SFY 2004-05 through SFY 2006-07, the Services for Rehabilitation Fund⁹ increased by an average of 94.0 percent. However, when SFY 2003-04 is included, this line item increased by an average of 47.0 percent. The Services for Rehabilitation Fund varies from year to year due to fluctuations in the license reinstatement fee revenue transferred from the Bureau of Motor Vehicles. The increase in expenditures reflects efforts by ORSC to use non-GRF funds as match for federal VR dollars.

⁸ See **vocational rehabilitation** and **disability determination** for detailed revenues and expenditures in those program areas.

⁹ This fund source is license reinstatement fee revenue transferred to ORSC from the Bureau of Motor Vehicles.

Social Security Reimbursement Funds have decreased by an average of 33 percent from SFY 2004-05 through SFY 2006-07. This decrease was due to ORSC aligning its expenditures with decreased federal revenues for programs.

ORSC's expenditures exceeded revenue by approximately \$2.2 million over the three year period, as illustrated in **Table 5-1**. However, the Agency was able to sustain operating levels due to an average carryover balance of approximately \$28 million.¹⁰ ORSC can carry over its federal dollars from one FFY to the next, but the carryover balance must be obligated by the end of the second FFY or RSA has the right to recollect the funds. ORSC is currently examining ways to spend down its large carryover balance, although a large percentage of the funds are limited in use.

Grants

RSA administers and supports an array of formula and discretionary grant programs that serve and assist individuals with disabilities. Formula grant programs are allocations of money to states (or their subdivisions) in accordance with a distribution formula prescribed by law or administrative regulation. Formula grants are for activities of a continuing nature and are not confined to a specific project. The Consolidated Federal Fund in **Table 5-1** is an example of a formula grant received by ORSC. A discretionary grant award provides funds on the basis of a competitive process. The grantor reviews applications in light of the legislative and regulatory requirements established for a program. This review process gives the grantor discretion to determine which applications best address the program requirements and are, therefore, most worthy of funding. Discretionary grants may cover one or more fiscal years and may or may not be renewable.

Table 5-2 provides information on the discretionary grants received by ORSC during the prior two state fiscal years.

¹⁰ The carryover balance is represented in federal fiscal years. This amount varies due to outstanding obligations from FFY 2006-07. ORSC needs to complete the authorization de-obligation program to reduce all vocational rehabilitation authorizations to the actual expenditure amount. For example, if ORSC obligated \$1,000 to a particular vendor and only spent \$900, the authorization de-obligation program would reduce the encumbered amount to the actual expenditure; in effect increasing the carryover balance. Once this is complete, an actual carryover balance can be calculated.

Table 5-2: ORSC's Discretionary Grants

Federal Program Name	Grantor	SFY 2005-06	SFY 2006-07
Disability Employment Policy Development	U.S. Department of Labor	\$191,744	\$64,014
Rehabilitation Training -- State Vocational Rehabilitation Unit In-Service Training	U.S. Department of Education	\$135,181	\$103,713
Traumatic Brain Injury--State Demonstration Grant Program	U.S. Department of Health and Human Services	\$99,449	\$37,652
Total		\$426,374	\$205,379

Source: Ohio Rehabilitation and Services Commission

As **Table 5-2** shows, discretionary grants have decreased by more than \$200,000 from SFY 2005-06 to SFY 2006-07. However, ORSC has more recently received several competitive partnership grants. The Agency has received an RSA Transition Grant (TG), in partnership with the Ohio Department of Education Office of Exceptional Children and Kent State University, for approximately \$2.2 million, in which ORSC acts as the fiscal agent. ORSC has also partnered with the Ohio Supported Employment Coordinating Center of Excellence at Case Western Reserve University for a Johnson and Johnson/Dartmouth Community Mental Health Program Grant (JJG) of \$280,000 over four years. In addition, ORSC participates in the Deaf off Drugs and Alcohol E-Therapy Grant (DDAEG), in partnership with Wright State University and the Ohio Department of Alcohol and Drug Abuse Services, for a total grant award of \$1.5 million over three years. ORSC has also partnered with ODMH for a Transformation State Incentive Grant (TSIG) of \$12.5 million over a five year period. Because ORSC is not the fiscal agent for the JJG, DDAEG or TSIG, revenues from these grants are not reflected in ORSC's financial reports. See **issues for further study** in the **executive summary** for more grant information.

Contract Management and Purchasing and Payment Processes

ORSC has many different types of contracts or agreements with various vendors. Each department within ORSC has the ability to enter into contracts, using a contract template designed by the Attorney General's Office. Generally, contracting is a manual process initiated by the manager, with designees in each department who are responsible for approving and signing the contracts. The designees are generally bureau directors, team leaders, or area managers who are responsible for their respective programs. After contracts are signed by the designee¹¹ and approved by the Ohio Office of Budget and Management (OBM), they are stored within the department and a copy is maintained by the Fiscal Unit. The department that initiated the contract is responsible for monitoring it (see **R5.9** for discussion of contract monitoring issues). Because contract agreements are not maintained electronically, catalogued, or enumerated on any master list, the Fiscal Unit does not readily know the exact number of contracts maintained by the Agency (see **R6.4**).

¹¹ Contracts that are received by the department after the service has been initiated must be signed by the Executive Director.

The majority of ORSC purchases consist of administrative, BVR, and BDD purchases (**R5.6 through R5.8**). ORSC follows the State's required purchase order process for administrative purchases such as employee training and recruitment, conference materials, janitorial services, security services, and technology equipment and services. If the amount of the purchase, either alone or in combination with other disbursements to the same vendor in the same fiscal year, exceeds \$50,000, ORSC must initiate a competitive selection process. ORSC has internal policies for purchased personal services with lower dollar thresholds (see **R5.6**).

In addition to administrative purchases, BVR engages in a number of purchases for services and goods that directly benefit consumers, based on Individualized Plans for Employment (IPEs) developed for each consumer. IPEs detail the goods and services the consumer is eligible to receive, and provides detailed purchasing and vendor information for each good or service. IPEs and authorization forms for each purchase are developed by the counselors and approved by their supervisors. After providing the good or service, the vendor submits an invoice to the Agency, an account examiner enters the invoice in the ORSC's case management system (OSCAR), and then the counselor approves and sends, along with supporting documentation, to the Fiscal Unit for payment (see **R5.7**). All steps are recorded in OSCAR and the finance staff performs random and targeted audits of transactions.

A majority of BDD purchases consist of document requests for medical records necessary to determine the disability of a consumer. The document request form includes specific information about the request, as well as payment information and minimum and maximum amounts the physician may charge.¹² The requested documents and completed request form are returned by the treating source to the BDD adjudicator, who approves or disapproves the documents. If the adjudicator fails to review the documents within 20 days, the payment is processed automatically, regardless of whether the documents are consistent with the request (**R5.8**).

The Governor's Program on Employment Initiatives (Governor's Initiative) is a statutory program designed to provide employment opportunities for persons with disabilities. Pursuant to ORC § 3304.38, ORSC contracts with employers to provide equipment or supplies to the businesses in consideration for job slots being reserved for persons with disabilities referred by ORSC. Employers that receive equipment through the Governor's Initiative are required to hire a specific number of disabled consumers based on the total dollar amount of the assets purchased by ORSC.¹³ **Table 5-3** lists the companies that have received funding through the Governor's Initiative,¹⁴ the amount awarded by ORSC, the number of employment slots allocated, and the number of consumers hired during the last three federal fiscal years.

¹² During the audit, ORSC implemented a flat payment rate of \$20 for medical evidence documentation.

¹³ The minimum employment ratio is one employee hired for every \$5,000 in fixed assets purchased.

¹⁴ Each contract extends over a three-year period.

Table 5-3: Governor's Initiative Awards Recipients

Company	Amount Awarded	Slots Allocated	Consumers Hired
FFY 2004-05			
3SG Corporation	\$38,641	6	14
Allied Barton Security	\$39,814	7	10
Encon, Inc.	\$22,084	5	1
InfoCision	\$97,484	18	69
Moving Expressions	\$50,000	10	4
FFY 2005-06			
Accor North America	\$49,910	8	9
Aesthetic Finishers	\$75,000	12	3
Assurant Solutions	\$21,580	4	3
Core Composites	\$64,143	12	14
Eliza Jennings	\$83,401	14	5
FFY 2006-07			
North American Plastics	\$84,500	14	9
Paint Creek Supply	\$15,950	3	1
Kaiser Pickles	\$50,810	20	N/A ¹
Ameri Care Home Health	\$97,640	20	20

Source: ORSC

¹ORSC could not provide the information for the FFY 2006-07.

As shown in **Table 5-3**, 7 of the 14 companies have not hired the number of staff required, yet ORSC could not provide documentation to show that the grant awards were rescinded (see **R5.9** for contract monitoring issues). In addition to ineffective contract monitoring of the Governor's Initiative, other internal control weaknesses in ORSC's contract management process were identified, such as poor contract storage, inappropriate contract signing authorizations, and a lack of policies and procedures.

ORSC also awards grants to organizations to market Agency employment services. The Ohio Restaurant Association (ORA) was awarded a grant to market ORSC services to ORA members through the Ladder to Success Program. The end result of the program is to connect employers to job candidates. ORSC has provided grants to other organizations for similar types of special programs; however, the paper-based nature of the contract storage process at ORSC limited auditors' ability to examine these programs or ascertain the effectiveness of grant management for special programs.

Financial Management Audit Objectives

The following questions were used to evaluate the financial management function within ORSC:

- Does ORSC have a formal budgeting process in place and does it meet best practices?
- Does ORSC have a policy on financial forecasting and is it completed in a manner that meets best practices?
- Are there established internal controls to minimize the risk of fraud and/or abuse?
- Does ORSC effectively maximize its federal grants and other funds?
- Does the Agency appropriately monitor contracts and purchased services?

Recommendations

Audit Committee / Internal Audit Function

R5.1 ORSC should improve its internal controls over several financial areas by creating an audit committee and an internal audit function. This would help ensure that financial management practices are in line with Commission goals, as well as federal and State laws and regulations. The audit committee and internal audit function would help identify internal control weaknesses and methods for appropriately addressing potential risks within the organization, including those cited in financial audits.

The audit committee would function as an independent reviewer and provide oversight of the ORSC financial reporting processes, internal controls, and independent auditors. The internal audit function could also be used to monitor, and identify weaknesses in policies and procedures in order to strengthen internal controls. Proper internal controls monitored by the internal audit function and audit committee would help ensure that Commission resources are adequately protected and personnel comply with formalized processes.

ORSC's internal controls are weak and not adequate to assure that funds are spent in an appropriate manner. A review of policies and procedures revealed the following internal control weaknesses:

- Financial Management
 - The financial manuals have not been formally approved by the Commission. Moreover, they do not encompass all of ORSC's financial operations and activities, most notably the purchasing process (see **R5.6**).
- Purchasing
 - The BVR approval and purchasing process lacks a segregation of duties, which creates an opportunity for fraud and misappropriation of government funds (see **R5.7**).
 - The policy for "purchasing" medical records is not in compliance with OAC 126-3-01 (see **R5.8**).
 - The purchasing policies have not been updated to include the OAKS financial processes (see **R5.6**).

- Audit Compliance
 - The State's last four financial audits included 23 citations¹⁵ and recommendations concerning State and federal laws, regulations, and internal controls. Several of the citations were repeated in multiple audits. The Agency stated it has made improvements in these areas and the audits did not identify any questionable expenditures.
- Contracting
 - The contract process is informal (see **R5.9**) and not always implemented in accordance with OAC requirements (see **R5.10**).

The absence of strong internal controls is partially the result of historically weak financial management mechanisms and poor oversight of the financial management activities of the Agency. ORSC does not have an internal audit function or an audit committee in place. Audit functions at the Agency are limited to audits of sub-grantees. The Agency did participate in OBM's Internal Accounting Control Program from 1992 to 2005, until the program was discontinued by OBM.

Recommended Practice: Audit Committees (GFOA, 2006) recommends that a government body develop an audit committee to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. *The AICPA Audit Committee Tool Kit: Government Organizations* (AICPA, 2005) recommends mechanisms for governments to establish effective audit committees and includes instructions for the development of audit committee charters.¹⁶ The AICPA tool kit also provides mechanisms and guidelines for achieving the elements found within the charter and recommends considering factors such as the financial experience of audit committee members when engaging external resources. The *AICPA Tool Kit* also includes information to assist governments in developing the scope of their internal audit functions.

Internal Control – Integrated Framework, Guidance on Monitoring Internal Control Systems, (COSO, 2007) states that controls performed directly by senior management, and controls designed to prevent or detect senior-management override of other controls, cannot be monitored objectively by senior management or its direct reports. Therefore, two options for implementing an audit committee exist: as a subcommittee of the Commission or as a subcommittee reporting to the Commission but consisting of committee members from outside the organization, such as prominent business leaders

¹⁵ Management Letter comments regarding internal controls in each of the four years included: eight in FY 2003-04, seven in FY 2004-05, six in FY 2005-06, and two in FY 2006-07.

¹⁶ See **appendix 5-B** for examples of the elements found within an audit committee charter.

and/or chief financial officers of respected financial institutions. The internal auditor would report directly to this audit committee.

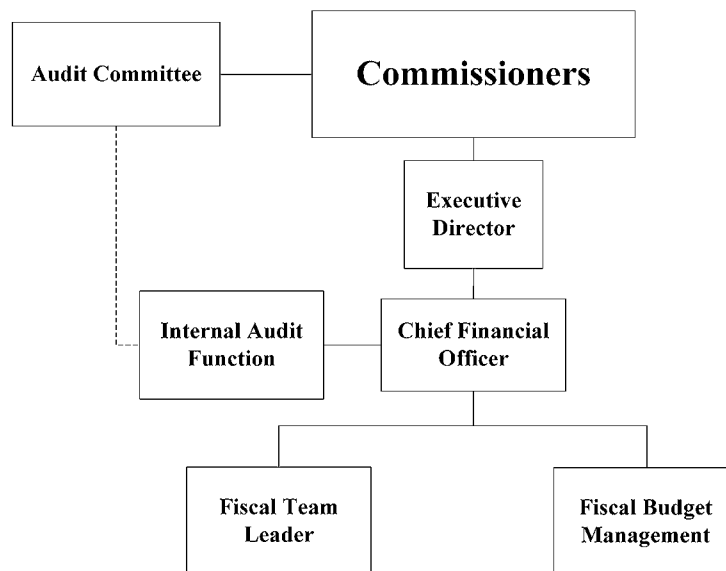
According to the *Internal Auditing Manual* (Warren, Gorham & Lamont, 2000), the objective of an internal auditor is to assist members of the organization in the effective discharge of their responsibilities. Internal auditors can furnish management with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. An internal audit function can provide an organization with an ongoing program designed to provide independent assurance that the organization's principal interests are being met. Typically, internal auditors provide an annual report to the audit committee containing opinions and other information regarding the overall system of controls of the organization. This report could also include findings and recommendations made to management during the period addressed by the report. The Texas Department of Assistive and Rehabilitation Services currently functions with 9 FTE's, consisting of 1 director, 1 administrative assistant, and 8 professional positions in its Internal Audit Department.¹⁷

According to *Best Practices* (AOS, Volume 3, Issue 1, Part 1, Winter 2006), a well-designed internal control structure helps to reduce improper activities.¹⁸ Designing and implementing internal controls is a continuous process that requires risk evaluation; the design, testing and revision of procedures; and formal monitoring. The internal control structure could be designed through the audit committee and the internal audit function. Also, as conditions change, control procedures may become outdated and inadequate. The audit committee and internal audit function must recognize and anticipate that certain procedures will become obsolete and modify control systems in response to these changes. Well-documented and maintained policies and procedures enhance both accountability and consistency among staff and management.

The reporting structure between an audit committee and the internal audit function is critical and must be designed to ensure independence and objectivity. **Chart 5-1** shows a possible structure to include an audit committee and an internal audit function. This differs from the audit committee in existence prior to 2005 as it has a reporting relationship with both the Commission and the Internal Audit function.

¹⁷ Texas served almost twice as many people with disabilities when compared to ORSC's BVR program in 2006. The population of Texas is also notably larger than Ohio—it ranks second in population in the US compared to Ohio at sixth place.

¹⁸ http://www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol3Issue1Part1_Winter2006.pdf

Chart 5-1: Potential Organizational Structure to Include Audit Functions

Source: Ohio Rehabilitation Services Commission, *Internal Auditing Manual* (Warren, Gorham & Lamont, 2000)

The effectiveness of an internal audit function is directly related to its objectivity and independence within the organization. Therefore, the organizational structure as outlined in **Chart 5-1** will help ensure effectiveness by limiting the influence of Agency management on the scope and outcomes of internal audit engagements.

ORSC could improve its internal controls through more comprehensive and up-to-date policies and procedures. These policies and procedures could be developed, using the examples provided in **R5.3** through **R5.9**, with little additional cost to the Commission. In addition, the internal audit committee should oversee the activities of the internal auditor and develop agency responses to address audit findings from both internal and external audits. The Commission should consider recruiting audit committee members external to the Agency, as this would help ensure a level of expertise with financial matters and help the Commission ensure it retains its role as an oversight body and does not become enmeshed in the day-to-day workings of the organization. Furthermore, the implementation of an audit committee and an internal audit function would be consistent with recently enacted ORC § 126.45, Office of Internal Auditing. The Office of Internal Auditing will function under the authority of the Office of Budget and Management. The purpose of the new law is to provide for internal audits of State agencies and improve the operations of State government in the areas of risk management, internal controls, and governance.

Financial Implication: If ORSC implements an internal audit function with 1.0 FTE internal auditor to start, the implementation cost could range from \$0 to \$75,500, based on the Ohio Department of Job and Family Services Occupational Wage Survey Estimates, and an assumption that benefits are equal to 30 percent of salary. Actual costs will be dependent upon the governance structure decided for the Agency. When ORSC determines if changes will be made to its governance structure, it may wish to alter the number of internal auditors employed. If the Agency consolidates with an existing cabinet agency, costs could be reduced by using the cabinet agency's existing internal audit function. If ORSC is elevated to a cabinet level agency, internal audit would be provided through the Office of Budget and Management.

Travel and other expenses related to the duties of the audit committee are estimated to be approximately \$10,000.¹⁹ No salary expenditures would be necessary for the audit committee function, since committee members are generally prohibited from receiving direct compensation under Ohio law. However, if the Agency consolidated with an existing cabinet agency, ORSC would fall under the purview of the State Internal Audit Committee. Similarly, if it was elevated to a cabinet-level agency, its internal audit function would also be overseen by the State Audit Committee.

Internal Controls

R5.2 ORSC should take steps to improve internal controls by expanding and, when necessary, updating existing policies and procedures. Furthermore, ORSC should evaluate policies and procedures on an annual basis (if R5.1 is not implemented) to ensure that they are consistent with management's expectations, ORSC's goals, and legal requirements. Proper control procedures help to ensure that personnel comply with standards set forth, while providing guidelines for the implementation of internal controls.

According to *Documenting of Accounting Policies and Procedures (GFOA, 2002)*, a well-designed and properly maintained system of policies and procedures enhances both accountability and consistency within an organization. Policies and procedures should be readily available to all employees, especially those employees whose duties are related to the policies and procedures. Procedures should be described as they are actually intended to be performed rather than in an idealized form.

ORSC has implemented some policies and procedures. However, the manuals, including the Finance Procedures Guide and the Fiscal Management How to Manual, are not up-to-

¹⁹ The estimate includes travel reimbursement from the Cleveland, Cincinnati, Dayton, Youngstown, and Toledo areas and is based on a five-person committee that meets approximately six times a year. Furthermore, it includes hotel and food allowances as established by OMB's travel policy. Finally, the estimates include allowances for any miscellaneous items.

date, consistent, or comprehensive, and lack financial procedures applicable to divisions such as BDD and BVR. During the course of the audit, several recommendations have been noted which encourage ORSC to improve, update, or create policies and procedures over fiscal management. Specially, recommendations identify the need for:

- Developing comprehensive financial policies (R5.3);
- Creating policies to address long-term forecasting (R5.4);
- Establishing policies and procedures to address budget creation (R5.5);
- Instituting policies and procedures to address purchasing (R5.6);
- Developing procedures to help eliminate the potential for misappropriation or misuse of government resources (R5.7);
- Eliminating procedures for automatic payment (R5.8); and
- Establishing policies and procedures for contract management (R5.9).

Well-documented, well-maintained, and efficient policies and procedures will enhance both accountability and consistency among ORSC staff and management. Further, these policies and procedures will help reduce or eliminate the potential for fraud or abuse.

Financial Policies and Procedures

R5.3 ORSC should develop a comprehensive set of financial policies that are based on recommended practices. Once a comprehensive set of financial policies has been developed and adopted by the Commission, the Finance Department should ensure that its practices are consistent with these policies. These policies should be disseminated throughout the organization, and compliance should be evaluated through the Agency's internal audit function (see R5.1).

ORSC has not established a comprehensive financial policy manual which incorporates elements of recommended practices. It has developed a limited number of financial procedures within the Finance Department Procedures Manual, relative to VR Field Staff, the BDD Fiscal Unit, the Fiscal Operations Unit, and Administrative Accounts Payable. However, the procedures manual has not been updated for changes resulting from implementation of the OAKS system,²⁰ is not comprehensive, and does not include recommended policies to guide ORSC's financial management practices.

According to *Best Practice in Public Budgeting* (GFOA, 2000), financial policies should be consistent with agency goals and objectives, and should be the outcome of sound analysis. Policies should also be consistent with each other and the relationships between policies should be identified. Financial policies should be an integral part of the

²⁰ The manual includes a notation that this revision is in process. However, almost one year has passed since OAKS implementation.

development of service, capital, and financial plans, as well as the overall budgeting process. ORSC should adopt and implement the following Government Finance Officers Association recommended policies and practices (GFOA, 2000):²¹

- Budget Stabilization Funds;
- Balanced Operating Budget
- Use of One Time Revenue;
- Use of Unpredictable Revenues;
- Revenue Diversification; and
- Contingency Planning.

In conjunction with *Balancing the Operating Budget* (GFOA, 2000), which was developed for all state vocational rehabilitation agencies, ORSC should include procedures that outline the processes used to address Maintenance of Effort concerns in the event of a shortfall of GRF revenue. Specifically, ORSC should include elements found within the U.S. Department of Education Office of Special Education and Rehabilitation Services, *Technical Assistance Circular RSA-TAC-02-02* (September, 2002). The circular outlines the documentation required to request modifications of MOE due to economic downturn or other unforeseeable events.

Including the comprehensive policies recommended by GFOA in its own financial policies and procedures could help ORSC better manage its resources. Such policies would promote accountability for available resources among ORSC management and ensure consistency in financial practices. The policies would also help increase the reliability of financial decision-making, while improving the ability of ORSC to take timely action on financial management decisions. In addition, the financial policies will assist the overall management of the budget development process and contribute to the achievement of long-range financial goals.

R5.4 ORSC should incorporate fiscal planning policies that address the development of a long-term forecast of revenues and expenditures into its financial policies and procedures. The policies should include identification of parties responsible for information, stakeholder input, periods covered, supporting assumptions, presentation formats, and procedures for obtaining outside consultation. In addition, ORSC should develop a formal process for preparing forecast documents, including timelines for the review and completion of the forecast, as well as specifications regarding the methodology used for each major line item within each cost center. Finally, the fiscal planning policies and procedures should be expanded to include formal guidelines for the development of alternative forecast scenarios in

²¹ Additional information and examples of GFOA's financial policies can be found at <http://www.gfoa.org/>. Also see **Appendix 4-C** for additional information.

order to better understand the impact of variables in State and federal funding, program goals, and unforeseen expenditures.

The Finance Department does not have policies or procedures for financial forecasting. The Budget Unit develops revenue projections based on anticipated State and federal revenues and expenditure projections based on the necessary allocation and availability of resources, as well as departmental goals. The federal government provides one year revenue projections, which can aid in the development of ORSC's biennial budget and program offerings. During the performance audit, ORSC developed forecast scenarios to determine the impact of State funding reductions on federal funding levels.

Conducting Long-Range Financial Planning (GFOA, 2002) recommends that governments have a documented financial planning process that assesses the long-term financial implications of current and proposed policies, programs, and assumptions and develops appropriate strategies to achieve its goals. Financial planning expands a government's awareness of options, potential problems, and opportunities. The long-term revenue and expenditure projections will provide management with a better understanding of the implications of continuing or ending existing programs or adding new programs and services. *Prepare Revenue Projections* (GFOA, 2002) states that revenue projections are critical in order to understand the level of funding available for services and capital acquisition. Projections for future budget periods help determine the likelihood that services can be sustained and highlight future financial issues to be addressed. *Prepare Expenditure Projections* (GFOA, 2002) also states that expenditure projections provide critical information to decision-makers and other stakeholders about whether expenditure levels can be sustained, whether new programs are affordable, and whether a program's current and future costs are acceptable compared to program benefits and projected revenue availability. Furthermore, governments may produce revenue and expenditure projections under alternative scenarios which allow management to make sound budgetary and program adjustments based upon revenue and expenditure deviations.

A well designed financial plan illustrates the likely financial outcomes of particular courses of action or factors affecting the environment in which the government operates. Finally, the financial planning process helps shape decisions and permits necessary corrective action to be taken before financial problems become severe. While the Agency developed projections for various scenarios in response to potential State budget cuts, the development of a long-term financial forecast would benefit ORSC, particularly in light of the potential for a shortfall in future GRF funding due to the State's current financial condition. Financial forecasting will also provide management the tools to link financial decisions to Agency goals and program needs.

Budgeting

R5.5 Although ORSC develops budgetary memos outlining the development of its biennial budget, it should document budgetary processes in a formal financial policies and procedures manual. A documented budget process will help promote coordination and consistency among the different departments. The manual should include general policy guidelines and budget preparation instructions for each budget cycle to ensure the budget is prepared in a manner consistent with best practices, the desires of the Commission and other stakeholders, and the Agency's strategic plan (see R3.1). Formally documented processes will also help ensure that budget preparation is consistent with directives from the Governor and OBM. In addition, ORSC should formally document the procedures used to monitor and evaluate budgetary performance and adjust the operating budget.

The majority of ORSC's budget preparation, budget monitoring, and budget adjustment processes are consistent with recommended practices. However, the processes have not been documented in a formal financial budgetary policies and procedures manual.

Recommended Budget Practices - A Framework for Improved State and Local Government Budgeting (GFOA, 1999) recommends that governments establish an administrative structure that facilitates the preparation and approval of a budget in a timely manner. Procedures should be established for ensuring coordination of the budget process. A process is also needed to develop and communicate the policies and guidelines that will guide budget preparation. In order for the budget to be adopted in a timely manner, processes should be developed to assist stakeholders in understanding tradeoffs and to help decision-makers make choices among available options. The processes should include reporting to, communicating with, involving, and obtaining the support of stakeholders. Recommended practices include:²²

- Policies on Balancing the Operating Budget;
- Mechanism for Budgetary Compliance;
- The Type, Presentation, and Time Period of the Budget;
- A Budget Calendar;
- Budget Guidelines and Instructions;
- Mechanism for Coordinating Budget Preparation and Review;
- Procedures to Facilitate Budget Review, Discussion, Modification, and Adoption;
- Opportunities for Stakeholder Input;
- Presentation of a Recommended Budget;

²² See <http://www.gfoa.org/services/nacslb/> for a detailed description and example of GFOA recommended policies. Also see **appendix 4-C** for additional information.

- Presenting the Budget in a Clear, Easy-to-Use Format; and
- Monitoring, Measuring, and Evaluating Budgetary Performance.

While ORSC does follow some of these recommended practices, they are not formally documented and do not contain all of the GFOA-recommended elements. Developing formal policies and procedures would help ensure that all aspects of the budget process have been considered, adequate time has been provided, the budget has been prepared in an appropriate and consistent manner, and all stakeholders have participated in the process. By developing a formal budget document (e.g. one that was annotated, written in layman's terms, and published on its web site), ORSC would provide stakeholders with a clearer and more thorough understanding of the Agency's budget and financial condition, and their relationship to the strategic plan. Furthermore, procedures for monitoring budgetary performance will help identify early warning signs of potential problems and provide decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. In addition, procedures for adjusting the budget will help ensure that governments can adjust to any unforeseen events identified while monitoring the budgetary performance.

Purchasing

R5.6 ORSC should develop a comprehensive financial policies and procedures manual that incorporates all elements of the purchasing process at each departmental level. The manual should incorporate procedures from the OBM *State of Ohio Financials Process Manual* and the *Controlling Board Manual*. In addition, ORSC's manual should include any applicable laws and regulations, such as the State of Ohio Payment Card Policies and Procedures Manual and ORC § 125.06, 126.30, 127.16, and 127.16. An up-to-date financial policies and procedures manual that is reviewed and approved by the Commission will improve the consistency of financial practices and improve the internal controls over ORSC's resources.

ORSC does not have a formal, comprehensive set of purchasing policies and procedures that includes all departments. However, its bureaus and administrative divisions have established limited policies and procedures for their individual financial processes. Furthermore, the existing Finance Department manual has incorporated only a limited number of policies and procedures related to State laws, guidelines and administrative rules. For example, the manual lacks references to statutory provisions regarding State agency purchases, including obtaining approval to secure supplies or services, interest on late payments, and implementation of competitive selection. Moreover, while the manual was updated in 2007, it is not reviewed and approved by the Commission, and does not contain planned updates related to the implementation of OAKS.

ORSC also has a Bureau of Vocational Rehabilitation (BVR) Manual in place that describes the process used to secure goods for vocational rehabilitation services. However, this manual is not concise and lacks formal purchasing processes. By failing to adopt formal, Agency-wide purchasing policies and procedures, ORSC risks having inconsistent purchasing processes across departments, and increases the risk for fraud and misuse of funds.

To determine if ORSC complies with its own purchasing policies, State policies, and federal guidelines, a sample of 75 purchases was reviewed.²³ The following major control failures were noted during the purchasing test:

1. The billing and/or services were provided outside the timeframe noted on the authorization form in two instances.
2. The vendor did not complete the vendor information correctly on the authorization form in one instance.
3. The billing information provided by the vendor did not match the actual billed amount in one instance.
4. The authorized amount exceeded the IPE estimated cost in one instance.
5. The authorized item was not present on the IPE in two instances.

Documentation of Accounting Policies and Procedures (GFOA, 2002), recommends that every government document its accounting policies and procedures. The documentation of accounting policies and procedures should explain the design and purpose of procedures related to internal controls to increase employees' understanding of, compliance with, and support for controls designed by management.

Other state rehabilitation services have implemented these practices. For example, Michigan Rehabilitation Services (MRS) has created an extensive Rehabilitation Services Manual (2007), which contains agency policies, procedures and information for the provision of vocational rehabilitation services for applicants and eligible individuals with disabilities who require agency services. The MRS Manual contains a section on purchased services and fiscal processes. Each subsection of the purchased services/fiscal processes section contains both a policy and the related procedure, which makes the processes clear and easy to follow.

²³ The sample consisted of 29 purchase authorization forms and 10 documentation request forms from BVR, 10 documentation request forms from BDD, 10 travel authorization forms, and 16 administrative purchase orders.

Written policies and procedures help promote accountability by informing employees of what is expected of them. Standardized policies and procedures also would promote consistency among the various ORSC offices within the State and serve to increase awareness of processes across departments. Furthermore, they would ensure that purchases are in compliance with internal policies, State law, and OBM rules and guidelines. The development and implementation of comprehensive policies and procedures pertaining to purchasing could be accomplished through internal resources at no additional cost (see **R5.1**).

R5.7 In order to obtain a greater level of control and oversight over the purchasing process, ORSC should implement checks and balances by establishing segregation of duties among BVR counselors. The purchasing processes should be revised to include various approval levels, potentially including a second level of approval for all purchases made by counselors. This will help minimize the risk of misuse or abuse of government resources.

ORSC BVR counselors control the majority of the Agency's purchasing process. Counselors develop Individualized Plans for Employment (IPEs) for each consumer before goods or services are provided. The IPE outlines the services and/or goods that the consumer is eligible to receive and lists the "detail and provider" information, the estimated cost, and the beginning and ending date for providing the goods or services. Once the IPE is developed, goods and services may be provided through the authorization form. The authorization form is developed and submitted by the counselor.

According to *Internal Control Standards* (GAO, August 2001), key duties and responsibilities should be divided or segregated among different people to reduce the risk of error, waste, or fraud. This approach encompasses the following control activities:

- No one individual should be allowed to control all key aspects of a transaction or event;
- Responsibilities and duties involving transactions and events should be separated among different employees with respect to authorization, approval, processing and recording, review and auditing; and
- Duties should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

Michigan Rehabilitation Services (MRS) has developed a policy that limits the authority of individual staff members. This policy states that agency staff may not exceed their delegated approval authority in authorizing the purchase of goods or services. The procedure associated with the policy states that the district manager is responsible for delegating approval authority for authorizations to counselors on an individual basis, within the limits set by the Agency's Accessibility Web-Based Activity and Reporting

Environment²⁴ (AWARE) staff security guidelines. Delegated authority is documented through the “AWARE Access Request” forms maintained at MRS’s Central Office.

In addition, the Illinois State Rehabilitation Agency has established multiple levels of approval by assigning fiscal responsibilities to rehabilitation case coordinators. They manage the details of cases, including authorization of counselors’ payments. Each payment must have two authorized signatures, generally from the counselor and the rehabilitation case coordinator.

The current process used by ORSC counselors was developed in an effort to expedite the delivery of services. However, segregation of duties would limit the potential for misuse by a single individual, while increasing the likelihood of detecting errors in a timely manner or in the normal course of business. Segregation of duties is an important means by which fraudulent and/or malicious acts can be discouraged and prevented. Finally, segregation of duties will further help protect ORSC’s resources and ensure that funds are used appropriately.

R5.8 ORSC should revise its payment practice for BDD medical evidence documentation requests. Specifically, it should eliminate the automatic payment for medical evidence after 20 days, which increases the risk of processing payments without verification of requested documents as required by OAC 126-3-01.

In May of 2006, ORSC implemented a procedure whereby if an adjudicator has not denied payment for medical evidence within 20 days of receipt of the invoice, the invoice is automatically paid by the Fiscal Department. ORSC determined, based on SSA’s performance measures, that adjudicators should process medical evidence within 2 to 3 days after receiving the documents. However, some adjudicators at ORSC have taken from 10 to 15 days to review medical evidence. Therefore, a 20 day threshold was established by ORSC to help ensure that medical evidence can be reviewed, while leaving 10 days for the Fiscal Department to process the payment if approved. The 20 and 10 day thresholds were established to comply with the 30 day prompt payment requirement provided in OAC 126-3-01.

According to OAC 126-3-01, “receipts of a proper invoice” means receipt of an invoice and the purchased equipment, materials, goods, supplies, or services, both of which shall be free of defects, errors, discrepancies, and other improprieties. A state agency is in receipt of a proper invoice as soon as it has such invoice and such purchased or leased items or service. While ORSC may be in possession of a “proper invoice”, adjudicators may not have reviewed the documentation prior to the expiration of the 20-day time frame. ORSC’s efforts to meet prompt payment requirements put it in violation of the

²⁴ AWARE is a case management system used by the State of Michigan.

remainder of the rule in cases where payment is made without the medical evidence being reviewed.

From January 2007 through July 2007, ORSC issued approximately 327,000 medical evidence request forms, with an average payment of \$15. Of these, approximately 19,000 or 6 percent were declined for payment by the adjudicators. ORSC was unable to identify the number of medical evidence request forms that were processed without an adjudicator review before the 20 day threshold for automatic payment. However, as an example, if ORSC processed an average of 561,000 medical evidence payments per year and if 5 percent were paid without review, then, under this scenario, ORSC could have potentially issued \$421,000 in payments without proper authorization. Based on the 6 percent disapproval rate calculated above, this would yield approximately \$25,000 in inappropriate payments.

While it is commendable that BDD has established performance goals in an effort to comply with state law, the implementation of this process may actually compromise State laws and regulations and expose ORSC to risk of improper expenditures. By eliminating the 20 day threshold, ORSC would mitigate the risk of processing payments for medical evidence which does not fulfill the adjudicators' requests. Improved controls over payments for medical evidence would likely yield a cost savings or improve the cost effectiveness of the medical evidence gathering process, although a financial implication could not be calculated at this time.

Contract Management

R5.9 ORSC should develop and implement formal contracting policies and procedures. Establishing polices and procedures will help ensure proper internal controls over the process and promote accountability of selected vendors. To remedy significant internal control weaknesses in the contracting process, ORSC should implement one of two contract administration models:

***Option 1:* Implement a combination of a centralized and decentralized method. This structure would require a contract administrator to oversee those departments or transactions that require additional oversight, while those departments with strong contract management practices could administer their own contracts.**

***Option 2:* Maintain the current decentralized management structure and increase internal controls over the process. To do this ORSC should ensure that all department heads that have responsibility for developing, signing, or monitoring contracts are provided training on contract administration and monitoring. In addition, when allowing subordinates to sign contracts, the Executive Director**

should ensure that a segregation of duties is maintained so the person signing the contract is not the one who initially developed it (see R5.6).

Once these processes and procedures are in place, a dollar approval threshold should also be developed for contracts on a department by department basis. These should be based on the determination of an appropriate level of risk. By either developing an additional level of oversight through a contract manager position or increasing the internal controls within the current contract management system, ORSC will reduce the risk of fraud and abuse.

Finally, policies and contract templates should also be stored electronically. Storing the templates electronically would allow updates and inquiries to be made quickly, and provide easy access to staff (See R6.4 in support systems and technology section for further discussion).

ORSC does not have formal contracting policies or procedures. Also, departments are not provided regular training on contract administration from the Legal or Fiscal Department. ORSC has a decentralized contract administration structure, whereby individual departments initiate contracts without the approval or review of the Legal Department. The only contracts directly reviewed by Legal are those for hearing officers. While Legal does not review all contract agreements, it reviews the contract template to ensure it contains the appropriate language. The contract templates were designed based on the Ohio Attorney General's guidelines.

The Executive Director also allows designated employees to sign contracts on his behalf without the approval of the Commission (see **R5.10**). As a result, the same person can potentially initiate and sign the contract. Moreover, the same person is responsible for ensuring that the terms of contract are being met. This failure to segregate duties in ORSC's contracting process increases the risk of fraud and abuse of State and federal funds.

Additional instances of weak controls were identified during the audit. For example, a review of supporting documentation from the Governor's Initiative Grant revealed that some of the contract terms were not fulfilled, including the failure of employers to fulfill their hiring requirements as outlined in the agreement. Although corrective action may be taken to resolve the discrepancy, it was unclear how often these corrective measures have been implemented.²⁵ Additionally, a lack of safe keeping and organization of contracts exists. Currently contracts are maintained in a file cabinet in the Finance Department and in the files of the initiating departments. However, there are no records of the contracts contained in the file, since no electronic system is used. Furthermore, contracts were not

²⁵ During the course of the audit, contract monitoring functions of the Governor's Initiative have been removed from the Workforce Development Department, and placed in the Employee Services Unit.

kept alphabetically in a filing cabinet and each accounts payable clerk kept the contracts they were assigned. Therefore, a vendor could potentially have two separate contracts handled by different accounts payable employees. ORSC's storage method makes it possible for sensitive vendor information to be left in the open, and also makes it difficult for contracts to be easily located, which can impact staff productivity. Ideally, the Financial Department should retain electronic copies of all executed contracts (see **R6.4 in support systems and technology**).

ORSC believes that a decentralized contracting process is efficient for its type of structure. However, it appears that contract management should be a primary concern for ORSC, based on the internal control weaknesses noted. As such, a more centralized structure may be warranted.

According to the National State Auditors Association (NSAA), monitoring is an essential part of the contracting process. Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, the contracting agency has no adequate assurance that it receives the goods or services for which it has paid. To properly monitor a contract, the agency should:

- Assign a contract manager with the authority, resources, and time to monitor the project;
- Ensure that the contract manager possesses adequate skills and has the necessary training to properly manage the contract;
- Track budgets and compare invoices and charges to contract terms and conditions;
- Ensure that deliverables are received on time and document the acceptance or rejection of deliverables;
- Withhold payments to vendors until deliverables are received;
- Retain documentation supporting charges against the contract; and
- Evaluate the performance of the contractor after the completion.

These recommended practices are typical of what is categorized as a centralized contract management structure. However, *Service Contracting* (ICMA, 1992) indicates that local governments often adopt a flexible model of contract management that includes features of both centralized decentralized models. ICMA calls this a combination structure. Qualified departments are permitted to operate their own contract administration; departments that are not qualified are assigned a central contract manager. Despite the structure chosen, ICMA notes that the government must ensure the structure chosen meets its program control needs, suits the expertise of the departments involved, and meets the manager's goals for effective and objective program management. Additionally, *Contracting Services*, (NSAA, 2003) recommends that governments

develop policies and procedures for the procurement of contracted services. While not every provision will apply to each contract, the policies and procedures should generally include the following:

- **Planning** - Identify what services are needed, when and how they should be provided, and what provisions should be in the contract.
- **Decision to Contract** - Determine whether to outsource or keep the service in-house.
- **Performance Requirements** - Develop performance requirements that will hold vendors accountable for the delivery of quality services.
- **Request for Proposal Process (RFP)** - Issue a request for proposal, a formal process based on fair and open competition and equal access to information.
- **Award Process** - Ensure vendor proposals are responsive to the agency's needs, consistently and objectively evaluated, and contracts are awarded fairly to responsible vendors.
- **Contract Provision** - Ensure the contract (1) protects the interest of the agency, (2) identifies the responsibilities of the parties to the contract, (3) defines what is to be delivered, and (4) documents the mutual agreement, the substance, and the parameters of what was agreed upon.
- **Monitoring** - Ensure that contactors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved.

Furthermore, training is critical, particularly in decentralized structures, to ensure that contract administration is done in an appropriate and efficient manner. *According to the publication, Service Contracting: A Local Government Guide* (ICMA, 1992), successful contracting programs train employees to perform specified contract management tasks. Training allows employees to develop the skills needed to provide effective contract management. Contract administration training can be provided by a consultant, in-house trainers, or both. While hiring a consultant is a costly option, it provides an unbiased view of the Agency's processes. If employing a consulting firm, the contract should require not only the delivery of the lecture, but also a lasting resource that will benefit the contract administration program. The topics that ICMA suggests for a training program in contract administration include:

- Introduction to contract administration;
- Duties and responsibilities of staff;

- Contract monitoring techniques;
- Evaluating contractor performance;
- Basics of government contract and procurement law;
- Ethics in contract administration;
- Developing specifications and interpreting contracts;
- Documenting performance; and
- Negotiation.

The ability of each department of ORSC to initiate and approve its own contracts increases the level of risk and, as a result, increases the level of internal controls needed. Policies and procedures surrounding contracted services are necessary to help ensure efficient, effective, and accountable vendor selection and payment. Appropriate policies and procedures would also increase the consistency of the contracting process while decreasing the potential for fraud and abuse. Also, ensuring that administrators are provided contract administration training will help them be more effective in administering and monitoring contracts.

Financial Implication: For ORSC to implement Option 1 and centralize its contract functions would cost approximately \$77, 000 to hire a contract administrator.

To implement Option 2, ORSC will need to provide its administrators with contract administration training. The cost of this could not be estimated as it will vary depending on the length of training, the provider, and the nature of the coursework.

Improved contract management processes would enhance the cost effectiveness of ORSC's contracts and ensure that it receives full value for the services for which it contracts. This would yield a financial benefit to the Agency, although a dollar savings could not be estimated.

R5.10 ORSC should initiate an amendment to OAC 3304-1-04 (C), through its administrative rulemaking authority set forth in ORC § 119.03. Specifically, ORSC should revise this rule to allow the Executive Director to authorize a designee or designees to sign grants and contract service agreements on his behalf. The rule change should be proposed to and approved by the Commission prior to initiation of the statutory rulemaking process.

If this administrative rule is successfully amended, authorization levels should be determined by the Executive Director by position level, rather than by individual. When determining these authorizations, the Executive Director should ensure that contract signing responsibilities are not assigned to the people who are responsible for initiating the contract. Further, the Executive Director should develop a method for indicating which of the staff have signed the contract on his behalf, so a manager

or internal auditor (see R5.1) can determine that the person initiating the contract is not the person signing it. Once in place, the authorizations should be reviewed on at least an annual basis. This rule change will bring ORSC's existing practices into compliance with OAC requirements, and will provide an opportunity to include better controls in its contracting process.

ORSC's current contract authorization procedures are not consistent with OAC requirements. ORSC established a list of 11 employees who are authorized to sign contracts agreements up to \$50,000 on behalf of the Executive Director. The authorizations are assigned by individual, not by position. Using individual employees as the designees, rather than position titles, is problematic because revisions will be required with every staff change. In reviewing some of ORSC's contracts, it was impossible to determine which of the 11 employees authorized to sign on behalf of the executive director actually signed the contract, as no initials or other distinguishing marks are used. The practice of authorizing staff to sign on behalf of the Executive director contradicts regulations set forth in OAC 3304-1-04.

ORC § 3304.16(J) gives ORSC's Commission the authority to delegate to any officer or employee of the Commission any necessary powers and duties in carrying out the purposes set forth in statute. In doing so, ORSC established OAC 3304-1-04, which authorizes the Executive Director to sign all grant and contract agreements awarded by ORSC to individuals, and to public and other non-profit agencies and organizations. However, it would not be practical, efficient, or even possible for the Executive Director to follow OAC 3304-1-04, due to the large number of contracts issued each year.

ORC § 119.03²⁶ contains procedures for adoption, amendment, or rescission of OAC rules. The Code requires that public notice of a hearing on the amendment must be provided that explains the proposed changes. The purpose of the hearing is to allow consumers affected by the change or other interested parties to provide comments on the proposed change. Also, the full text of the proposed amended rule, accompanied by the public notice required must be filed in electronic form with the Secretary of State and with the Director of the Legislative Service Commission. After the public hearing and a subsequent hearing by the Joint Committee on Agency Rule Review, and if the agency has met all the requirements, the proposed rule or amendment will be allowed to take effect.

Revising OAC 3304-1-04 will provide the Executive Director with the proper authority to establish authorization levels for approving and signing contracts. Furthermore, the process modification will increase internal controls over the contracting process, ensuring compliance with Ohio laws and safeguarding resources.

²⁶ The detailed procedures to amend any administrative rule can be found at <http://codes.ohio.gov/orc>.

Financial Implications Summary

The following table summarizes the estimated annual costs of recommendations presented in this section of the report.

Recommendations for the Financial Management Section

Recommendation	Estimated Annual Costs
R5.1 Implement an audit committee	\$10,000
R5.1 Implement an internal audit function	\$75,500
Total	\$85,500

Source: AOS recommendations.

Note: ORSC could avoid audit committee and internal audit costs altogether depending on the outcome of decisions regarding its governance structure.

Appendix 5-A: ORSC Fund Code Descriptions

General Revenue Fund (GRF)

(GRF) Personal Services 415-100: This line item is used for expenses associated with payroll and fringe benefits.

(GRF) Independent Living Council 415-402: This line item provides State funds for the operation of the State Independent Living Program. The purpose of the program is to provide services to maximize independence and productivity and to support full inclusion and integration of individuals with disabilities into the mainstream of society.

(GRF) Mental Health Services 415-403: This line item is used to match federal funds for VR services and to serve mutually-eligible consumers of ORSC and the Department of Mental Health (DMH). On a quarterly basis, ORSC provides DMH a report stating the number of consumers served, number placed in employment, average hourly wage, and average hours worked.

(GRF) MR/DD 415-404: This line item is used to match federal funds for VR services and to serve mutually-eligible consumers of ORSC and the Ohio Department of Job and Family Services (ODJFS). On a quarterly basis, ORSC provides ODJFS a report stating the numbers of consumers served, number placed in employment, average hourly wage, and average hours worked.

(GRF) Assistive Technology 415-406: This line item is used to provide grants under the Assistive Technology of Ohio program. This line item may not be used for administrative costs.

(GRF) Office for People with Brain Injury 415-431: This line item funds the Brain Injury program, which is working to develop an incident reporting system, investigating options for case management for people with brain injuries, supporting prevention programs, and providing staff to assist the Brain Injury Council. The staff administers several federally-funded projects in this service area.

(GRF) Services for People with Disabilities 415-506: This line item is used to pay for services that assist eligible persons with disabilities who become employed. These monies also provide a 21.3 percent State match for federal funds available in line items 415-616, Federal-Vocational Rehabilitation.

(GRF) Services for the Deaf 415-508: This line item is used to provide grants to 10 centers and 3 satellite offices located throughout the State. These centers provide various services that are not

available through the BVR to people with hearing disabilities. These funds also provide in-service training and support efforts for individuals or organizations desiring to improve communication with the hearing impaired.

(GRF) Services for the Elderly 415-509: This line item provides funding for services to people who are elderly and limited in their ability to work or function independently. These funds provide a State match for federal funds available through the VR program and the Independent Living program.

(GRF) Independent Living Services 415-520: This line item provides State matching funds for the federal IL, Part B grant program. Under the match formula, the State provides 10 percent and the federal government provides 90 percent of program costs. The IL, Part B program funds client services such as information and referral, advocacy, peer counseling, and life skills training for severely disabled people.

Federal Special Revenue Fund Group

(317) Disability Determination 415-620: This line item is used for Bureau of Disability Determination (BDD) operations. The BDD determines medical eligibility for federal Social Security Disability Insurance and Supplemental Security Income.

(379) Federal-Vocational Rehabilitation 415-616: This line item is used to assist eligible persons with disabilities to prepare for and obtain employment.

(3L1) Social Security Personal Care Assistance 415-601: This line item is used to provide payments to people with disabilities to subsidize the wages of their personal attendants. The amount received is based upon the person's ability to pay for attendant care. The intent of the funding is to enhance the employability and independence of people with disabilities.

(3L1) Social Security Community Centers for the Deaf 415-605: This line item, in conjunction with State funds allocated in GRF line item 415-508, Services for the Deaf, is used to provide grants to the Community Centers for the Deaf in Ohio for services to individuals with hearing impairments.

(3L1) Social Security Administrative Costs 415-607: This line item provides administrative dollars to support the ORSC's efforts to obtain Social Security reimbursement for individuals it has successfully rehabilitated through the VR program.

(3L1) Social Security Vocational Rehabilitation 415-608: This line item is used to assist other eligible persons with disabilities to prepare for and to obtain employment. This line item includes funds to assist Personal Care Assistance, Community Centers for the Deaf, and Independent

Living programs to pay their indirect costs as mandated by the federal Office of Management and Budget (OMB) *Circular A-87*.

(3L1) Social Security Older Blind 415-610: This line item is used to provide services to elderly homemakers with disabilities to help them remain in their homes.

(3L1) Social Security Independent Living 415-614: This line item is used to fund the State Independent Living program.

(3L4) Federal Independent Living Centers of Services 415-612: This line item provides funding for the operations of the State Independent Living Council (SILC). SILC is a federally mandated council composed of independent living services, at least one independent living center director, and other representatives of independent living consumers. SILC members are appointed by the Governor.

(3L4) Federal-Supported Employment 415-615: This line item is used for projects with employers such as job coaching.

(3L4) Independent Living /Vocational Rehabilitation Program 415-617: This line item is used to support various vocational rehabilitation programs, including Projections with Industry and training grants.

State Special Revenue Fund Group

(468) Third Party Funding 415-618: This line item is used to match federal funds available in line items 415-616, Federal-Vocational Rehabilitation. The funds that support this line item are transferred to ORSC under cooperative contractual agreements with other State agencies and money deposited with ORSC by community rehabilitation facilities to match available establishment grant moneys. In addition, gifts and contributions are deposited into the funds that support this line item and those dollars are used in accordance with the terms of the donations.

(4L1) Services for Rehabilitation 415-619: This line item is used by ORSC to match federal funds, when appropriate, to rehabilitate people with disabilities in order to help them become employed and independent. If no federal funds are available, ORSC may use the revenue for any other Agency purpose.

General Service Fund Group

(467) Business Enterprise Operating Group 415-609: This line item is used for: establishment of a liability insurance program for stand operators; maintenance, repair, and remodeling of vending stands; and for new equipment. Portions of these funds are also used as the State match as needed to earn federal dollars.

(4W5) Program Management Expenses 415-606: This line item is used to support ORSC's administrative functions related to the provision of BVR, BSVI, BDD, and ancillary programs.

Appendix 4-B: Audit Committee Charter

The following are typical elements found within an audit committee charter:

- Establishment of membership and the requirement for financial experience;
- Review of committee's charter annually;
- Requirement of meetings;
- Authorization levels to hire outside professional consultants and authority level to oversee independent auditors;
- Requirements to review policies and procedures and to develop mechanisms to identify significant risk or exposures facing the organization;
- Review of audit scope and plan of the internal auditors and independent auditors;
- Review with management the following:
 - o The findings of the internal audits;
 - o Any required change in the internal audit scope;
 - o The internal audit department staff and budget; and
 - o The internal audit department's compliance with applicable standards.
- Review with management the financial status and adopted budget of the government; and
- Review with independent auditors the adequacy of the government's internal controls and significant findings and recommendations.

Appendix 4-C: Recommended Fiscal Management Policies and Practices

The following are GFOA recommended fiscal management policies:

- **Policies on Balancing the Operating Budget** – to encourage commitment to a balanced budget under normal circumstances, and to provide for disclosure when a deviation from a balanced operating budget is planned or when it occurs.
- **Mechanism for Budgetary Compliance** – to develop budget deviation detection and correction processes.
- **The Type, Presentation, and Time Period of the Budget** – to provide planning, control, and overall management of programs, services, and finances, and to promote quality of information provided to stakeholders.
- **A Budget Calendar** – to provide when key budget tasks, events, and decision will occur so that stakeholders have an opportunity to plan and to participate in the process.
- **Budget Guidelines and Instructions** – to ensure that budgets are prepared in a manner consistent with government policies and the desire of management and the legislative body.
- **Mechanism for Coordinating Budget Preparation and Review** – to assign responsibilities for the overall coordination of the preparation and review of the budget. This ensures that processes move forward as planned to prevent confusion.
- **Procedures to Facilitate Budget Review, Discussion, Modification, and Adoption** – to resolve conflict and to promote acceptance of the proposed budget in a timely manor by stakeholders.
- **Opportunities for Stakeholder Input** – to define stakeholders affected by budget decisions and allow opportunities for input during the budgeting process.
- **Presentation of a Recommended Budget** – to allow stakeholders to judge how well all of the different aspects of the budget fit together and whether there is an appropriate balance of resources and assigned uses.

- **Presenting the Budget in a Clear, Easy-to-Use Format** – to ensure that budget documents are prepared in a manner that is clear and comprehensible to all stakeholders.
- **Monitor, Measure, and Evaluate Budgetary Performance** – to provide early warnings of potential problems and to give decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident.

The following are GFOA recommended financial management practices:

- **Budget Stabilization Funds** – to guide the creation, maintenance, and use of resources for financial stabilization purposes.
- **Debt Issuance and Management** – to guide the issuance and management of debt. Issuing debt commits a government's revenues several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures.
- **Debt Level and Capacity** – to set a limit on the maximum amount of debt and debt service that should be outstanding at any one time.
- **Use of One-Time Revenue** – to prohibit the use of one-time revenues for ongoing expenditures. One-time revenues cannot be relied on in future budgets.
- **Use of Unpredictable Revenues** – to identify major revenue sources that the government considers unpredictable and define how these revenues may be used. By definition, these revenue sources cannot be relied upon in future budget periods.
- **Revenue Diversification** – to encourage revenue source diversity. All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on tax and taxpayers.

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Support Systems and Technology

Background

This section focuses on the information technology (IT) functions and support systems within the Ohio Rehabilitation Services Commission (ORSC or the Agency). It includes assessments of workflow processes and case management systems, long-term technology planning and coordination, technology procurement, the efficiency and effectiveness of administrative technology, and the use of technology in communication. Comparisons were made between existing conditions at ORSC and leading practices in the technology industry.

Departmental Overview

The ORSC IT Department supports the Agency's three core functions: the Bureau of Disability Determination (BDD), the Bureau of Vocational Rehabilitation (BVR) and the Bureau of Services for the Visually Impaired (BSVI)¹, and ORSC Administration. The Department is directly responsible for the Administrative and VR systems, while the Social Security Administration (SSA) is responsible for the BDD system. The BVR, BVSI, and BDD systems are highly automated; however administrative processes within the Agency are still largely paper driven (see **R6.1**, **R6.3**, and **R6.4**). The IT staff is organized in the following areas:

- Administration – includes the Chief Information Officer, IT Team Leader and administrative support staff, responsible for planning and budgeting, operations, and clerical support, respectively;
- Project Management and Quality Assurance – responsible for managing major IT projects, and providing quality assurance and IT application testing;
- Bureau of Disability Determination (BDD) IT Support – responsible for managing and supporting servers, personal computers, the network and its security, printers and applications used in BDD;
- Applications Development – responsible for developing and supporting major business applications including the Ohio System for Computer-Assisted Rehabilitation (OSCAR), the Case Authorization Tracking System (CATS), the Business Enterprise Authorization Management System (BEAMS), Internet/intranet systems, databases, and the data warehouse, as well as reporting, planning and budgeting for all IT systems;

¹ Throughout this section, VR is used to refer to both vocational rehabilitation bureaus, BVR and BSVI.

- Network, Operations and Telecommunications² - responsible for implementing and supporting the local area network, wide area network, security systems and security policy, servers (Windows and Linux), desktops applications (Windows and Macintosh), personal data assistants (PDAs), and office and carrier-based phone systems ; and
- Customer Support – responsible for help desk functions.

The IT Department is staffed by approximately 50 employees³ who oversee departmental systems and provide technology support services to the Agency's approximately 1,300 technology users. As Agency staff is located throughout the State, the IT Department oversees several types of technology used for communications. Although ORSC uses technology in a variety of ways to communicate between remote offices, there are potential areas for improvement (see **issues for further study** in the **executive summary** regarding video bridge and desktop video and **R6.6** regarding development of an intranet).

ORSC has a formal, written technology plan and security policy. The IT plan applies to fiscal years 2008 and 2009. It highlights recent progress and includes descriptions of anticipated future projects. The plan is linked to the Agency's budget and specifies expected dates of completion for each project. The technology security policy was distributed to all employees along with a form requiring the employee's signature acknowledging receipt, understanding, and a willingness to abide by the policy.

In addition to its security policy, the IT Department takes additional precautions to ensure the confidentiality of consumer data. ORSC computers are password protected; laptops, PDAs, and storage backups are encrypted; and internal end users have screen-specific security that restricts users' access to information relevant to their job duties. IT back-ups occur continuously to protect information in the event of a disaster or an emergency. ORSC has outlined procedures that will allow business operations to be sustained during a disaster. ORSC has also actively participated in the Office of Information Technology's (OIT) development of security standards over the last two years. As a result, it has been able to aggressively plan and implement new security standards and systems, in some cases before the State policies were issued. Although ORSC takes the necessary precautions to backup data, it does not have a written, tested and approved disaster recovery plan (see **R6.5**).

The purchasing decision process used by ORSC for technology-related items incorporates recommended practices. Appropriate personnel, considered "experts" in the types and brands of technology that should be purchased, are used in the decision-making process when the Agency acquires technology items. However, purchases made by vocational counselors could benefit from additional internal controls (see **financial management**). A review of past technology

² This group also provides local field technical support to vocational rehabilitation offices around the State.

³ Staffing based on August 2007 report.

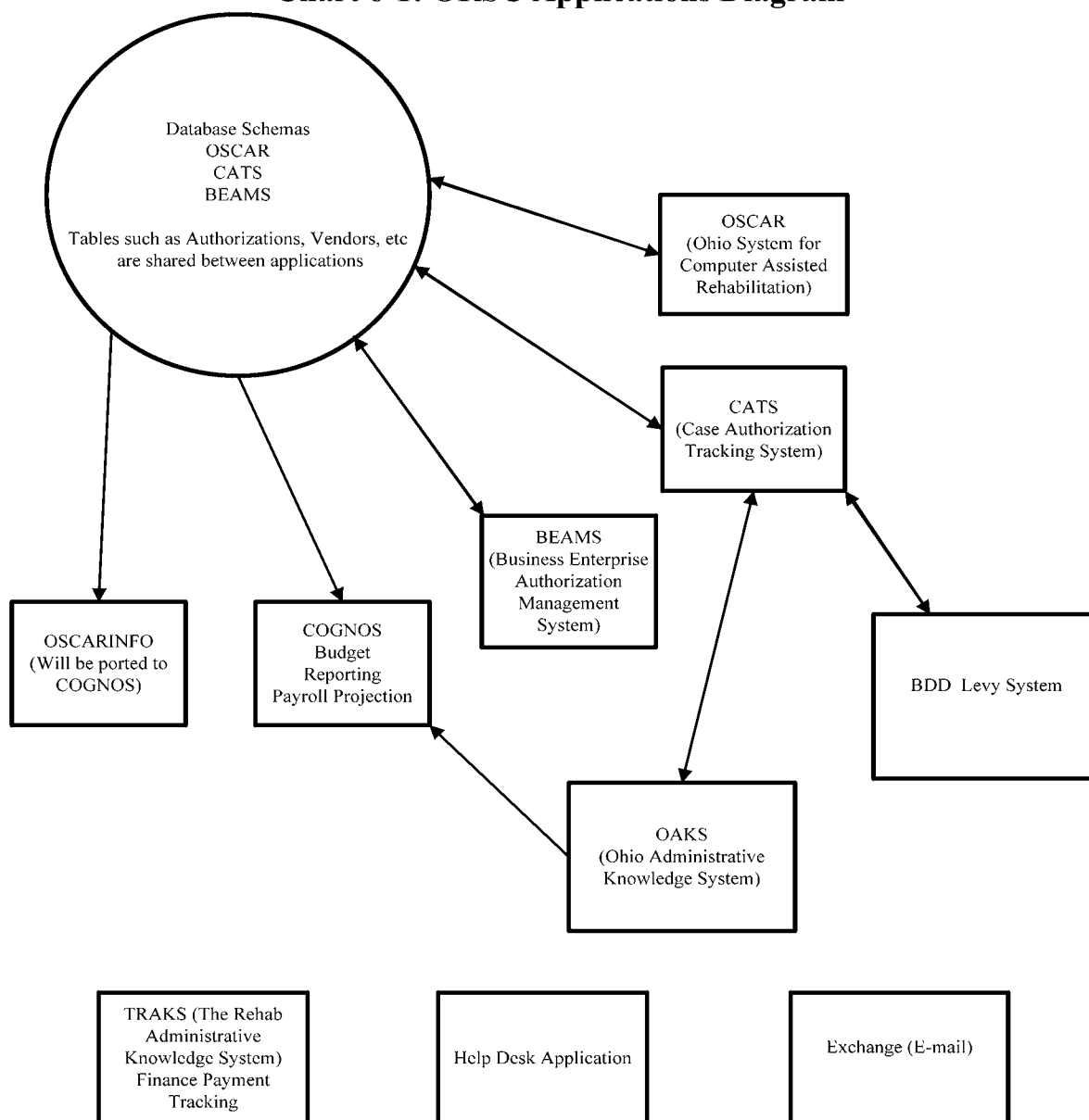
purchases found that ORSC follows the State bid process and appropriately bids purchases above \$2,500.

ORSC Technology Applications

Chart 6-1 illustrates ORSC's applications and interactions between systems. The ORSC Case Authorization Tracking System (CATS) connects to the Ohio Administrative Knowledge System (OAKS), which is the State's Enterprise Resource Planning system.⁴ A description of the notable systems as well as the process flow used by BDD and BVR follows this applications diagram.

⁴ This system performs some of the State's primary administrative tasks. It serves as the financial accounting system and human resources information system.

Chart 6-1: ORSC Applications Diagram



Source: ORSC

In addition to linking to OAKS, ORSC uses State supported systems for email and administrative reporting. ORSC uses the State email services through the Office of Information Technology and ORSC's responsibility for email is primarily related to submitting requests for changes to accounts. The Agency also uses Cognos, which is an application used to create reports for budgeting, payroll projections, and various administrative needs. Projects are in place at ORSC to expand the use of Cognos to increase the reporting capabilities and business intelligence information provided to the ORSC Bureaus. ORSC has no responsibility for maintaining the State's Cognos; however, the Agency is implementing its own Cognos application which it will support.

ORSC's three bureaus, BDD, BSVI, and BVR, all rely on technology in the delivery of services. While BDD has moved almost exclusively to use of its IT system for processing disability claims, which was required and funded by the Social Security Administration, BVR uses both paper and electronic case records in the provision of vocational rehabilitation services. ORSC uses several applications in administering the agency and monitoring services provided. These applications include the following:

VR and the Ohio System for Computer Assisted Rehabilitation

The Ohio System for Computer Assisted Rehabilitation (OSCAR) is the vocational rehabilitation case management tracking system used by vocational rehabilitation (VR). The system collects and tracks data on individual consumers and is used by VR counselors to create authorizations for service and to manage consumer activities. The OSCAR system is eight years old and is in the process of being replaced by the Vocational Rehabilitation Case Management Application System (VRCMAp) (see **R6.2**). A VR work group was created to define the business requirements for the new system prior to soliciting competitive bids through a request for proposals, which was issued by the Ohio Office of Information Technology (OIT) on December 3, 2007.

Appendix A depicts the case management process in VR. (See **vocational rehabilitation** for additional details and a discussion of variations found within VR case management practices). Since ORSC had initiated the process to replace OSCAR with a new case management system prior to the commencement of the performance audit, the review of the system's effectiveness was limited to the effectiveness of the planning process for the implementation of the new system. While ORSC is planning to take several proactive steps in planning for the new system with the selected vendor, additional written plans would further assist the Agency in ensuring the successful implementation of this major new software system (see **R6.2**).

Case Authorization Tracking System and Ohio Administrative Knowledge System

The Case Authorization Tracking System (CATS) serves as the front-end pre-processor and interface to enter case services into OAKS for payment. CATS maintains a common master

vendor file for the case management systems (OSCAR and Levy) and manages the preparation, approval, and transmission of vouchers to OAKS for payment. CATS tracks financial information on authorizations created by OSCAR, BEAMS, and the Levy system and corresponding payments to vendors, including warrant information. ORSC relies on OAKS for all case services transactions pre-processed through CATS. ORSC also relies on OAKS for all administrative transactions, such as purchase orders and payments, via direct entry. However, the efficiency of administrative technology is impacted by the ability of OAKS to generate electronic fund transfers (EFTs) (see **R6.1**), a critical issue considering the high volume of payments processed by ORSC.

Business Enterprise Authorization Management System

The Business Enterprise Authorization Management System (BEAMS) is used to manage information and performance data on facilities and operators for the Business Enterprise Program.⁵ Business Enterprise Specialists enter equipment information and business operation data into BEAMS and track authorizations issued for equipment repair and facility maintenance. The system generates various reports (including profitability reports) used to help Business Enterprise Specialists make decisions regarding the supervision of facility operations.

OSCARINFO

The data warehouse created to house the vocational rehabilitation case documentation (OSCAR files) is referred to as “OSCARINFO.” The system is used by VR staff, and Research and Development staff to create reports related to case services and business operations. A project is underway to enhance this data warehouse and provide additional reporting capabilities and business intelligence using the Cognos reporting tool.

BDD and the Levy System

The Bureau of Disability Determination (BDD) uses the I. Levy System (Levy) provided by I. Levy and Associates and the Social Security Administration (SSA) for case management functions. The Levy software provides the core functionality for managing disability determination cases by allowing caseworkers to track case data or claims information from the point of entry to completion. The Levy System closely integrates with eDib (SSA’s case document management system), which is used by BDD adjudicators to view case documentation (see **R6.7**). The Levy System is used in 30 states throughout the country and allows each state to make unique system modifications in order to meet its individual adjudication process needs. Although these states use the same base system, modifications and variations have made each system unique to its state.

⁵ The Business Enterprise Program is a federally funded program that enables Ohioans who are legally blind to have careers in food service management.

The data in the Levy system is owned by SSA. Once a disability claim is completely processed and the case closed by ORSC, the Agency does not have access to the case information after it is forwarded to the Social Security Administration. Therefore, ORSC does not have any responsibility to store or maintain historical information in its data warehouse for BDD.

Appendix B illustrates the BDD disability claim process flow and adjudication process from the application for disability determination through adjudication. (See **disability determination** for additional information regarding this process.) Overall, the workflow at BDD demonstrates an effective use of technology. The one exception was the impact on productivity related to times when the Levy system is not operational (see **R6.7**).

The Rehabilitation Administrative Knowledge System

The Rehabilitation Administrative Knowledge System (TRAKS) is a web-based document tracking system used to track supporting documents submitted to the ORSC Fiscal Management Department. TRAKS is used for purchase orders, personal service contracts, travel expenses, and other invoices. It automates the submission, retrieval and tracking of administrative requests made to the Fiscal Management Department. Non-financial staff use this system to create and submit new requests for payment to the Fiscal Management Department, while finance staff uses TRAKS to retrieve and monitor previously submitted requests. TRAKS does not link directly to OAKS and purchase orders have to be manually entered into OAKS for payment.

Helpdesk

The Helpdesk application is a ticket tracking system that tracks problems or issues submitted to the IT Department by Agency staff. The Helpdesk application and TRAKS both use the same underlying open-source, web-based software, with some modifications to fit each application.

Administrative Technology

ORSC uses OAKS for payment for services, as well as all human resource functions such as time keeping, payroll, and benefits administration. Although ORSC uses OAKS for payroll functions, the timekeeping process is paper-based and payroll data must be manually entered into OAKS (see **R6.3**). According to the Office of Budget and Management (OBM), efforts are underway to include a payroll system in OAKS that could be used by all State agencies and may be available during the summer of 2008. The system will be exception based, which means that it will assume an employee is working their normal hours unless they update their time to report overtime, vacation, or personal leave. However, this system will not be fully operational for a year or two. Since ORSC does not use project-based billing, this system would meet its payroll reporting needs. While ORSC is waiting for the future release of the OAKS payroll function, it could enhance the efficiency of its current payroll by moving to an internal electronic payroll submission and approval process (see **R6.3**).

Support Systems and Technology Audit Objectives

The following questions were used to evaluate the support systems and technology within ORSC:

- Do the workflow management systems appear reasonable and in line with peer and/or leading practices and standards?
- How does administration use technology and are there opportunities to increase its effectiveness?
- Does ORSC follow recommended procurement practices for technology purchases?
- Does ORSC have appropriate plans, such as a technology plan and disaster recovery plan, in place that meet best practice standards?
- Do technology security processes meet leading standards and are there opportunities for improvement?
- Are systems appropriately linked to other interfaces, such as OIT and OAKS, and is technology leveraged to coordinate and communicate with remote offices?

Recommendations

R6.1 ORSC should work with OBM to produce electronic fund transfers (EFTs) for its providers and vendors through OAKS. The Agency should also create remittance advices that are viewable online so that vendors or providers can match their EFTs with remittances. By using EFT capabilities ORSC will be able to significantly decrease the number of paper checks and remittances that need to be printed and mailed.

During the audit, ORSC continued to work with OBM on the issue of producing EFT payments. Staff from ORSC, OBM, and the Office of Information Technology have agreed to research the actions needed to implement this recommendation.

According to the Fiscal Management Department, ORSC was historically able to produce EFTs to pay its vendors; however, OAKS is unable to process EFT payments for its vendors. OAKS is able to process EFT payments for the administrative side of operations, but not for direct client services. This is because many of ORSC's vendors are subsistent or one-time vendors and are either not in the OAKS vendor file or are used so infrequently that they would need to be re-entered each time in the vendor file. However, absent the use of EFTs, paper checks must be sent from OBM to ORSC, then physically mailed to vendors with the corresponding remittance advices. Two ORSC mail clerks spend approximately 60 percent of their time matching paper checks and remittances for mailing. ORSC and OBM have not worked together to integrate case services vendor information into OAKS.

OBM representatives stated that OAKS does have the capability of producing EFTs with electronic remittance for ORSC. Further, if an EFT is processed and the remittance information is not received by the vendor, the vendor can contact its bank to obtain the remittance documentation. A decision was made during the design phase of OAKS to no longer provide paper remittances for EFT payments under the assumption that this information is available from banking institutions. OBM developed a query to provide payment information on request as a short term solution. OBM and OAKS engaged the Office of Information Technology (OIT) to create a web-based application so that State of Ohio vendors, counties, and local political entities could look up EFT payment information.

EFTs provide a range of benefits for organizations and vendors. These benefits include the following:

- Automates payment posting functions;
- Rejects posting at both claim and item level;

- Improves reconciliation of remittance information;
- Provides opportunities to automate claims submission; and
- Allows access to electronic claim status.⁶

During the audit, ORSC indicated it was working with OBM to try to put the remittance information in the blank portion of the check. However, problems with EFTs and remittance advices had not yet been resolved. OBM and ORSC have recently had several conversations pertaining to EFTs and remittances. According to OBM, agencies are permitted 70 characters on a warrant—ORSC could use this space to print remittance information.

Regardless of the outcomes of the efforts to address issues with OAKS, there are options to address the need for electronic remittance advices. If the OAKS generated remittance is not adequate, ORSC should pursue other options to provide electronic remittance advices to its vendors, such as implementation of a web-based system that vendors could use to access the remittance information.

In addition, the Agency could reallocate its human capital resources in a more efficient manner since the job would no longer require the same staffing level. Staff time that is no longer devoted to assembling and mailing payments could be redeployed to updating the client service vendors in the OAKS vendor file. By reducing the number of paper checks and remittances mailed to its vendors, ORSC could also realize a reduction in printing and postage costs.

Financial Implication: The estimated cost avoidance resulting from EFT usage would be approximately \$125,950 in postage and \$41,346 in salary costs (by eliminating the need to stuff envelopes) for a total cost avoidance of \$167,296. In addition, ORSC could realize additional savings on supplies such as ink, envelopes, and paper. Some of this savings could be redeployed into maintaining and updating the OAKS vendor file for ORSC case service providers.

R6.2 ORSC should conduct appropriate project planning for future IT projects, including the OSCAR replacement project. In order to ensure that organizational efforts during the replacement of OSCAR go as planned, ORSC should create a strategic technology plan to guide the implementation of the VRCMap system. The plan should describe how the system will be implemented and how it will support the mission, goals, and strategies of the organization. It should also outline the resources needed for the project, including the responsibilities of individuals and groups, and timelines for completion of each phase of implementation.

⁶ Hayes Management Consulting, Inc, (2003).

During the performance audit, ORSC created a formal project management office in the IT Department to complete some tasks related to technology contract management.

ORSC is developing the Vocational Rehabilitation Case Management Application (VRCMAp) as a replacement system for OSCAR in an effort to improve counselor productivity and reduce support costs. A work group comprised of about 30 representative members from all aspects of VR defined the requirements for the new system. ORSC has used a participatory process with members of the work group being responsible for gathering and sharing data with the areas they represent. ORSC stated the VRCMAp plan implementation will begin after the bid has been awarded and the selected vendor will develop a detailed project plan in collaboration with ORSC. Although ORSC received feedback, put a work group together, and will develop a project implementation plan once the bid is awarded, it has not developed an Agency based implementation plan or identified key factors, such as how the system will be implemented and how it will support the mission, goals, and strategies of the organization. Likewise, it has not identified the resources needed for the project, including the responsibilities of individuals and groups internal to the Agency, and timelines for completion of each phase of implementation.

Enterprise Resource Planning (ERP) Implementation: Managing the Final Preparation and Go-Live Stages (GFOA, 2001) describes recommended steps for the implementation of an ERP system. While ORSC's new system is not an ERP, many of the recommended actions steps would be beneficial as implementation of a major application can be a long and arduous process. For a new system implementation to be successful, it must be well-organized and planned. A well-defined organization chart and clear roles and responsibilities are particularly critical. The project's sponsor should communicate organization, roles, and responsibilities to the project team from the outset. Obtaining agreement on individual roles and responsibilities helps establish expectations up-front to avoid confusion later in the process.

Another important element in technology implementation is the development of a project plan. Implementing new technology is a monumental undertaking involving hundreds, if not thousands, of individual tasks and decisions. All of these tasks and decisions should be incorporated into a detailed project plan. A high-level summary of the project plan can be helpful in monitoring major activities and milestones.

According to *Strategic Planning for Technology Investments* (GFOA, 2001), an IT strategy defines how information technology is to be used across an organization. It describes how information technology will support the organization's mission, goals, and strategies, thereby aligning IT with the organization's overall direction. An IT strategy defines the future IT architecture and the initiatives and projects necessary to close the

gap. A strategy also determines the degree of change that will be required of the IT organization in terms of its mission, culture, structure, staffing, skills, and processes. The development of an effective IT strategy requires thoughtful consideration of a number of important factors including the following:

Strategy as Partnership and Process - Strategy development and IT alignment is more frequently successful when it is developed as a collaborative effort between IT and users, with both having equal weight in decision making.

- **Aligning IT with the Organization** - Alignment is defined as the degree to which IT supports organization-wide mission, goals, and objectives. The greater the degree of alignment, the greater the value of IT to the organization.
- **Prioritizing Opportunities** - For most organizations, the opportunities for using IT far out-weigh the resources available to fund them. To achieve alignment, opportunities must be prioritized based not only on their cost-effectiveness, but more importantly, on their degree of alignment with the organization. The opportunities that can make the greatest impact on the organization's overall success should be given highest priority.
- **Making the Business Case for IT Investments** - A clear and compelling business case is usually necessary to secure the approval needed to proceed with IT projects. This is especially true during periods of economic downturn and budgetary pressure. The business case should define the project's objectives, scope, approach, and organization. It also should include a cost-benefit analysis to determine whether the project's benefits are greater than its costs.
- **Technology Architecture** - Architecture serves as a blueprint for the future deployment of IT systems, databases, and technologies in support of the IT strategy.
- **Organizational Alignment** - An IT strategy typically will require changes to an organization's technology environment such as the replacement of servers, wider bandwidth for LANs or the WAN, or implementation of new e-government applications.
- **Strategy Implementation Roadmap** - An IT strategy should include a roadmap that lays out the initiatives, projects, and resources necessary to successfully implement the strategy.

A comprehensive IT strategy aligns IT capabilities with organizational needs and provides a useful framework for prioritizing IT initiatives. It determines which IT

capabilities need to be augmented and which can be reduced to cut costs. It ensures that risks are considered and managed and it facilitates an ongoing process by which organizations can maintain alignment and capitalize on opportunities to use IT to achieve their goals.

Although the IT Department requires its winning bidder to develop a detailed implementation plan and include ORSC representatives in the planning process, this does not provide the Agency with a formal strategic vision for IT implementation prior to the bid award. Without formalizing and documenting an appropriate plan for the implementation of a new project, ORSC is at risk of spending additional resources and time during the replacement process. By having a comprehensive plan in place, the ORSC executives can follow the various steps of implementation, responsibilities of persons involved, and timeframes for completion so everyone is on the same page with regard to the new system rollout. ORSC can implement this recommendation with its internal resources at no additional cost to the Agency.

R6.3 ORSC should use its new electronic signature policy to implement electronic payroll submission. It should require all employees to use its electronic payroll process and discontinue the option to use its paper-based process. The payroll process should be made paperless by using electronic time tracking, submission, and approval. By implementing an electronic payroll process, the ORSC can streamline payroll approval and eliminate its cumbersome dual system.

ORSC requires its employees to track their work time each day for payroll purposes. The Agency has an electronic signature policy and partial electronic payroll submission in place: however, the payroll process allows managers to decide if employees submit paper timesheets or track their time electronically. Employees can either enter their time electronically, or print a time sheet and enter their time manually. Regardless of how the timesheet is completed, the data has to be re-entered into OAKS until the new exception-based payroll portion of OAKS is functional.

Although the ORSC recently approved an electronic signature policy, it is not being used in the payroll process. Even if employees fill out their time sheet electronically, the timesheet is printed and signed by the employee then forwarded, along with any leave requests, for supervisory review and approval.

The electronic signature policy was designed to ensure document security and confidentiality. Under the new policy, each staff member is responsible for the protection and maintenance of the integrity and security of documents with electronic signatures. An employee seeking to use an electronic signature on a document must submit a request to the Team Leader or Bureau Director, who in turn will complete the Electronic Transaction Report form. The type of document on which an electronic signature is

acceptable must be approved prior to its use. Supervisors are responsible for notifying staff as to which documents are approved.

Payroll Technology's Expanded Benefits (Business Finance, 2004) notes that many companies are evaluating the software and activities used in their payroll function. Time and attendance systems, direct deposit, pay cards, electronic pay stubs, employee self-service, advanced reporting, and electronic tax filing can simplify payroll processing.

With increased automation and the move to electronic government services, paper records are often being created in, or converted to, an electronic format. There are significant opportunities and benefits associated with the creation and management of electronic records through these transaction systems. The systems designed to enable electronic transactions can also be designed to receive, capture, manage and preserve the records created, making them more accessible to citizens and government employees. This could help increase employee productivity, boost citizen participation and customer self-service, and improve accountability. However, the challenges associated with electronic records include technology obsolescence, security intrusions, and proper record capture and retention to satisfy evidentiary and historical requirements.

By using its electronic signature policy, ORSC can convert to a completely electronic approval process. This would enable it to achieve a more streamlined and paperless payroll process which would increase economy and efficiency. The electronic payroll process would reduce printing costs and the time spent moving paper around the office. While this would result in savings for the Agency, the savings could not be quantified.

R6.4 ORSC does not use electronic storage to store some human resource and financial information. The Agency should fully implement electronic document storage of financial and personnel records. Electronic data storage would free up the physical space required to maintain files and would ensure that information is safeguarded yet readily accessible.

ORSC's Human Resources Department uses paper storage for personnel records, such as W2's, change of address forms, tax records, direct deposit forms, and health insurance enrollment. Financial contracts are also stored in paper format in the Fiscal Management Department (see **R5.9** in financial **management**). The Agency hired a consultant to develop an enterprise content management system which would facilitate the electronic storage of information.

According to the Society for Human Resource Management publication, *Create a Strategy for Data Storage* (SHRM, 2000), the four keys to electronic storage of personnel data are as follows:

- Understand the laws governing your industry's HR records. Know what you have to keep and how long you have to keep it, and be aware of the possible legal problems should you fail to retain records properly;
- Keep up with evolving options for records storage to ensure that information does not become trapped in obsolete technology. For example, an HR department that stored records on 5 ¼ - inch floppy disks years ago would be hard-pressed to find a PC these days capable of reading such disks;
- Learn about the different types of storage media so you can talk knowledgeably with IT about how to store your records; and
- Consider off-site records storage. This may require transporting tapes or disks to a storage firm or to another of your company's own locations or sending data over the Internet to storage firms that operate online.

Transitioning to electronic recordkeeping and storage would reduce the need of space for paper storage, as well as reduce risk of loss associated with keeping paper information. By storing information electronically, ORSC could improve contract management and easily and quickly access employee information or financial contracts when needed rather than searching for them in paper files. Once electronic storage is fully implemented, the Agency will be able to reduce the costs associated with storage of paper records and increase the efficiency of records retrieval.

R6.5 ORSC should complete its written disaster recovery plan and include details for several steps of escalation in order to prepare the Agency for emergency situations. The IT Director should oversee thorough testing of the plan, making updates as needed.

During the performance audit, ORSC completed the written portion of its disaster recovery plan and projects it will complete testing and secure approval of the plan by April 30, 2008.

While ORSC did not have a disaster recovery plan at the time the performance audit was initiated, the Agency developed a Business Continuity Plan draft which describes the process and actions to be taken to continue business during a disaster. A work group was convened to start formulating the plan and surveys were conducted to determine the equipment needed to continue work after a potential disaster. The IT Department will test and conduct employee trainings on the plan before it is finalized on April 30, 2008.

According to *Best Practices* (Auditor of State, Winter 2007), disaster recovery planning is the process an organization uses to prepare for events that disrupt normal operations. A

disaster recovery plan, also called a business resumption plan, incorporates the actions an organization anticipates taking when normal operations are disrupted. The main objective of such planning is to help an organization survive disaster and guide it in resuming normal business operations.

According to *A Beginner's Guide to Disaster Recovery – A Key Component of Business Continuity* (DM Direct, 2004), the following steps are key to a successful disaster recovery plan:

- **Determine your vulnerabilities and the impact of each possible event** - This requires identifying all possible threats to the systems. It is important to include any factors that may increase risk, such as explosive materials, earthquakes, flooding potential, frequent power outages, and theft.
- **Determine the scenarios that are most likely to occur** - Conduct a risk analysis to identify the scenarios with bigger risk potential than others for your organization. For example, it may be more important to protect your assets against power outages than earthquakes. Also at this point in the process, the organization should start reviewing costs for the level of protection required for each scenario, which is included in the next step.
- **Determine the level of protection required** - Consider the availability of resources and commitment from the organization to complete the tasks involved. It may be that the best an organization can do is “clone” your computer room in a different location for better protection. However this could be very costly, particularly once personnel costs are factored in. A possible alternative may be to use an ISP to lease the space and processing power at a lower initial investment.
- **Determine the cost/benefit for each level of protection and select accordingly** - As with any business investment, decision makers must prioritize and make choices based on a cost/benefit analysis.
- **Assign resources and implement the plan** - Once the plan is complete, assemble an empowered team that will be responsible to take the plan all the way to final implementation. Depending on the requirements and your budget, an incremental approach to implementation is often best.
- **Sell everyone in the organization on the value of the plan** - Everybody in the organization needs to understand that this is a requirement for the continuity of the business in case of an emergency. There will be some tasks that will require the participation of several people in the organization to assure that all the loops are

closed and that there are no holes in the process making it crucial that everyone in the organization is on board.

- **Test, update and audit the plan regularly** - The plan must be as flexible and as easy to change as your business requirements. This will require routine testing and confirmation that everything is working appropriately and may be required as often as once a month. Be sure to include this ongoing function in the total plan cost.

Disaster recovery is a requirement for any organization that needs to maintain business continuity under adverse situations or in a time of crisis. No one is totally exempt from disaster, and it is extremely important to have a flexible strategy that allows for protection under many different scenarios, in different circumstances and under extreme pressure. Natural disasters, accidents and now terrorism are all factors to be considered in the continued successful operation for any business.

Since there is no one-size fits all solution, it is advisable to take the required steps (and time) necessary to create an efficient and effective disaster recovery plan that will help the organization sustain major threats without interrupting core business operations. The plan should evolve with the organization to ensure that it will cover current operational requirements.

Absence of a written plan puts the Agency at increased risk in the event of disaster. Since ORSC has many in-house, independent systems, establishing an individualized formal disaster recovery plan will help reduce overall risk of loss through enhanced awareness and preparedness for handling emergency situations.

R6.6 ORSC should fully implement an Agency-wide intranet. Once created, the intranet should become the primary means for sharing online forms, information, and documentation such as policies, procedures, and departmental updates with ORSC employees. During the performance audit the HR Department reportedly began posting information to the Agency's intranet.

ORSC does not have an agency-wide intranet although it was in the process of developing and implementing one during the performance audit. Phase one included the development of a BDD-specific intranet which is operational. An Agency-wide intranet has been an active and ongoing IT project which is expected to replace numerous methods of communication. A committee has been created for the project and is in the process working on the intranet launch. ORSC has solicited feedback from staff on the proposed contents of the intranet. As of now, changes in policies or updates are communicated through e-mail or electronic memo with a link to the source containing the updated information.

Intranets generally help increase lines of communication between administration and staff and simplify the distribution of information across an organization. According to *Best Practices - Five Winning Intranet Characteristics* (Prescient Digital Media, November, 2007), there are five characteristics that successful corporations use to help drive success when creating an intranet. These include the following:

- **Engage** – Ask end users what they want and need, and incorporate your learning into the site plan;
- **Standardize** – Develop guidelines and site standards to be applied and used by all sites on your intranet/extranet;
- **Simplify** – Keep the site design clean and simple, do not overload with multimedia or other elements that use large amounts of memory;
- **Measure** – Define a set of pre-determined Critical Success Indicators (CSI's) to measure both quantitative and qualitative performance; and
- **Promote** – Communicate the benefits to users in a manner that lets them know its value and motivates use.

By creating an intranet, ORSC will be able to publish its most recent policies, procedures, and departmental updates in a central location which is readily available to employees. It will also allow employees to continually access forms or reference employee manuals and will ensure accessibility at any given moment. An intranet will help ORSC administrators effectively disseminate important information such as procedural changes or policy updates on a continual basis. Finally, an Agency-wide intranet will reduce the costs associated with printing manuals and updates, and the cost of the labor associated with compiling and distributing paper manuals and reports. If successfully implemented, all ORSC employees should benefit from the increased access to up-to-date manuals and policies.

R6.7 BDD should ensure the business contingency plan is followed during system downtimes in order to help reduce unproductive work hours. During system downtimes, employees are unable to perform their regular day-to-day functions which has a negative impact on productivity within the Bureau. ORSC should explore additional options for effectively dealing with computer downtime and other external constraints that affect employee productivity. One option might include allowing employees to temporarily assist with tasks in other areas (i.e. “float”). Since computer downtime rests outside ORSC’s control, the Agency should plan alternative employee activities accordingly.

During the audit, ORSC reviewed the business continuity plan at a supervisory team meeting and a copy of the plan was sent to all supervisors with directions to post it in each BDD unit.

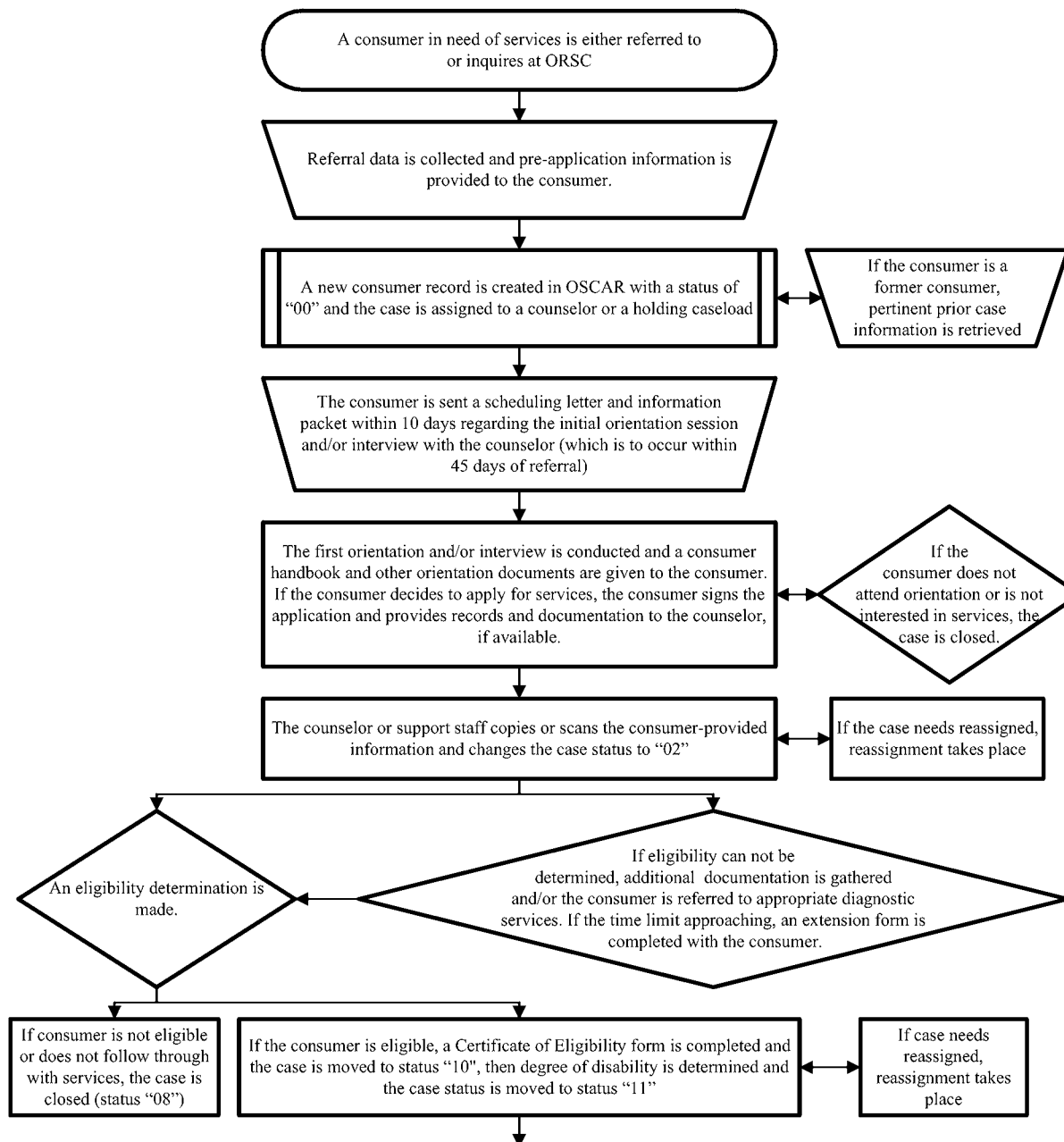
There are times when the Levy System is unavailable due to updates or modifications being conducted by SSA. ORSC has a contingency plan designed to address these system downtimes and the Agency recently updated its plan to be more in line with current work processes. The updated plan includes the use of the bureau's intranet to allow adjudicators to continue to work on claims. BDD administrators track system downtime and monitor its impact on productivity. Although a formal contingency plan is in place, adjudicators indicated that the contingency plan is not consistently followed and as a result, staff productivity is affected by the system outages because they are unable to conduct regular job functions during these times.

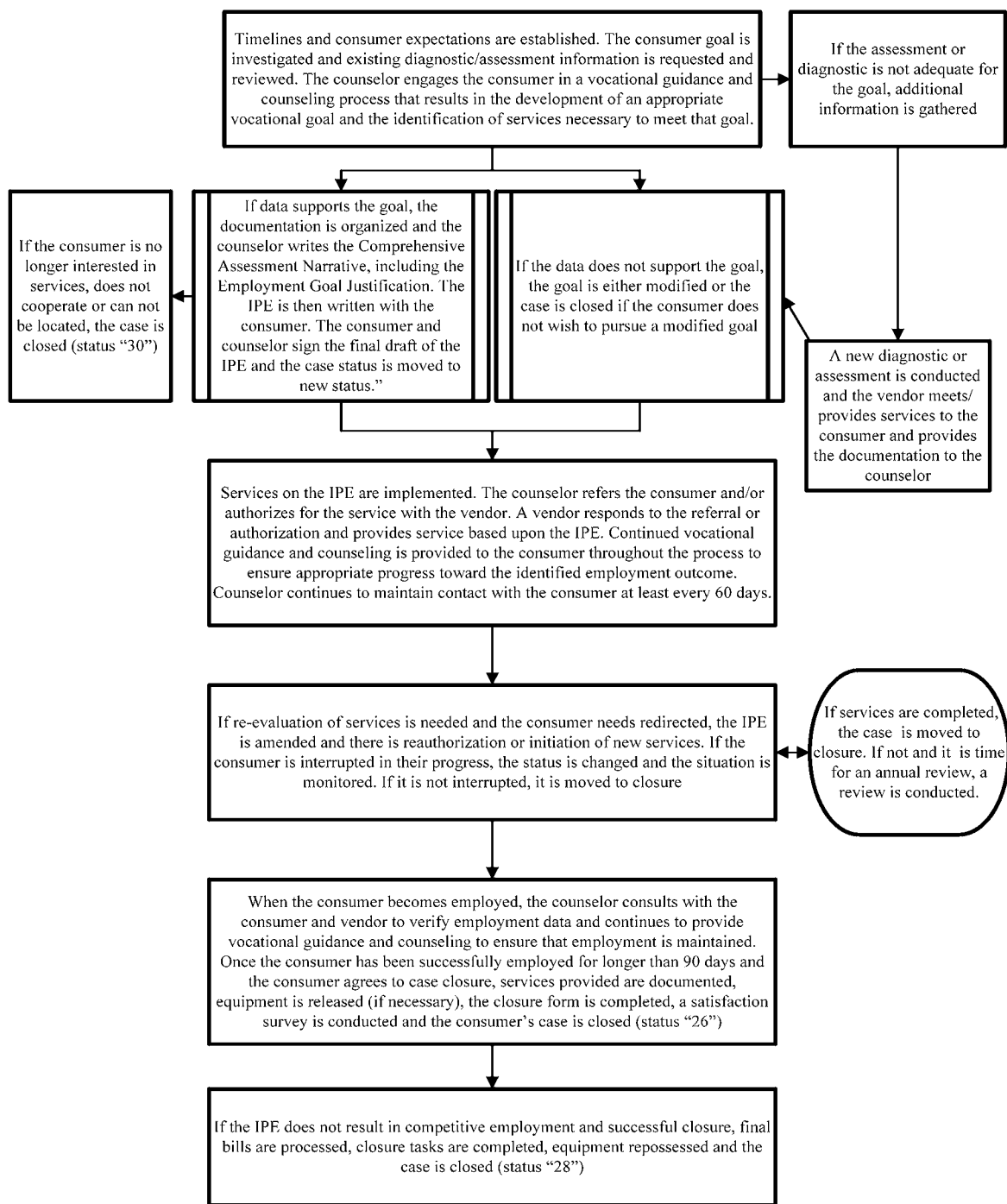
According to the National Institute of Standards and Technology, *Contingency Planning Guide for Information Technology Systems* (2002), in many cases, critical resources may reside outside the organization's control (such as electric power or telecommunications), and the organization may be unable to ensure their availability. Thus effective contingency planning, execution, and testing are essential to mitigate the risk of system and service unavailability. Accordingly, in order for contingency planning to be successful, agency management must ensure the following:

- Comprehensive understanding of the IT Contingency Planning Process and its place within the overall Continuity of Operations Plan and Business Continuity Plan process;
- Development or reexamination of the overall contingency policy and planning process and application of all elements of the planning cycle, including preliminary planning, business impact analysis, alternate site selection, and recovery strategies; and
- Development or reexamination of the IT contingency planning policies and plans with emphasis on maintenance, training, and exercising the contingency plan.

Although BDD has a contingency plan in place; however, if the plan is not consistently followed during system downtimes, the result can be a decline in employee productivity and effectiveness. Improving supervisory oversight and enforcement of the contingency plan during system downtime will help minimize the net impact on production levels. For additional discussion on this issue see **disability determination**.

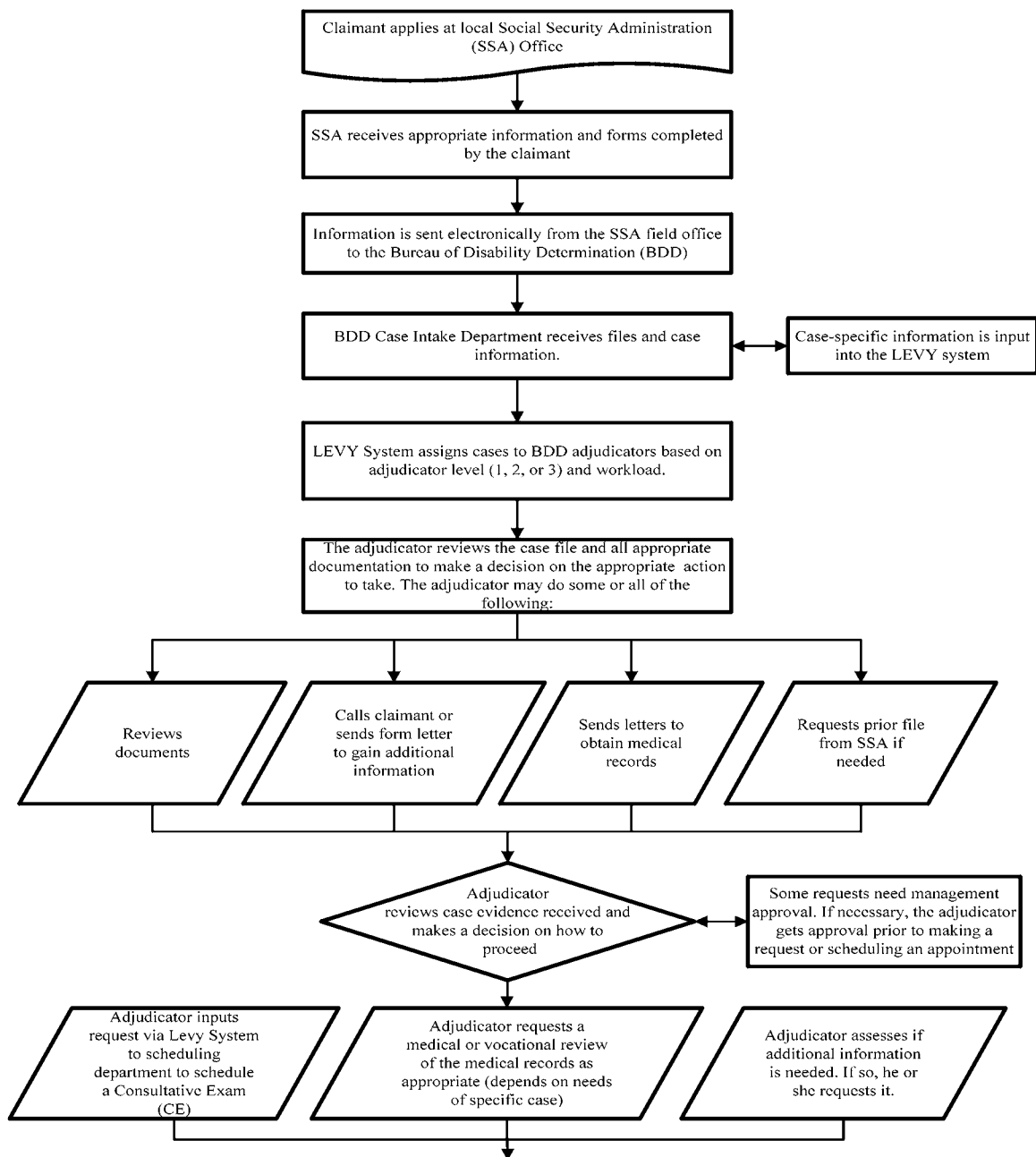
Appendix 6-A: VR Case Management Process

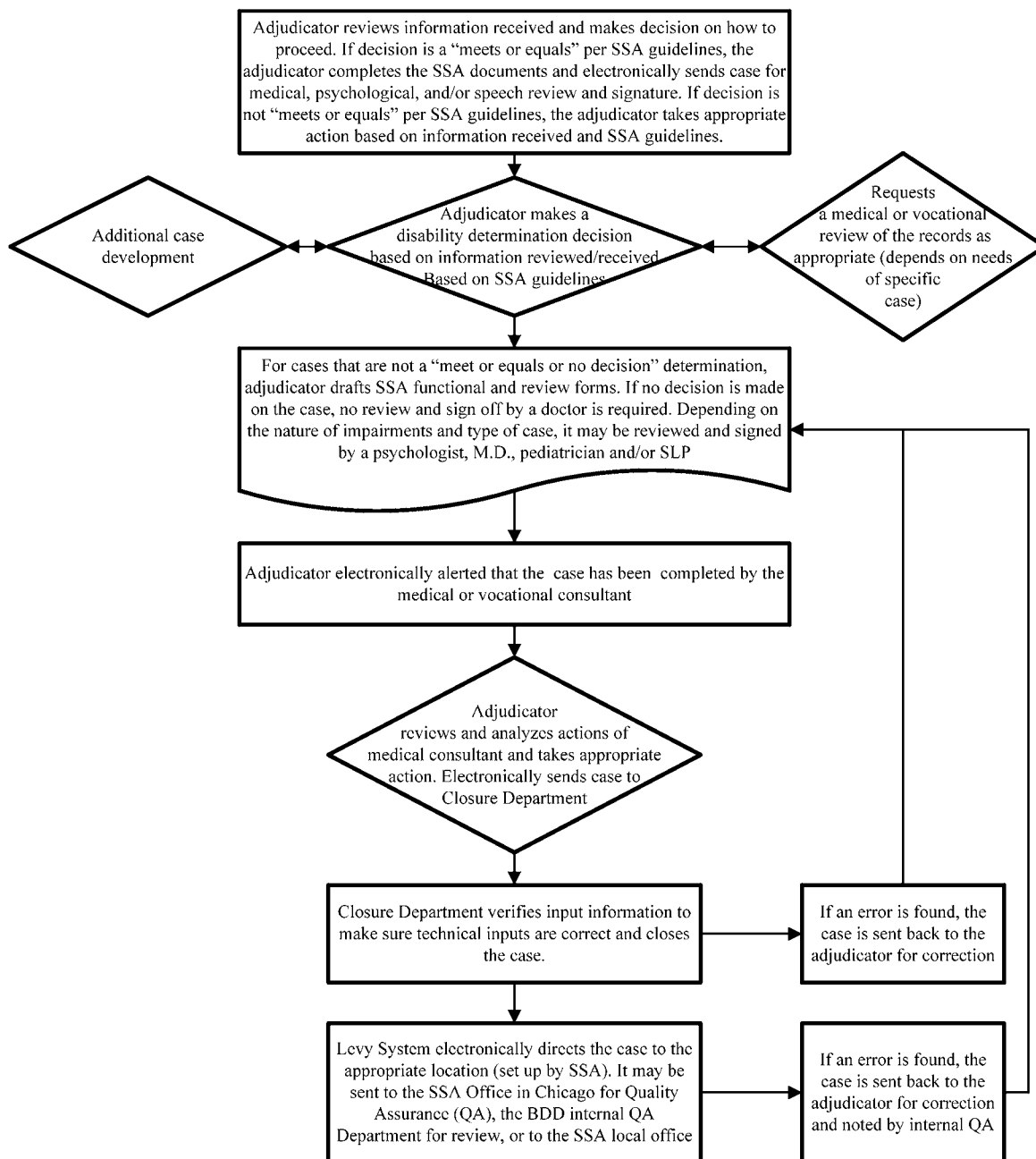




Source: ORSC Bureau of Vocational Rehabilitation
 Note: Does not include post-employment VR services.

Appendix 6-B: BDD Case Management Process





Source: ORSC

Note: BDD has a quality assurance process whereby cases are extracted and reviewed at various times during the disability determination process.

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Vocational Rehabilitation

Background

This section of the performance audit focuses on the vocational rehabilitation (VR) operations within the Ohio Rehabilitation Services Commission (ORSC or the Agency). It includes a comparison of employment outcomes and key service statistics to peer states¹. Four of the peer states, California, Georgia, Illinois, and Pennsylvania, provide VR services for all disability groups within a single organization, similar to ORSC. These four states were used to calculate a *selected state average*, which is used as an additional benchmark in this section. Program operations, including case management and employer services, were also evaluated against the peer and selected states, as well as recommended practices and industry standards, for the purpose of developing recommendations to improve efficiency and business practices.

Vocational Rehabilitation

The Rehabilitation Services Administration (RSA) is the federal agency that oversees grant programs² aimed at helping individuals with disabilities obtain employment and live more independently. RSA administers a formula grant program which provides funds to state VR agencies to provide employment related services such as counseling, medical and psychological services, job training, and other individualized services for individuals with disabilities. RSA oversees the United States' 80 VR agencies, which serve those with general disabilities, those that serve the blind, and agencies that serve combined populations.³ Therefore, states either have one VR agency (combined) or two agencies (general and blind). VR agencies can be organized as stand-alone organizations or as a division of another state agency, such as the state's department of labor.

ORSC is a stand-alone, combined VR agency and includes two bureaus: the Bureau of Vocational Rehabilitation (BVR) and the Bureau of Services for the Visually Impaired (BSVI). BVR assists people who have physical, mental, and emotional disabilities while BSVI provides services to Ohioans who are blind or have visual impairments. For a review of the Agency's structure, see **organizational structure**.

¹ See **executive summary** for a description of the 10 peer state average used as a benchmark throughout this report.

² See **program overview, history, and current status** for description of those portions of the Rehabilitation Act of 1973 administered by RSA.

³ General VR agencies serve individuals with disabilities except those who are blind or visually impaired; and blind VR agencies provide services only for individuals who are blind or visually impaired. Combined VR agencies serve all individuals with disabilities in the state.

VR Funding

State VR agencies use a mix of financial resources to provide services. These resources include federal grant awards, the state's contribution (match for federal awards), income from programs, and the federal supported employment grant.⁴ Program income is generated as a result of the activities carried out by the VR program. The majority of this income is reimbursements from Social Security for Supplemental Security Income (SSI) recipients or Social Security Disability Insurance (SSDI)⁵ beneficiaries who achieve employment.

Federal law requires each state to contribute a minimum of 21.3 percent as a match to receive (draw down) the federal VR grant award (see **financial management** for additional information on funding and match requirements). States may contribute more than the required match, which Ohio did in federal fiscal year (FFY) 2005-06 by contributing an additional \$2,168. **Table 7-1** compares ORSC's FFY 2005-06 financial resources for VR services to the selected and peer state averages.

Table 7-1: ORSC and Selected/Peer States FFY 2005-06 Sources of Funds

Source of Funding	ORSC		Selected Peer Average		10 Peer Average	
	ORSC Funding	Percent of Total	Average Funding	Percent of Total	Average Funding	Percent of Total
Federal VR Grant Award	\$114,993,706	62.0%	\$140,617,055	71.6%	\$127,585,629	66.6%
State contribution (match)	\$31,124,988	16.8%	\$38,671,402	19.7%	\$39,501,754	20.6%
Program Income	\$4,639,888	2.5%	\$5,480,137	2.8%	\$6,045,205	3.2%
Carryover	\$33,612,463	18.1%	\$10,240,320	5.2%	\$17,069,596	8.9%
Federal Supported Employment Grant	\$990,750	0.5%	\$1,508,119	0.8%	\$1,348,050	0.7%
Total	\$185,361,795	100%	\$196,517,031	100%	\$191,550,233	100%

Source: RSA 2006 Annual Reports

As seen in **Table 7-1**, ORSC had a significantly larger carryover available during FFY 2005-06 than the peers. The addition of the carryover funds gives the appearance that states, including Ohio, did not meet the match requirement; however, all of the states used in this comparison either met or exceeded the minimum contribution of 21.3 percent in FFY 2005-06. When the carryover funds are removed from the analysis, ORSC's sources of funding, as a percentage of total funds, is equivalent to the peers. ORSC is examining options for the use of the carryover funds to support its operations and services (see also **financial management**). ORSC is allowed to carry over the federal funds from one FFY to another; however, the carryover balance has to be obligated by the end of the second FFY or RSA will recollect the funds. ORSC commented

⁴ Supported employment grants provide assistance to states in developing and implementing collaborative programs with appropriate entities to provide services to individuals who require supported employment services to achieve employment outcomes.

⁵ For a detailed description of the SSI and SSDI programs see **program overview, history, and current status**.

that it will spend down its carry over in future fiscal years because of State general fund reductions. See also *subsequent events* in the **executive summary**.

ORSC's VR Services

The VR process begins with a referral to ORSC. Consumers can either self-refer or be referred by another source, such as a family member or another State agency. Once in the referral status, individuals are scheduled for a group orientation to provide an overview of ORSC's services and the VR process. When the orientation is complete, the consumer is scheduled to meet individually with a VR counselor (counselor) to determine eligibility and begin the VR process. Some individuals, such as those needing services to retain employment (job saves) or individuals with hearing or vision impairments, are not required to attend the group orientation and instead, are directly scheduled for an initial meeting with a counselor. During this meeting, the consumer submits an application for services and may provide documentation of his/her disability. If the consumer brings medical records to the initial meeting, eligibility may be determined at that time. However, if the consumer does not have medical records, the counselor may request them from the appropriate provider or schedule the consumer for an assessment or an evaluation and use the results to determine the extent of the disability and how it impacts the consumer's ability to work. BVR and BSVI counselors are then responsible for determining a consumer's eligibility for VR services. Eligibility is determined within 60 days from the date the application has been submitted (see **R7.1**). Because ORSC does not have the financial resources to provide services to all eligible individuals, counselors are responsible for determining the service priority category (see **R7.4**) for each eligible consumer.⁶ If a consumer is found to be eligible, the counselor issues a Certificate of Eligibility.

Next, counselors complete a Comprehensive Assessment (CA) to identify the VR needs of the consumer and the scope of services that will be provided. The CA includes a discussion of the consumer's general health status, the determination of the employment outcome, any barriers to employment, the nature and scope of VR services, and a determination of the consumer's distinctive strengths, resources, priorities, concerns, capabilities, and interests. Using the CA, the counselor and the consumer develop an employment outcome and determine the services needed to reach that outcome, which is then documented in the Individualized Plan for Employment (IPE). The primary components of the IPE include:

- **Employment Outcome:** The vocational goal that is mutually agreed upon by the consumer and the counselor.

⁶ ORSC determined that the State's budget for VR services cannot support a full range of services to all eligible consumers; therefore, the Agency includes the order to be followed in selecting eligible individuals to receive services within its FFY 2007-08 State Plan. The *Order of Selection* stipulates that VR service will be provided to individuals who meet the criteria of most significantly disabled (MSD) and significantly disabled (SD).

- **Services and Comparable Benefits:** The specific services to be provided, the service provider(s) or vendor(s) that will provide each service, the estimated ORSC contribution toward the cost of service, the consumer's participation toward the cost of services, the comparable benefit(s)⁷ that will be used, the projected beginning date and anticipated duration of each service, and the timeline for the achievement of the employment outcome.
- **Progress:** The criteria for the evaluation of progress toward achievement of the employment outcome.
- **Consumer Responsibilities:** A listing of the consumer's responsibilities in implementing the IPE.

A majority of the services identified on IPEs are provided by ORSC and local Community Rehabilitation Programs (CRPs), or private VR service vendors who meet ORSC's rules of accreditation. ORSC purchases VR services, such as assessments, evaluations, personal and work adjustments, job coaching, and job placement from approximately 200 CRPs located throughout the State. CRPs serving ORSC consumers report regularly to the counselors regarding the progress of the consumer. ORSC also assists consumers in meeting vocational goals by purchasing tools or equipment, such as assistive technology, necessary for the consumer to obtain or retain employment.

In addition to the tasks associated with VR, ORSC administers specialized programs to assist Ohioans with disabilities. These programs are tailored to individuals, including consumers interested in operating their own business, visually impaired consumers, and programs for disabled Ohioans wanting to become or remain independent (see **program overview, history, and current status**).

Consumer Rights

According to Ohio Administrative Code (OAC) § 3304-2-62, an applicant, a consumer, a former consumer, or the consumer's legal guardian or authorized representative who believes that the consumer's civil rights have been violated may file an appeal in writing to the ORSC Executive Director. The Client Assistance Program (CAP), a federally funded program administered by the Ohio Legal Rights Service (OLRS), provides advocacy to protect the rights of disabled individuals. It also provides assistance in understanding program requirements and obtaining rehabilitation services through ORSC. CAP usually works through negotiation, but is authorized to pursue legal, administrative, or other appropriate remedies. Information regarding the consumer rights of appeal, the process of filing the appeal and requesting mediation, as well as

⁷ Comparable benefits include services and benefits that are provided or paid for, in whole or in part, by other federal, State, or local public agencies, by health insurance, or by employee benefits.

the contact information for CAP, is provided to consumers at the application stage of the VR process.

Additionally, ORSC has a Consumer Affairs Unit⁸ whose primary focus is to provide assistance and consumer feedback to ORSC staff regarding current Agency issues in order to improve VR services (see **R7.7**). ORSC also has Consumer Advisory Committees (CACs), consisting of former ORSC consumers, who provide input to ORSC, educate communities about the services ORSC provides, and reach out to other people with disabilities. During the oversight visit⁹ to Ohio in January 2006, RSA's state liaison met with members of the CACs. According to the liaison, several consumers acknowledged the significant work of the CACs and noted the value added to the overall VR services program as a result of the input of the CACs.

Disabled Population and Service Level Statistics

As demographics impacts the demand for VR services, **Table 7-2** contains a comparison of Ohio's total population, disabled population, and its disabled population as a percentage of total population, to the selected peer group and total peers.

Table 7-2: ORSC and Selected/Peer States Disabled Population

	Ohio	Selected Peer Average	Variance	Peer Average	Variance
State Population	11,353,140	16,689,612	(32.0%)	14,897,121	(23.8%)
State Disabled Population	1,909,489	2,872,915	(33.5%)	2,661,932	(28.3%)
Disabled as % of Total Population	16.8%	17.1%	(0.3%)	17.8%	(1.0%)

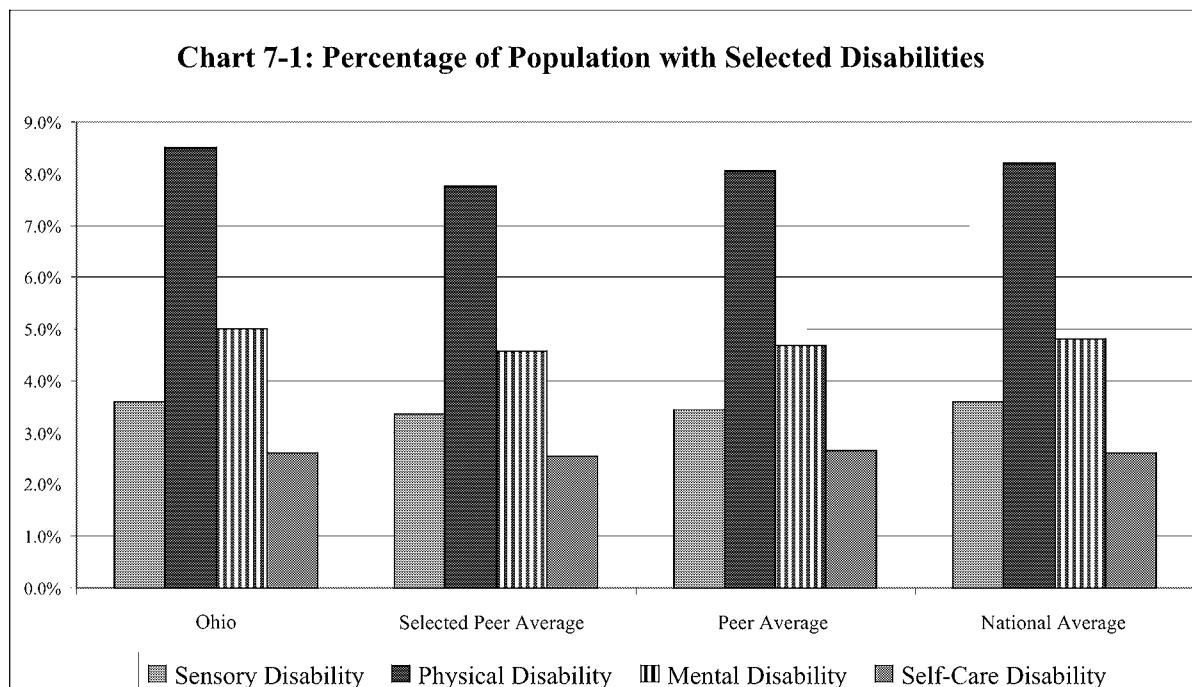
Source: US Census Bureau 2000 Populations Statistics for Ohio and the selected/peer states

Note: 2000 statistics were used because there is no disabled population estimate for 2005. The disabled population included persons five years and older with a reported disability.

As illustrated in **Table 7-2** Ohio's percent of total disabled population is similar to the selected and peer state averages. In addition to the total state disabled population, Ohio's disabled population was compared to the selected, peer, and national averages on a basis of selected disabilities in **Chart 7-1**. The four categories of disability type included in this comparison are sensory disabilities, physical disabilities, mental disabilities, and self-care disabilities.

⁸ The Consumer Affairs Unit is located in the Customer Service and Resource Development Department.

⁹ RSA state oversight visits occur to provide agencies with updates, communicate any ongoing concerns or issues, and observe day to day operations.



Source: U.S. Census Bureau 2000 Populations Statistics for Ohio, the selected/peer states, and the national average.

Chart 7-1 demonstrates that Ohio's disabled population is comparable to the selected, peer, and national averages when examining specific categories of disabilities. Thus, any differences in service levels or outcomes between ORSC and the peers are not attributable to demographic differences in the disabled populations served. A component of the audit examined circumstances where specific disability types may not receive services as readily as other eligible consumers. Such instances may be related to the process of eligibility determination and the pressures caused by production targets (see **R7.1** and **R7.5**).

Table 7-3 provides an overall comparison between ORSC and the selected and peer averages regarding applicants, consumers, and the outcomes of VR services provided in FFY 2005-06. The following list defines VR terms used in **Table 7-3**.

- **Applicants:** Total applicants are those applicants on hand in the beginning of the year as well as those new individuals that applied for services during FFY 2005-06.
- **Individuals Served:** The sum of the total number of cases closed with employment outcomes, number of cases closed without employment outcomes, and the consumers implementing the employment plan at the end of the year (those consumers currently receiving services).

- **Successful (Employment) Outcomes:** A consumer's case is considered successfully closed once the consumer has achieved employment consistent with the goal described in the IPE, has remained employed for at least 90 days in an integrated setting, and is doing well on the job and no longer needs VR services.
- **OOS Waiting List:** The Order of Selection (OOS) Waiting List is used by VR agencies whose projections indicate there will be insufficient funds or staff during the federal fiscal year to provide services to all consumers who are found eligible (see **R7.3**).

Table 7-3: ORSC and Selected/Peer States FFY 2005-06 Caseload Statistics

	ORSC	Selected Peer Average	Variance	Peer State Average	Variance
Population¹					
State Population	11,353,140	16,689,612	(32.0%)	14,897,121	(23.8%)
State Disabled Population	1,909,489	2,872,915	(33.5%)	2,661,932	(28.3%)
Consumers					
Applicants	28,821	27,314	5.5%	31,733	(9.2%)
Total Individuals Served ²	32,862	44,911	(26.8%)	45,667	(28.0%)
Closed With Employment Outcomes	8,589	8,806	(2.5%)	9,467	(9.3%)
Successful Outcomes as % of Individuals Served	26.1%	20.0%	6.1%	20.8%	5.3%
Number of Individuals on OOS Waiting List ³	81	570	(85.8%)	228	(64.5%)
Cases Closed After Receiving Services					
Closed After Receiving Services	14,181	15,176	(6.6%)	16,828	(15.7%)
Closed With Employment Outcomes	8,589	8,806	(2.5%)	9,467	(9.3%)
Closed Without Employment Outcomes	5,592	6,370	(12.2%)	7,361	(24.0%)
% of Closed Cases with Employment Outcomes	60.6%	58.2%	2.3%	56.8%	3.8%
% of Closed Cases without Employment Outcomes	39.4%	41.8%	(2.3%)	43.2%	(3.8%)
Cases Closed Before Receiving Services					
Closed Before Receiving Services	12,887	9,147	40.9%	11,365	13.4%
Closed as Applicant	5,041	3,465	45.5%	4,960	1.6%
Closed after Eligibility but before IPE developed	7,304	4,949	47.6%	5,789	26.2%
Closed after IPE developed	251	218	15.3%	168	49.3%
Total Number Closed From OOS Waiting List	291	516	(43.5%)	206	41.1%
Total Closures at End of Period					
Total Closures	27,068	24,534	10.3%	28,193	(4.0%)
Total Successful Closures	8,589	8,806	(2.5%)	9,467	(9.3%)
Total Unsuccessful Closures	18,479	15,517	19.1%	18,726	(1.3%)
Successful Closures as % of Total	31.7%	35.7%	(3.9%)	34.0%	(2.3%)
Unsuccessful Closures as % of Total	68.3%	64.3%	3.9%	66.0%	2.3%

Source: RSA FFY 2005-06 – 113 Cumulative Caseload Report

¹ US Census Bureau 2000 Populations Statistics for Ohio and the selected/peer states were used.

² The number of individuals served is greater than the number of applicants because some of the people ORSC is serving are current consumers who “applied” the year before.

³ ORSC’s total of individuals on the OSS waiting list may not reflect the possible number of eligible individuals waiting for services because of the Agency’s interpretation and practices regarding the Order of Selection (see R7.4).

As illustrated in **Table 7-3**, ORSC exceeds the peer averages in terms of successful outcomes as a percent of all individuals served during the FFY 2005-06. Additionally, 60.6 percent of ORSC’s closed cases, for those individuals who received VR services, were successful in achieving employment, greater than both of the peer averages. However, when examining the percentage of successful closures in relation to all closed cases (for individuals who received VR services and those that started the VR process but did not end up receiving services), ORSC’s success rate was slightly below the selected and peer state averages. This may indicate that a

larger percentage of consumers in Ohio apply but do not progress past the intake stage to receive services. ORSC attributes this to the historical lack of a Medicaid Buy-in Program (MBI Program) in Ohio. However, AOS examined MBI programs and the impact of the programs on demand for vocational rehabilitation services and no correlation or causal impact was identified. AOS further examined the distribution of VR services provided to individuals in the categories of visual impairments, physical disorders, communicative impairments, cognitive impairments, and mental and emotional disabilities to determine any significant differences between Ohio and the peers. Examining cases and employment rates by type of disability allows for a comparison on another level, as the difficulty and costs of services can vary due to consumers' specific needs. **Table 7-4** examines services and outcomes by disability type for Ohio and the two peer groups.

Table 7-4: ORSC and Selected/Peer Employment Outcomes by Disability

	ORSC	Selected Peer Average	Variance	10 Peer Average	Variance
Visual Impairments					
Closed After Services	1,630	898		1,012	
% of Total Cases Closed	11.5%	5.9%	5.6%	6.0%	5.5%
Successful Employment Outcomes	1,213	618		692	
Employment Rate	74.4%	68.8%	5.6%	68.4%	6.0%
Physical disorders					
Closed After Services	3,801	3,745		4,877	
% of Total Cases Closed	26.8%	24.7%	2.1%	29.0%	(2.2%)
Successful Employment Outcomes	2,068	1,982		2,622	
Employment Rate	54.4%	52.9%	1.5%	53.8%	0.6%
Communicative impairments					
Closed After Services	2,289	1,154		1,381	
% of Total Cases Closed	16.1%	7.6%	8.5%	8.2%	7.9%
Successful Employment Outcomes	1,960	812		1,049	
Employment Rate	85.6%	70.4%	15.2%	76.0%	9.7%
Cognitive impairments					
Closed After Services	3,244	5,185		4,573	
% of Total Cases Closed	22.9%	34.2%	(11.3%)	27.2%	(4.3%)
Successful Employment Outcomes	1,854	3,218		2,640	
Employment Rate	57.2%	62.1%	(4.9%)	57.7%	(0.6%)
Mental and emotional disabilities					
Closed After Services	3,216	4,195		4,986	
% of Total Cases Closed	22.7%	27.6%	(5.0%)	29.6%	(6.9%)
Successful Employment Outcomes	1,493	2,176		2,463	
Employment Rate	46.4%	51.9%	(5.5%)	49.4%	(3.0%)
All Disabilities					
Total Closed After Receiving Services	14,180	15,176		16,828	
Total Closed with Employment Outcomes	8,588	8,806		9,466	
Total Employment Rate	60.6%	58.0%	2.5%	56.3%	4.3%

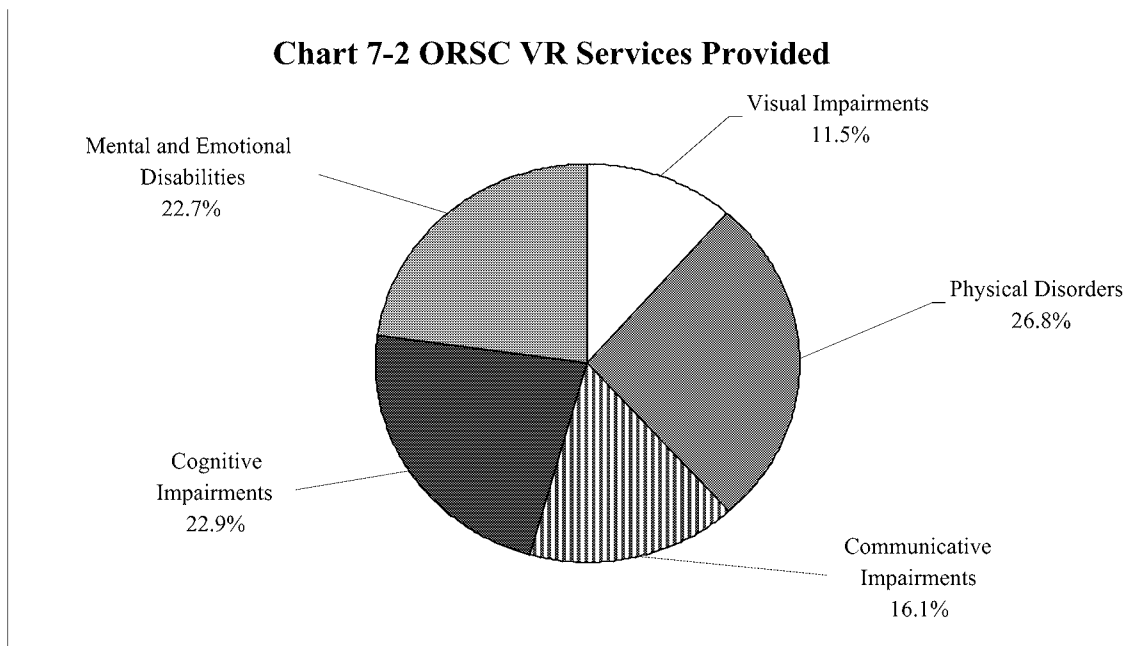
Source: RSA FFY 2005-06 ORSC and Selected/Peer State Annual Reports

Note: Cases in these comparisons include only those consumers who received services.

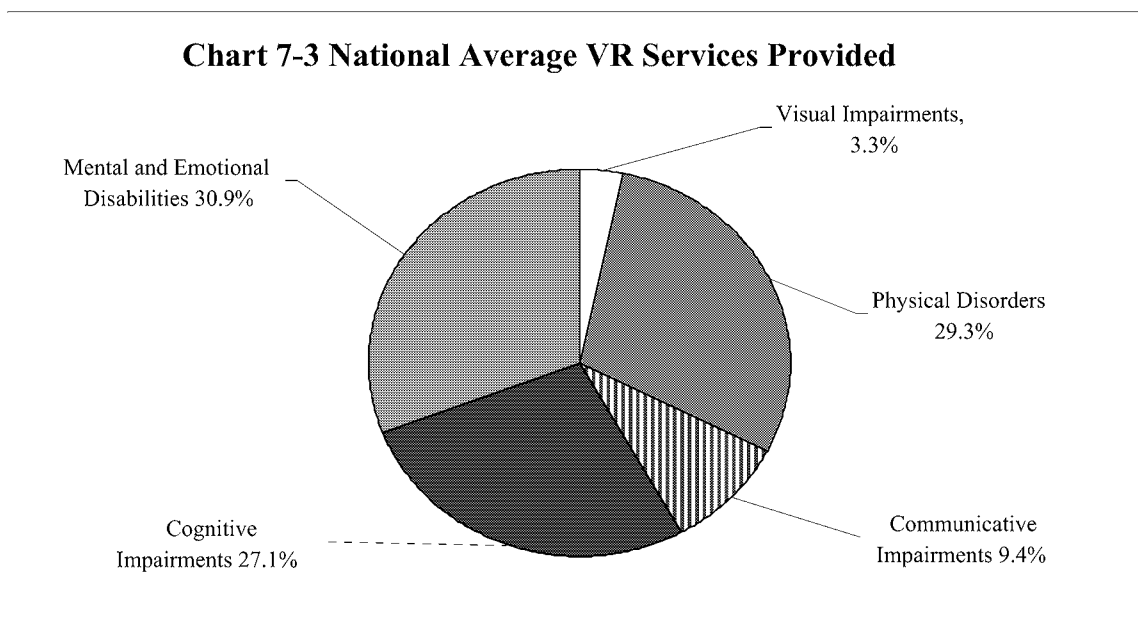
As shown in **Table 7-4**, as a percent of the total cases closed, individuals with cognitive impairments and individuals with mental and emotional (psychosocial) disabilities in Ohio were below the selected and peer averages. Additionally, the employment rate (percent of closures with employment outcomes) in these categories was below the selected and peer averages.

Because of these results, AOS compared ORSC's distribution of closed cases to the national average of general/combined state VR agencies in the categories of mental and emotional

disabilities, visual impairments, physical disorders, communicative impairments, and cognitive impairments. **Chart 7-2** and **Chart 7-3** illustrate this comparison.



Source: RSA FFY 2005-06 ORSC Annual Report



Source: RSA FFY 2005-06 Annual Report

Charts 7-2 and 7-3 indicate that Ohio served significantly more consumers with communicative and visual impairments (7 percent and 8 percent more, respectively) than the national average, despite Ohio having approximately the same percentage of residents with a sensory disability as the national average. Furthermore, these groups also exhibited the highest employment rate as shown in **Table 7-4**. The statistics may be explained by ORSC's emphasis on job saves. Job saves are common in ORSC and, for the most part, provide quick and easy successful case closures (see **R7.1 and R7.5**). In fact, ORSC indicated that approximately 40 percent of the successful closures in BSVI during FFY 2007 were job saves. Additional job saves occur for consumers with communicative impairments as well.

Charts 7-2 and 7-3 also suggest that the lower percentage of consumers with cognitive disabilities being served may be related to counselors prioritizing less difficult cases, such as job saves, in order to meet the Agency targets established for the number of successful closures (see **R7.5**). Specifically, as shown in the charts, ORSC provides fewer services to consumers with mental and emotional disabilities (8 percent fewer), or cognitive impairments (4 percent fewer) compared to the national average, despite Ohio's larger proportion of consumers with mental disabilities (see **Chart 7-1**). Stakeholders repeatedly raised concerns about counselors passing over difficult cases during the intake stage. Additionally, external stakeholder groups recognized that competitive employment for consumers with mental health disabilities and cognitive impairments can be achieved but often take additional time and resources.

Competitive employment for consumers with mental health disabilities and cognitive impairments has declined in Ohio. The *Final Report on the Ohio Rehabilitation Services Commission* (2006), submitted by the transition team of Governor Elect Ted Strickland, states that ORSC rehabilitates and returns to work less than 1.0 percent of the potential workforce of 80,000 adults with mental illness.¹⁰ The number of employment opportunities for the mental health population has steadily declined since the end of the Pathways Program, a program that outsourced rehabilitation for this population to other non-profit organizations in Ohio. Excluding difficult consumers within these categories from overall services could provide an inflated success rate because of the likelihood of a higher number of employment outcomes in the remaining population.

In 2007, ORSC partnered¹¹ with the Ohio Department of Mental Health (ODMH) and the Ohio Supported Employment Coordinating Center of Excellence at Case Western Reserve University to develop a new approach for serving consumers with severe mental illness. The model has seven core principals; the major principal is zero exclusion, which means that all consumers are eligible, regardless of symptoms, past work history, or other issues. This differs greatly from ORSC's process, where services are provided only if the consumer demonstrates the ability to benefit from VR services and achieve employment. During BVR and BSVI Field Office visits

¹⁰ No citation for this statistic regarding adults with mental illness was included in the transition team report.

¹¹ The partnership to develop the model was funded by \$280,000 grant from Johnson and Johnson/Dartmouth Community Mental Health Program Grant.

conducted as a component of this audit, ORSC VR staff indicated that they disagreed with the recommended model. Managers indicated that while there may be a middle ground, the current model is not feasible for ORSC to implement. However, ORSC staff acknowledged there was room for improvement in VR services for this population. Furthermore, while ORSC has partnerships with ODMH and the Ohio Department of Mental Retardation and Developmental Disabilities to serve disabled Ohioans, it does not have a collaborative approach to address the needs of consumers that are also served by these agencies. (See **R4.5** in **organizational structure** for further discussion).

Service Cost Comparison

ORSC spent \$156,067,839 (or 84.2 percent) of its available funding in FFY 2005-06 (see **Table 7-1**). The selected peers expended 90.1 percent of available funds while the peers expended 89.1 percent. **Table 7-5** illustrates the breakdown of the expended VR dollars in FFY 2005-06 for Ohio and the selected and peer states.

Table 7-5: ORSC and Selected/Peer States' FFY 2005-06 Service and Cost Comparisons

	ORSC	Selected Peer Average	Variance	Peer Average	Variance
Consumers					
Total Individuals Served	32,862	44,911	(26.8%)	45,667	(28.0%)
Total Successful Employment Outcomes	8,589	8,806	(2.5%)	9,467	(9.3%)
Percent of Successful Outcomes to Services	26.1%	19.6%	6.5%	20.7%	5.4%
Cost of Services					
Total Funds Used	\$156,067,839	\$178,070,025	(12.4%)	\$170,630,079	(8.5%)
Average Cost per Individual Served	\$4,749	\$4,103	15.7%	\$3,730	27.3%
Average Cost per Successful Outcome	\$18,171	\$20,221	(10.1%)	\$18,024	0.8%

Source: RSA 2006 Annual Reports for ORSC and Selected/Peer States

As illustrated in **Table 7-5**, ORSC's average cost per individual served is higher than the selected and peer averages (15.7 percent and 27.3 percent, respectively). However, because ORSC's percent of successful outcomes relative to total individuals served was higher than both comparison groups, the cost per successful employment outcome was 10.1 percent below the selected average and only 0.8 percent above the peer average.

In addition to examining service level statistics, ORSC's cost breakdown is compared to the selected and peer states to illustrate the overall areas of spending in FFY 2005-06. **Table 7-6** illustrates this comparison.

Table 7-6: ORSC and Selected/Peer States' FFY 2005-06 Cost Breakdown

	ORSC	Selected Peer Average	Variance	Peer Average	Variance
Total Administrative Costs	\$11,399,818	\$13,933,881	(18.2%)	\$15,820,148	(27.9%)
Total All Client Services	\$144,668,021	\$164,136,144	(11.9%)	\$154,809,931	(6.6%)
Agency Services % of Client Services ¹	39.9%	51.7%	(11.8%)	47.2%	(7.3%)
Purchased Services % of Client Services ²	60.1%	48.3%	11.8%	52.8%	7.3%
Total Funds Used	\$156,067,839	\$178,070,025	(12.4%)	\$170,630,079	(8.5%)
Administrative as % of Total	7.3%	7.8%	(0.5%)	9.3%	(2.0%)
Client Services as % of Total	92.7%	92.2%	0.5%	90.7%	2.0%

Source: RSA 2006 Annual Reports for ORSC and Selected/Peer States

¹ The expenditures included in this line item include services provided directly by ORSC personnel including assessment, counseling, guidance, and placement, and include the salaries and fringe benefits of all personnel providing or supervising these services.

² The expenditures reported in this line item include services purchased by ORSC for consumers from local CRPs and other public/private vendors.

As demonstrated in **Table 7-6**, ORSC spent a larger percentage of its client service dollars on purchased services than the selected and peer averages (11.8 percent and 7.3 percent, respectively). As a result, AOS reviewed ORSC's client services expenditures in more detail by examining the percent allocated to each type of purchased service. This comparison indicated that the distribution of purchased service expenditures was comparable to the peer and selected peer averages in all service areas except post-secondary education. ORSC allocated a higher percentage of its resources to this service than either the selected peer average (14.5 percent) or any of its other service categories. Additionally, this allocation was 7.9 percent higher than the peer average. However, ORSC changed its policy and will no longer cover the full cost of tuition at a college or post secondary education program. Those attending post-secondary training and desiring assistance with tuition were required to complete the Free Application for Federal Student Aid form in order to learn the estimated family contribution (EFC). ORSC restructured its contribution formula¹² for college education over the course of three years by increasing consumer responsibility for the EFC each year. In the first year, consumers were required to contribute 50 percent of the EFC; in the second year, they paid 75 percent; and beginning FFY 2007-08 (the third year), ORSC stop covering any portion and requires consumers to be responsible for 100 percent of the EFC. ORSC will still pay for tools and supplies, but the consumer is responsible for the cost of tuition. The Agency estimates it will save about \$5 million annually by restructuring its contribution formula for college and post secondary education expenses.

¹² ORSC college education contributions are calculated by subtracting grants, scholarships, and the EFC from the consumer's educational expenses.

Federal Performance Indicators

Section 106 of the Rehabilitation Act of 1973, as amended, requires the RSA to establish evaluation standards and performance indicators for the VR program that include outcome and related measures of program performance. RSA established two evaluation standards and seven associated performance indicators, of which states must meet at least five. Each of the indicators includes a minimum level of performance.¹³ The only indicator that ORSC did not meet in 2006 (or perform above or at the peer average) was Indicator 1.6, Self Support. In order to meet this indicator, RSA requires the difference in the percentage of consumers who, at program entry, reported their personal income as the largest single source of support; and the percentage of those who reported their personal income as the largest single source of support at program exit to be greater than or equal to 53.0. ORSC's difference in 2006 was 49.71.

A consumer mix including a high proportion of individuals employed at application would make it harder to meet the expected outcome illustrated in Indicator 1.6. Conversely, an agency with a high proportion of supported employment outcomes would also be challenged to meet or exceed this indicator because supported employment¹⁴ jobs rarely pay enough for self-support. The RSA annual reports do not provide data on consumers' income before services began. Therefore, it is not possible to determine the cause for ORSC's failure to meet the benchmark.

¹³ See **Appendix 7-A** for further information of RSA indicators and comparison of ORSC to peer states.

¹⁴ Supported employment services include job development and placement, on-going support services either provided by ORSC or a service provider (such as periodic monitoring on the job-site) Supported employment services may be provided only to a consumer who has a most significant disability.

ORSC Caseload Statistics Five Year Trend

Table 7-7 illustrates a five-year history of ORSC's service performance.

Table 7-7: Five-Year Comparison of ORSC Caseload Statistics

	FFY 2002	FFY 2003	FFY 2004	FFY 2005	FFY 2006	5 Year Change
Consumers						
Applicants	23,776	27,015	30,049	28,293	28,821	21.2%
Total Individuals Served ¹	28,265	29,477	31,930	32,328	32,862	16.3%
Closed With Employment Outcomes	6,826	7,034	8,088	8,221	8,589	25.8%
Successful Outcomes as % of Individuals Served	24.2%	23.9%	25.3%	25.4%	26.1%	2.0%
Number of Individuals on Waiting List	19	29	1,026	734	81	326.3%
Cases Closed After Receiving Services						
Closed After Receiving Services	11,737	11,844	13,285	13,853	14,181	20.8%
Closed With Employment Outcomes	6,826	7,034	8,088	8,221	8,589	25.8%
Closed Without Employment Outcomes	4,911	4,810	5,197	5,632	5,592	13.9%
% of Closed Cases with Employment Outcomes	58.2%	59.4%	60.9%	59.3%	60.6%	2.4%
% of Closed Cases without Employment Outcomes	41.8%	40.6%	39.1%	40.7%	39.4%	(2.4%)
Cases Closed Before Receiving Services						
Closed Before Receiving Services	9,537	11,008	11,551	13,094	12,887	35.1%
Closed as Applicant	3,954	4,945	4,994	4,890	5,041	27.5%
Closed after Eligibility but before IPE developed	5,335	5,776	6,216	7,105	7,304	36.9%
Closed after IPE Developed	230	279	284	286	251	9.1%
Closed from Trail Work/EE	2	4	0	0	0	(100.0%)
Total Number Closed From OOS Waiting List	16	4	57	813	291	1718.8%
Total Closures at End of Period						
Total Closures	21,274	22,852	24,836	26,947	27,068	27.2%
Total Successful Closures	6,826	7,034	8,088	8,221	8,589	25.8%
Total Unsuccessful Closures	14,448	15,818	16,748	18,726	18,479	27.9%
Successful Closures as % of Total	32.1%	30.8%	32.6%	30.5%	31.7%	(0.4%)
Unsuccessful Closures as % of Total	67.9%	69.2%	67.4%	69.5%	68.3%	0.4%

Source: 2001 – 2006 Rehabilitation Service Administration 113 Report

¹ The number of individuals served is greater than the number of applicants because some ORSC consumers are current consumers who have “applied” the year before.

Table 7-7 illustrates ORSC has increased overall VR services each year over the five year period. While federal indicators require all state VR agencies to demonstrate improvement in an array of areas (see Appendix 7-A), ORSC demonstrates consistent improvement in the significant areas of individuals served and successful closures with employment outcomes.

ORSC Employer Services

ORSC's Employer Service Unit (ESU) is designed to educate current and potential employers of disabled individuals. The mission of the ESU is to provide employers with innovative support, technical assistance, and placement services resulting in quality jobs for persons with disabilities. In order to carry out this mission, the ESU's Employer Service Specialists (ESS) build relationships with employers, provide education regarding awareness of disabilities, and conduct customized training for working with individuals with disabilities. Lastly, the ESU provides employers with information regarding several financial benefits that result from hiring employees with disabilities including work opportunity tax credits, potential economic development opportunities, and reimbursements for training.

Vocational Rehabilitation Audit Objectives

The following is a list of the questions used to evaluate the VR services and case management practices at ORSC:

- How does ORSC's case management for VR services compare with peer states and/or leading practices and standards?
- Are ORSC's processes for determining eligibility and providing services to consumers in line with peer states and/or leading practices and standards?
- Does ORSC's process of marketing for employer business services meet leading standards and are there possible areas for improvements?
- How effective are ORSC's efforts regarding consumer affairs and its relationships with advocacy groups?

Recommendations

Case Management and VR Policies

R7.1 ORSC should ensure all VR staff that take part in the determination of consumers' eligibility consistently follow the Agency's criteria for eligibility. This can be reinforced by having supervisors complete 10 case reviews for each counselor (see R7.5) and using team meetings as a means to provide training for areas that are inconsistent across the State. In addition, ORSC should more clearly explain how job saves should be handled and classified by counseling staff, by developing a policy and procedures for this within its VR manual. The policy should clearly indicate the circumstances when it is appropriate to purchase enhancements or equipment for consumers as well as when it is acceptable for consumers not to attend orientation or for counselors to bypass the order of selection process. Consistent practices will allow ORSC to mitigate consumer and stakeholder concerns regarding the process and criteria used for eligibility determination and provide consistent determinations to all consumers across the State.

During the course of the audit, ORSC began providing training on case review results via video-based conferencing services.

ORSC's eligibility policy specifies the process for determining consumer eligibility. The policy states that each consumer is found eligible or ineligible for VR services based upon objective criteria consistent with federal rule and intent (including definitions of criteria for eligibility and timeframes for determination). While ORSC's policies regarding eligibility determination are in line with federal regulations, counselors' practices for determining an individual's eligibility are inconsistent within the Agency, particularly between field offices. To be eligible for VR services a consumer must have a physical, mental, or emotional impairment which creates or results in a substantial barrier to employment; the potential to benefit from VR services in terms of employment outcome; and the potential that VR services will help that consumer obtain and retain employment. Additionally, counselors must determine if the consumer meets the criteria for being either most severely disabled (MSD) or severely disabled (SD) in order to receive VR services (see **R7.4**).

According to the Code of Federal Regulations (CFR) § 361.42, the state unit must conduct an assessment for determining eligibility and priority for services to determine whether an individual is eligible for VR services and the individual's priority under an order of selection for services. The assessment must be conducted in the most integrated

setting¹⁵ possible and consistent with the individual's needs and informed choice. From this assessment, eligibility for VR services must be based on a determination by qualified personnel that the consumer has a physical or mental impairment that constitutes or results in a substantial impediment to employment. A qualified VR counselor must then determine that the consumer requires VR services to prepare for, secure, retain, or regain employment consistent with the consumer's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice. Lastly, there must be a presumption that the consumer can benefit in terms of an employment outcome from the provision of VR services.

A review of ORSC's case files revealed inconsistencies in case documentation and counselor decisions regarding eligibility determination. For example, some cases included medicals records verifying disabilities while others did not. Some cases files included a Comprehensive Assessment (CA) supporting the counselors' decisions for specific services. Other cases did not include any type of documentation supporting eligibility or the need for VR services.

Of the 60 case files reviewed,¹⁶ 25 (42 percent) were consumers who were found eligible, received a service, and closed successfully. Of these 25 cases, 8 (or 32 percent) were working consumers with a hearing impairment. This type of case is classified by ORSC as a job save whereby a consumer needs some assistance to remain employed in a current position. While ORSC's policy is to provide services to MSD and SD consumers (see **R7.2**), several of the cases reviewed were consumers with one disability (such as a hearing impairment) requiring only a single service, such as a hearing aid.

Interviews with supervisors and counselors indicated that job saves are often given priority. Job saves typically bypass the orientation process and are directly assigned to counselors to provide assistance so the consumer can stay in his or her current job. While immediate service is sometimes required for the consumer to remain employed, it is important that eligibility requirements are still met. Furthermore, several counselors indicated that the job saves were critically important in meeting closure goals. The pressure faced by counselors to meet these goals (see **R7.5**) could be influencing them to determine certain consumers eligible who may not meet the specific requirements set forth in the Agency's *Order of Selection* (see **R7.4**).

ORSC partners with employers and individuals with disabilities to retain jobs and this helps employers retain their trained workforce; however, stakeholder groups often expressed concern regarding the criteria used by ORSC for eligibility determination. It

¹⁵ An integrated setting is defined by ORSC as a setting in which consumers interact with persons who do not have a disability to the same extent that non-disabled persons in comparable positions interact with other persons.

¹⁶ AOS examined a sample of 60 closed cases, including 15 cases from each of the four geographic areas. The 15 cases within each area office were randomly chosen from the Agency's FFY 2006-07 closed case files.

was noted that the outcome of this process often seemed to depend on the counselor to whom the consumer is assigned, not necessarily the level of the consumer's disability. Other stakeholder groups indicated that they were unaware of the eligibility requirements for services. Without clear procedures outlining the eligibility process and the circumstances under which purchases for job saves are acceptable, ORSC may not be consistent in its eligibility determinations.

Communicating eligibility requirements through specific examples during team meetings and case review findings (see **R7.6**) may help ORSC improve consistency in the determination process and ensure fairness in service opportunities for all consumers. Also, improving communication with outside referral sources regarding decision making criteria would provide a better understanding to stakeholder groups of what eligibility criteria a potential consumer must meet.

R7.2 ORSC should ensure that counselors are aware of all Agency policies and procedures relating to the provision of VR services. A clear understanding of policies regarding identification and referral for appropriate services, as well as supporting documentation required within the case record, will ensure that the services are provided to consumers have equal likelihood of successful employment outcomes. This can be accomplished by providing ongoing training that reiterates methods and strategies to consistently carry out day to day activities in accordance with legal requirements, Agency policies, and expectations.

In addition to determining eligibility and service priority (see **R7.1**), counselors work closely with consumers to identify services needed to meet individual vocational goals and maintain a case record of the services provided to each consumer. ORSC's VR Policy Manual includes policies that govern the specifics of these responsibilities. The Agency also provides informal guidelines for counselors, referred to as Counseling Strategies, within its VR Manual. While these guidelines are not mandatory, they provide counselors with strategies to consider in decision making, case management, and the process of providing services to consumers.

A review of ORSC's case files (see **R7.1**) illustrated inconsistent practices in the overall provision of services and the documentation of those services. For example:

- Some counselors used standard forms to determine consumers' financial contribution for specific services or equipment, others showed no evidence of how the contribution was calculated or determined.
- Evidence and documentation of the methods taken by the counselors when choosing a provider (CRP) was not present in all cases reviewed. Additionally,

many cases did not include an explanation of how the consumer's choice was considered in this process.

- The Comprehensive Assessments (CA) to support service decisions were not present in each case file reviewed. When CAs were present, they reflected many different documentation methods ranging from standardized forms to narratives.
- Some cases showed evidence that the consumer was referred from another agency such as the Ohio Department of Mental Health (ODMH), the Ohio department of Mental Retardation and Developmental Disabilities (ODMRDD), or a school district. No other documentation of continued communication or request for information from the referring agency was included in the files.
- Evidence of communication between counselor and consumer differed from case to case. Some counselors included documentation of phone calls, follow-up emails/letters, and other communication within the case file; others had no documentation of ongoing communication efforts.

During the course of the audit, stakeholder groups expressed concern regarding service inconsistencies between offices and counselors in different areas of the State. Common concerns included issues regarding inconsistent eligibility determinations, goal-setting practices, services, and reasons for case closures. One stakeholder group indicated that when there are complaints about services, ORSC has responded that counselors are autonomous and there is a limit to what the Agency can do to impact their practices. Another stakeholder expressed concern that some counselors will not approve certain services while others "approve any service under the sun".

According to *Human Resource Policies: Are They "Anchors" or "Oars"?* (Society for Human Resource Management (SHRM), 2006), existing policies present complex and controversial choices for policy-makers and for those expected to implement them. There is widespread recognition that changes in the competitive environment, the labor market, and the nature of work itself present challenges to applying existing policies and charting a course for the future. While the perception is that policies in some ways are accomplishing their stated purposes, HR practitioners observe that policies that guide their job-related decisions often do not provide the discretion and flexibility needed to respond to contemporary challenges. Policies are viewed more as a product of history and inertia than as an evolving set of guidelines being reshaped to meet the challenges of today and tomorrow. There is widespread agreement that policies must evolve with the realities of the contemporary business environment, yet there is concern that the pace of change is too slow. According to HR practitioners, the answer is not more policies, but rather policies that give practitioners the wherewithal to deal with future challenges.

Because of the individualized nature of VR and the challenges faced by counselors related to ongoing changes within ORSC, the underlying interpretation of Agency policies and procedures relating to day to day activities needs to be consistently understood. Likewise, while VR services are meant to be responsive to the individualized needs of each consumer, there should be some basic consistency in the manner in which services are provided. Additional counselor training regarding policy interpretation and Agency expectations will help ORSC to decrease the level of ambiguity faced by counselors when determining how to follow the policies that govern consumer service provision.

R7.3 ORSC's Least Cost Policy should be uniformly followed for each consumer. This can be accomplished by ensuring that all counselors have a clear and consistent understanding of the policy when determining appropriate service providers and calculating possible consumer contributions. This can be done through increased training on the Least Cost Policy. Also, ORSC should require counselors to document in the case file discussions with consumers on the Least Cost Policy. Compliance with this policy will enable ORSC to limit the number of referrals based on counselor preference, better ensure a competitive open market among the CRPs and provide objectivity and transparency in the VR process.

ORSC's Least Cost Policy is not consistently understood and followed by VR staff. The Director of BVR explained the Least Cost Policy requires counselors to choose the lower cost provider when all other service factors are equal. When consumers would rather go to the more expensive provider or order from a more expensive vendor, they are expected to pay the difference between their choice and the least cost option. This would include those services provided by a CRP, including job coaching and assessments.

ORSC staff indicated a variety of methods and approaches are used when determining appropriate service providers for consumers. Some counselors said they apply least cost only when purchasing equipment from vendors and not when determining providers for services. Other counselors explained that the consumer is provided with information, and often a list of locations and contacts, for appropriate service providers (CRPs) to choose from. The consumers' choice is the first factor considered when deciding on a provider. If the consumer does not have a preference, the counselor will choose the service provider based on how quickly the services will begin or the success rate of past employment outcomes. Managers are not involved in the process of choosing the service providers.

OAC 3304-2-52 requires VR services and training be provided at the least cost, consistent with the consumer's disability. If a consumer chooses to receive services from a qualified service provider other than the least cost provider identified in accordance with this rule, ORSC is only to pay the amount of the least cost provider. Any cost incurred above that amount is the consumer's sole responsibility to pay.

The review of ORSC case files illustrated inconsistent practices among counselors when determining appropriate service providers, including the failure to comply with and document the Least Cost Policy requirement when purchasing services. Additionally, stakeholder groups expressed concern regarding the counselors' methods for determining appropriate services providers. One stakeholder group indicated that the counselors' decisions regarding service providers created some disparity in terms of how business is allocated.

While ORSC's VR expenditures are in line with the peer and selected states (see **Table 7-5** and **Table 7-6**), the Agency has an obligation to comply with its formal published policies. Funding has not been identified as a barrier to increased services, instead time limitations appear to impact the number of consumers served. With aggressive targets and high caseloads, counselors may be operating at capacity (see **R7.5**). Complying with the Least Cost Policy and ensuring that the funding allocated for VR is used in the most effective way might allow ORSC to allocate additional funding to increase the number of counselors and caseload assistants responsible for providing services to consumers. Additional staff would enable an expansion of services and increase the number of individuals served (see **Table 7-3**). Similarly, consistently applying the least cost policy would free up resources that could be directed to consumers who may not, at this time, be eligible for services.

R7.4 ORSC should include eligible consumers who are categorized as Non-Significant Disability (Non-SD) on its Order of Selection Holding (Waiting) List. Including these consumers would help ORSC ensure that if and when the Agency can financially serve all eligible consumers; those interested and eligible could be easily contacted for service. Until that time, Non-SD individuals should receive appropriate counseling and referral services from ORSC according to Agency policy. In addition, correctly categorizing Non-SD consumers would enable ORSC to illustrate the gap between services provided and potential service needs of the disabled community. This type of gap analysis is an essential resource necessary to illustrate the discontinuity in services for the disabled in Ohio. Lastly, to ensure that its policies are followed, ORSC should be certain that all VR staff involved in the eligibility process are aware of and understand the Agency's policies regarding eligible Non-SD consumers. This should include assurance that staff are aware of the distinction between the criteria necessary for services and those that may be applied to job saves (see R7.1).

Because ORSC cannot provide services to all eligible individuals; it has developed an order for selecting consumers to be provided services, which is compliant with the CFR. However, ORSC does not include eligible consumers who are categorized as Non-SD on its Order of Selection Holding List as required by Agency policy. According to ORSC's 2008 State Plan, VR services are provided to individuals that are categorized Most

Significant Disability-Level 1-first priority for services, and Significant Disability-Level 2-second priority for services. A third category, Non-Significant Disability, does not receive VR services from ORSC. ORSC defines these categories as follows:

- **Most Significant Disability (MSD)** - A person who meets the definition of “significant disability”, but whose disability seriously limits two or more functional capacities rather than one or more.
- **Significant Disability (SD)** - A person who has a physical or mental disability that seriously limits one or more functional capacities (such as mobility, communication, self-care, self direction, interpersonal skills, work tolerance, and work skills) in terms of an employment outcome; and
 - Who is expected to need multiple VR services over an extended period of time; and,
 - Who has one or more physical or mental disabilities resulting from: amputation, arthritis, autism, blindness, burn injury, cancer, cerebral palsy, cystic fibrosis, deafness, head injury, heart disease, hemiplegia, hemophilia, respiratory or pulmonary dysfunction, mental retardation, mental illness, multiple sclerosis, muscular dystrophy, musculoskeletal disorders, neurological disorders (including stroke and epilepsy), paraplegia, quadriplegia, other spinal cord conditions, sickle cell anemia, specific learning disability, or end-stage-renal disease, or another disability or combination of disabilities determined to cause comparable substantial functional limitations.
- **Non-Significant Disability (Non-SD):** A person who has a disability but whose impairment does not rise to the level of a significant disability. Such an impairment is characterized by some recognizable limitation in functioning, but the consumer:
 - Does not require an accommodation to perform the activities listed; or
 - Is limited in performing the listed activities occasionally but not regularly; or is able to perform the activity with some difficulty but can perform the activities listed without substantial assistance.

The Order of Selection Policy in the VR Manual outlines Agency expectations for implementing the Order of Selection. The Policy outlines the three priority groups defined in ORSC’s State Plan. The Order of Selection Holding List is defined in the Policy as a list that consists of eligible consumers who are SD or MSD and cannot be served immediately. Consumers are removed from this list when a counselor is able to

serve the consumer on his or her caseload. This list will also consist of eligible consumers who are Non-SD and who are not served until this category is re-opened for services. The Policy indicates that when a priority group is closed for services (such as the Non-SD group, pursuant to ORSC's 2008 State Plan), counselors are responsible not only for determining the consumer's eligibility, but also the appropriate priority group for the individual's disability type.

OAC §3304-2-65 stipulates that ORSC shall implement an order of selection when projections indicate there will be insufficient VR funds or staff during the federal fiscal year to provide services to all consumers who are found eligible. Determination may not be based on source of referral, type of expected employment outcome, the need for specific services or anticipated cost of services required, or the income level of a consumer or a consumer's family.

According to ORSC, individuals with disabilities that would categorize them in Non-Significant Disability classification are not tracked separately from those found to be ineligible for services. In other words, individuals who are not categorized as either having a MSD or SD are not put on a waiting list, but rather, coded as ineligible and tracked only as a consumer. Lack of information hinders the Agency's ability to track and report the service needs of its consumers.

The selected peer state VR agencies used throughout this report also operate under order of selection regulations and have policies or statutes that require the order to be followed when providing services to eligible consumers. Georgia includes seven categories of eligibility within its state plan. These categories are described below:

Most Significantly Disabled

Category A: Eligible client with permanent disability which seriously limits two or more functional capacities in terms of work requires two or more primary services, and at least two of these services must be provided over an extended period of time (at least 6 months).

Category B: Eligible client with permanent disability which seriously limits two or more functional capacities in terms of work requires two or more primary services, and one of these services must be provided over an extended period of time (at least 6 months).

Significantly Disabled

Category C: Eligible client with permanent disability which seriously limits one functional capacity in terms of work requires two or more primary services, and at least two of these services must be provided over an extended period of time (at least 6 months).

Category D: Eligible client with permanent disability which seriously limits one functional capacity in terms of work, requires two or more primary services, and one of

these services must be provided over an extended period of time, (at least 6 months); or is a recipient of Social Security Disability Benefits (SSDI) or Supplemental Security Income (SSI).

All Other Categories

Category E: Eligible client with permanent disability which seriously limits one functional capacity in terms of work requires two or more primary services, and none of which must be provided over an extended period of time (six months).

Category F: Eligible client with permanent disability which seriously limits one functional capacity in terms of work, requires only one primary service, and must be provided over an extended period of time (at least six months).

Category G: Eligible client not meeting the criteria of the above categories.

VR services are currently provided to disabled Georgia residents that are found eligible in categories A-E. However, eligible individuals who are in a closed priority category (F and G) are placed on the waiting list at their request. Individuals on this list are provided with information and additional referral services to other agencies or providers where similar services may be more readily available. These individuals are then contacted every six months to follow up and determine if they wish to remain on the waiting list.

The Order of Selection regulation is meant to ensure that consumers with severe handicaps receive services by restricting the Agency's ability to serve the high functioning consumers first. The Order of Selection makes it likely that those individuals with mild disabilities will not be served. ORSC may be misleading consumers who fall in the third category of severity (Non-SD) by considering them ineligible for services when, instead, they should be placed on a waiting list.

ORSC should ensure that all VR staff involved in eligibility determination are aware of the specific eligibility criteria (see **R7.1**), the priority categories, and the Agency's policies and procedures for those classified as Non-SD consumers. This will not only guarantee policies and procedures are routinely followed but also ensure that all eligible consumers receive appropriate counseling and services, as stipulated by ORSC's policies.

Quality Control and Target Setting

R7.5 While ORSC's practices relating to target and goal setting on caseloads for counselors meet recommended practices and are in line with the peers' practices, the Agency should more fully utilize caseload assistants to mitigate the negative impact these targets may have on its counselors' productivity and effectiveness. ORSC should ensure that its counselors are fully aware of the purpose and responsibilities of the caseload assistant position and that the assistants are being used optimally by counseling staff. ORSC should also obtain input from counselors

concerning job responsibilities and expectations for the caseload assistant position, and schedule regular meetings to discuss concerns regarding the use and performance of individuals in this position. Furthermore, supervisors should ensure that caseload assistants are being used by all staff.

As ORSC uses its caseload staff more effectively, it should determine if increasing the number of caseload assistants to 30 positions would create a more optimal workflow process for counselors. Better utilizing caseload assistants and gaining counselor feedback on potential job functions and performance issues related to this position would enable counselors to dedicate more time to consumers and allow an increase in the number of severely disabled consumers served.

During Agency interviews, ORSC counselors expressed concern about their ability to meet the high caseload expectations and increasing targets for successful case closures. In addition to the Rehabilitation Service Administration's (RSA) performance indicators (**Appendix 7-A**), the Directors of the BVR and BSVI, along with ORSC's Executive Director, develop the annual targets for VR production. Funding, predicted staffing levels, caseload status, and external factors such as the Medicaid Buy-In and local labor markets are used to set the next year's goals. The primary methodology used for determining these targets is the Agency's prior year performance. After approval by the Commission, closure goals for BVR and BSVI are divided among the four regions of the State depending on a variety of factors. The area managers then work with supervisors to divide the goal for the region among the counseling staff, based on seniority of the counselor and caseload status. Targets vary from 14 (probationary counselor) to 30 (level 4 counselor) for the number of annual successful closures. ORSC counselors indicated a wide range of caseloads, from 80 to 120, depending on experience and the type of consumers served.

Table 7-8 illustrates the number of counselors at ORSC and selected/peer in relation to the individuals served and the number of successful employment outcomes in FFY 2005-06.

Table 7-8: ORSC and Selected/Peer FFY 2005-2006 Counselor Statistics

	ORSC	Selected Peer Average	Variance	Peer Average	Variance
Counselor Staff	344	464	(25.9%)	428	(19.7%)
Individuals Served	32,862	44,911	(26.8%)	45,667	(28.0%)
Individuals Served per Counselor	95.5	96.1	(0.6%)	112.6	(15.2%)
Successful Employment Outcomes	8,589	8,806	(2.5%)	9,467	(9.3%)
Successful Employment Outcomes per Counselor	25.0	18.8	33.1%	23.5	6.1%

Source: RSA FFY 2005-06 Annual Reports

Table 7-8 shows that in FFY 2005-06 ORSC counselors averaged fewer cases in terms of individuals served than the selected and peer states (0.6 percent and 15.2 percent, respectively). However, ORSC's successful employment outcomes per counselor were higher (33.1 and 6.1 percent, respectively). Overall, ORSC served fewer people than the selected and peer averages but closed more cases successfully (see **Table 7-3**).

In addition to examining the annual data reported by RSA, **Table 7-9** shows the FFY 2007-08 average caseloads and closure goals from peer states that had similar methodologies for setting their annual targets.

Table 7-9: ORSC and Selected/Peer Current Caseload Averages

State VR Agency	Average Caseload Size	Successful Case Closure
ORSC	80-120	26-30
Pennsylvania	130-150	30-40
California	100	N/A
New Jersey	125	N/A
Illinois	108	24
Florida	111	26-30

Source: Peer/Selected VR Agencies

As shown in **Table 7-9**, ORSC's method for setting targets for counselors is comparable to peer state practices, encouraging high production from employees. However, targets have the potential to become overwhelming for counselors and negatively impact the quality of services provided. ORSC managers and supervisors noted the pressure these targets can have on counselors and articulated concerns that they could lead to an erosion in the quality of services and increased staff turnover.

The case file review illustrated instances where counselors may have circumvented procedures in the management and documentation of case files. For example, files contained little documentation supporting that counselors maintained communication with consumers, followed-up after employment began, or verified that employment goals were actually met before closing a case successfully. Whether this reflected poor documentation or a lack of communication could not be determined. Furthermore, some cases were closed unsuccessful without documentation of the reason or attempts to contact consumers. Lastly, consumers stated they did not have much choice about when and where to meet with counselors. Case files indicated a letter was sent with a time and place for the consumer to meet and often, the consumer would miss the meeting without notifying the counselor. Performing communication and scheduling tasks, and following up on employment outcomes can be time consuming. Also, documenting decisions and communication practices limits counselors' available time to address direct consumer needs. Shifting these responsibilities to administrative personnel could improve direct

counseling services to consumers, improve the documentation within case records, and help alleviate some of the production pressure articulated by counselors.

State VR agencies nationwide, including ORSC, are experiencing difficulty retaining counselors because of the educational requirements of the position and available funding in the agencies. This increases the workload (caseload) of existing counselors. In fact, other State agencies in Ohio recognized this as a concern and questioned if counselors were getting appropriate support to handle the current issues. Stakeholder groups stated that ORSC counselors are so concerned with meeting their production numbers that the actual counseling services are not as beneficial as they could be. Stakeholders remarked that counselors are becoming “too production oriented” and indicated that the level of services provided strongly depends on the counselor and how busy he or she is. The focus on successful case closures appears to be impacting the selection of consumers for services and counselors agreed that the target production numbers sometimes impact the process used to provide services.

The position requirement for counselors (Master’s Degree) has lead many states to implement positions to assist with the clerical component of case management. An internal memo submitted by the Director of BVR to the Commission indicated that it was ORSC’s plan to add 30 caseload assistant positions. These caseload assistants would assist with managing the clerical aspects of case management, allowing counselors to remain focused on the aspects of their jobs that rely on advanced training and credentialing—specifically counseling. Because of ORSC’s counselor vacancies and budgeting restrictions, the Agency has only 13 caseload assistants statewide. ORSC counselors working with caseload assistants expressed different opinions regarding the purpose and use of the position. Some reported the individuals help by relieving some responsibilities such as following up with consumers, coordinating orientations and initial interviews, and other administrative activities which allows them to focus more on consumers and the successful closure of cases. Other counselors rarely, if ever, use a caseload assistant.

As performance targets increase each year, counselors indicated that the additional time required to meet the expected closure targets is overlooked. In addition, the high volume of paperwork required often prevents counselors from focusing on “counseling”. Additional support would allow counselors to spend more time with individual consumers to work on meeting their employment goals. Furthermore, counselors would be able to dedicate the necessary time to work with consumers with certain types of disabilities, such as cognitive impairments and mental disabilities, that may take longer to attain their employment goal.

R7.6 ORSC should devise a method to ensure that all counselors receive at least 10 case reviews annually, that the results of the reviews are consistently recorded and tracked, and that appropriate corrective action is applied going forward. Complete and consistent summaries of quality and compliance reviews will assist managers in accurately identifying trends in documentation and case management procedures, and assist in planning for the content of the annual Quality and Compliance Education Day training. Additionally, identifying these trends by geographic area or by office may help BVR and BSVI reduce inconsistencies in the provision of services across the State (see R7.1).

During the audit, ORSC developed and implemented a monthly videoconferencing training series for all staff to address issues identified during supervisory and quality assurance reviews. The Agency has also implemented quality and compliance education days to review policies, procedures and trends. ORSC re-established its Quality Assurance Unit and this Unit is reviewing a random sample of cases from each field office.

While ORSC has policies and procedures in place to ensure cases are reviewed, the Agency could improve the methods used to record and communicate the results. ORSC Policy VRP-1700 applies to counselors, supervisors, and managers and provides guidelines for the quality and compliance review system at each level. According to interviews with a sample of ORSC counselors and supervisors, current practices regarding the review of individual cases are in line with Agency policies. Staff verified that cases are reviewed, individual cases are discussed, and meetings take place to analyze the results of the reviews.¹⁷

The results of the compliance and quality reviews are recorded in an electronic format to provide a statewide summary for each year. ORSC's Quality Management team uses this record of reviews to identify trends and potential topics for the annual training. The Quality and Compliance Education Day (QCED) is for all VR supervising and counseling staff, including the Employer Service Specialists (ESS), and provides an opportunity for discussions on statewide issues and policy changes relating to the quality and compliance of case files.

While ORSC has an effective method in place to collect the results of reviews, all counselors listed in the summary of case reviews did not have a total of 10 reviews in the report. Of the 65 counselors reviewed from the summary of case reviews, only 22, or 34 percent, had a total of 10 cases reviewed in FFY 2006-07. Additionally, the report did not include cumulative findings, but instead, listed the individual outcomes of reviews by

¹⁷ Each BVR and BSVI supervisor oversees seven to ten counselors. While there are instances when a supervisor may manage more than 10 counselors, the ratio of supervisors to counselors is generally within the acceptable range set by the Agency.

counselor name. Ensuring a consistent level of oversight is applied to all personnel and improving the method for recording case review findings and communicating the results with VR staff would help ORSC to identify and reduce inconsistencies in its practices and correct case record deficiencies. (See also **R7.1** and **R7.2**).

Consumer Feedback

R7.7 ORSC should expand its efforts to obtain consumer feedback through various methods, including development of additional confidential methods to obtain feedback on services provided by the VR staff and various service providers. Assuring confidentiality would encourage consumers to provide more constructive feedback which, in turn, would help ORSC to improve its services and more efficiently monitor service providers. In addition, ORSC should attempt to evaluate the consumer feedback on a regional or geographic basis to identify trends and themes specific to areas or offices.

While the Consumer Advisory Committees and consumer surveys provide useful feedback to the Agency, ORSC's process for obtaining feedback may cause consumers to hesitate in expressing certain concerns to VR staff. ORSC attempts to obtain consumer feedback by meeting with individual consumers, as well as through surveys. It is ORSC's policy to ensure consumers receive satisfaction surveys at specific points in their rehabilitation process, including after eligibility determination, during plan development, at annual reviews of the IPE, and at the closure of a case. ORSC's procedures for consumer surveys indicate that the results are entered into the Agency's case management systems.

Although Federal legislation requires state rehabilitation agencies to conduct consumer satisfaction surveys regarding the VR services provided and the employment outcomes received, surveys fulfill several beneficial aspects of performance management. *Rehabilitation Consumer Satisfaction Assessment: Collaboration between a State VR Agency and a Pre-Service Training Program* (Davis, 1997) outlines specific procedures and benefits related to consumer satisfaction assessments. Consumer feedback is a most important source of outcome assessment data. In order for rehabilitation providers to achieve high levels of quality, it is necessary to conduct detailed outcome assessments, particularly of consumer satisfaction. However, one persistent problem associated with consumer satisfaction surveys is that data tends to be highly positive with few negative comments. It has been suggested that most consumers feel they are supposed to give "grateful testimonials" for services, which inhibits candid feedback.

Some ORSC consumers return for additional or post employment services after their case is closed and may not want to jeopardize future services by providing constructive feedback on their VR experience. ORSC's 2006 annual report demonstrates that a

majority of consumer appeals was from issues regarding the termination or closure of services. Feedback from these consumers could assist ORSC in improving processes, increasing successful closures, and reducing the number of consumer appeals.

The *Agency Review of the Ohio Rehabilitation Services Commission* (2006), submitted by the transition team of Governor Elect Ted Strickland, illustrated similar findings regarding ORSC's process for obtaining consumer feedback. Stakeholders suggested that ORSC evaluate its current system for assessing customer satisfaction to ensure adequate input is being obtained. The review also suggests that obtaining confidential feedback from a sampling of consumers could be used to identify service issues by region or office. This information would allow area managers and supervisors to implement effective solutions to the problems identified. During interviews and round table discussions, stakeholders also indicated that ORSC could improve efforts to obtain consumer feedback. Specifically, a stakeholder indicated "ORSC was not good at addressing consumer complaints.

Expanding its efforts to obtain consumer feedback, especially from those consumers who are not successfully rehabilitated, could allow ORSC to better gauge the reasons leading to appeals, avoid future disputes, and improve overall consumer satisfaction. Communicating this feedback to appropriate VR staff may enable individual counselors and supervisors to improve service delivery and reduce the number of unsuccessful closures.

Employer Services

R7.8 The Employer Services Unit (ESU) should standardize its operations, particularly with respect to new employee training and Employer Services Specialists' (ESS) day-to-day responsibilities. While highly individualized training and job duties may accommodate the preferences of ESS employees, a lack of consistency from person to person can create confusion over individual responsibilities.

Further, ORSC should complete a job analysis for the ESS position. This would allow the Agency to determine if the duties of the position are appropriate for the Agency's need or if modifications to the position description are necessary to accurately reflect the work expected. After standardized duties are established, ORSC should re-examine the requirement for ESS employees to hold a Master's Degree in a human service related field. It may determine that a business-related degree or background is a more appropriate employment qualification.

ESS employees are highly independent and complete their job duties in a manner largely based on personal preference. This lack of uniformity can create intra- and extra-agency ambiguity about the responsibilities of the ESS. Furthermore, ESS position requirements

include a minimum of a Master's Degree in human services and two courses in business or six months business experience; or certification as a rehabilitation counselor and two courses in business or six months experience; or current enrollment in a qualifying master's degree program and graduation prior to hire date. Requiring some business experience is undoubtedly helpful in ensuring ESSs are equipped to function appropriately on behalf of clients; however, the requirement to hold a master's degree in a human services field may restrict the pool of qualified candidates and may not be necessary for the position.

According to the ESU Manager and an ESU Supervisor, most of the ESS new hires come from the ranks of the counselors. As a result, new ESS employee training is largely informal and this informality is carried into the day-to-day activities of each ESS. While drawing from the pool of existing counselors ensures that new ESS employees meet the minimum position requirements, it may not ensure they can effectively work with the Agency's business partners.

ORSC has developed ESS performance standards. These standards minimally require that each ESS maintain 40 active employer accounts; record 35 services per month (420 services per year); identify 11 job saves per year, give 6 presentations per year, and maintain membership in at least 2 professional organizations. While a master's degree in human services may help ESS employees interact with consumers, the majority of the job duties, and the ESS performance standards, involve interaction with businesses. As a result, a master's degree in human services may not reflect the optimal background for an effective ESS.

A job analysis is a systematic study to determine what activities and responsibilities they include, their relative importance in comparison with other jobs, the personal qualifications necessary for performance of the jobs, and the conditions under which the work is performed (*Job Analysis*, SHRM, 2004). An important concept in job analysis is that the evaluation focuses on the job, not the person doing the job. SHRM further notes that, ideally, all of the jobs in an organization should interrelate to optimize the achievement of the organization's mission, goals, and objectives.

A job analysis is normally documented through a job analysis questionnaire, and the end product is a job description, inclusive of clearly defined job specifications (i.e., required and/or preferred qualifications) for the job incumbent. The following information is generally helpful in making distinctions between jobs: knowledge, skills, and abilities needed; work activities and behaviors; interactions with others (internal and external); performance standards; financial budgeting and impact; technology and equipment used; working conditions; and supervision given and received.

To perform a job analysis, the organization's HR department and management must work closely together to ensure that the process works efficiently and effectively. The output of the job analysis process should be used to develop a job description and job specifications. Together, these represent a summary of the job analysis information in an organized format and provide a basis for job-related actions on the part of the company. As a general rule, the job description and specifications are combined into one document but compartmentalized into separate sections, which can be updated independently as job changes occur.

ORSC has accepted personal variances in the day-to-day activities of ESS employees because of the highly specialized nature of the position. However, the actual duties of the ESS have evolved and the position description does not accurately reflect the current day-to-day responsibilities. Furthermore, informal job requirements and ambiguously communicated responsibilities has created an unproductive environment between ESSs and their internal and external contracts. For example, a job analysis might reveal that a more appropriate requirement may be a degree in business administration or a related field that would better serve the actual position functions, such as networking, marketing of ORSC services, and job lead generation. Providing a clear set of job responsibilities and formalized job training for all new ESS employees would improve internal and external communication and ensure they meet Agency and stakeholder expectations.

R7.9 Through legislative action, the General Assembly and Governor's Office should implement changes in the administrative oversight structure of the State's workforce development programs (see R4.1 in organization structure). The General Assembly should use recommendations from the Governor's Workforce Policy Advisory Board (WPAB) as the basis for that change. At minimum, ORSC should strengthen administrative oversight within its ESU to ensure that all employees have appropriate supervision (see R7.10) and are completing their day-to-day responsibilities in a consistent, efficient, and effective manner (see R7.8).

The ESU's primary interaction with other State agencies occurs at the county One-Stops.¹⁸ However, the effectiveness of any partnership, such as the partnership between the One-Stops and ORSC, is highly dependent upon cooperation of the individuals involved. Because the level of cooperation and collaboration between county and ORSC staff varies by location, services to consumers are inconsistent.

¹⁸ Coordinated by the Department of Labor, One-Stop Career Centers are designed to provide a full range of assistance to job seekers under one roof. Established under the Workforce Investment Act, the centers offer training referrals, career counseling, job listings, and similar employment-related services.

For example, ESU works with various external groups, including CRPs, other State agencies, and the Ladders to Success Program.¹⁹ Each ESS employee is supposed to work with the local One-Stop, but relationships and the amount of interaction varies significantly depending on the ESU and ODJFS individuals involved. VR counselors characterize their relationships with the One-Stops as “hit-or-miss”. At a typical One-Stop, there are several ODJFS case managers and job bank personnel. All ESS employees have access to the One-Stop’s job bank system information but must obtain access through the ODJFS coordinator in order to use the system. The ESU Supervisor indicated that coordination between all of the programs at the One-Stops is desired, but is not uniformly implemented throughout the State. The lack of coordinated job training services was the catalyst for recommended administrative and structural changes to the State’s entire system of programs.

In June 2007, the Governor signed Executive Order 2007-14S, which formally established the Workforce Policy Advisory Board (WPAB or the Board). The WPAB is a required body under the federal Workforce Investment Act (WIA) and is to advise the Governor with respect to business, workforce, training, education, and other issues that influence the development, implementation, and continuous improvement of the demand-driven workforce development system. The WPAB is composed of members from diverse regions and industries across the State and includes a representative from ORSC.

The Legislative Services Commission and the WPAB have completed a series of studies on administrative consolidation of the State’s workforce training and job development programs. Furthermore, the WPAB continues to study various strategies, including consolidation. At the time of the audit, few of the recommendations in these reports had been implemented. (See **subsequent events** in the **executive summary**).

Workforce Policy Building Blocks: An Overview of Noteworthy Strategic Initiatives and Recommendations Related to the Improvement of Ohio’s Workforce Development System (WPBA, 2007) provided State leaders and the newly appointed WPAB members with an overview of prior strategic initiatives and recommendations related to the improvement of Ohio’s workforce development system.²⁰ The report highlights nine previous workforce development studies. The major themes expressed in the reports completed by the WPAB include the following:

¹⁹ The Ladders to Success Program is a division of the Ohio Restaurant Association, funded by ORSC to expand opportunities for people with disabilities in the restaurant industry. This program has been in place for about 20 years.

²⁰ Although many of the studies focus on programs that were, at the time, delivered by the Ohio Department of Job and Family Services, the recommendations seek to improve Ohio’s workforce development system, regardless of the agency managing the programs.

- Centralization of job training and workforce development within a single State agency;
- Development of clear performance indicators by which all job training and workforce development activities may be measured; and
- Development of a single point of contact for all job training and workforce development programs.

Because of the lack of coordination and continuity in workforce training and job development programs, consumers and stakeholders are often unclear about what services are provided by which agencies. In many cases, consumers must obtain services from multiple, disparate agencies and must navigate this system with little or no professional assistance. Furthermore, the lack of uniformity and performance measures, cited as recurring themes in the WPAB and LSC reports, has hindered the State from effectively determining which agencies' workforce training and job development programs are efficient and effective.

According to *Best Practices in Public Budgeting* (Government Finance Officers Association (GFOA), 2000), all governments should periodically evaluate the performance of programs and services. Government functions, programs, and activities should be periodically reviewed to determine whether they are accomplishing intended program goals and making efficient use of resources. A performance evaluation provides both accountability and information on which to base improvements. The establishment of effective performance measures, as recommended by GFOA, would allow the Governor and General Assembly to determine which agencies and programs are deserving of targeted resource allocations and which agencies and programs could be effectively combined to enhance services.

Finally, the amount of administrative and programmatic duplication among the State's various workforce training and job development programs is costlier to administer than a more streamlined and focused program. Further, the duplication of services and points of entry into the system does not necessarily ensure more positive outcomes. For example, both ORSC and ODJFS independently promote the benefits of employing disabled individuals. This disjointed approach appears to create confusion among business owners rather than actually increasing business participation in these programs. In consideration of the State's fiscal condition and the need to promote economy and efficiency, implementing further administrative consolidation of similar-type programs for workforce development would be financially beneficial to the State.

R7.10 ORSC should reorganize ESU under the oversight of the Directors of BVR and BSVI (see R4.2 in organizational structure). This would ensure that employment services are better aligned with the needs and expectations of these bureaus. In addition, ESU's span of control should be reduced to reflect more manageable numbers of employees, employee turnover, role diversity, and production methods. Oversight could be improved by one of the following methods:

Option 1: ORSC could assign additional ESS oversight duties to the BVR and BSVI area managers. Adjusting the span of control by reassigning oversight duties would enable ORSC to provide additional oversight of ESS to ensure that job duties are being conducted efficiently and consistently. Furthermore, this option will not result in additional costs.

Option 2: ORSC could restructure ESSs into a four-region structure, which would require an increase of two supervisory positions. This option will increase the span of control to 5 to 1, which will allow for more effective management. This recommended course of action was developed by an ESS supervisor and presented to Agency management but has not been implemented.

In May 2008, ORSC convened a workgroup to address this finding and recommendation. The scope of the workgroup's authority includes conducting a review and evaluation of the Customer Service and Resource Development team's performance outcomes, a best practice comparison and review of other states' employment models, a resource review and efficiency evaluation, and a satisfaction service level and preferences study based on the concerns of the Agency's partners.

The ESU administrative structure consists of a Manager and two Supervisors. Each Supervisor is responsible for oversight of half of the State²¹, each portion of which is served by 11 ESS employees. Although the ESU Supervisors are responsible for direct supervision of ESS employees in their respective areas, most supervision and day-to-day contact is carried out by email or telephone. Due to the large area covered by each Supervisor, there is little opportunity for regular face-to-face interaction with all ESS employees. Under the current job requirements (see **R7.8**), this level of management oversight appears insufficient to provide clear direction and support.

According to *Span of Control and Public Organizations* (Public Administration Review, 2003), span of control refers to the way relations are structured between leaders and subordinates in an organization. Wide spans of control are the default in many organizational settings because they maximize resource flow to production and minimize resource flow to supervisory tasks. Although wide spans of control are desirable from an

²¹ One Supervisor covers the Northeast and Southeast while the other Supervisor covers the Northwest and Southwest.

efficiency standpoint, there may be conditions under which a narrow span of control is preferable. Spans of control at the first-line of supervision level should be narrow when:

- Production methods in an organization are diverse;
- Role diversity among production level employees is high; and
- There is great instability or high turnover of production level personnel.

Because ESS staffs are highly independent in their day-to-day activities, the current wide span of control and lack of continuous management/staff interaction does not provide sufficient management oversight to ensure consistent completion of job tasks or achievement of Agency expectations. In addition, stakeholders, the ESU Manager and an ESU Supervisor have all noted that ESS employees appear under-supervised. Under-supervised staff could lead to inefficient or ineffective performance for the Unit as a whole and may negatively impact the Agency's ability to serve consumers. Reorganizing ESU to include more direct supervision of employees will provide better direction to employees on Agency expectations and improve the services provided to VR staff, employers, and consumers.

R7.11 ORSC should work with the Ohio Department of Job and Family Services (ODJFS) and other relevant State agencies to develop a cohesive communication plan to promote the benefits of employing disabled individuals. The communication plan should include information regarding tax incentives, such as the Work Opportunity Tax Credit (WOTC), to lead to more businesses specifically targeting the employment of disabled individuals. In addition, the plan should provide partner agencies, CRPs, and employees with relevant, timely information regarding job leads, potential consumer matches, and successful outcomes. For further discussion of strategies for improving communications, see R3.8 in organizational strategy.

One major responsibility of ESU is to communicate the availability of tax incentives to business that employ individuals with disabilities. At the same time, ODJFS independently communicates these benefits to potential employers. This duplicative, disjointed effort illustrates the overlapping nature of the State's workforce training and job development programs (see **R7.9**).

ORSC and ODJFS collaborate on some communication efforts. For example, ODJFS produced public service announcements regarding Ohio's One-Stop employment and job training sites and ORSC led the marketing campaign to distribute these public service announcements in 2007. ORSC also worked with ODFJS in publicizing Ohio's new Medicaid buy-in program.

ORSC also obtains consumer placement and job lead identification services from outside the Agency, through CRPs and the Ohio Restaurant Association's (ORA) Ladders to

Success program (the Ladders program). The Ladders program leverages the influence and contacts of the ORA to gain access to potential employers in the restaurant and restaurant supply sector.

While ESU appears to work closely with the Ladders program, the relationship with CRPs is generally much less collaborative. ESU administrators noted that ESS' have to continually remind some CRPs to communicate tax incentive information to employers, and not all CRPs use WOTC consistently or when the opportunity presents itself. Although CRPs are encouraged to market ESU to businesses with whom they work, efforts are inconsistent.

ORSC recognizes that there may be some perceived barriers to employers using the tax incentives including: businesses' lack of awareness of what the tax credits cover, businesses' lack of knowledge and understanding of the nuances of the tax incentives, and businesses' reluctance to hire disabled individuals based on the tax incentives because of reporting and financial disclosure requirements. These perceived problems are indicative of a communication breakdown between potential employers and ESU.

Furthermore, when the Ladders program identifies job leads, information regarding those leads is posted on ORSC's internal database, known as EmployOn. At the same time, information regarding the job leads is sent to the area ESS employees and BVR and BSVI counselors. EmployOn does not track how frequently BVR and BSVI counselors actually use the EmployOn system, nor does it track the outcomes of the job leads identified by the Ladders program. Only word-of-mouth feedback from counselors on successes related directly to Ladders program job leads has been collected.

ORSC representatives noted that some systems issues exist with EmployOn and as a result, counselors are not making effective use of the database. The greatest barrier to full implementation of the capabilities of EmployOn is that many BVR and BSVI counselors have not been trained in its use. The ESS' could provide training to the counselors (this was estimated to take about one hour per counselor) and EmployOn is also willing to provide training, although nothing has been formally planned.

According to *Employer Incentives for Hiring Individuals with Disabilities* (SHRM, 2003), several tax incentives are available to employers. However, it is unclear how aware employers are of these incentives and whether the incentives actually impact decision making. As a part of this publication's methodology, SHRM distributed a survey to determine HR professionals' opinions on how best to improve the employment of persons with disabilities. A majority of the respondents indicated their organizations do not participate in any of the incentive programs for hiring individuals with disabilities. The majority of respondents also agreed the best way to improve participation in these

types of tax incentive programs would be for governmental entities to more effectively communicate them to potential employers.

Survey respondents were also asked about their familiarity with a number of employer incentive programs related to employment of disabled individuals, including, the WOTC, the Disabled Access Credit, the Mentor-Protégé Program, and the Social Security Administration (SSA) Employment Network Cash Provision. The majority of respondents were largely unfamiliar with employer incentive programs, except for WOTC. This presents an opportunity for increased participation in the programs as a result of more effective communication. SHRM concluded that increased use of employer incentives and improvement in the employment rate of individuals with disabilities could occur if the various incentive programs were better communicated to the HR community.

Business Tax Incentives (United States Government Accountability Office (GAO), 2002) also found that few businesses and individuals reported using the tax credits for hiring disabled employees to the IRS. GAO indicated that a lack of familiarity with the incentives and perceptions regarding the amount of effort required to qualify for them are two primary obstacles to increased business participation. GAO concluded that, to increase familiarity and reduce possible misperceptions concerning the incentives, there is a need for better coordination in promoting their appropriate use and the advantages of hiring workers with disabilities. The need for greater coordination was also a major theme of the WPAB reports (see **R7.9**).

Lack of information about tax incentives for the employment of individuals with disabilities has been identified as the greatest barrier to increased business use of the tax incentive programs. Improved and better coordinated communication with businesses by ORSC could alleviate these concerns. In addition, resolving disjointed and potentially duplicative communication efforts between multiple State agencies (i.e., ORSC and ODJFS) would allow for better focus and consistent communication of the tax incentives and advantages. Finally, by redirecting resources, additional avenues of communication or greater levels of employer assistance could be implemented, resulting in a higher degree of effectiveness for workforce development programs targeted at individuals with disabilities.

Appendix 7-A: Federal Standards and Indicators

The federal standards, promulgated by RSA are described in the following:

Standard 1: Assesses VR's Impact on Employment

- **Indicator 1.1 – Change in Employment Outcomes:** The difference between the number of individuals exiting the VR program who achieved an employment outcome during the current performance period and the number of individuals exiting the VR program who achieved an employment outcome during the previous performance period.
 - *Performance Level: Equal or exceed previous performance.*
- **Indicator 1.2 - Percent of Employment Outcomes:** The percentage of individuals exiting the program during the performance period who have achieved an employment outcome after receiving services.
 - *Performance Level: 55.8 percent for general and combined agencies.*
- **Indicator 1.3 - Competitive Employment Outcomes:** Measures the percentage who exit the VR program in employment in integrated settings with or without ongoing support services, self-employment, or BEP (Business Enterprise Program) employment with hourly rate of earnings equivalent to at least the federal or state minimum wage rate, whichever is higher, based on all the individuals exiting the program who have achieved an employment outcome after receiving services
 - *Performance Level: 72.6 percent for general and combined agencies.*
- **Indicator 1.4 - Significance of Disability:** The percentage of those individuals identified in Indicator 1.3 who have significant disabilities.
 - *Performance Level: 62.4 percent for general and combined agencies.*
- **Indicator 1.5 - Earnings Ratio:** The ratio of the average hourly earnings of all individuals in competitive employment to the average hourly earnings of all employed individuals in the state.
 - *Performance Level: 0.52 for general and combined agencies.*

- **Indicator 1.6 - Self-Support:** Measured as follows: for those identified in Indicator 1.3, the difference in the percentage of individuals who at program entry reported their income as the largest single source of support, and the percentage that reported their personal income as the largest single source of support at program exit.
 - *Performance Level: 53.0 for general and combined agencies.*

Standard 2: Assesses Equal Access Opportunity for Individuals of Groups and Backgrounds

- **Indicator 2.1 - Minority Background Service Rate:** The ratio of the percent of individuals with a minority background to the percent of individuals without a minority background exiting the program who received VR services.
 - *Performance Level: 0.80 for general and combined agencies.*

In order to achieve successful performance on Standard 1, state VR agencies must meet or exceed four of the six performance indicators, including meeting or exceeding the performance levels for two of the three primary indicators (1.3, 1.4, and 1.5). To achieve successful performance on standard 2, state VR agencies must meet or exceed the performance level established for performance indicator 2.1. **Table 7-10** illustrates ORSC and the selected and peer states' performance indicator results for FFY 2005-06.

Table 7-10: ORSC and Peer States FFY 2005-06 Performance Indicators

	ORSC	10 Peer Average	Difference	Selected Peer Average	Difference
Standard 1 Performance Indicators					
1.1 - Change in Employment Outcomes (>= 0)	368	(215.5)	583.50	(52.25)	420.25
1.2 - Percent of Employment Outcomes (>= 55.8%)	60.6%	56.4%	0.04	58.2%	0.02
1.3 - Competitive Employment (>= 72.6%)	96.9%	96.2%	0.01	92.7%	0.04
1.4 - Significant Disability (>= 62.4%)	100.0%	89.4%	0.11	96.1%	0.04
1.5 - Earnings Ratio (>= .52)	0.61	0.49	0.12	0.47	0.14
1.6 - Self Support (>= 53.0)	49.71	62.20	(12.49)	64.61	(14.90)
Number of indicators in that were passed	5	4.6	0.40	4.75	0.25
Number of primary indicators in that were passed	3	2.3	0.70	2.25	0.75
Standard 2 Performance Indicators					
2.1 - Minority Service Rate Ratio (>= .80)	0.81	0.93	(0.11)	0.94	(0.13)

Source: Rehabilitation Services Administration 2006 Standards and Indicator Reports

Note: Due to the nature of the populations served, performance levels are usually different for general/combined agencies and for those agencies exclusively serving the blind or visually impaired. Therefore, for those peer states that do not have combined agencies, only the general agencies' data was used.

**BUREAU OF DISABILITY
DETERMINATION**

Disability Determination

Background

This section examines the Bureau of Disability Determination (BDD) within the Ohio Rehabilitation Services Commission (ORSC or the Agency). BDD serves as Ohio's Disability Determination Services unit to process Social Security disability benefit claims. This section evaluates the efficiency and effectiveness of BDD's operations and includes assessments of policies and procedures, performance evaluations, and consumer inquiry management practices. Analyses contained within this report include comparisons with Disability Determination Services in peer states¹ and recommended industry practices.

Organizational Function of BDD in Ohio

Although Social Security is a federal benefit program, medical eligibility decisions for Social Security disability benefit programs are made at state agencies known as Disability Determination Services (DDS). Each DDS is a federally-funded state agency responsible for collecting medical evidence and making determinations of medical eligibility for the benefit program. In addition, DDS units evaluate reconsiderations (appeals) and provide continuing disability reviews. All costs associated with operating the state DDS are paid by the Social Security Administration (SSA). Ohio Administrative Code (OAC) §3304-1 states that decisions about Social Security disability benefits are made by BDD. BDD is responsible for determining the medical eligibility for SSI and SSDI² claims originating in Ohio and follows Title 20 of the Code of Federal Regulations § 400-499 that define the responsibilities for performing the disability determination function.

Social Security Programs

The Social Security Act of 1935 was designed to pay benefits to retired workers aged 65 and older. Furthermore, the Act provided for unemployment insurance, old-age assistance, aid to dependent children and grants to the states to provide various forms of medical care. During the 1950s, Social Security benefits were expanded to address the needs of the disabled. Today, SSA

¹ See **executive summary** for the complete list of states used as benchmarks for this performance audit. Illinois, which is one of the peer states, declined to provide any of the information requested for this section of the audit.

² SSDI is a monthly benefit for people who have worked in the past and paid Social Security taxes; benefits are paid to people unable to work for one year or more because of their disability. SSI is a federal income supplement program funded by general tax revenues designed to help aged, blind, and disabled people who have little or no income by providing cash to meet basic needs such as clothing, food, and shelter. (See **program overview, history, and current status.**)

operates two federal-level programs that provide cash benefits to individuals with disabilities: the Social Security Disability Insurance program (SSDI) and the Supplemental Security Income program (SSI). See **program overview, history, and current status** for key features of these two programs.

Table 8-1 shows some of the major legislative changes made to the Social Security Act since its establishment.

Table 8-1: Major Federal Program Changes

1930's	1935 Social Security Act created a social insurance program designed to pay retired workers aged 65 and older a continuing income after retirement. Benefits were paid only to the primary worker when he/she reached age 65. Payment amounts were fixed.
1940's	1946 Social Security Board abolished and replaced with the Social Security Administration.
1950's	1950 Disabled individuals added to SSA program which initially only included aged and blind individuals. These three programs were known as the <i>adult categories</i> and were administered by State and local governments with partial Federal funding.
	1954 Initiation of disability insurance program which provided the public with additional coverage against economic insecurity.
	1956 Monthly benefits provided to disabled workers aged 50–64 and to disabled children (aged 18 or older) of retired or deceased workers.
1960's	1958 Benefits established for the dependents of disabled workers.
	1960 Elimination of the requirement that a worker must be at least 50 years of age to be eligible for disability benefits. Disability rules amended to permit payment of benefits to disabled workers of any age and to their dependents.
	1968 Enacted benefits for disabled widow(er)s aged 50 or older.
1970's	1972 Medicare coverage is extended to Disability Insurance beneficiaries after 24 months of entitlement, and the Supplemental Security Income program is established.
1980's	1980 Social Security Amendments of 1980 place a cap on family benefits to disabled workers, require periodic continuing disability reviews, and create work incentives.
	1983 Amendment halts SSA reviews of disability benefits because of financing issues. Continues eligibility for Social Security benefits for disabled widow(er)s, disabled surviving divorced spouses, and surviving divorced spouses who remarry after entitlement
	1984 Congress requires the development of new criteria for adjudicating claims involving mental impairments and establishes a "medical review standard" for making determinations on continuing disability reviews.
1990's	1996 Contract with America Advancement Act of 1996 - New applicants for Social Security or SSI disability benefits could no longer be eligible for benefits if drug addiction or alcoholism is a material factor to their disability. Unless they can qualify on some other medical basis, they cannot receive disability benefits. Benefits were terminated to individuals in this category as of January 1, 1997.
	1996 Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - Terminates SSI eligibility for most non-citizens. Previously, lawfully admitted aliens could receive SSI if they met the other factors of entitlement.
	1999 Ticket to Work and Work Incentives Improvement Act of 1999 - Ticket to Work and Self-Sufficiency Program provide disability beneficiaries with tickets they may use to obtain vocational rehabilitation services, employment services, and other support services from an employment network of their choice.

Source: AOS compilation of various sources

Funding of Disability Determination Services in Ohio

SSA funds state DDS units with 100 percent federal funding. The DDSs are funded for all direct and indirect costs including salaries and benefits; rent, equipment, supplies, and travel; systems and telecommunications activities; and medical costs associated with making disability determinations. Funding is part of the SSA annual appropriation and financial allocations are made based on a workload-driven model. Each year, states submit annual spending plans based on their estimated receipts. The spending plans are reviewed for consistency and appropriateness by both the applicable SSA regional office and the SSA central office. **Table 8-2** shows Ohio's BDD revenues and expenditures for SFY 2005-07.

Table 8-2: BDD Revenues and Expenditures SFY 2005-07

Category	SFY 2004-05	SFY 2005-06	SFY 2006-07
Revenues			
Federal allocation	\$73,732,504	\$75,557,889	\$76,502,274
Expenditures			
Payroll Expense	\$34,301,339	\$34,389,380	\$34,464,944
Purchased Services	\$471,769	\$944,391	\$696,623
Awards Prizes and Bonuses¹	\$4,915	\$13,072	\$64,509
Supplies, materials, and Minor Expenses	\$386,722	\$471,479	\$490,307
Motor Vehicle	\$2,725	\$4,203	\$3,362
Travel	\$92,000	\$83,862	\$63,466
Communications and Shipping Expenses	\$1,122,791	\$1,132,011	\$271,330
Maintenance and Repairs	\$258,987	\$119,363	\$135,588
Rentals	\$1,281,058	\$2,253,932	\$1,725,033
Printing, Binding and Advertising	\$186,335	\$105,346	\$114,007
General and Other Expenses	\$7,498,069	\$8,014,905	\$8,866,027
Equipment²	\$366,660	\$931,923	\$1,851,385
Communications	\$7,807	\$10,109	\$3,360
Subsidies and Shared Revenues	\$27,306,797	\$25,721,855	\$28,135,018
Judicial Actions – Payments	\$0	\$1,263	\$17,500
Total	\$73,287,974	\$74,197,094	\$76,902,459

Source: Central Accounting System

¹ Category includes workers compensation costs.

² Includes Office, IT, and copying/printing equipment.

As illustrated by **Table 8-2**, BDD revenues have increased 3.6 percent since SFY 2004-05. **Table 8-2** also shows that BDD expenditures have increased almost 4.7 percent since SFY 2004-05. Equipment (including information technology and office) expenditures have increased over 80 percent since SFY 2004-05. In contrast, postal expenses have decreased approximately 314 percent since SFY 2004-05. This reflects the increased automation of BDD which in March 2006 was certified to conduct electronic claims processing. Since then, almost all claims are transmitted in certified electronic folders.³

³ A certified electronic folder is an information storage system that electronically houses medical images, files, and documents that were traditionally stored in paper folders.

Structure of the DDS

Operations of states' DDSs are structured as either centralized or decentralized.⁴ BDD is centralized and is housed in ORSC's central office, which is located in the greater Columbus area. **Table 8-3** illustrates BDD's staffing levels for the prior three years.

Table 8-3: BDD Staffing Levels

Category	2005	2006	2007	Three-Year Average
Supervisors	58.3	59.4	62.6	60.1
Adjudicators (Examiners)	302.7	310.3	313.7	308.9
Trainee Adjudicators (Examiners) ¹	29.1	35.6	19.6	28.1
Clericals ²	91.9	81.7	77.5	83.7
Case Consultants ³	2.0	2.0	2.3	2.1
Administrative Personnel	24.3	26.1	26.7	25.7
Medical Consultants ²	91.4	88.3	87.2	89.0
Quality Assurance	8.0	8.2	10.0	8.7
Vocational	10.0	8.2	8.6	8.9
Hearing Officer	16.4	14.6	10.7	13.9
System Specs	8.0	7.9	10.8	8.9
All Other	0.0	0.0	0.0	0.0
Total	642.1	642.3	629.7	638.0
Total Excluding Consultants	548.7	552.0	540.2	546.9

Source: ORSC

¹ Trainee adjudicators are adjudicators with less than a year of experience.

² The number of clerical staff has changed over the three-year period as a result of the Agency's implementation of electronic claims processing. BDD indicated that staff duties along with the number of support staff were changed during this period.

³ Consultants are independent contractors and not ORSC staff. Consultants work different amounts of time and, while some work nearly full-time, none are full-time employees.

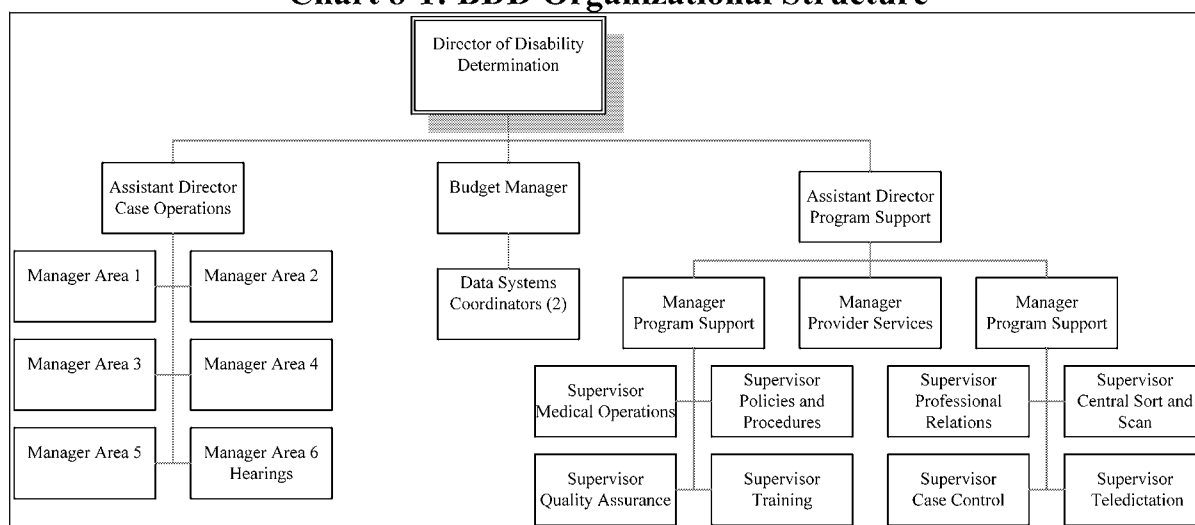
As shown in **Table 8-3**, the total staff at BDD has decreased by 12.4 employees from 2005 to 2007. Excluding fluctuations in the number of consultants contracted, BDD staffing has remained stable over the three-year period. However, BDD administrators indicated there is a high level of turnover within the bureau. As shown in **Table 8-3**, BDD hires, on average, 28 trainee adjudicators annually. While some of these employees are hired to help adjudicate an increased workload, others are hired to compensate for turnover. Once hired, BDD uses performance standards to measure the performance of staff; however, the performance evaluation forms used by the Agency are not tailored to reflect specific duties unique to disability determination (**R8.5**). Furthermore, significant cuts in clericals and medical consultants made

⁴ Decentralized DDSs are located in two or more cities or district localities within the physical confines of a State, excluding those offices which strictly separate only the fiscal and/or administrative functions. Of the peer states, California, Florida, Georgia, Michigan, New York, Pennsylvania, and South Carolina have decentralized operations.

during the three-year period shown in **Table 8-3** accounts for the overall decrease in staffing. However, ORSC offset the clerical reductions with contract clerical hours, not reflected in **Table 8-3**, and the contract staff was used to support dual business processes as the Agency converted to electronic case folders. The BDD Director indicated that ORSC decreased the number of clerical staff as a result of electronic claims processing. However, there may be additional areas where BDD can become more efficient by reorganizing duties (see **R8.1** and **R8.3**).⁵

Chart 8-1 illustrates the BDD organizational structure.

Chart 8-1: BDD Organizational Structure



Source: BDD

Note: Titles in the chart reflect single positions, except Data Systems Coordinators, of which there are two.

As shown in **Chart 8-1**, BDD is essentially divided into two segments: case operations and program support. The Assistant Director of Case Operations oversees six area managers. Five area managers oversee eight or nine units of adjudicators responsible for claims processing (each unit is made up of about nine adjudicators). Area six includes hearing officers who work with continuing disability review (CDR) claims. If, during a CDR, a claimant is found to no longer be eligible for benefits, the individual can appeal and have a face-to-face hearing.

The Budget Manager works with the ORSC Finance Department and is responsible for oversight and coordination of the SSA budget. The Budget Manager ensures BDD has the funds to hire new employees and arranges for purchase orders. The Data Systems Coordinators are

⁵ AOS was unable to complete some planned comparisons for this section due to the inability to obtain information from SSA in a timely manner. AOS did complete a request for public information in November 2007 but had not received the requested information as of March 2008.

responsible for entering billing information (e.g. tax identification numbers) about medical providers into the BDD system.

The Assistant Director of Program Support oversees the functions that are necessary to assist adjudicators in making eligibility decisions. The Assistant Director of Program Support oversees two program support managers and the manager of provider services.

One program support manager oversees several units: medical operations, quality assurance, policies and procedures, and training. The Medical Operations Unit reviews the quality of the decision made by the consultant and handles any disputes between adjudicators and consultants. Quality Assurance oversees random reviews of claims at the end of the adjudication process and compiles information about the findings of in-line reviews conducted by unit supervisors. Furthermore, Policies and Procedures reviews claims to ensure SSA policies are applied correctly. Training is responsible for coordinating all training for BDD employees (new staff is provided ten weeks of training). All BDD training is provided in-house.

The Manager of Provider Services oversees the in-house consultants who review medical evidence. Doctors do not determine if a claimant qualifies for SSDI, but opine on whether or not a claimant's impairments meet medical criteria, which SSA refers to as the Listing of Impairments. At BDD, the disability claim adjudicator and the medical or psychological consultants work as a team to analyze a claimant's documentation, gather additional evidence when appropriate, and approve or deny the claim. Claimants are denied eligibility if their impairments are not deemed severe or if the impairment is not expected to last 12 months or result in death. Additionally, SSA denies claimants who do not meet the financial requirements for eligibility of benefits.

The other Program Support Manager is responsible for overseeing professional relations, case control, central sort and scan, teledictation, and medical and psychological vendors. Professional Relations conducts on-site visits with medical practitioners who provide fee-for-service exams. Additionally, Professional Relations is responsible for recruiting providers and in-house consultants. Case Control receipts (receives) in all cases and closes out claims after adjudication. Claims are returned to SSA, usually to the field office.⁶ The Central Sort and Scan Unit monitors the electronic queue of medical records that were returned to BDD without a coversheet and scans in urgent paper records for electronic processing. The Teledictation Unit transcribes medical information reported by telephone.

While not captured in **Chart 8-1**, the Cooperative Disability Investigation (CDI) Unit is part of BDD. The CDI unit is a partnership between the Bureau of Disability Determinations, Social Security Administration Office of the Inspector General (SSA OIG), and the Social Security Administration Chicago Regional Office. It investigates allegations of fraud and similar fault in

⁶ Field offices are local SSA offices located near metropolitan areas and cities; there are approximately 1,300 field offices nationwide.

SSA's disability programs for purposes of criminal prosecution and/or civil/administrative action. Moreover, the Cleveland-based CDI unit investigates state-wide referrals of claims with suspected fraud or similar fault. See **issues for further study** and **noteworthy accomplishments** in the **executive summary** for additional information regarding BDD's fraud investigation activities.

Definition of Disability

SSA defines disability as the inability to engage in any substantial gainful activity (SGA)⁷ by reason of a severe physical or mental medically determinable impairment that is expected to last at least 12 months or result in death.⁸ The process SSA uses to determine if an individual meets medical eligibility criteria is complex and involves a number of decision makers at different offices.⁹ In order to receive disability benefits from SSA, an individual must meet or equal the requirements set forth in the Listing of Impairments, which describes, for each major body system, impairments that are considered severe enough to prevent a person from doing any gainful activity (or for children under age 18, the impairments cause marked and severe functional limitations and interfere with age appropriate activities). Most of the listed impairments are permanent or expected to result in death. For all others, the evidence must show the impairment has lasted, or is expected to last, for a continuous period of at least 12 months. SSA also considers a claimant's ability to return to past work or do other work in the national economy.

The criteria in the Listing of Impairments¹⁰ are applicable to the evaluation of claims for disability benefits or payments under both the SSDI and SSI programs. In determining if a claimant is disabled, SSA considers an applicant's residual functional capacity (RFC), which is the most a claimant can do despite his or her limitations. To determine one's RFC, the DDS assesses a claimant's medically determinable impairments and all relevant medical evidence. The DDS considers a claimant's ability to meet the physical, mental, sensory, and other requirements of past, relevant work. If it is determined that a claimant can no longer perform past relevant work (or has no past relevant work), as performed in the national economy, the DDS uses the

⁷ A person earning more than a certain monthly amount is ordinarily considered to be engaging in SGA and the amount of monthly earnings considered as SGA depends on the nature of a person's disability.

⁸ A child under the age of 18 is determined disabled if he or she has a medically determinable physical or mental impairment(s) that causes marked and severe functional limitations, and that can be expected to cause death or will last for a continuous period of 12 months or more.

⁹ The process described applies to initial applications and reconsiderations (appeals). The process for continuing disability reviews is described later in this section.

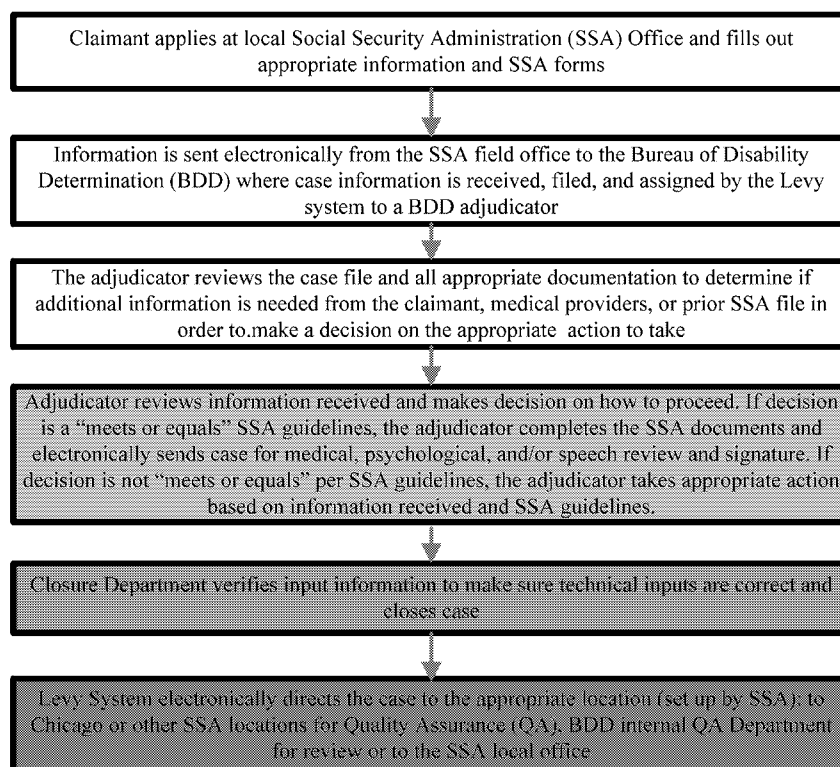
¹⁰ The Listing of Impairments is further divided into two parts. Part A of the Listing of Impairments contains medical criteria that apply to adults age 18 and over. The medical criteria in Part A may also be applied in evaluating impairments in persons under age 18 if the disease processes have a similar effect on adults and younger persons. Part B of the Listing of Impairments contains additional medical criteria that apply only to the evaluation of impairments of persons under age 18.

claimant's impairments and medical evidence to decide if a claimant can do any other work that exists in the national economy.

Disability Determination Process

The disability determination process begins at an SSA field office where an SSA representative determines whether a claimant meets the program's non-medical eligibility criteria. For instance, SSI claimants must meet the SSA financial threshold in order to be eligible for disability benefits. Claimants meeting the non-medical eligibility criteria are forwarded to the state's DDS to determine if the claimant meets the medical eligibility criteria. **Chart 8-2** illustrates the steps used by BDD to process a claim.

Chart 8-2: BDD Claims Processing Diagram

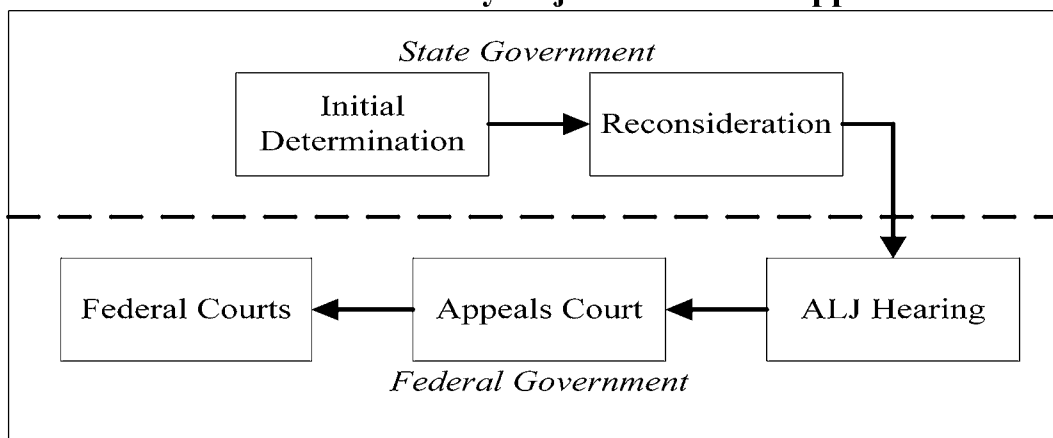


Source: Interviews with ORSC staff

Note: After the adjudicator and medical consultant have determined if a claimant is eligible for disability benefits, the claim usually returns to the SSA local office (field office) where the final decision is made. Ideally, the SSA local office determines financial eligibility before an SSI claim proceeds to BDD. However, indications are that the financial eligibility piece is determined during or after BDD adjudication.

Claimants not satisfied with the decision may appeal and BDD will reconsider its finding. If the claimant is not satisfied with the reconsideration, the claimant may request review by a SSA federal administrative law judge in a SSA hearing office. If a claimant is still unsatisfied, the claimant may request a review by the SSA Appeals Council. **Chart 8-3** depicts the appeals process.

Chart 8-3: Disability Adjudication and Appeal



Source: Congressional Research Service

In 2005, Ohio's Disability Determination Consolidation Study Council Final Report examined the implications of Ohio using two disability determination processes: one for determining eligibility for SSDI and SSI and another for determining eligibility for Medicaid disability. As a result, an individual applying for Medicaid and SSI or SSDI has to go through the disability determination process twice. The report suggested BDD share medical information with the Ohio Department of Jobs and Family Services (ODJFS) to avoid duplicative administrative functions. Moreover, it noted that duplicated functions could be avoided by using a single disability application form, a single release of information, and a single disability determination process for Medicaid and SSI or SSDI.¹¹ ORSC commented that it is required to use SSA forms and ODJFS could use an online application created by SSA for human service organizations. ODJFS and RSC are pursuing the Study Council's recommendation for greater efficiency in the Medicaid State eligibility determination, administration, and application process, and are working with SSA on the State's waiver request. The waiver from SSA is needed in order for ODJFS to access SSA's medical information.

¹¹ The 2006 Ohio Medicaid Performance Audit reiterated the Disability Determination Consolidation Study Council recommendation and quantified the savings at approximately \$2 million annually.

Continuing Disability Reviews

In addition to processing claims for benefits, BDD is also responsible for completing continuing disability reviews for claims that have been allowed. According to 20 CFR 416.990, all disability cases must be reviewed from time to time, depending on the disability, to make sure that individuals receiving benefits continue to meet the disability requirements. How often a claim is reviewed depends on the severity of the impairment and the likelihood of improvement. For instance, if medical improvement can be expected when benefits start, the first review occurs six to eighteen months later. If improvements are possible but cannot be predicted, the case will be reviewed about every three years. In contrast, if improvement is not likely, the case will be reviewed every three to five years.

Disability Determination Audit Objectives

The following were used to evaluate the Bureau of Disability Determination within ORSC:

- How does BDD adhere to SSA standards, and in what areas is some flexibility permitted?
- Are claims processed within SSA and organizational timeframes?
- How does BDD develop its performance standards for its staff and how does it measure achievement of the standards?
- Has BDD reorganized and reassessed positions, organization structure, and processes since it automated its claim function?
- Should a call center be developed to respond to consumer requests?
- How does BDD address potential fraud issues?

Recommendations

R8.1 BDD should reduce the number of disability claims pending by employing its current resources more efficiently. This could be achieved by reassigning claim development responsibilities to support staff and subsequently increasing the number of claims assigned to adjudicators. In addition, ORSC should implement a call center (see R8.3) and work with State authorities to revise Ohio Administrative Code regarding Medicaid eligibility (see R8.2). At a minimum, administrators should ensure adjudicators are processing 15 claims per week. Although this level of claims processing is equal to or greater than the number of claims processed per adjudicator in peer states, operating at this level will ensure BDD addresses the number of claims pending. When redistributing duties, BDD should periodically ensure the appropriateness of adjudicator and support staff levels.

One of the challenges faced by many DDSs is a high number of claims pending adjudication. In 2003, the GAO reported the number of initial pending claims has risen more than 25 percent in the last five years, from about 458,000 in fiscal year 1999 to about 582,000 in fiscal year 2003. Moreover, between 2002 and 2012, SSA expects the disability insurance rolls to grow by 35 percent with applications rising as baby boomers enter their disability-prone years.

Table 8-4 illustrates workload data for the Chicago Region, Ohio and averages for the other five states in the Chicago Region.

Table 8-4: Chicago Region Workload Data FFY 2004-05- through 2006-07

	Chicago Region FFY 2004-05	Ohio FFY 2004-05	Adjusted Regional Avg. FFY 2004-05	Chicago Region FFY 2005-06	Ohio FFY 2005-06	Adjusted Regional Avg. FFY 2005-06	Chicago Region FFY 2006-07	Ohio FFY 2006-07	Adjusted Regional Avg. FFY 2006-07
Initial Receipts	442,304	110,979	66,265	449,104	114,293	66,962	454,368	117,406	67,392
Initial Dispositions	462,697	119,218	68,696	454,845	115,768	67,815	446,691	112,250	66,888
Initial Pending	90,712	23,130	13,516	88,564	22,373	13,238	97,209	27,715	13,899
Initial WWP	10.2	10.1	10.2	10.1	10.0	10.2	11.3	12.8	10.8
Total Receipts	658,065	173,088	96,995	617,037	163,659	90,676	637,122	176,720	92,080
Total Dispositions	686,902	183,779	100,625	635,112	164,932	94,036	612,765	169,392	88,675
Total Pending	134,029	36,889	19,428	119,602	36,069	16,707	144,818	43,515	20,261
Total WWP	10.1	10.4	10.0	9.8	11.4	9.2	12.3	13.4	11.8811
Accuracy	93.8%	94.7%	-	94.5%	94.2%	-	96.0%	96.4%	-
SSDI Processing Time	86.4	93.8	-	84.9	95.2	-	78.8	84.6	-
SSI Processing Time	89.2	96.2	-	85.6	93.4	-	80.6	86.3	-
Percentage of Initial Receipts Pending Adjudication	20.5%	20.8%	20.4%	19.7%	19.6%	19.8%	21.4%	23.6%	20.6%
Percentage of Total Receipts Pending Adjudication	20.4%	21.3%	20.0%	19.4%	22.0%	18.4%	22.7%	24.6%	22.0%

Source: SSA

¹SSA refused to provide statistical data for other states. Since Ohio is included in the Chicago region, data for Ohio was subtracted from Chicago region statistics in order to arrive at the adjusted regional average. The adjusted regional average was calculated by dividing the Chicago region statistics (having subtracted Ohio figures) by five (the number of other states, not including Ohio, in the Chicago region). Accuracy and processing time could not be calculated for the adjusted regional average as AOS was not able to obtain the state-specific data needed.

²WWP is work weeks pending. WWP represents the number of weeks it would take for a DDS to work down the pending claims while maintaining current claims processing (initial dispositions).

As shown in **Table 8-4**, over the past three FFYs the percentage of claims pending is typically higher for Ohio than the Chicago region and the adjusted regional average. BDD indicated it is unable to process more claims because SSA's funding impacts the number of claims it can process. In other words, even if BDD was able to process more pending claims through increased efficiency, it might not have the financial resources to do so because it is unable purchase medical records. However, according to SSA, if the Agency increased its efficiency in other areas, funds could be reallocated to cover costs of obtaining medical records for additional claims.

The Social Security Commissioner¹² highlighted four areas that could help eliminate the hearing backlogs: compassionate allowances,¹³ improving hearing procedures, increasing adjudicatory capacity, and increasing efficiency with automation and business processes. While compassionate allowances impact the state DDSs, the other three areas are all related to the hearing level of appeals, which is under the purview of SSA at the federal level, and not the state DDSs.

In December 2007, the SSA Quick Disability Determination (QDD) process was implemented in Ohio, which uses the computer system to identify data elements in electronic claims files that are most likely to be allowed. Prior to the implementation of the SSA QDD model, Ohio developed a Fast Track Unit to provide improved customer service for claimants with severe disabilities whose cases did not need extensive development. These cases included Teri,¹⁴ military casualty, and other expedited claims. Rather than placing these claims in the electronic queue based on date received and waiting for their assignment and adjudication, BDD expedited these cases and decreased the number of claims pending and processing time. The Assistant Director of Program Support indicated the Fast Track Unit typically processes such claims within ten days. The QDD process has the potential to more efficiently identify these cases by using the computer system to recognize key words and flag potential compassionate allowances. SSA believes that the QDD process may assist states in reducing processing time.

The methodology used by States to process claims impacts the efficiency and speed with which a state makes the disability determination and returns the file to SSA. However, neither SSA nor the regional office provides states with guidance for determining how to efficiently process claims. Some states assign claims weekly, while others assign each adjudicator a specific number of claims to process over the course of a year. As shown in **Table 8-4**, the number of days to process claims is higher in Ohio compared to the Chicago Region average. Decreasing the number of days spent processing a claim would allow adjudicators to process additional claims during the fiscal year, thereby reducing the number of claims pending.

BDD has three levels of disability claims adjudicators (adjudicators).¹⁵ According to BDD's Operations Manual, claims are assigned by the Levy system (see **support**

¹² The Social Security Commissioner provides executive leadership to SSA. The Office of the Commissioner is directly responsible for all programs administered by SSA and for State-administered programs directed by SSA.

¹³ Compassionate allowances are a way of quickly identifying diseases and other medical conditions that invariably qualify under the Listing of Impairments based on minimal objective medical information and allow Social Security to quickly target the most obviously disabled individuals for allowances.

¹⁴ Teri cases are disability claims in which the medical evidence shows a terminal illness).

¹⁵ Level 1 adjudicators have less than one year of experience and process initial claims. Level 2 adjudicators have more than one year of experience and can process initial claims, reconsiderations, and claims of children and widow(er)s. Level 3 adjudicators have a minimum of six years of experience, have passed a written test, and can process all types of claims, including continuing disability reviews

systems and technology for a description of the applications used in the disability determination process) on a sequential basis by oldest receipt date until the supply is exhausted or adjudicative assignment levels are met. Claims are assigned based on the adjudicator class. For example, level 1 adjudicators receive up to three claims per day, level 2 adjudicators receive up to four claims per day, and the number of claims a level 3 adjudicator may receive is unrestricted. The Assistant Director of Case Operations indicated level 2 and 3 adjudicators typically receive three claims per day. **Table 8-5** compares the standards for the average number of claims processed by an adjudicator at BDD with claims processed by the peers. The claims per week per adjudicator is based on how many claims senior level adjudicators for both ORSC and peer states are *expected to process* and not actual claims processed. A peer comparison of the actual claims processed per adjudicator could not be completed as this information was not provided by the Social Security Administration.

Table 8-5: Comparison of Standards for Claims Processed per Adjudicator¹

State	Expected Average Weekly Claims Processed Per Adjudicator
Ohio²	15
California	14
Florida	13
Georgia	14
Michigan	15
New Jersey ³	14
New York ³	14
North Carolina ⁴	18
Pennsylvania	13
Texas	12
Peer Average	14

Source: Compiled by AOS

¹Since the level(s) of adjudication is at the discretion of each state DDS, the number of claims per adjudicator reflects the average number of claims for permanent employees.

²This is based on the standard set by ORSC

³Both New Jersey and New York reported that they process 10-18 claims per adjudicator. The average was used for comparison purposes.

⁴North Carolina reported processing 15-20 claims peer week. The average was used for comparison purposes.

As shown in **Table 8-5**, the average number of claims adjudicators at BDD are expected to process is 6 percent more than the average number of claims adjudicators are expected to process in the peer states. While BDD's average claims processing expectations exceed the peer average, **Table 8-4** indicates that BDD receipts (or receives) a larger number of claims than other states in the Chicago region. **Table 8-6** shows the actual number of claims processed per BDD adjudicator per week over the past three fiscal years.

Table 8-6: Actual Number of Claims Processed per BDD Adjudicator

Year	Claims Processed	Adjudicator ¹	Claims Processed per week ²	Claims Processed per Week per Adjudicator
FFY 2005	220,668	303	4,597	15
FFY 2006	201,001	310	4,188	13
FFY 2007	212,907	314	4,436	14
Three-year Average	211,525	309	4,407	14

Source: Compiled by AOS

¹ Adjudicator does not include the number of trainee adjudicators reported on the Ohio SAOR. Trainee adjudicators are responsible for processing a smaller number of claims per week.

² To account for holidays, vacation, and other types of leave, this calculation was based on 48 weeks.

Table 8-6 shows that on average, adjudicators at BDD are processing about 14 claims per week, which is one less than the number of claims each adjudicator is expected to receive and process based on ORSC's standards. This is due, in part, to turnover and the lower number of cases assigned to new adjudicators. In addition, the Agency was implementing electronic case record system during the time frame analyzed.

In his 2007 testimony before Congress, the Social Security Commissioner indicated that the number of claims is expected to increase. To counteract an influx of claims and potentially reduce the number of claims pending adjudication, BDD could increase the number of claims actually processed by each adjudicator to bring the number of claims assigned in line with the *Operations Manual* policy. In some states, the number of claims assigned per week is a range of numbers. BDD could establish an acceptable range of claims for each adjudicator to process per week. For instance, increasing the number of claims assigned to each adjudicator by one claim per week would help Ohio reduce the number of claims pending and manage the projected increase in claims. If BDD had actually processed 15 claims per week per adjudicator it could have processed 14,800 additional claims.

Given the projected influx of claims and the number of claims pending adjudication, BDD should then realign the responsibilities of support staff to enable adjudicators to spend more time adjudicating claims. Implementing a call center would be one avenue to redirect support staff efforts (see **R8.3**). ORSC should also work with State authorities to examine Ohio's requirement that individuals applying for Medicaid disability must also apply for Social Security benefits (**R8.2**). Furthermore, support staff at the Texas DDS is assigned case development responsibilities including initial intake actions; reviewing files for completeness; requesting records, consultative exam documents, and program documents; and processing paper mail related to claims. While changes in work duties would require revisions to position descriptions and agreement from the bargaining unit, such changes would allow support staff to better assist adjudicators. There may be added benefit to reducing the number of tasks an adjudicator is responsible for completing as

shifting responsibilities may alleviate stress and help reduce adjudicator turnover. *The 7 Hidden Reasons Your Employees Leave You* (HR Daily Advisor, September 13, 2006) suggests employees leave their places of employment because they feel stressed or overworked.

- R8.2 ORSC should work with the General Assembly, Governor's Office, and the Ohio Department of Job and Family Services to examine costs and benefits associated with modifying Ohio's current requirement, as per Ohio Administrative Code §5101:1-39, that individuals applying for Medicaid disability benefits must first apply for Social Security benefits. In addition, BDD should use performance measures to identify and track other factors that may be impacting its allowance rate. Through these actions, BDD may decrease its initial denial rate and reduce the number of pending claims by limiting the number of inappropriate claims filed. As a result, BDD could improve its service to claimants and potentially avoid costs for medical evidence obtained for inappropriate applications.**

Administrators and adjudicators at BDD believe a number of factors contribute to claims being filed by individuals who are not eligible for services. Staff at BDD suggested that one cause of high number of claims pending adjudication is Ohio's requirement that individuals must file for Social Security benefits when applying for Medicaid disability benefits. However, it is not possible to identify a single cause of the higher number of claims pending or of the denial rate in Ohio. During the audit, AOS requested from SSA but did not receive additional information to further analyze this issue.

A SSA representative indicated that most other states do have the same requirement as Ohio for persons applying for Medicaid to also apply for SSI. The SSA representative believes that the Ohio requirement is not efficient as it constricts the Social Security System and uses limited resources to process these inappropriate applications. In addition to increasing initial applications, claimants who have inappropriately filed a claim may request their claim to be reconsidered if they are not satisfied with the initial decision. Between FFY 2004-05 and FFY 2006-07, BDD received an average of 35,700 reconsiderations of its initial decisions. Ohio has taken some steps to address the redundancy in the disability determination processes between Medicaid and Social Security and has applied for a waiver to implement some portions of the recommendations in the Disability Determination Consolidation Study Council Final Report. If the waiver is granted and Ohio modifies its current practices, BDD should monitor the impact on its workload and make appropriate staffing adjustments.

Table 8-7 shows the percentage of initial claims denied by BDD compared to the average number of claims denied by the Chicago region¹⁶ and the national average. There are no standards set for allowance or denial rates; the expectation is to achieve an accurate disability determination.

Table 8-7: FFY 2006-07 Initial Claims Allowance and Denial Rates

	Ohio	Chicago Region	National Average
Initial Allowance Rate	25.9	30.2	34.6
Initial Denial Rate	74.1	69.8	65.4

Source: SSA

As shown in **Table 8-7** the percentage of claims denied in Ohio is higher than the Chicago regional average and the national average. In addition to Ohio's Medicaid requirement that impacts claims for Social Security benefits, it is possible that the lack of a general assistance program may contribute to individuals inappropriately applying for SSA disability benefits. In 1995, the General Assistance program that provided medical services to eligible Ohioans was repealed. The lack of a state-funded assistance program may contribute to a greater number of Ohioans applying for SSA benefits who would qualify for a state-sponsored assistance program for individuals with temporary or less-severe disabilities if such programs existed.

Furthermore, Ohio has lost a significant number of manufacturing jobs since 2000. *Bearing the Brunt: Manufacturing Job Loss in the Great Lakes Region 1995-2005* (Brookings Institute, July 2006) reports the number of manufacturing jobs in Ohio decreased by 207,600, or roughly 20 percent, from 2000-05. *Job Watch: Slack Grows in Ohio's Job Market* (Policy Watch Ohio, January 2008) explains that while the United States has added more than 7.6 million jobs since 2001, only three states have not added any jobs – Massachusetts, Michigan, and Ohio. The lack of added jobs, both in the manufacturing sector and in other areas, could contribute to high unemployment and an increased number individuals applying for Social Security benefits who do not meet the eligibility requirements.

AOS contacted SSA headquarters to inquire if SSA could provide BDD technical assistance to identify factors that contribute to its higher denial rate and to determine the impact on other workload, such as processing reconsiderations (appeals). SSA indicated that it does not provide such assistance to states. In lieu of receiving technical assistance from SSA, BDD should use performance measurement data (see **organizational strategy**) to identify factors that may be contributing to its higher denial rate and to track these over time. Identified factors and planned interventions and solutions should be

¹⁶ Ten regional offices manage the administration of Social Security programs in local offices across the U.S. The regional offices serve as the primary contact between the public and SSA. The Chicago region includes Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

included in ORSC's strategic plan. Depending on the results, BDD may need to provide additional training to its staff, improve communication with various stakeholders to ensure appropriate referrals, or implement other process improvements. Although neither BDD nor SSA have goals or targets for the denial or allowance rate, any reduction in inappropriate referrals would likely increase BDD's allowance rate and enable it to redirect resources to reduce the number of pending cases. While this would result in a financial implication for the Agency, the cost savings and redirected resources could not be quantified.

R8.3 BDD should implement a call center to handle all incoming calls. The call center should be staffed by dedicated support staff (Clerk 3s) that have experience working on disability determination claims. In order to determine appropriate staffing levels, BDD should first implement a workforce management system to track call data. BDD could begin staffing the call center with 2 FTE's for a six month period of time and use data from the workforce management system to determine if additional staff is needed. BDD should provide in-house training to call center staff and adjudicators in an attempt to increase confidence in the call center and equip call center staff with information needed to speak with claimants and other callers. Furthermore, BDD should use the Oregon DDS as a model and develop a call center manual. The manual should include standard language and protocols for call center staff.

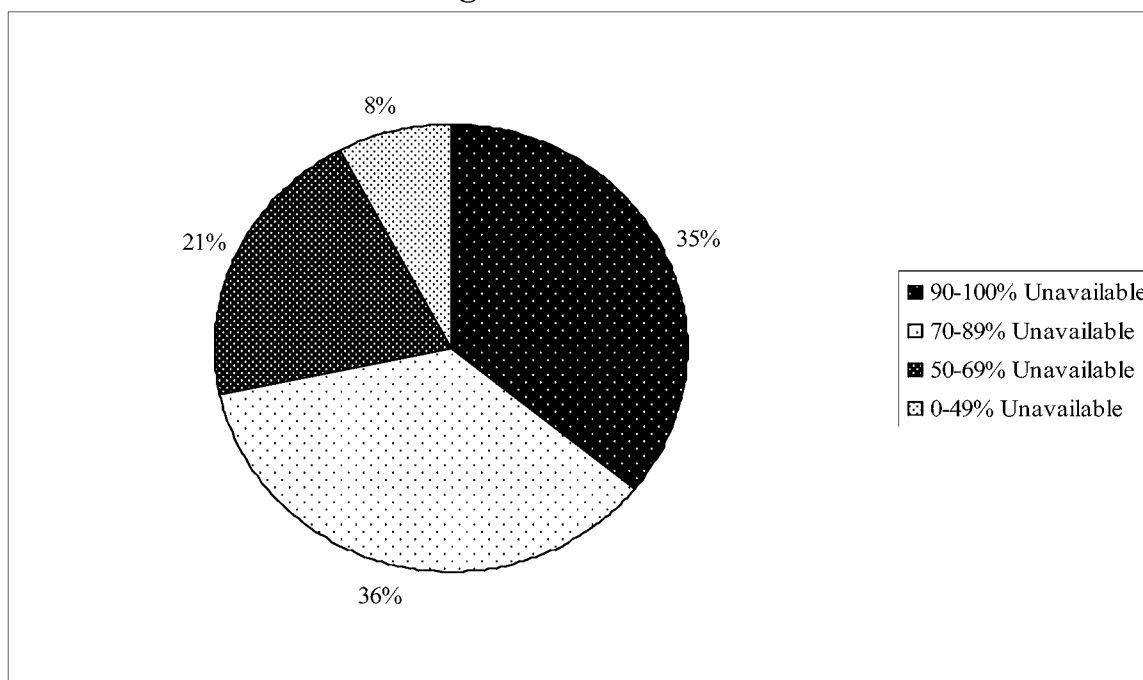
If BDD implements a call center, it should revise the "Phone and Desk Coverage, Security Procedure," OH-94-2, (*BDD Operations Manual*) to reflect phone coverage responsibilities within the bureau. Moreover, a workforce management system would enable BDD to track its performance and incorporate expected workload benchmarks into its policy.

During the audit, ORSC reported that it had received funding and implemented the call center in May 2008.

BDD does not have a call center. It has a 1-800 number connected to an automated system that prompts a caller to enter the four digit extension code of the individual whom they wish to contact. If the caller does not know the individual's extension, the caller may press zero to be forwarded to a member of the support staff. The support staff member will then appropriately forward the call or provide the information needed, depending on the circumstance. BDD uses an Automated Call Distribution (ACD) system that distributes incoming calls to support staff; however, the ACD does not provide important data on the calls in a user friendly manner; the data appears in text format and is difficult to read and comprehend. An additional feature of the ACD system is that it provides support staff the option of changing the status of their line to either available or unavailable. BDD is planning to implement a new ACD in May 2008 to address these

issues and has looked into the possibility of purchasing a workforce management system. Data was collected about the percentage of time 39 BDD support staff switched their phone to unavailable. **Chart 8-4** shows the percentage of time support staff switched their line to unavailable over a three week period of time.

Chart 8-4: Percentage of Time Support Employees are “Unavailable” to Answer Incoming Calls to BDD Toll-free Number



Source: ORSC

Note: Figures are based on three weeks of data collected over a three month period of time (August to October 2007).

As shown in **Chart 8-4**, 35 percent of support staff is unavailable to answer the phone more than 90 percent of the time. Moreover, only 8 percent of support staff is available to answer their phones more than 50 percent of the time. When a phone is turned to unavailable, the ACD system skips over that phone. Essentially, 8 percent of in-unit support staff is handling approximately 50 percent of incoming calls to the BDD toll-free number. A review of this data also illustrates that an average of 197 calls are abandoned every day. This limits BDD’s ability to provide prompt and courteous customer service for claimants and other callers, which is not consistent with BDD procedures.

According to the BDD Operations Manual, “Phone and Desk Coverage, Security Procedure,” claimants and others who call the office on case-related matters should get prompt and courteous attention from the adjudicator handling their claim or someone

who is able to assist them when a specific adjudicator is unavailable. When an adjudicator is absent due to illness, vacation, disability, or personal leave, it is the responsibility of their supervisor to make arrangements for needed phone and desk coverage. During these times clerical staff may take messages.

While a number of adjudicators receive clarifying, new, and useful information when speaking to claimants on the phone, several adjudicators also indicated a number of challenges associated with taking phone calls from claimants. Specifically, many adjudicators find it difficult to “switch gears” to take unscheduled calls. These challenges may be alleviated by transferring call duties to other staff, which is a method that has been implemented by the Ohio Office of Child Support (Child Support). Child Support maintains a call center to handle incoming calls to the State’s toll-free number. The Child Support Call Center Supervisor indicated case managers sometimes view answering their phone as a distraction, which results in clients not being able to get through or not being treated very well. Subsequently, he believes it is important that the call center staff provide good customer service and answer any questions. Calls to the Child Support call center are monitored through a real-time web-powered agent. Employees sign-in on a computer that tracks the availability of call center staff to take calls; moreover, it allows the supervisor to listen to incoming calls. The Supervisor believes this is an important component because the purpose of the call center is to provide better customer service.

Oregon Disability Determination Services implemented a call center in 2002. The call center is staffed by three dedicated support staff in a central location and is responsible for answering all incoming calls. The Director of the Oregon DDS estimates phone desk staff answer about 65 percent of calls; all others are passed off to the analyst. In addition to answering phones, the call center staff updates the Versa system¹⁷ with information from automated consultative examination calls. When the call center was first developed, there was resistance from adjudicators who believed only they could provide assistance to claimants. The Director explained the resistance was overcome because the analysts were overloaded and overworked. Analysts hired since the implementation of the call center want all of their phone calls answered by the call center staff.

The Oregon DDS provided call center staff with in-house training about dealing with angry or aggressive callers. Additionally, it developed a detailed Customer Service and Phone Desk Instructions manual that includes procedures on the following:

- General guidelines;
- Duties of call center staff;
- Potential claimant questions and narrative responses;
- Instructions on handling calls from medical vendors;

¹⁷ The Oregon DDS uses the Versa system; this is the equivalent to the Levy system used by BDD.

- Script language regarding transferring calls;
- Guidance on when to disclose information to a caller;
- Procedures for handling angry or abusive calls and calls threatening homicide or suicide; and
- List of the types of identification needed to verify a caller.

The New Jersey DDS also provided training to its staff. To train call center staff, the New Jersey DDS and its parent agency developed a three-week long in-house training and provided call center staff a handout that addressed routine questions. The West Columbia branch of the South Carolina DDS has a call center and a process in place to effectively track call data. The South Carolina DDS contracts with a third-party vendor to track incoming call data. The phone desk supervisor receives daily reports that track the total number of calls, the number of calls each person answered, and details about the call. For instance, the reports detail the length of time until a call was answered, the length of the call, the number of calls dropped, and the length of time a person waited on the phone before dropping the call.

While a number of the states contacted have call centers, none have a methodology to determine the number of individuals needed to staff a call center. In order to determine call center staffing levels, Ohio could use the Wisconsin DDS call center as a model, as it had the most conservative number of staff devoted to the call center. Two FTE's are assigned to the Wisconsin DDS call center. However, the workforce management software the Wisconsin DDS purchased monitors incoming calls, tracks peak calling periods, and reports the length of time until a call is answered. The software also enables Wisconsin to establish a threshold of calls. When more than a specified number of calls are incoming, additional support staff are alerted and calls are routed to their phones. This allows the Wisconsin DDS to provide customer service without over-staffing the call center.

Financial Implication: ORSC has researched the cost of purchasing a workforce management system. The one-time cost of purchasing and installing the system is estimated to be \$60,000. AOS contacted SSA and representatives from that federal agency indicated it was very likely SSA would cover the cost of a system if it was demonstrated that the new system would increase efficiency. Therefore, it is likely that there would be no cost to the State to implement a workforce management system.

Once the system is implemented, additional cost savings may be identified through a reduction in support staff needed to manage incoming calls. This cost reduction would result in a reduction in federal funding for agency operations and, therefore, no cost savings to the State would result. The level of cost reductions would be dependent on the number of positions eliminated or staff redirected into other activities.

R8.4 BDD should develop and maintain clear procedures for reviewing and updating its Operating Manual and Ohio Supplements to help ensure the administration, adjudicators, and support staff have a clear understanding of day-to-day operations. In addition, the Policies and Procedures Department should review the Operating Manual and Ohio Supplements every one to two years to ensure policies and procedures remain current and appropriate, or to determine whether they are even needed. Procedures should be available in electronic format and updated as needed to reflect changes in the BDD business process. Up-to-date written procedures serve as a readily available resource that guides the operations of the BDD.

All DDSs use the Program Operations Manual System (POMS) as guidelines for processing SSDI and SSI claims.¹⁸ Additionally, BDD maintains an Operating Manual and Ohio Supplements that explains how the policies outlined in the POMS should be implemented at BDD. While BDD has updated the policies and procedures within the Operations Manual, it does not consistently review and update this information. BDD staff indicated that as policies and procedures are updated they are posted on the BDD intranet. BDD does not view updating policies and procedures as a priority, as Social Security Administration funding is not contingent upon up-to-date policies and procedures. The BDD Director indicated that policies are revised in a priority manner to reflect changes in the business process. As a result, a number of policies in the Operating Manual are outdated, as evidenced by a number of policies including the names and phone numbers of staff that are no longer employed at ORSC.

Guidance for Preparing Standard Operating Procedures (EPA, April 2007) defines a Standard Operating Procedure (SOP) as a set of written instructions that document a routine or repetitive activity followed by an organization. SOPs document the ways activities are to be performed to facilitate consistent conformance to technical and quality system requirements and to support data quality. They may describe fundamental programmatic actions and technical actions such as analytical processes. SOPs are intended to be specific to the organization or facility whose procedures are described and assist that organization in maintaining its quality control and quality assurance processes and ensure compliance with government regulations.

SOPs need to remain current to be useful. Therefore, whenever procedures are changed, SOPs should be updated and re-approved. SOPs should be also systematically reviewed on a periodic basis (e.g. every one to two years) to ensure that the policies and procedures remain current and appropriate, or to determine whether the SOPs are even needed. If an SOP describes a process that is no longer followed, it should be withdrawn from the current file and archived.

¹⁸ POMS is a primary source of information used to process claims for Social Security benefits that is maintained and updated by SSA.

Developing up-to-date policies and procedures would enhance BDD's ability to provide guidance to adjudicators and support staff. With attrition due to retirement (see **organizational structure**) and high turnover among new adjudicators, relevant and clear policies and procedures that provide guidance on day-to-day operations would ensure critical institutional knowledge is distributed and preserved for future adjudicators, administrators, and support staff.

R8.5 BDD should work with ORSC's Human Resources Department to develop more detailed performance evaluation forms that reflect the distinctive work performed by adjudicators and support staff. In addition, the Agency should create evaluation forms that would provide BDD supervisors with tools to rate performance based on specific job expectations and functions. BDD could use the Florida DDS Performance Standards and Guidelines or Texas DDS Performance Evaluations as models in developing tailored performance goals and evaluations.

According to ORSC, BDD has performance goals that were established to achieve goals set by SSA. While BDD indicated that the performance goals are distributed to staff, the evaluation form used by BDD does not capture any job specific duties or any goals related to the disability determination process. The BDD Director indicated support staff and adjudicators are evaluated on an annual and a semi-annual basis. Additionally, the work of adjudicators is reviewed during periodic in-line reviews which require a supervisor to look over a claim to ensure the information is correct. After a supervisor reviews the claim, the adjudicator responsible for reviewing the claim must fix any problems or resolve any issues the supervisor finds during the review before the claim can be closed. Similarly, support staff also receives an annual formal evaluation and periodic feedback.

While BDD has reviews in place to ensure adjudicators accurately evaluate claims and it frequently evaluates adjudicator performance, BDD uses generic State performance review forms to evaluate the work of adjudicators and support staff.¹⁹ *Tailoring Performance Measurement to fit the Organization: From Generic to Germane* (Public Productivity and Management Review, Spring 1991) suggests generic applications of performance measurement are not likely to meet the specific information needs that are peculiar to an organization. Much of the success rests with ongoing activities and the tailoring of information systems to fit the specific and changing needs of the organization.

According to *Performance Evaluation: An Overview* (Society for Human Resource Management, November 1996), in designing an evaluation form, it is critical that the criteria are based on the essential functions and the qualifications required for that

¹⁹ BDD uses a specific form to evaluate adjudicator performance during a semi-annual review. This form captures information about accuracy, average processing time, and the number of claims processed per week.

position as stated in a current job description. Furthermore, the criteria used to assess the performance of individuals needs to be stated in measurable, observable, or behavioral terms. The evaluation form should address each of the essential functions in the job description and the outcome desired for the period of time in question.

Florida DDS developed performance standards and guidelines to evaluate adjudicator performance. Like the Florida DDS support staff evaluations, the quarterly adjudicator evaluation forms stem from the job duties of a disability determination adjudicator. The following is a list of some of the job responsibilities of a disability determination adjudicator.

- Manages workload sufficiently;
- Sustains a compliance rate of 91 percent; and
- Ensures timelines of action on all claims (e.g., reviewing medical evidence, scheduling consultative examinations).

The Florida evaluation forms are based on assessments of adjudicator performance that directly relate to processing disability determination claims. Furthermore, in establishing performance standards, the Florida DDS adjudicator evaluations set forth an acceptable level of performance. This creates a uniform performance standard for evaluating all adjudicators.

Similarly, the Florida DDS has developed performance standards and guidelines to monitor and evaluate employee performance. The performance standards for support staff are based on the responsibilities and the Florida DDS has criteria to assist supervisors in evaluating employee performance. Support staff are evaluated on the following standards:

- Sustains an average portion of the overall workload through the quarter;
- Completes work tasks timely in accordance with office guides with no more than six validated deficiencies per quarter;
- Maintains quality on input, output, and Medical Evidence of Record development with no more than ten random deficiencies per quarter; and
- Manages the internal and Disability Quality Branch sample process with no more than three validated errors per quarter.

While Florida DDS support staff have responsibilities that differ from those of BDD support staff, the Florida performance standards reflect the day-to-day responsibilities of support staff.

The Texas DDS developed specialized performance evaluation forms for each level of adjudication. These tailored review forms allow supervisors to rate performance based on

specific job functions. For instance, the performance standards a primary level adjudicator (Disability Specialist I) is expected to meet vary depending on the level of an adjudicator's experience. Tasks increase in complexity for Disability Specialist II and Disability Specialist III and include items like mentoring and reviewing requests for consultative exams. The Texas DDS evaluation forms are divided into two broad categories, tasks and standards and performance dimensions; related tasks and performance measures are grouped within these categories.

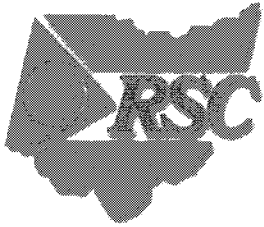
By developing a tailored evaluation form, BDD could better assess the performance of staff as it relates to disability determination. A performance evaluation that takes into account an adjudicator's knowledge of social security rules and guidelines, medical terminology, and diseases and disabling conditions would allow the Bureau to enhance its evaluation of the competency of its staff as it relates to their position descriptions. With an evaluation form tailored to BDD, evaluation forms will more accurately reflect the strengths of staff and opportunities for improvement.

Client Response

The letter that follows is the Ohio Rehabilitation Services Commission's (ORSC) official response to the performance audit. Throughout the audit process, staff met with Agency officials to ensure substantial agreement on the factual information presented in the report. When the ORSC disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

As noted in the response, the ORSC does not agree with every conclusion drawn in the audit report. However, a review of the Agency's written comments, the audit report, and supporting documentation revealed no unresolved factual matters. As a result, no additional report revisions were necessitated by the Agency's formal response.

At the conclusion of the audit, ORSC strongly disagreed with the recommendation to examine its governance structure, particularly with respect to options beyond strengthening the Commission. However, this recommendation was based on issues with communication, duplication or gaps in service, and the overall cost of maintaining separate agencies for selected populations of beneficiaries. Also, reductions in State funding coupled with Ohio's projected financial shortfalls indicate an evaluation of the costs and benefits of maintaining multiple agencies that serve different populations through similar services may be warranted.



Rehabilitation Services Commission

John M. Connelly, Executive Director
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614.438-1210 (ph) 614.438-1257 (fax)

June 6, 2008

The Honorable Mary Taylor, CPA
Ohio Auditor of State
88 East Broad Street
Columbus, OH 43215

Dear Auditor Taylor:

On behalf of the members and staff of the Ohio Rehabilitation Services Commission (RSC), we wish to thank you and the performance audit team for all of your efforts during the recent performance audit. The information and recommendations you provided confirm that while there exist opportunities for improvement, RSC is a high-performing agency.

Because RSC's vision is to be a nationally recognized leader in maximizing independence for individuals with disabilities through quality employment outcomes and disability determinations, the Commission viewed this performance audit as an opportunity to measure our progress towards achieving its vision. We were pleased that the audit demonstrated in many ways that RSC is a national leader. We will work diligently to further analyze the recommendations which will enable the Commission to improve its services.

The performance audit offers many valuable suggestions for RSC to pursue as part of its continuous improvement orientation. Some suggestions were underway, independent of the audit, as part of its strategic plan, and RSC appreciates the validation of those strategies. Other ideas will prompt RSC to initiate better business opportunities.

As part of its commitment to continuous improvement for its customers and to the good stewardship of public funds, RSC will maintain its path to strengthening the oversight provided by its seven, Governor-appointed Commissioners. Commission members represent the perspectives of many RSC customers and stakeholders as governance decisions are approached and made. A strengthened Commissioner oversight plan is already before the Governor's Office. The performance audit recommends that RSC strengthen the oversight of the Commission as a way to improve the organizational structure and adds value to our proposal before the Governor.

However, the audit goes further to suggest a consideration of other major governance and administrative change models. RSC believes such a major reorganization change should not be considered because there was no objective, substantiated business case cited in the audit to justify the potential disruptions in services and outcomes for persons with disabilities. While the performance audit cites many opportunities for continuous improvement, RSC believes it does

not make the financial, business, or programmatic case to justify the magnitude of recommending major agency reorganization.

Per the report, RSC and the vocational rehabilitation (VR) program has consistently demonstrated improvement in successful employment outcomes, quality of employment, and average hourly wage for Ohioans with disabilities. While the number of successful closures has risen 24.3 percent since 2003, administrative costs have dropped 23 percent. These figures are even more impressive when compared to the national trend data which shows that successful closures (jobs for consumers) are down seven percent from 2002-2006. Additionally, hourly wages earned by people with disabilities went up 10.4 percent from 2002-2006 in Ohio, but only 8.2 percent nationally.

Ohio taxpayers see a high return on their investment in RSC's VR programs as consumers who returned to work or obtained a job in 2006 paid nearly \$32 million in taxes. Each year, the earnings of successful RSC consumers add more than \$158 million to Ohio's economy. This data demonstrates that RSC continues to achieve success in assisting people with disabilities to obtain or retain employment, thus reducing the demand on other state and local programs which provide support to people with disabilities.

RSC's Bureau of Disability Determination (BDD) determines medical eligibility for all Ohioans applying for Social Security disability benefits. Last year, BDD processed nearly 170,000 cases, more than 5,550 above its goal. It has reduced the average time for a Social Security Disability Insurance case decision from 97 days in 2004 to 84.6 days in 2007. This is perhaps best exemplified by the numerous awards given to the agency and its staff in recognition of meeting and exceeding the high standards of our customers. Highlighting these awards is a recent Social Security Administration Commissioner's Citation for continually meeting and exceeding performance goals.

Many of the recommendations reflected in the audit are already being researched, implemented or have been completed. These include:

- Electronic signature policy;
- Electronic document storage and document management;
- Agency-wide Business Continuity Plan;
- Creation of an agency Intranet;
- BDD call center to handle all incoming calls;
- BDD plan for effectively dealing with computer downtime;
- Employer Services Unit review;
- Continued and expanded outreach efforts to state agencies and other key stakeholders;
- Increased pursuit of Rehabilitation Services Administration discretionary grant funding;
- Increased Commission oversight;

- OSCAR (Case management system) Replacement and Project Planning;
- Clarifying designation of Executive Director signature authority;
- Increased use of video-conferencing.

The audit recommends changes to the BDD automated process for payment of requests for medical evidence received by BDD. We have reviewed the process and contacted our software vendor and the Social Security Administration to make changes so that payment can occur after the evidence was viewed rather than after receipt.

RSC is very proud that it has not been cited for any fiscal findings of recovery during the course of its financial audits for more than a decade.

Several recommendations under Financial Management suggest improving RSC's internal controls by expanding and, when necessary, updating policies and procedures. In many cases, while procedural manuals exist, the Auditor of State has recommended these be expanded to include financial procedures applicable to specific bureaus such as BDD and BVR. Additionally, while processes are in place for purchasing, budgeting and financial forecasting, RSC would agree that documentation for these procedures could be more comprehensive. Now that the Ohio Administrative Knowledge System (OAKS) Financials Module has been operational for almost a year, RSC is more assured that OAKS system changes should be incorporated into our procedures as well. RSC acknowledges that improved documentation of these processes will enhance internal controls and provide fiscal consistency across the agency.

Since the inception of the OAKS, RSC has continued to meet with representatives from OBM and OAKS to identify a solution to producing Electronic Funds Transfer payments for our case service and BDD vendors. Our ongoing discussions regarding "Return to Agency" warrants have resulted in a plan which may allow vendors to electronically access necessary detail and for RSC to reduce related warrant mailing costs. RSC will continue to pursue measures that provide better customer service and streamline operations whenever feasible.

Several recommendations for the VR program suggest improving the consistency of policies and practices, including eligibility determination, least-cost practices, and order of selection. RSC agrees that services could be improved through additional clarification and training for staff and we have begun video conference training during which staff receives training on clarification of policies and procedures.

RSC's quality assurance program has been enhanced over the past year, and is a more robust system for analyzing trends, challenges, and areas for improvement. In addition, RSC conducts Quality Compliance Education Days as a joint effort between our Customer Service and Resource Development (CSRD) staff and VR staff to discuss trends, issues, and any new policies

or procedures. VR supervisors are expected to review a minimum of 10 randomly chosen cases in each counselor's caseload per year; and compliance with this expectation is tracked through our case management system. In addition to these efforts, RSC will continue to work to ensure the consistency of services across the state.

While RSC has had in place for many years an anonymous consumer feedback mechanism, we agree that improving communications at all levels of the organization is a priority. It should be noted that RSC consistently receives high marks from consumers. In fact, ninety-three percent of more than 800 consumers who participated in the last confidential customer satisfaction survey (October 2007-March 2008) said they would refer a friend or relative to RSC for VR services. This is especially important as it relates to the delivery of quality services to our consumers, the outcomes of the services, the impact on the consumer's life, and the benefit of increased jobs in Ohio.

Finally, we agree to explore the functionality and consistency of services delivered by the Employer Services Unit (ESU). To that end, we have established a cross-functional workgroup consisting of both CSR and VR staff members to review and analyze the unit's current performance and efficiencies, and to make recommendations as to how the unit might better support RSC's mission, vision, and goals. The report is to be submitted to the Executive Director by July 1, 2008.

Several recommendations for BDD revolve around the transition to the electronic case processing system. These included a business continuity plan, the level of case assignment and production, and updating of procedures. It should be noted that BDD initiated a way for employees and consultants to "work off-line" when their local system is down, a unique and creative solution not used elsewhere in the nation.

The audit recommends evaluating staffing assignments and assigning additional cases to adjudicators to work down "the backlog." BDD does not have a backlog. BDD is assigning cases at a comparable level to its peer states. The audit noted a decline in production and during that time BDD was implementing the electronic folder (EF). Nationally, when states have implemented the electronic folder they experienced a decline in production because of the major system change involved in the transition. The same consequences occurred in Ohio, and explain the reason for the decline in production noted in the audit. During the transition to the electronic folder, BDD updated procedures in a priority manner to meet daily operational needs. BDD will be implementing two major electronic folder software releases later this year. As these are implemented we will continue to update procedures and assess staffing levels and mix.

The audit includes a discussion of BDD's allowance rate and comments that if the Ohio Department of Job and Family Services (ODJFS) did not require its applicants to also apply for Social Security Administration (SSA) disability benefits; perhaps the BDD allowance rate would

increase. Neither BDD nor SSA has any goals or targets for allowance or denial rates. BDD and SSA both focus on making the correct decision as early in the process as possible. Decisions are based on SSA regulations and requirements for eligibility

The audit recommends using a BDD-specific form for individual staff performance form rather than the state's Department of Administrative Services (DAS) performance evaluation form. BDD uses a specific form for semi-annual evaluations, from which information is coordinated with the annual evaluation. RSC will pursue discussions with DAS regarding the feasibility of using a BDD-specific form for the annual evaluations.

Finally, the audit suggests RSC continue to build upon its current partnerships and collaboration. While RSC certainly recognizes the importance of partnership and communication, we do feel the agency has done much to communicate and foster partnerships that build opportunities for collaboration. In many instances, RSC initiates the communication and often does not receive reciprocal communication. Some examples of current and past efforts include:


- Quarterly reports sent to other human service agencies (MH, MRDD, ODJFS) that show our services and outcomes for our mutual customers;
- Periodic meetings with other human service department directors;
- Collaborative products such as Transition Guidelines (2nd edition), developed with ODE; Supported Employment Guidelines recently developed with MH; and Social Security Pre-Release Offender Programs developed with DRC, which the DRC Director has nominated for a national award;
- Sponsorship of joint training programs such as our annual Gateways Conference, which brings together VR, MH, MRDD and ODJFS staffs as well as community rehabilitation programs (CRP);
- Opening unused training slots for community rehabilitation program staff;
- RSC participation in several workgroups concerning Medicaid Buy-In and Medicaid disability determination with ODJFS;
- RSC participation in the Interagency Council on Homelessness and Affordable Housing and several subcommittees, the MRDD Autism Task Force, Olmstead Task Force, the MH Transformation Grant, Medicaid Buy-In for Workers with Disabilities, Home Choice (Money Follows the Person);
- CRP newsletter—first publication in June 2008;

RSC certainly recognizes that it can improve, like every business, agency or department. We have set the bar high for the Commission to be a nationally recognized leader in maximizing independence for individuals with disabilities through quality employment outcomes and

The Honorable Mary Taylor, CPA
June 6, 2008
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disability determinations. We must effectively communicate and continuously improve, adapt, and seek creative solutions in order to achieve this vision for RSC. We sincerely appreciate the suggestions you have made and look forward to further analyzing those recommendations which will improve our management practices and increase value to the taxpayers, and seek the most efficient way to implement them.

Sincerely,


Joyce C. Young
Chair


John M. Connelly
Executive Director

c: RSC Commissioners

Client Response 2

The letter that follows is a second response to the performance audit received from members of the Ohio Rehabilitation Services Commission. As noted in this response, the commissioners disagreed with certain portions of the Agency's official response, specifically the portion on alternative forms of governance and agency organization.

June 23, 2008

Honorable Marry Taylor, C.P.A.
Auditor of State
Statehouse
Columbus OH 43215

--and--

Kristi S. Erlewine, Deputy Audit Manager
Auditor of State's
One First National Plaza
130 West Second Street –Suite 2040
Dayton, Ohio 45402

Re: 2008 Performance Audit of the Ohio Rehabilitation Services Commission

Dear Auditor Taylor and Deputy Audit Manager Erlewine,

We want to add our names to those who have already praised the thoroughness of the recently completed Performance Audit of the Ohio Rehabilitation Services Commission. Staff has prepared a factual response to some of the issues addressed in the audit but wanted to add our personal perspectives on the issue of "governance."

The current form of governance – an effectively independent agency overseen by a board of seven commissioners – was developed close to forty years ago and, we believe deserves some serious review and perhaps revision. As you know each commissioner serves a seven year term – staggered with one seat coming open each year. Further, a commissioner can be reappointed for one additional consecutive term.

The citizen's group that advised former Governor Rhodes and the general assembly at the time RSC was created was largely composed of individuals who managed local, non-profit providers of vocational training for persons with disabilities. The model for governance that they proposed was, arguably, more common at the time but the overwhelming majority of the states (42) have seen it wise to change governance methodology for a variety of reasons and perhaps Ohio should also.

We believe that the functions of ORSC can and should be reassigned as follows:

- 1.) The Bureau of Vocational Rehabilitation Services (BVR) and Bureau of Services for the Visually Impaired (BSVI) should move in with the other programs that deal with post-secondary education including job training, retraining and continuing education under the Ohio Board of Regents;
- 2.) The Bureau of Disability Determination (BDD) which does Medicare eligibility and continuing disability determinations should move in with its counterpoint Medicaid disability determination function in the Ohio Department of Jobs and Family Service; and,
- 3.) The Governor's Council on People with Disabilities (GCPD) should be housed in the Office of, and report directly to, the Governor of Ohio; and,
- 4.) The Ohio Developmental Disabilities Council reassigned to report directly to the Governor.

--or--

1. The BVR/BSVI function could be assigned to any appropriate cabinet agency that delivers service to Ohioans with disabilities; and,
2. BDD function to the Medicaid disability determination unit; and,
3. Regardless, The Governor's Council on People with Disabilities assigned to the Governor's office where it would report directly to the Governor. And,
4. The Ohio Developmental Disabilities Council also assigned to report directly to the Governor.

At first blush these recommendations may seem radical. However we think they represent rational, practical fiscal practices that will result in reduced administrative expenditures and therefore more funds for direct client services in an environment better equipped to provide improved outcomes.

Some examples of areas of potential cost savings are included in the following.

1. The vocational rehabilitation program would realize reduced expenditures on human resource management, benefits management and payroll as a result of those functions being performed by existing staff of a larger state agency.
2. The same can be said for general office accounting, purchasing, public relations, legislative liaison, facility management and a myriad of other functions.

In the factual response staff provided several examples of other states that continue to function with the "Commission" form of governance but offer no compelling reasons to continue this practice. Thus, in order to reduce administrative costs we are hereby requesting that your office consider recommending an alternative form of governance, such as the model suggested.

Sincerely,

Dave Williams

David T. Williams
Commissioner
Ohio Rehabilitation Services Commission

Bill Bauer

Bill Bauer, Ph.D. CRC
Commissioner
Ohio Rehabilitation Services Commission