CALIFORNIA'S VOCATIONAL REHABILITATION PROGRAM

Although Federal Requirements Have Contributed to Its Rising Costs, by More Effectively Managing the Program, the Department of Rehabilitation Can Better Serve More Californians With Disabilities

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The Vocational Rehabilitation Program (program) provides or purchases various services to assist individuals with disabilities in preparing for, entering into, and retaining gainful employment. The Joint Legislative Audit Committee (audit committee) asked us to conduct a programmatic and fiscal audit of this program. The audit committee was concerned about the program's increasing costs to serve clients, the level and consistency of services, and whether eligible individuals have equal access to services. Specifically, we found that:

Audit Highlights . . .

Our review of the Department of Rehabilitation's (department) administration of the Vocational Rehabilitation Program (program) reveals that:

- ☑ ***Program costs have more than doubled during the past nine years while the number of clients attaining employment has dropped nearly 50 percent.***
- ☑ ***Federal requirements together with the failure of the department to manage the program adequately have allowed costs to escalate.***
- ☑ ***The scoring instrument the department uses to identify who receives program services first favors those with certain mental and learning disabilities.***

Finding #1: Federal requirements along with the failure of the Department of Rehabilitation (department) to adequately manage the program have allowed costs to escalate while the number of eligible clients served who achieved their employment goals has declined.

The department's average annual cost to serve each client has increased 106 percent, from $1,225 to $2,521, over the last nine years. At the same time, the number of clients leaving the program with employment is half of what it was nine years ago. Changes in federal law have contributed to the program's increased costs. Nonetheless, other states with vocational rehabilitation programs governed by the same regulations have been more successful than California in controlling costs for their programs and in helping clients achieve their employment goals. The department's failure to manage certain aspects of the program adequately has also contributed to the program's decline. We found that the department does not track the cumulative costs of cases to keep them from becoming unreasonably high; does not identify and promptly close unsuccessful cases to avoid spending funds that could go toward services for other eligible clients; and does not monitor district performance to ensure consistent, cost-effective delivery of services.

We recommended that the department use its limited resources to benefit the greatest number of eligible clients by taking the following actions:

- Estimate the total cost of each client's plan for employment during plan development and after each major revision.

- Establish cost standards and require review and approval of plans exceeding the standard amount.

- Monitor cumulative case costs against the established standards, and take appropriate action when costs exceed the standards.

➲ ***Department Action: Partial corrective action taken.***

The department disagrees with our first three recommendations. It believes that an estimate of plan costs would be inaccurate and thus, of little value. Further, it believes establishing cost standards and monitoring cumulative case costs creates a system for controlling costs that is contrary to federal law. Although it is true that the department cannot deny services based on costs, we disagree that establishing cost standards and monitoring cumulative costs is contrary to federal law. Thus, we believe these recommendations have merit in helping the department to monitor its costs and intervene at appropriate points when costs exceed reasonable amounts.

Notwithstanding its objections to these three recommendations, the department intends to take corrective action. During fiscal year 2000–01, the department developed and initiated informed-choice training for its counselors, supervisors, and district administrators to help them write more cost-effective and goal-oriented client plans for employment. Also, to better utilize resources, the department has initiated periodic review and analysis of selected cases to compare client progress against plan goals. Counselors can then direct resources to those clients fulfilling their vocational goals. A department advisory group has submitted for management's approval a draft plan to increase supervisor scrutiny and ensure plan services are economically sound and lead to viable vocational objectives. Additionally, to assist in monitoring of outcomes and case service costs, the department plans to revise and use management information reports that trigger the review of casework practices with significant deviations, both positive and negative, from expected results.

In addition to our first three recommendations, the department should also take the following actions:

- Close cases as soon as it becomes apparent that the clients cannot attain employment.
- Identify and adopt strategies used by other states and the department's own district offices that have been effective in reducing costs and improving success rates.
- Use existing management tools to assist in monitoring the program. This may include expanding the scope of district reviews and generating management reports that highlight district performance in terms of costs and outcomes.

Department Action: Partial corrective action taken.

The department agrees with our remaining three recommendations and states it has initiated an ongoing review and analysis of selected cases at the district level to identify and develop measures that will help counselors make timely case closures. Also, the department has adopted a strategy to survey peer states on an ongoing basis to identify and adopt best practices that contribute to the department meeting its goals of increased employment outcomes, maximizing its resources, and managing its program costs. In addition, the department has conducted a survey of field staff and continues to be involved in ongoing collaborations with other state vocational rehabilitation agencies to identify and implement current best practices. Finally, despite its concern that highlighting district performance solely in terms of costs and outcomes may result in district staff limiting or reducing services based on their costs, the department has expanded the scope of periodic district reviews to include an assessment of plan costs and outcomes. The department states it will use cost and outcome data obtained from these reviews to formulate and implement additional cost efficient strategies. Also, the department established a workgroup that reviewed the information available on its statewide database and recommended changes to the management information system, including reports on district costs and outcomes. The department plans to implement the adopted recommendations in fiscal year 2000–01.

Finding #2: The department's method for evaluating the severity of clients' disabilities favors clients with certain disabilities.

The scoring instrument that the department now uses to identify those individuals whom its program must serve first favors people with learning and certain mental disabilities, so access to vocational services may be inequitable.

To ensure that the most severely disabled in all disability groups have equal access to services under order of selection, we recommended that the department modify its significance scale.

Department Action: Partial corrective action taken.

The department has proposed major revisions to its significance scale. The revisions have been presented to and received approval of the State Rehabilitation Council and disability advisory groups. The department, in conjunction with San Diego State University, tested the revised significant scale and determined it to be reliable and valid. Proposed regulations required to implement the revised significant scale are being finalized, and the department expected the revised significant scale to be implemented and in regulation by July 2001.