



Responsibilities Not Fulfilled by Occupational Access and Opportunity Commission; Program Performance Declines

at a glance

Administrative costs are estimated to have increased since the Occupational Access and Opportunity Commission has been established, due to higher indirect costs assessed by the Department of Education.

The commission has not effectively planned or implemented its efforts to privatize program services. It has provided large start-up grants to new providers with little documentation, and it has not developed adequate oversight mechanisms. As a result, program costs have substantially increased while program outcomes have declined. The federal government has expressed concerns about the commission's privatization efforts, and it has classified the state as a high-risk grantee, which could jeopardize up to \$100 million in federal funds.

We believe that it would not be sound public policy to continue the commission in its present form, and recommend that the commission be eliminated and the Department of Education be given primary responsibility for managing the vocational rehabilitation program.

Purpose

Chapter 99-240, *Laws of Florida*, directed the Office of Program Policy Analysis and Government Accountability (OPPAGA) to review the commission and to report on

- any net change in federally defined administrative costs;
- the commission's progress in increasing services through the use of community-based (private) rehabilitation providers;
- the commission's progress toward achieving specified outcomes based on established performance measures and standards; and
- whether it is sound public policy for the commission to continue to exist.

This examination also serves as OPPAGA's follow-up to our *Program Evaluation and Justification Review of the Rehabilitation Program Administered by the Department of Labor and Employment Security*, July 1998, [Report No. 98-04](#).

Background

Chapter 99-240, *Laws of Florida*, created the Occupational Access and Opportunity Commission to head the state's vocational rehabilitation program. This represented a major change in the organization of Florida's program. Prior to this change, the Division of Vocational Rehabilitation in the Department of Labor and Employment Security delivered vocational rehabilitation services.

The Division of Vocational Rehabilitation is now organizationally attached to the Department of Education, but reports to

Special Examination

the commission.¹ The program provides individually tailored services and job training to people with disabilities who want to work. The program's goal is to enable its customers to maintain long-term employment and become self-sufficient. To be eligible for services, a person must

- have a physical or mental impairment that is a substantial impediment to employment;
- be employable after receiving vocational rehabilitation services; and
- require vocational rehabilitation services to enter and retain employment.

Under federal regulations, vocational rehabilitation programs must give priority to serving clients with the most significant disabilities.²

The provision of vocational rehabilitation services in Florida has traditionally involved both state employees and private providers (see Exhibit 1). Federal law requires that only state employees may deliver certain client services; these include determining a client's eligibility for program services, approving the client's plan of services, authorizing those services, and closing the client's case.³ In addition, state employees have traditionally provided other basic services, including recruitment, intake, and case management. These services are provided through six area offices that supervise 24 service regions (see Appendix A for a map of these regions).⁴

Private rehabilitation providers have historically offered only specialized placement services, such as job placement and supported employment. However, in October 1995, the program contracted with a private provider in

the Florida Keys to deliver basic services, as the program was unable to retain sufficient state counselors to adequately deliver these services. Since then, the program has initiated three pilot projects in which private providers deliver basic services that are not federally required to be delivered by state employees.

Exhibit 1

Traditionally, Services Have Been Provided by Both State Counselors and Private Providers

Services	Description
Basic Services Delivered by state-employed counselor	Recruitment and intake Eligibility assessment ¹ Plan approval ¹ Case management ² Authorization of expenditures Case closure ¹
Placement Services Provided through private rehabilitation provider	Vocational evaluations Work adjustment Job placement Supported employment Job coaching

1 Federal regulations mandate state employees perform these services.

2 Case management can include rehabilitation planning; counseling and guidance; purchase of medical and restorative services, educational or training services, or home, vehicle or worksite modifications; and referral for placement services.

Source: OPPAGA Report No. 98-04.

In 1998, OPPAGA reviewed the program and found that persons who complete vocational rehabilitation services were more than twice as likely to become employed and self-supporting as disabled persons who did not receive services.⁵ However, the program had a low rate of successful completers, due in part to a high employee turnover rate and the program's flawed method of contracting with private rehabilitation providers, which led some providers to leave the system.

The 1999 Legislature subsequently changed the program's governance structure by creating the commission, which it charged with promoting occupational access and opportunities for the disabled.⁶ The commission has 16 members. The Governor, the Speaker of the House, and the President of the Senate appoint most

¹ Chapter 2000-166, *Laws of Florida*, moved the Division of Rehabilitation's appropriation from the Department of Labor and Employment Security to the Department of Education effective July 2000. Chapter 20.171(5)(d), *F.S.*, continues to reflect the organizational placement of the Division of Vocational Rehabilitation within the Department of Labor and Employment Security.

² 34 *CFR* 361.35(a) and 361.36(a).

³ 34 *CFR* 361.13(c).

⁴ The program formerly had eight area offices, but this number was reduced pursuant to reorganization during Fiscal Year 2001.

⁵ *Program Evaluation and Justification Review of the Rehabilitation Program Administered by the Department of Labor and Employment Security*, [Report No. 98-04](#), July 1998.

⁶ Chapter 99-240, *Laws of Florida*, effective October 1999.

members; the remaining members are specifically designated in law. The Director of the Division of Vocational Rehabilitation is appointed by the Commissioner of Education and serves as the executive director of the commission. Members of the commission are shown in Appendix B.

In addition to the commission, the Florida Rehabilitation Council, required by federal law and established in state law, assists in planning and developing rehabilitation programs and services, recommending program improvements and reviewing program performance. Currently, the council has 18 voting members, a majority of whom must be individuals with disabilities.

Program Funding

Vocational rehabilitation is funded through a state and federal matching agreement. The state contributes 21.3% of the grant award, and the federal government provides 78.7%, returning \$3.69 for each state dollar expended. In state Fiscal Year 2000-01, the state appropriated \$25.9 million in general revenue and received \$92.8 million in federal funds.

The Legislature allocated 933 full-time equivalent positions to administer the program and provide client services during Fiscal Year 2000-01. This represents a reduction of 196.5 positions since Fiscal Year 1998-99. Exhibit 2 shows the number of full-time equivalent (FTE) positions allocated to the program from Fiscal Year 1998-99 through Fiscal Year 2000-01.

Exhibit 2 Staffing of the Vocational Rehabilitation Program Has Decreased

Fiscal Year	Number of FTE Positions ¹
1998-99	1,129.5
1999-00	1,071.0
2000-01	933.0 ²

¹ Differences between reported positions and the program's appropriation are due to the allocation of positions to the Division of Blind Services, Brain and Spinal Cord Injury Program, and Americans with Disabilities Workgroup.

² Two of the 933 positions are assigned to the Occupational Access and Opportunity Commission.

Source: Division of Vocational Rehabilitation.

Findings

Federally defined administrative costs have increased since the commission's establishment due to higher indirect costs. The commission has not substantially increased service capacity through the use of private rehabilitation providers. Instead, it has focused its efforts on privatizing services provided by state employees. Although aggressive and determined, this privatization effort has not been well managed, resulting in higher costs. Florida has also been designated as a high-risk state by the federal government in part due to concerns over the privatization effort. Since the commission's inception, program performance has declined. The value of the commission, or the need for an additional oversight board, has not been demonstrated.

Has there been any net change in federally defined administrative costs since the commission was established?

The program's direct administrative costs have declined slightly since the commission was established. However, due to a higher indirect cost rate assessed by the Department of Education on a different base, total reported administrative costs have increased.

The vocational rehabilitation program is required to categorize and report its administrative costs to the federal government each year.⁷ In federal Fiscal Year 1998-99, the last year before the commission's establishment, the program reported that its total administrative costs, as defined by federal regulations, were \$12.5 million. These reported costs decreased to \$12.1 million in federal Fiscal Year 1999-00, but preliminary estimates indicate they will likely increase to approximately \$15.2 million for federal Fiscal Year 2000-01.

⁷ The federal regulations list general categories of costs to be included in this calculation, but note that other costs may be included.

Special Examination

However, this increase is due to differences in the federally negotiated indirect cost rate between the Department of Labor and Employment Security and the Department of Education rather than higher direct costs to administer vocational rehabilitation programs. State agencies assess indirect costs to their programs for services such as legal counsel, accounting, and personnel management using federally approved indirect cost rates. The Florida Department of Labor, which formerly administered the program, charged a lower indirect cost rate to the program than does the Florida Department of Education.

The Department of Labor assessed \$3.6 million in indirect costs to the program in federal Fiscal Year 1999-00. In contrast, the Department of Education is expected to assess \$6.7 million in indirect costs for federal Fiscal Year 2000-01. If these indirect costs are excluded, the direct costs to administer the vocational rehabilitation program fell from \$8.9 million to \$8.5 million over the past year.

An analysis of costs is often used to determine the efficiency with which a program is being administered. However, because of the way costs behave, this analysis can be misleading. For example, organizations whose products are delivered through private contractors often appear to have lower administrative costs than organizations that provide in-house services. This occurs because the contractors incur a large portion of the administrative costs for personnel, accounting, and management functions. However, contractors are rarely required to separately report their administrative costs. Instead, the entire cost of the contract usually is classified as a program cost, masking the real ratio of administrative to total costs. Thus, it would be expected that the commission's shifting of services from the public to the private sector would decrease administrative costs reported by the state since administrative costs are part of the contracted services and are no longer accounted for by the state or included in federal reporting.

Alternatively, although the commission is working to substantially privatize the program, administrative costs retained within the state agency may increase as the agency moves

away from direct client services. Staff will be needed to manage service contracts with private providers; these staff will likely be categorized as an administrative cost, but are needed for effective program management.

Has the commission made progress in increasing service capacity through the use of private rehabilitation providers?

The commission has acted aggressively to privatize program services. OPPAGA notes that the commission acted with urgency and determination that is unusual and needed in public administration. However, instead of focusing on expanding service capacity through private service providers, the commission has concentrated on privatizing existing services that state employees have historically performed.

While privatization can produce benefits, the commission did not adequately plan for this privatization effort, and it has been poorly managed.⁸ If it had been properly planned as intended by the Legislature and more carefully managed, the effort could have served as a model for other states and may have been more favorably received by the federal government in much the same way as various pioneering efforts of states such as Wisconsin led to welfare reform and eventually to the federal Temporary Assistance to Needy Families program.⁹

Although required to do so by state law, the commission did not develop a five-year plan for the program. The commission provided large start-up grants to new providers, did not develop adequate oversight mechanisms, and did not lower payments to contractors when it determined that it could not pay contractors

⁸ OPPAGA has often recommended privatization as a policy option. See recent OPPAGA reports recommending further privatization of laboratory functions of the Department of Environmental Protection ([Report No. 01-65](#)) and expediting outsourcing by the Department of Transportation ([Report No. 01-13](#)). For all OPPAGA reports recommending privatization as a policy option, see OPPAGA's website, the *Florida Monitor*, at <http://www.oppaga.state.fl.us/reports/privatization.html>

⁹ See "From D.C. to Des Moines—the Progress of Welfare Reform," *State Legislatures*, [April 2001](#).

for services that had to be performed by state employees. As a result, program costs have substantially increased. The federal government has expressed concerns about the commission's privatization efforts, and it has classified the state as a high-risk grantee.

Commission decided to privatize the delivery of basic services

Although established with the directive to expand service capacity through the use of private providers, the commission has focused on privatizing the existing system. In November 1999, the commission voted to release a request for proposals that would privatize all basic services delivered by state-employed counselors. These services include functions such as recruitment and intake, and case management. Under the commission's proposal, state employees would be retained only to provide those services that federal regulations mandate be performed by state employees—determining client eligibility, approving service plans, and closing cases.

Privatization of the delivery of all services has the potential to produce benefits for the state and vocational rehabilitation clients, but only if it is carefully implemented. Experiences of Florida and other states have demonstrated outsourcing to be cost-effective if there are sufficient vendors to generate competitive bidding; good contract terms; and intelligent quality control and monitoring. Contractors can be less costly and equally or more effective than state employees because the private sector has more personnel flexibility and can react more quickly to changing conditions. However, for privatization to be successful, it is critical that the effort be carefully planned and implemented.¹⁰

Commission did not develop the plan required by the Legislature

The Legislature required the commission to hold hearings, consult with stakeholders, and develop a five-year plan to promote occupational access and opportunities for the

disabled. This plan was required to be provided to the Governor, the President of the Senate, and the Speaker of the House by July 1, 2000.

However, the commission did not undertake this planning effort before starting its privatization initiative. The commission did not meet as a committee to develop a plan until August 2001, and did not begin public hearings until October 2001, two years after the Legislature established the commission. As of December 13, 2001, the commission had not completed the required plan. If the commission had worked to develop the plan as required, it likely could have avoided some of the problems it encountered with its privatization efforts, as discussed below. (See Appendix C for a timeline of legislative and commission actions.)

The commission also did not conduct a formal feasibility study to determine whether its privatization initiative was realistic. While the commission in February 2000 developed a "Transition Plan," this document simply declared commission intent to transition all service delivery to private providers by the end of the 2000 calendar year. While a plan should have detailed the activities that would have to take place and the infrastructure to support such a transition, the transition plan was limited to aggressive target dates for major activities. For example, the transition document indicated that transition planning was to begin on March 1, 2000, and a request for proposals was to be issued to "identify and evaluate capacity of potential core service providers" by March 15, 2000. The transition document also specified that the commission would execute contracts pursuant to these proposals by July 1, 2000. The commission did not update the transition plan to reflect subsequent actions and evolutions.

Nor did the "Transition Plan" adequately define the steps that were needed for the privatization effort to be effectively implemented. For example, the transition plan did not identify the resources that would be used to transition thousands of clients to new counselors or the feasibility of giving private providers access to the program's data systems.

¹⁰ For a discussion of privatization, see *Assessing Privatization in State Agency Programs*, OPPAGA [Report No. 98-64](#), February 1999.

Special Examination

The transition plan also failed to identify the costs associated with the transition to private providers (such as contract monitoring and costs associated with state employee layoffs including payment for unused leave). The transition plan also did not delineate the necessary tasks associated with privatization or how the changes would be communicated to employees and other stakeholders. The commission also did not formally assess whether there were sufficient potential private providers with the capacity to assume responsibility for delivering basic program services, or whether it was reasonable to assume that switching to the use of private providers would improve services or cut costs.

In April 2000, the commission released an initial request for proposals to privatize basic services in each of the program's 24 regions. The commission received proposals for each region, but determined that proposals were acceptable for only 18 regions. In July 2000, the commission voted to make three contract awards. It selected regions 7, 9, and 20 as demonstration sites to determine the effectiveness of delivering basic services through private providers rather than state-employed counselors.

The reason for awarding only three contracts was not specifically addressed in commission documents. However, the federal government and commission members raised the concern that many of the providers who responded to the request were currently providing specialized placement services in these areas, resulting in a potential conflict of interest. Awarding contracts for the delivery of basic services to these providers would allow the providers to refer clients to themselves for placement services. The three regions selected for the pilot had received proposals from providers who were not currently providing placement services in those regions.

Federal rules prevented full privatization

During this period, the commission also determined that its initial plan to privatize basic services delivered by state employees was not feasible. Federal regulations pertaining to client choice required that existing clients be

allowed to retain their state employee counselors. The commission decided to retain state employees in the demonstration areas and to designate the effort as a public-private partnership with shared outcome goals.

Commission contracts had major flaws

The contracts the commission established for the demonstration areas had three major flaws. First, the commission did not adjust payment levels to its contractors after it determined that state employees would continue to provide many services, resulting in high unit costs for services. Second, the commission awarded large start-up funding to the private providers with little apparent documented basis for these awards. Third, the commission did not establish adequate performance measures in the contracts, weakening its ability to monitor contractor performance.

The first weakness in the commission's privatization effort is that it did not adjust its contract awards after it determined that it could not eliminate state employee services. The commission's original request for proposals for basic service provision assumed that private providers would deliver 100% of the basic services allowed by federal regulation and that the state provision of service would no longer exist. Although the projects were redesigned as public-private partnerships, the contracts awarded by the commission paid providers the full amount of the original proposals. The fixed-rate payments were not revised to reflect the fact that state employees continued to provide many program services.

This is significant because the state employees have served more clients than have the private providers. For example, as of October 31, 2001, the private providers had 36.4 full-time equivalent employees serving 883 cases or 41% of the caseload. In contrast the state had 20.5 full-time equivalent employees serving 1,266 cases or 59% of the caseload.¹¹

¹¹ The number of cases may not be an absolute representation of workload as clients may be in various phases of the rehabilitation program, requiring different levels of counselor involvement.

Over time, the number of clients served by the private providers will likely increase, as a consultant hired by the commission concluded that clients usually select the first person with whom they make contact.¹² Since the state has turned over all intake and orientation to the private providers, over time more clients in the demonstration regions are likely to choose the private rehabilitation providers. This should result in lower unit costs for services provided by the private contractors.

A second flaw in the commission's contracts is that it paid the providers large start-up costs to establish their new businesses with little analysis of the validity of these costs. As shown in Exhibit 3, these start-up awards totaled \$830,692, or an additional 46% above the annual awards. The request for proposals allowed for these costs to be negotiated separately from the proposal.¹³ Commission

files showed no evidence that these start-up awards were negotiated, nor did the contracts require the providers to document their actual start-up costs. The commission has subsequently voted to limit start-up costs for future demonstration projects to 10% of the proposal.

The commission has not established a process to compare the performance of the private providers to that of state employees who provide the services in the demonstration areas. Instead, it plans to assess whether the demonstration regions as a whole meet the performance standards. This is problematic, as it does not enable the commission to determine whether its private providers are improving program performance as intended. Thus, there is no system that will allow the evaluation of these projects for cost-efficiency and effectiveness.

The net effect of these contracting problems is that service costs substantially increased in the three demonstration regions while accountability for program funds substantially decreased. As shown in Exhibit 3, total costs in these three regions doubled after the services were partially privatized.

¹² *Occupational Access and Opportunity Commission/Vocational Rehabilitation Services, Demonstration Projects Evaluation, Phase I Final Report*, MGT of America, November 14, 2001.

¹³ Only one request included a budget. However, the written narrative explaining the intended use of these funds is limited. The other two start-up requests listed items that were required by and included in the original proposal, such as salaries and leases. It is not evident why the costs included in the competitive proposals were again included in the start-up costs.

Exhibit 3 Program Costs Substantially Increased in Demonstration Areas

	Region 7	Region 9	Region 20	Total
Program Costs				
State Fiscal Year 1999-00	\$ 206,244	\$ 572,865	\$ 722,946	\$1,502,055
First Year Demonstration Project Costs				
Provider Annual Contract ¹	\$ 367,534	\$ 594,934	\$ 845,830	\$1,808,298
Estimated Cost of State Delivered Services	209,314	308,742	764,925	1,282,981
Total Estimated First Year Costs	\$ 576,848	\$ 903,676	\$1,610,755	\$3,091,279
Percentage Increase in Costs				
Additional Provider Start-up Costs	\$ 168,055	\$ 285,568	\$ 377,069	\$ 830,692

¹ Demonstration projects began on April 1, 2001.

Source: Division of Vocational Rehabilitation.

Contracts for innovative services have been problematic

Although the commission has taken some steps to expand services to vocational rehabilitation clients by funding innovative proposals, its contracts for these services have also been problematic. Federal law authorizes and encourages state programs to use a portion of the rehabilitation funds to support programs that provide creative ideas to innovate or expand services. In April 2001, the commission released a solicitation for proposals that required projects to meet broadly specified goals, such as increasing services to persons with disabilities who have been underserved or unserved. The request did not specify either the populations or geographic areas to be served. The commission intended to award \$1.1 million to fund six proposals. Although the awards were withdrawn due to a legal complication, the commission intends to issue a substantially similar solicitation for proposals in the near future.

The commission agreed to approve two unsolicited proposals. These proposals would provide a scholarship service for students with disabilities, and provide additional funding to an established transition program to motivate and prepare high school students with disabilities for college and careers. The cost associated with these two proposals was \$1.5 million, but only the \$500,000 contract for transition services has been executed. The Department of Education's inspector general reviewed both contracts. The results of these reviews were released in *Investigation 01-083*, on October 16, 2001, and *Report 01-129*, released December 21, 2001.¹⁴ The inspector general concluded that the contracts were not consistent with state or federal requirements. The inspector general continues to review other contracts approved by the commission.

¹⁴ *Review of Contract #VD002 between Florida Independent College Fund, Inc., and Occupational Access and Opportunity Commission/Division of Vocational Rehabilitation Services*, Florida Department of Education Office of Inspector General, Investigation #01-083, October 16, 2001; and *Review of Contract #VH032 between the Able Trust and Occupational Access and Opportunity Commission/Division of Vocational Rehabilitation Services*, Florida Department of Education Office of Inspector General, Report #01-129, December 21, 2001.

Given limited program resources, we believe that the commission should have identified critical program needs before soliciting proposals. Each proposal should then be evaluated to determine whether it adequately addresses identified needs at a reasonable cost and is consistent with the design and purpose of the vocational rehabilitation program. Awarding contracts without a plan specifying needed services may lead to program funds not being used prudently.

Federal government has raised concerns with privatization effort

The federal government has raised concerns with the commission's privatization effort. In December 1999, several commission members met with representatives of the Federal Rehabilitation Services Administration during which federal officials raised concerns about consistency with the federal law and the state's plan for organizing service delivery. Federal correspondence with Governor Bush, dated May 3, 2000, expressed serious concerns about the planned program changes and the Federal Rehabilitation Services Administration's belief that the state program was deteriorating.

In addition, federal monitoring of the commission's contract for program services in the Florida Keys found substantial problems. This review was triggered by federal concerns that the commission was using this contract as a model in its efforts to privatize the delivery of basic services throughout the rest of the state. The Federal Rehabilitation Services Administration concluded that the commission had not properly overseen the private provider. Specifically, the Federal Rehabilitation Services Administration determined that the commission had not properly monitored the contract, had not provided proper oversight, and failed to retain certain critical administrative functions in relation to this contract.

The Federal Rehabilitation Services Administration subsequently, on October 27, 2000, notified the commission that Florida had been designated as a high-risk grantee. The federal government imposed special conditions on Florida's federal Fiscal Year 2001 grant

award. These conditions included requiring the commission to submit a detailed corrective action plan, which was submitted and approved in May 2001.

However, the Federal Rehabilitation Services Administration has recently determined that the commission did not fully meet the special conditions. In a letter dated November 20, 2001, the Federal Rehabilitation Services Administration extended Florida's high-risk designation to the 2002 grant award because the commission "failed to fully comply with the monitoring requirements from last year's special conditions, and has suspended key internal monitoring activities." The Federal Rehabilitation Services Administration completed on-site monitoring of the three demonstration sites in September 2001, but has not yet released the results of this monitoring.

Failure by the commission to meet the special conditions outlined by the federal government may result in enforcement action that can include withholding all or part of Florida's grant award, which is expected to be \$100 million in Fiscal Year 2001-02, and disallowing costs for activities that are out of compliance.¹⁵

What is the commission's progress toward achieving specified outcomes based on established performance measures and standards?

We analyzed the commission's performance based on the performance measures established for the state's performance-based program budgeting system and determined that key outcomes are declining and the commission has not met legislative performance standards.

Key program outcomes are declining

Several key program outcomes have deteriorated over the past year. We compared the commission's performance on five key performance-based program budgeting measures over the past three fiscal years. All measures have shown declines over the past

year and have not met the standards established for Fiscal Year 2000-01.

As shown in Exhibit 4, the number of customers who were reviewed for eligibility and the percentage of eligibility determinations completed within the 60-day period mandated by federal law have fallen during each of the prior two years and is projected to fall significantly in the 2001-02 fiscal year. The number of clients placed in competitive employment—the program's key goal—fell during the 2000-01 fiscal year. This is significant, as the number and percentage of customers placed in competitive employment had grown steadily since Fiscal Year 1992-93.¹⁶ Although priority must be given to serving clients with the most significant disabilities, employment outcomes for these clients also decreased and are projected to decrease to less than 75% of its 1998-99 outcome.

While these key measures were decreasing, as shown in Appendix D, other measures of performance were declining as well. For instance, the number of client plans written and client placements are decreasing while the number of clients in process of being served is increasing. This could indicate a slowdown in the delivery of services. Due to losses in key personnel the recovery of third party costs fell to 5%, well below the program's standard of 20%. While fewer clients are employed, their average income at employment has increased, which may be due to an increased emphasis on education and training.

Several factors appear to be affecting client outcomes, including staff inexperience and disruptions caused by the focus on privatizing the delivery of basic services.

¹⁵ Enforcement actions are outlined in 34 *CFR* 80.43(a).

¹⁶ There was a one-year decline in Fiscal Year 1996-97, which may be due, in part, to a federal shutdown.

Special Examination

Exhibit 4

Indicators of Program Performance Show Decreases in Fiscal Year 2000-01 That Continue into Fiscal Year 2001-02

	Fiscal Years			Standard 2000-01	First Quarter 2001-02 (Annual Projection)	
	1998-99	1999-00	2000-01			
Customers reviewed for eligibility	25,507	23,958	23,547	26,500	5,842	(23,368)
Percentage of eligibility determinations made within 60 days (federal law)	89.8%	89.4%	85.2%	92.5%	76.7%	
Number of significantly disabled customers gainfully employed at least 90 days	8,075	7,929	6,888	8,700	1,437	(5,748)
Number of all other customers gainfully employed	1,437	2,004	1,859	1,600	425	(1,700)
Number of customers placed in competitive employment	9,262	9,690	8,510	10,237	1,842	(7,368)

Source: Division of Vocational Rehabilitation.

The program has experienced high staff turnover, and many state counselors and those employed by the privatized providers are relatively inexperienced. In Fiscal Year 1999-00, 28% of the program's counselors and senior counselors left the program. In Fiscal Year 2000-01, an additional 19% left. As a result, counselor experience levels have been reduced. For instance, on June 30, 1999, 85% of counselors had more than one year of experience. This decreased to 68% by June 30, 2001. Similarly, the percentage of senior counselors with more than five years experience declined from 71% to 54% over this period. This is significant, as experienced counselors have greater success in rehabilitating persons than new staff. Department documents indicate that it takes approximately 18 months for a newly hired counselor to work independently or carry a full workload.

Staff of the private providers in the demonstration regions also appears to be relatively inexperienced. While it was expected that state counselors would move to the private providers, only 4 of the 18 provider administrators and counselors in the demonstration regions were prior state employees. A monitoring report of one of the demonstration contracts found that two of the private counselors did not possess the required training and experience.

The uncertainty over the continued employment of the state employees under the commission's privatization plan appears to be a primary factor for the high turnover rate. In a time of dramatic program change, it is critical to communicate with employees and other stakeholders how such change will be implemented. However, the commission did not effectively communicate with its employees about the status of change within the organization. For example, although the commission has frequently changed its plans to privatize basic services, state employees have not been kept informed about these plans. Staff reported that they were told in meetings that they should start looking for new jobs. Understandably, many employees have left the program due to concerns over job stability.

The Department of Education and the Federal Rehabilitation Services Administration have concluded that the exodus of staff and anticipated reductions in force have negatively affected the continuity of services. The Federal Rehabilitation Services Administration, in an April 2000 review of the impact of the privatization initiative on ongoing services, noted that it had received approximately 125 complaints from consumers and advocates about disruptions in service activity. The Department of Education's evaluation of its 2000-01 performance measures, reached the conclusion that the commission's focus on

privatizing program services had led to the reduction in program outcomes.¹⁷

Service capacity has not been greatly increased

Although the program increased its funding for contracts with existing providers of placement services, it did not do so with an expectation that the delivery of services would increase proportionately. In an attempt to better compensate providers, contract awards were increased. Between Fiscal Years 1999-00 and 2000-01, funding for employment services contracts increased 41%, from \$6.4 million to \$9 million or from an average of \$3,001 per outcome to \$4,220 per outcome. However, the number of expected outcomes (customers placed in employment) remained relatively the same. In a similar manner, planned funding for supported employment increased 44% from \$6.1 million to \$8.8 million while expectations for outcomes increased less than 13%.

Consequently, the increased funding for contracts has not resulted in clients benefiting from any increase in service capacity. A report by a consultant for the provider groups, dated September 2001, noted that the number of vocational rehabilitation clients referred to private providers for placement services was considerably below expectations.¹⁸ The consultant concluded that there were several circumstances that could have contributed to the low number of referrals. These included the possibility that the program had contracted for more services than needed in an area due to its failure to identify the number of clients requiring services. The report also noted that disruptions in service caused by staff turnover could have prevented clients from being referred for contracted services.

Commission intends to expand privatization efforts

Despite the problems it has encountered, the commission intends to expand its privatization efforts. In September 2001, the commission voted to proceed with privatizing the delivery of basic services in seven additional regions; Regions 4, 5, 6, 10, 12, 18, and 21. In November 2001 they identified and added Regions 8, 11, and 14 to their planned efforts. The commission intends to launch seven of these projects before the end of Fiscal Year 2001-02 and release a request for proposals for the three additional areas in March 2002.

The commission selected the project sites without determining the effectiveness of existing demonstration projects. However, after approving 7 of the 10 additional sites, the commission did vote to hire a consultant to review the three demonstration projects. MGT of America was hired at a cost of \$140,000. The consultant's initial report, released in November 2001, evaluated the process used in the demonstration regions to transition to private providers.¹⁹ The initial report recommended that the commission ensure that future contracts include a process and outcome evaluation. It also recommended that the commission establish better communication and coordination of transitional planning and processes for transferring client and referrals from public to private providers. The report also recommended that the commission ensure that private provider counselors are trained in case management in a timely manner.

The consultant is contracted to develop an efficiency and effectiveness evaluation model as part of the final report. This report, which was due in December 2001, is now estimated to be completed in late January 2002. However, the final report will not be able to evaluate the private providers performance based on client outcomes. The average client takes 18 months to complete a program of vocational rehabilitation and the providers have yet not operated for this time period.

¹⁷ Department of Education 2002-07 Long Range Program Plan, November 23, 2001.

¹⁸ Referrals to Community-Based Rehabilitation Providers, September 9, 2001.

¹⁹ Occupational Access and Opportunity Commission/Vocational Rehabilitation Services, Demonstration Projects Evaluation, Phase I Final Report, MGT of America, November 14, 2001.

Special Examination

Given the weaknesses in the commission's privatization effort and its declining outcomes, we believe that it should move cautiously before expanding this initiative. It should establish strong accountability mechanisms for the private providers and critically assess their performance. Future contracts should link payment levels to meeting performance standards. The commission should also annually compare provider performance to that of its state employees.

The commission should also consider adopting a more flexible privatization approach. As an alternative to fully privatizing all basic employment services, the commission could focus its privatization efforts on supplementing service capacity in areas of demonstrated need. This effort would be consistent with statutes, which direct the commission to expand service capacity through the use of private providers.

To do so, the commission could increase the use of a contracting process it has established called Model B. In contrast to the

demonstration models, which privatize the delivery of all recruitment, intake, and case management in a region under a single provider, this model provides that recruitment, intake, and case management may be contracted out separately to private providers. Exhibit 5 compares this proposal to the traditional and demonstration models for providing client services.²⁰

We believe that Model B represents an improvement in the commission's contracting approach. Model B could be used as an alternative to the demonstration model by having multiple private providers perform various independent vocational rehabilitation functions. For example, the Model B approach could be used to address identified client service needs, such as contracting for additional counselor service capacity in less densely populated areas where there are not sufficient state staff to deliver basic services.

²⁰ The expansion of contracts to new types of services had not been initiated at November 30, 2001.

Exhibit 5

The Program's "Model B" Represents a More Flexible Contracting System

	Traditional	Demonstration Projects	Model "B"
<i>Description</i>			
	Division contracts with multiple private providers for the provision of placement services only.	Division contracts with a single private provider to deliver basic services of recruitment, intake, and case management. Placement services are provided by other private providers under state contract.	Division contracts with multiple private providers to deliver basic services of recruitment, intake, and case management; as well as to provide placement services.
<i>Services Provided by</i>			
Recruitment and Intake	Delivered by state counselor	Delivered by private provider	Delivered by state counselor or private provider
Case Management	Delivered by state counselor	Delivered by private provider in partnership with state counselor	Delivered by state counselor or private provider
Placement Services	Provided by private provider	Placement services are provided by other private providers under state contract.	Provided by private provider
Eligibility Assessment, Plan Approval, and Case Closure	Federally required to be performed by state counselor	Federally required to be performed by state counselor	Federally required to be performed by state counselor

Source: Division of Vocational Rehabilitation.

Experience in other states has shown that public employees, when given the opportunity to compete with private sector organizations, have often developed systems to provide services at a lower cost and higher quality than private sector bidders. This “managed competition” approach is also endorsed by the Governor’s Office guidelines for privatizing state services.²¹ Thus, under Model B, state rehabilitation counselors could be authorized to submit a bid to continue to provide basic services when these services are put out for bid in new regions. The final contract would be awarded to the entity that proposes the lowest costs and best services, regardless of whether the entity was a private provider or the existing state employee.

Is it sound public policy to continue the commission?

Creating an additional entity to oversee the vocational rehabilitation program has not had the intended results. Establishing the commission within the Department of Education has created management conflicts while increasing program bureaucracy and costs. The Legislature should consider several alternatives to the existing commission.

The Legislature charged the Occupational Access and Opportunity Commission with overseeing the state vocational rehabilitation program. Its membership is legislated to represent a broad spectrum of stakeholders with at least one being a consumer of vocational rehabilitation services. The 16-member commission must draw 50% of its members from the private sector and may include individuals with disabilities, representatives of state government, local government, education, advocate groups, employers, and community organizations. One seat is designated for a private rehabilitation provider; however, the current commission includes at least six private rehabilitation providers. (See Appendix B for the members of the commission.)

Pursuant to an option provided in enabling legislation, the commission intended to establish a corporation as the program’s administrative entity. This would have provided the commission greater program authority, as it would have been able to manage the program outside of normal state accountability provisions. However, the commission abandoned this approach when it determined that federal regulations mandated that only a state agency could receive and control program funds and that a private corporation under the commission would not meet this requirement. As a result, the Department of Education serves as the recipient of vocational rehabilitation funds with responsibility to assure that expenditures are made in accordance with state and federal law. The department and the commission share responsibility for oversight of the Division of Vocational Rehabilitation, and the department has retained responsibility for oversight of the division’s fiscal, budget, and personnel operations.

This situation creates management conflicts between the commission and the department. The commission cannot take full operating responsibility for the program while under a state agency. Likewise the Department of Education cannot abdicate its responsibility for program oversight since the Division of Vocational Rehabilitation is a departmental entity. This has caused the commission and department to struggle with questions of authority over program operations. For instance, the commission and department disagreed over the department’s shift of vocational rehabilitation audit personnel to the department’s inspector general’s office. Similarly, while the commission voted to enter into several contracts, the department did not execute the contracts because it determined that the commission’s contracts did not comply with state and federal requirements.

²¹ [Guidelines for Introducing Competition into Government Services](#), August 31, 2000, Office of the Governor.

Special Examination

The diffusion of authority also impedes the timeliness of decision making and affects accountability. As the commission only meets every two months, decisions requiring its approval can be delayed or prolonged. Confusion over responsibility also prevents an ultimate authority from being held accountable for the program. Although the commission and department entered into a memorandum of understanding, in November 2001, as to their respective roles, the memorandum does not resolve the issue of ultimate program authority.

In addition, the commission must be responsive to the Florida Rehabilitation Council, an entity required by federal law. While the council was initially established to act as an advisory body, a 1998 change in federal law broadened the council's role to that of a strategic partner. The council is to advise and partner with the vocational rehabilitation program to develop state goals and priorities. The council also provides accountability by reviewing, analyzing, and advising the vocational rehabilitation program regarding the performance of its responsibilities. It represents the disabled community, as a majority of its 18 members must be individuals with disabilities.²²

Having a council and a commission involved in planning vocational rehabilitation services increases costs, with no evidence that such an arrangement improves program services. The 16-member commission meets every other month while the 18-member council meets quarterly, in addition to committee meetings. This requires the Vocational Rehabilitation Program to absorb the cost of conference facilities and travel expenses for both entities, which together meet at least 10 times annually. Exhibit 6 identifies the costs associated with the two boards for each of the past three state fiscal years.

Exhibit 6 A Second Advisory Board Increases Costs

	Fiscal Year		
	1998-99	1999-00	2000-01
Florida Rehabilitation Council	\$249,667	\$193,690	\$142,477 ¹
Occupational Access and Opportunity Commission	Did not exist	464,548	353,613
Total Costs	\$249,667	\$658,238	\$496,090

¹ Costs of the Rehabilitation Council are expected to increase in Fiscal Year 2001-02. All of the 19 seats have been filled and many of the new members are severely disabled. Such disabilities increase the costs associated with attending council meetings.

Source: Division of Vocational Rehabilitation.

We identified the four options below for the Legislature to consider for governing the vocational rehabilitation program. The advantages and disadvantages of each option are shown in Exhibit 7.

- Eliminate the Occupational Access and Opportunity Commission and make the Department of Education responsible for administering the vocational rehabilitation program, while expanding the membership and strengthening the role of the Florida Rehabilitation Council to include former commission members and provide greater program oversight.
- Create a new state agency headed by the Occupational Access and Opportunity Commission, which would give it full control over program operations.
- Combine the Occupational Access and Opportunity Commission and the Florida Rehabilitation Council to create a new entity, but retain the current division of program responsibility between the commission and the department.
- Make no changes to the current program structure.

²² Federal law requires a minimum of 15 members; state law sets a maximum of 19 members.

Exhibit 7

Several Options Are Available for Administering the Program

Option	Advantages	Disadvantages
Option 1: Eliminate the Occupational Access and Opportunity Commission, merge its membership into the Florida Rehabilitation Council, and make the Department of Education the designated state agency for federal purposes. The department would direct the activities of the Division of Vocational Rehabilitation and the membership and role of the Florida Rehabilitation Council would be expanded to include former commission members and strengthened to provide greater program oversight. ¹	<p>Eliminates issues of conflicting authority.</p> <p>Eliminates some of the costs of a separate commission.</p> <p>Allows for more responsive management and timely decision making.</p> <p>Retains the Florida Rehabilitation Council, to represent the disabled.</p> <p>Allows former commission members to be added to the council to provide the benefit of experience and knowledge gained while serving on the commission.</p> <p>Keeps the vocational rehabilitation program aligned with the education system and the federal oversight agency, the U.S. Department of Education. This alignment promotes identification of disabled students who have impediments to employment.</p>	<p>Would decrease input of providers into program decision making. Appointing providers who have a disability to the Council could in part ameliorate this.²</p> <p>As the size of the council increases, potential for conflict within the council may increase.</p> <p>The Governor must make all appointments to the council, whereas legislative leadership made some appointments to the commission.</p>
Option 2: Create a new state agency to be headed by the Occupational Access and Opportunity Commission.	<p>Resolves issues of authority by giving the commission full control of the program by eliminating the role of the Department of Education.</p> <p>Retains the Florida Rehabilitation Council as a separate entity to represent the disabled and provide some independent oversight of the program.</p> <p>While resolving issues of conflicting authority, commission would still have to operate within existing federal and state limitations.</p>	<p>Creating a new state agency is costly and complicated.</p> <p>The commission has not yet established adequate accountability for its current operations; giving it full control over program operations may be inadvisable.</p> <p>Placing operational authority in a volunteer oversight entity that meets periodically may not be efficient or effective.</p>
Option 3: Combine the membership and role of the Occupational Access and Opportunity Commission with that of the Florida Rehabilitation Council to create a new entity that meets the definition of a federally designated rehabilitation commission. ³ The new commission could be made the designated state agency for federal purposes. ⁴ Division of Vocational Rehabilitation would remain under the Department of Education.	<p>Would provide for continued role of providers in program management, as well as individuals with disabilities, which would by federal law need to constitute a majority of commission members.</p> <p>Would produce costs savings by reducing the number of commission and council meetings.</p>	<p>Would not resolve the issue of authority between the Department of Education and an operating commission.</p> <p>As commission meets periodically, it would continue to impede timely decision making.</p>
Option 4: Make no changes.	Avoids disruptive changes by retaining the current program structure and operations.	<p>Would not resolve the issue of authority between the Department of Education and an operating commission.</p> <p>As commission meets periodically, would continue to impede timely decision making.</p> <p>Requires continued funding of both the Commission and the Florida Rehabilitation Council.</p>

¹ Federal regulations require the council to have a minimum of 15 members, but allow additional members as long as the federal composition is met.

² Federal regulations require that a majority of council members be individuals with disabilities.

³ Federal regulations require either a rehabilitation council and state agency or federally designated rehabilitation commission with operating responsibility that meets the criteria of a federal commission as defined in 34 *CFR* 361.16.

⁴ Federal regulations allow a commission that is controlled by persons with substantially limiting disabilities to serve as the designated state agency, assume operating responsibility, and fulfill certain federally defined responsibilities of the council.

Special Examination

Given the commission's weak record to date in establishing adequate accountability systems for the vocational rehabilitation program, we believe that it would be inadvisable at this time to give it full control over program operations by creating a new state agency under the commission's direct authority (Option 2) or as a new entity that combines the commission and Florida Rehabilitation Council (Option 3). We also believe that continuing the *status quo* (Option 4) is not desirable, as it would not resolve the issues of management conflict, accountability, and duplication of costs between the commission, the Department of Education, and the council.

Accordingly, we believe that the preferable option would be to eliminate the commission, merge its membership into the Florida Rehabilitation Council, and make the Department of Education the designated state agency for federal purposes (Option 1). Under this option, the Department of Education would have responsibility for administering the vocational rehabilitation program. The membership of the Florida Rehabilitation Council would be expanded to include former members of the commission and it would play a stronger role in strategic planning and oversight of the program. This would represent a break from the program's historical operation as a state-run program before the commission's establishment, as the merged council would play a more active role in advocating program management strategies.

Conclusions and Recommendations

Administrative costs have increased slightly since the Occupational Access and Opportunity Commission has been established, due to higher indirect costs assessed by the Department of Education.

While privatizing program services may produce benefits, this effort must be properly managed. The commission has not effectively planned for or implemented these efforts. It has provided large start-up grants to new providers with little documentation, and it

has not developed adequate oversight mechanisms. As a result, program costs have substantially increased while program outcomes have declined. The federal government has expressed concerns about the commission's privatization efforts, and it has classified the state as a high-risk grantee, which could jeopardize up to \$100 million in federal funds.

We believe that it would not be sound public policy to continue the commission. We recommend that the Legislature eliminate the Occupational Access and Opportunity Commission and merge its membership into that of the Florida Rehabilitation Council. We also recommend that the Department of Education be made the designated state agency for federal purposes and given primary responsibility for administering the vocational rehabilitation program.

OPPAGA further recommends program management take the steps below to improve the performance and accountability of the vocational rehabilitation program.

- To improve short-term program performance, program management should identify weaknesses in service capacity, by region, and develop a plan that prioritizes any additional privatization initiatives according to identified needs and that details the steps needed to effectively implement program changes. This should be done using the "Model B" approach, which would provide for flexible contracting to meet specified service needs.
- To improve program accountability, program management should include specific performance standards in all contracts for services. Payments to providers should be based, in part, on meeting established performance standards. Program management should also develop a system for evaluating the cost benefit of its privatization contracts and to compare private provider performance against that of state employees. Once such a system is developed and performance data is available, a managed competition approach

could be implemented that authorizes state employees to submit bids to retain program services.

- To improve communication, program management should keep stakeholders (including providers, state employees, and the Legislature) clearly informed about its plans and timelines for planned program changes.
- To improve its contract process, program management should require all proposals for innovative services to be evaluated on need and cost and contracts to be performance-based.

Agency Responses —

In accordance with the provisions of s. 11.45(7), *Florida Statutes*, a draft of our report was submitted to the Occupational Access and Opportunity Commission and to the Department of Education to review and respond. Both written responses are printed herein (Appendix E) beginning on page 22. Where necessary and appropriate, OPPAGA has inserted comments in the body of the response.

OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision making, to ensure government accountability, and to recommend the best use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

Florida Monitor: <http://www.oppaga.state.fl.us/>

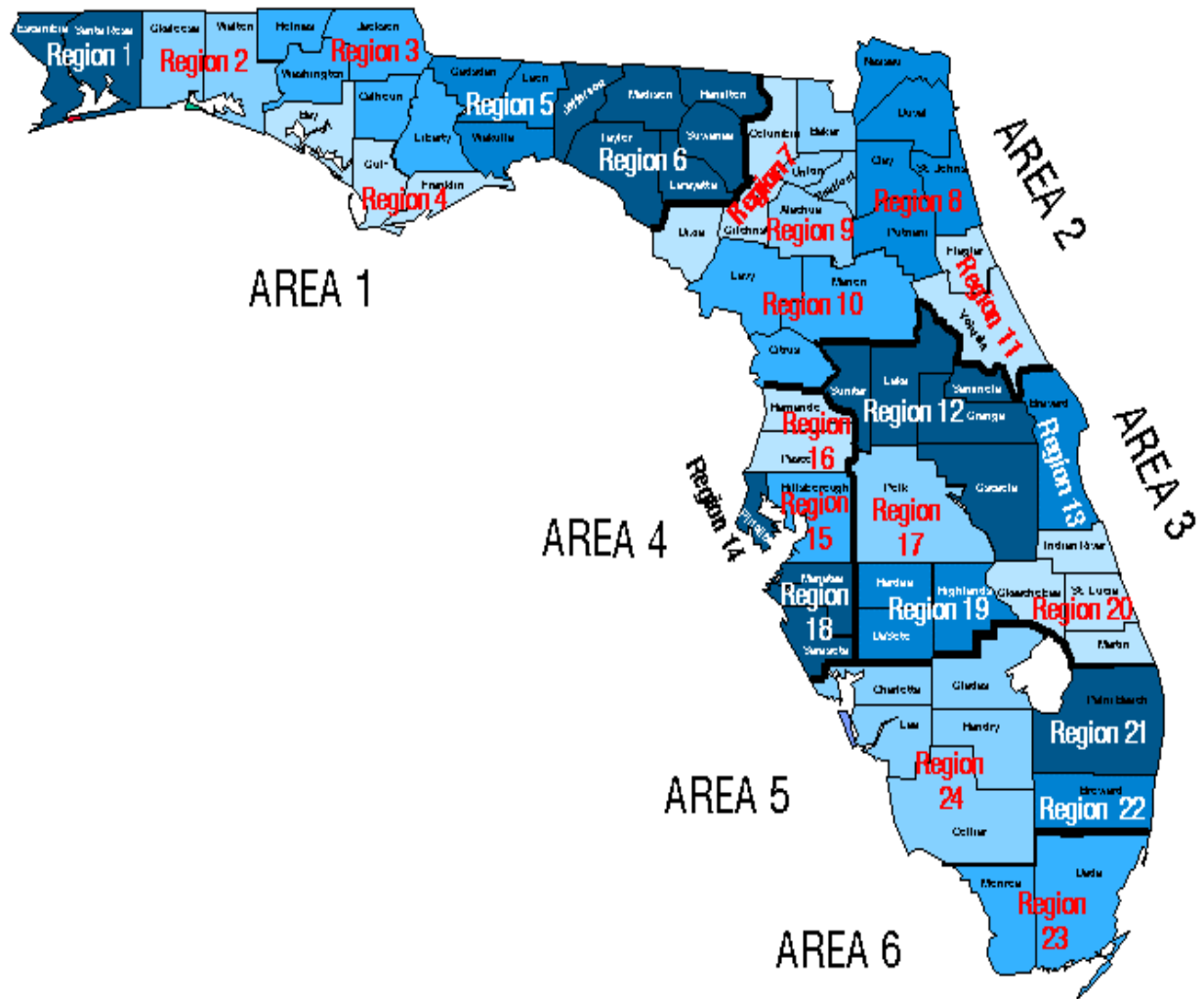
Project supervised by Debbie Gilreath (850/487-9278)

Project conducted by Janice Foley (850/487-9266) and Julie Golding (850/487-9275)

John W. Turcotte, OPPAGA Director

Appendix A

Map of Vocational Rehabilitation Areas and Regions



Appendix B

Members of the Commission on November 26, 2001

Appointee	Seat Designated in Law	Is Appointee a Private Provider?	Expiration Date of Appointment
Ivan Canuteson	Senate President Appointee	Yes	June 1, 2004
Dennis Celorie, Chair Designee	Commissioner of Education or Designee to Serve as Chair	Was originally appointed to fill the Community Rehabilitation Provider seat, but is no longer a provider.	None
Sandra Furches	Governor	Yes	August 18, 2004
Patricia Hardman	Governor Appointee	Yes	August 18, 2002
Ken McDonald	Chair, Florida Rehabilitation Council	No	None
Mary Hitchcock	Community Rehabilitation Provider	Yes	August 18, 2003
Suzanne Hutcheson	Speaker of the House Appointee	Yes	August 22, 2005
Warren Jernigan	Speaker of the House Appointee	No	August 22, 2005
George Kirkpatrick, Jr.	Senate President Appointee	Contract Pending	July 3, 2005
Peter Manheimer	Chair, Florida Independent Living Council	No	None
Robert Manning, Vice Chair	Senate President Appointee	No	June 30, 2002
James McDowell	Speaker of the House Appointee	No	September 25, 2004
Christine Philips	Governor Appointee	Yes	August 18, 2005
Marion Smith	Senate President Appointee	No	June 30, 2003
Bill Thompson	Chair, Commission for the Purchase from the Blind or Other Severely Handicapped	No	None
Vacant	Speaker of the House Appointee		

Source: Occupational Access and Opportunity Commission and OPPAGA documents.

Appendix C

Vocational Rehabilitation Since Creation of Occupational Access and Opportunity Commission

1999

April 30 - Legislature passes bill creating Occupational Access and Opportunity Commission

October 1 - Commission established in the Department of Education

October 11 - Commission first meets

November 10 - Commission votes to release request for proposals to privatize all basic services

2000

April 3 - Commission releases request for proposals to privatize services in all regions

July 1 - 138 positions cut from Vocational Rehabilitation Program; program moved to Department of Education

July 20 - Commission agrees to contract with three providers

2001

April 1 - Commission contracts with three providers to provide services beginning April 1, 2001

May and June - Commission begins training provider staff

September 14 - Commission approves additional seven regions for privatization

September 24 - Commission releases request for proposals for four of seven new demonstration projects

October 18 - Commission contracts for evaluation of three original projects

November 1 - Commission releases request for proposal for three additional demonstration projects

2002 (planned)

February 2 - Four demonstration projects to begin (total of seven demonstration projects now in operation)

May 1 - Three demonstration projects to begin (total of ten demonstration projects now in operation)

Appendix D

Vocational Rehabilitation Performance Measures

Outcomes and Outputs	FY 1998-99	FY 1999-00	FY 2000-01	Standard 2000-01	1 st Quarter 2001-02	Projection 2001-02
Outcome Measures						
Rate and number of customers gainfully employed (rehabilitated) at least 90 days	9,500 62.0%	9,933 59.3%	8,747 57.7%	10,500 63.0%	1862 56.4%	7,448 56.4%
(VR proposed for 2003)						
Of VR significantly disabled	8,075 57.1%	7,929 56.5%	6,888 54.4%	8,700 59.6%	1437 52.8%	5,748 52.8%
(combines severely and most severely)	3,800	3640	3,244	4,100		
a. Of VR severely disabled	63.0%	62.2%	60.9%	63.5%		
Of VR most severely disabled	4275 56.0%	4289 52.5%	3,644 49.7%	4,600 56.5%	Measures combined; see above	
	1,437	2,004	1,859	1,600		
b. Of all other VR disabled	75.0%	73.9%	74.1%	76.0%	425	1,700
Rate and number of VR customers placed in competitive employment	9,262 97.5%	9,690 97.6%	8,510 97.3%	10,237 97.5%	98.9%	98.9%
Percent/number of VR customers retained in employment after one year	5,600 57.5%	6,163 63.5%	6,192 63.4%	5,500 62.5%	Determined annually	
Average annual earnings of VR customers at placement	\$13,633	\$14,603	\$15,638	\$13,900	\$16,185	\$16,185
Average annual earnings of VR customers after one year	\$14,384	\$14,913	\$15,972	\$14,400	Determined annually	
Percent of case costs covered by third-party payers	40.0%	15.6%	5.0%	20%	Measure discontinued	
Average cost of case life (to division)						
a. For severely disabled VR customers	\$3,311	\$3,512	\$3,770	\$3,311	Measures combined, new standard not available	
For most severely disabled VR customers	\$3,611	\$3,298	\$3,629	\$3,175		
b. For all other VR customers	\$650	\$324	\$328	\$400	\$307	\$307
Output Measures						
Number of customers reviewed for eligibility	25,507	23,958	23,547	26,500	5,842	23,368
Number of individualized written plans for service	20,102	18,589	17,564	22,500	4,524	18,096
Number of customers served	65,462	89,674	72,000	72,000		
Number of customers served (DVR measure-average number of active customers per month)	33,729	34,241	36,607	None	38,924	38,924
Customer caseload per counseling/case management team member	116.0	161	200	161	Information not provided in monthly statistics.	
Percent of eligibility determinations completed in compliance with federal law	89.8%	89.4%	85.2%	92.5%	76.7%	76.7%

Source: *Department of Education 2002-07 Long Range Program Plan*, November 23, 2001, and Division of Vocational Rehabilitation documents.

Appendix E



January 23, 2002

Mr. John W. Turcotte, Director
Office of Program Policy Analysis and Government Accountability
Room 312 - Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1475

Re: OAOC's Response to the OPPAGA Report of January 7, 2002

Dear Mr. Turcotte:

We thank the staff for the cooperation that has been given to the commissioners of the Occupational Access and Opportunity Commission and to the staff of Vocational Rehabilitation Services in keeping us informed and allowing an opportunity for input.

Although the Commission does not agree with all of OPPAGA's recommendations, we respect the professionalism of those preparing the report.

Attached is the our response to OPPAGA's "Conclusions and Recommendations" as outlined in the draft of the OPPAGA Special Examination, January 2002.

Sincerely,

OCCUPATIONAL ACCESS AND OPPORTUNITY COMMISSION

/s/

Dennis J. Celorie
Chair

Attachment

Cc: Commissioners of the OAOC, w/enc.
Charlie Crist, Commissioner, Florida Department of Education, w/enc.
Carl F. Miller, Director, Division of Vocational Rehabilitation Services, w/enc.
Kenneth McDonald, Chair, Florida Rehabilitation Council (via Vicki Welch), w/enc.
Beth Schultz, Executive Director, Florida Independent Living Council, w/enc.



Commission Response to OPPAGA Report: Review of the Occupational Access and Opportunity Commission

We thank the staff for the cooperation that has been given to the commissioners of the OAOC and the staff of VRS in keeping us informed and opportunity for input. Although the Commission does not agree with all recommendations, we respect the professionalism of those preparing the report. The following is a short synopsis from the Commission to primary recommendations made in the report.

◆ Report Section: Conclusions and Recommendations

I. OPPAGA Statement – page 17, paragraph 1:

Administrative costs have increased slightly since the Occupational Access and Opportunity Commission has been established, due to the higher indirect costs assessed by the Department of Education.

Commission Response: The OAOC concurs with OPPAGA's findings. The reduction of operational cost is a major concern and is continued to be worked upon by the Commission. In the process of moving Vocational Rehabilitation Services from the Department of Labor to the Department of Education, there was confusion related to administrative costs. When the true charge by the Department of Education was recognized, the chair directed staff to renegotiate the cost with DOE; this negotiation is currently in process. DOE has already given VR credit back for the 32 VR employees who had been moved to DOE. This and future actions should continue to result in moving funds from operation to client services.

II. OPPAGA Statement – page 17, paragraph 2:

While privatizing program services may produce benefits, this effort must be properly managed. The commission has not effectively planned for or implemented these efforts.

Commission Response: We concur this is the top priority of the Commission and steps have been taken requesting staff to sort out the issues stated from the Inspector General and OPPAGA in very recent reports. The Commission will soon have a consolidated report to correct problems and has planned a two-day planning session in February.

It must be noted that this is a brand new initiative that is not done anywhere in the nation and the Commission inherited a program that was not working effectively to help persons with disabilities. Florida ranked 41st in the nation before the creation of the OAOC and the Florida legislature realized that privatization was key to improving the delivery of services to persons with disabilities that have a desire to enter the workforce. Our charge was to privatize the system and the Commission accepted the task of designing a new model.

To evaluate the success of any new program while it is still in its infancy and to draw sweeping conclusions at a time when data collection is just beginning is ill conceived.

The OAOC emphasizes that a number of steps have been taken by the Commission to improve all aspects of planning. In the beginning of the privatization, the Commission visited and conducted information gathering by studying the Oklahoma Milestone. The OAOC is also in the process of developing and implementing a Five-Year Plan; a workshop session will be held next month. The OAOC has also completed planning in many areas: they have written and taken to the public two separate State (FED) Plans, a Governor's Plan, a Corrective Action Plan, held numerous public forums and workshops, and held "planning sessions" with it's Partners. Initial results by a well-respected firm, MGT, employed by the OAOC have shown that private demonstration sites are working better than the public system.

In response to OPPAGA's statement that "program costs have substantially increased while program outcomes have declined", we concur costs went up, but when a new venture is started, there are start-up costs. We should not expect an immediate return; these will balance out. Part of the problem with outcomes were related to counselor turnover that began before the OAOC was created. Statistics show that our clients are making higher wages and the MGT report indicates program returns have begun to increase.

The OAOC began tracking reasons for additional costs and brought forward policies to contain and not replicate cost for future projects. Three considerations: (1) The OAOC has directed staff to provide time or cost estimates and this should be completed in January prior to any new contract negotiations. (2) The OAOC has passed a policy capping "up front" costs at 10%. (3) From the original transition plan in February 2000 the idea has always been to bring down staffing and office space requirements on the public side as it is ratcheted up on the

private. A specific time frame will be established to bring down the public side in relation to the transfer of caseload.

Privatization will work; it will increase the benefits and employment to Floridians with disabilities. But only if the state government allows it to function as well as it presently does in the private sector. The cadence of the private sector is quite different from that of the public sector. The private sector focuses on product or the end result and their contracts should reflect this. The public sector focuses on process – the goal of which is "one size fits all". Forcing "process" on the private sector will result in failure because a "one size fits all" will never allow anyone with a disability to reach their unique individual needs.

III. OPPAGA Statement – page 17, paragraph 3:

We believe that it would not be sound public policy to continue the commission. We recommend that the Legislature eliminate the Occupational Access and Opportunity Commission and merge its membership into the Florida Rehabilitation Council. We also recommend that the Department of Education be made the designated state agency for federal purposes and given primary responsibility for administering the vocational rehabilitation program.

Commission Response: The OAOC respectfully disagrees with the OPPAGA recommendation that the OAOC should be disbanded or melded into the FRC, and considers it would be a disservice to all Floridians, especially those with disabilities, to the Governor, and to the Legislature, to eliminate the Commission. The OAOC's privatization efforts to reduce government and improve services for Floridians with disabilities can be highly successful and should not be stopped short of the goal because of natural detours inherent in the transition of moving a system from the public to the private arena.

The OAOC is in its infancy and must be allowed to fulfill the mandate that was given to it by the Florida Legislature. The OAOC is now on top of its learning curve. Any new organization would have much to learn. The Commission is prepared to do the detailed planning necessary to correct the problems. The elimination of the Commission would deprive the disabled community of knowledgeable, hard working Commissioners who want the best for persons with disabilities.

We do not concur with OPPAGA's recommendation "... that the Department of Education be made the designated state agency and given primary responsibility for administering the vocational rehabilitation program." Doing this returns the old system managed by FDLES that caused the creation of the OAOC in the first place. In fact, many of the problems outlined in this report can be attributed to "growing pains" and the confusion related to "who's on charge"...OAOC or DOE. These problems were also noted in the MGT report. Solutions should be explored that go beyond a memorandum of understanding.

The OAOC can benefit to Floridians with disabilities if allowed to function with (1) leadership by a chair committed to people with disabilities; (2) changes made in the structure of the Commission as was recommended by OAOC to the Legislature in 2000 (did not reach the floor for vote); (3) flexibility in planning, evaluation and executions to change; (4) privatization of many of the functions at the state level where different types of expertise are needed; and (5) support of the Governor, the Legislators and RSA. The end result can be an increase in services and higher, better employment for Floridians with disabilities.

The Commission has "put the brakes on" to assess where we are. We need time to make that assessment and go forward.

IV. OPPAGA Statement – page 17, bottom left:

To improve short term program performance, program management should identify weaknesses in service capacity, by region, and develop a plan that prioritizes any additional privatization initiatives according to identified needs and that details the steps needed to effectively implement program changes. This should be done using the "Model B" approach which would provide for flexible contracting to meet specified service needs.

Commission Response: The OAOC concurs with OPPAGA's recommendation and the Commission has begun to identify weaknesses and develop plans related to future privatizing of services. Some cases on point include: (1) A policy and plan to rectify the problems with the technology (RIMS) system has been approved by OAOC. (2) Through an external contract with MGT to audit and find the strengths and weaknesses of the initial privatization projects, the OAOC has recently received reliable data from which it can reassess these issues. (3) A desk audit relative to determining the actual number of "active" cases is to be completed by early 2002.

The OAOC also concurs with OPPAGA's recommendation for developing a plan that prioritizes additional privatization initiatives according to needs by using the "Model B" approach. This model is in the process of being implemented.

V. OPPAGA Statement – page 17, right side, second paragraph:

To improve accountability, program management should include specific performance standards in all contracts for services. Payments to providers should be based, in part, on meeting established performance standards. Program management should develop a system for evaluating the cost benefit of its privatization contracts...

Commission Response: The OAOC concurs with OPPAGA's recommendation. The staff has requested assistance from the Inspector General's office and the Legal Office to assist in creating a boilerplate contract that will meet all requirements from state and federal entities. The Commission voted at the January 11, 2002 meeting to delay further contracting until this process has taken place.

The OAOC questions the recommendation by OPPAGA addressing the concept of state agencies competing with private contractors as to whether there is an inherent conflict with the mandate to privatize. It appears that what would result is a hybrid which would tend to preserve the state's control of the delivery of services. While this approach may be necessary to solve short-term needs, it may not be the best long-term approach.

OPPAGA Director's Comment about State Workers Bidding for Services Considered for Privatization

The OPPAGA recommendation questioned by OAOC follows the Executive Office of the Governor's [*Guidelines for Introducing Competition into Government Services*](#) issued in August 2000. The Governor's guidelines apply to state agency long-range program plans. One of the assumptions for preparation of such plans is that *Privatization must allow current state workers to bid for services.* (Italics added by OPPAGA).

VI. OPPAGA Statement – page 17, right side, third paragraph:

To improve communication, program management should keep stakeholders (including providers, state employees, and the Legislature) clearly informed about its plans and timelines for planned program changes.

Commission Response: The OAOC concurs with OPPAGA's recommendation concerning communication and is working on keeping the communication lines open to all major stakeholders. A number of vehicles are being utilized for improving OAOC/VRS's communication and access with its staff, providers, partners, stakeholders, employees, and interested parties.

The OAOC has recently approved the only application received for an Official Advisory Committee. Partners, stakeholders, and interested parties are kept informed of Commission meetings through meeting schedules issued on a monthly basis. The web site www.RehabWorks.org has recently been brought on line and is an immediate source of information for all technically-able parties. It provides communications relative to Commission and VRS activities, including meeting dates, state plan activities, Official Advisory Committees and Council of Advisors, ITNs, applications, approved service partners, vendor information, cooperative agreements, directory, publications, legislation, programs/demonstration projects/contracts, services jobs/Placement Information Statistics, frequently asked questions, and ombudsman contact. Upon approval by the OAOC, Commission minutes are also put on the web site. The site is still in the development process, but is continually being reviewed and improved. Publications have been reviewed and updated, including Annual Reports, the newsletter Rehab Works, and other materials describing specific aids for the disabled in Florida.

VII. OPPAGA Statement – page 17, right side, last paragraph:

To improve its contract process, program management should require all proposals for innovative services to be evaluated on need and cost and contracts to be performance based.

Commission Response: The OAOC concurs with OPPAGA's recommendation. The OAOC is finalizing a contracting format and methodology that should be easily understood and consistently applied throughout the state. This was a major complaint of stakeholders before the OAOC was formed; it has taken time to resolve these issues.



FLORIDA DEPARTMENT OF EDUCATION

CHARLIE CRIST
COMMISSIONER

January 22, 2002

Mr. John W. Turcotte, Director
Office of Program Policy Analysis
And Government Accountability
111 West Madison Street, Room 312
Claude Pepper Building
Tallahassee, FL 32399-1475

Dear Mr. Turcotte:

Thank you for the opportunity for the Department to respond to the preliminary findings and recommendations included in the recent Special Examination of the Occupational Access and Opportunity Commission (OAOC).

The Department's response is enclosed. A response from the commission will be transmitted under separate cover.

If you have any questions regarding this response, please contact Wayne Pierson at (850) 488-6539.

Sincerely,

/s/ _____
Charlie Crist
Commissioner

/s/ _____
Jim Horne
Secretary

Enclosure

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Florida Department of Education

Agency Response to OPPAGA Report: *Review of the Occupational Access and Opportunity Commission*

◆ Report Section: Conclusions and Recommendations

OPPAGA Statement - page 17, paragraph 1:

Administrative costs have increased slightly since the Occupational Access and Opportunity Commission has been established, due to the higher indirect costs assessed by the Department of Education.

Agency Response:

The rate at which indirect administrative costs were charged to the OAOC is the rate set in the negotiated indirect cost agreement between the Florida Department of Education and the U.S. Department of Education. This indirect cost rate is standardized across the programs of the department that have federal funding sources.

OPPAGA Statement - page 17, paragraph 2:

While privatizing program services may produce benefits, this effort must be properly managed. The commission has not effectively planned for or implemented these efforts.

Agency Response:

The Department of Education concurs. In terms of policy formulation, planning, and program implementation, the commission acted as an independent entity. The commission, with advice from its attorney, took the stand that the state statutes define a commission as being independent of the agency. Privatizing program services can be more effectively planned and managed if the commission is abolished and the policy, planning, oversight and administrative components are integrated within the Department.

OPPAGA Statement - page 17, paragraph 3:

We believe that it would not be sound public policy to continue the Commission. We recommend that the Legislature eliminate the Occupational Access and Opportunity Commission and merge its membership into the Florida Rehabilitation Council. We also recommend that the Department of Education be made the designated state agency for federal purposes and given primary responsibility for administering the vocational rehabilitation program.

Agency Response:

The Department of Education concurs. Abolishing the commission and designating the Department of Education as the designated state agency for the delivery of vocational rehabilitation services will provide direct policy control over the administration of the program.

OPPAGA Statement - page 17, bottom left:

To improve short term program performance, program management should identify weaknesses in service capacity, by region, and develop a plan that prioritizes any additional privatization initiatives according to identified needs and that details the steps needed to effectively implement program changes. This should be done using the "Model B " approach which would provide for flexible contracting to meet specified service needs.

Agency Response:

The Department of Education concurs that it is necessary to identify service capacity weaknesses in the regions and will determine a plan to prioritize new approaches in the delivery of vocational rehabilitation services. The division's contracting, management, and oversight procedures will be integrated into Department procedures to ensure the delivery of quality services at a competitive price.

OPPAGA Statement - page 17, right side, second paragraph:

To improve accountability, program management should include specific performance standards in all contracts for services. Payments to providers should be based, in part, on meeting established performance standards. Program management should develop a system for evaluating the cost benefit of its privatization contracts.

Agency Response:

The Department of Education concurs.

OPPAGA Statement - page 17, right side, third paragraph:

To improve communication, program management should keep stakeholders (including providers, state employees, and the Legislature) clearly informed about its plans and timelines for planned program changes.

Agency Response:

The Department of Education supports VR's recent efforts to improve communication which include an improved web site, a VR counselor internal newsletter, a bi-weekly e-mail letter/update to VR staff, and a quarterly newsletter to partners. The department will work on improving communications with stakeholders (including providers, state employees, and the Legislature).

OPPAGA Statement - page 17, right side, last paragraph:

To improve its contract process, program management should require all proposals for innovative services to be evaluated on need and cost and contracts to be performance based.

Agency Response:

The Department of Education concurs. The department will review integrating VR contract staff with department contract staff to provide a seamless bid, evaluation, and contracting system.