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The vocational rehabilitation program administered by the Rehabilitation Services Administration is intended to prepare handicapped persons for gainful employment. Findings/Conclusions: Although many beneficial training services have been provided under this program, a lack of adequate controls over the expenditure of funds has resulted in questionable program expenditures and instances where clients do not fully benefit from the training. Recommendations: The Secretary of Health, Education, and Welfare should direct the Commissioner of the Rehabilitation Services Administration to require periodic visits to providers of training and to clients to review client progress. He should provide policy guidance to the states to assist them in deciding which costs should be paid by the State agency, how states can better identify other benefits received by clients, and how similar benefits received by clients can be used to reduce program costs as much as possible. The Commissioner should: establish, with the Office of Education, a method of exchanging information on Office of Education student financial aid for clients of State rehabilitation agencies; arrange for more indepth financial reviews of grants awarded to rehabilitational facilities; require states to maintain information on approved training providers in the State; and require states to divide the duties of arranging, paying, and accounting for training services among the counselors. (Author/SC)

02246 2332

# *REPORT TO THE CONGRESS*



*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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## **Controls Over Vocational Rehabilitation Training Services Need Improvement**

**Rehabilitation Services Administration  
Department of Health, Education, and Welfare**

Although many beneficial training services to help the handicapped obtain employment have been provided under the vocational rehabilitation program, a lack of adequate controls over the expenditure of funds has resulted in questionable program expenditures and instances where clients do not fully benefit from the training.

The Department of Health, Education, and Welfare needs to be sure that the States (1) devote more time to reviewing training services and (2) establish better fiscal control over payments to providers of services.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-164031(1)

To the President of the Senate and the  
Speaker of the House of Representatives

The vocational rehabilitation program administered by the Rehabilitation Services Administration of the Office of Human Development, Department of Health, Education, and Welfare, is intended to prepare handicapped persons for gainful employment. In fiscal year 1975, training services accounted for about 40 percent of the funds spent for rehabilitation program services provided to handicapped individuals. These services include training at colleges and universities, business and vocational schools, elementary and high schools, and on-the-job training facilities. We are reporting on improvements needed in controls over vocational rehabilitation training services.

Our review was made because of the increasing congressional and public concern over abuses in providing rehabilitation program services to handicapped individuals and the large expenditures of program funds for providing such services. We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget and to the Secretary of Health, Education, and Welfare.

A handwritten signature in black ink that reads "James A. Steele".

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

CONTROLS OVER VOCATIONAL  
REHABILITATION TRAINING  
SERVICES NEED IMPROVEMENT  
Rehabilitation Services  
Administration  
Department of Health, Educa-  
tion, and Welfare

D I G E S T

Although many beneficial services have been provided to handicapped persons by the Rehabilitation Services Administration, this Agency--a unit of the Department of Health, Education, and Welfare (HEW)--and the States need to improve their fiscal and operational management of training services.

The program provides various services to handicapped persons to prepare them for employment. Training is an essential service given on the job, in elementary and secondary schools, universities and colleges, and business and vocational schools. Training and other services are also provided at rehabilitation facilities and sheltered workshops.

Because of weaknesses in controls over training services, some program expenditures are questionable. Rehabilitation counselors' activities need to be watched more closely. For example:

- Counselors did not pay sufficient attention to client attendance at training facilities. (See p. 16.)
- Counselors allowed clients and others to arrange training without counselor guidance or participation. (See pp. 9 and 11.)

--Counselors authorized payments for:

1. Training already financed by other Federal and State programs. (See pp. 11 and 12.)
2. Training not provided or training for jobs already held by clients. (See pp. 10, 11, and 12-13.)
3. Training for clients who might not have met eligibility criteria. (See p. 17.)
4. Training at excessive costs. (See p. 13.)
5. Tools and equipment at inflated prices and tools and equipment not purchased for clients. (See pp. 10 and 13.)

Federal regulations do not require the States to consider the financial need of a candidate for program services. State rehabilitation agencies should examine more closely those cases which require payment of college and business and vocational school costs only. Closer examinations might provide a basis for better use of resources and reduce the total universe of need which the program should attempt to serve.

The Rehabilitation Act of 1973 directed that no training services in institutions of higher education be paid with funds for rehabilitation unless maximum efforts were made to secure similar benefits from other programs to pay for such training. (Similar benefits is the term applied to assistance that is available to handicapped persons from programs other than vocational rehabilitation.) Federal regulations implementing the 1973 act do not specifically require that potential sources of similar benefits be explored before authorizing training services in business and vocational schools. The Secretary of HEW

stated that the vocational rehabilitation regulations pertaining to consideration of similar benefits will be amended to include post-secondary business and vocational schools in the definition of "institutions of higher education."

In 264 case files of clients being rehabilitated who were attending colleges and universities or business and vocational schools, about \$140,000 might have been used to serve other handicapped persons if the rehabilitation program had fully considered similar benefits received by the clients. (See ch. 3.)

Because payments to rehabilitation facilities were poorly monitored:

- Fees paid to facilities exceeded the cost of services provided. (See p. 42.)
- Payments were made for services not provided. (See p. 44.)
- Payments were made for services which were already financed by other State and Federal agencies. (See p. 42.)
- Federal funds were used as matching shares to obtain other Federal grants. (See p. 47.)
- Unauthorized purchases of equipment were made. (See p. 47.)

The Secretary of HEW should direct the Commissioner of the Rehabilitation Services Administration to

- require periodic visits to providers of training and clients to review client progress;
- provide policy guidance to the States to assist them in deciding (1) which costs associated with client education should be paid by the State agency, (2) how States can better identify other benefits received by clients, and (3) how similar benefits received by clients can be used to reduce program costs as much as possible;

- establish, with the Office of Education, a method of exchanging information on Office of Education student financial aid for clients of State rehabilitation agencies;
- arrange for more indepth financial reviews of grants awarded to rehabilitational facilities especially when such facilities are also receiving (1) fees for services provided to the clients and (2) other funds;
- require States to maintain information on approved training providers in the State;
- require States to divide the duties of arranging, paying, and accounting for training services among the counselors.

HEW generally agreed with GAO's recommendations and had taken or planned to take steps to implement them. However, HEW expressed concern that GAO's recommendation on dividing the duties of counselors goes beyond the scope and authority of the Rehabilitation Services Administration, but that HEW, in conjunction with the States, plans to study the functional responsibilities of the rehabilitation counselor. (See app. I.)

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
RSA	Rehabilitation Services Administration

## CHAPTER 1

### INTRODUCTION

The vocational rehabilitation program was established in 1920 to prepare handicapped persons for gainful employment. Initially, the program emphasized services to the physically handicapped, however, eligibility has been broadened to include persons with other handicaps.

The Rehabilitation Services Administration (RSA), Department of Health, Education, and Welfare (HEW) administers the vocational rehabilitation program at the Federal level. Each State must designate an agency to administer the program or to supervise the administration of the program through local agencies or district offices within the State. The State agency and local agencies or district offices are responsible for providing or arranging for all services and assistance to the handicapped under the State vocational rehabilitation program.

RSA has identified target groups the States should emphasize in providing vocational rehabilitation services. In fiscal year 1972, States were encouraged to serve public assistance recipients, persons living in areas covered by the Model Cities program, and public offenders eligible for vocational rehabilitation services. However, the Rehabilitation Act of 1973, as amended (29 U.S.C. 701), directed that persons with the most severe handicaps be served first.

Before services can be provided, the following criteria must be met:

- The person must be physically or mentally disabled.
- The disability must impose a substantial handicap to employment.
- Vocational rehabilitation services must be reasonably expected to make the person fit for gainful employment.

RSA (1) provides leadership to the States in planning, developing, and coordinating their overall programs and (2) evaluates program performance. Each fiscal year, States must submit for approval a vocational rehabilitation services plan.

Federal program funds for vocational rehabilitation services are apportioned among the States on the basis of population and per capita income. For most aspects of the program, the Government pays 80 percent of the costs incurred by the States in rehabilitating handicapped persons; States are required to provide the remaining share. Federal and State expenditures for services, such as training and physical and mental rehabilitation, amounted to \$468 million of the \$869 million spent on the program in fiscal year 1975. The rest of the funds were used for program activities such as administration, establishment of rehabilitation facilities, and arranging job placement agreements.

The vocational rehabilitation program provides for:

- Evaluation, including diagnostic and related services.
- Counseling.
- Physical restoration.
- Training, including personal and vocational adjustment; subsistence; books and training materials; and transportation.
- Job placement.
- Tools, equipment, initial stocks and supplies, and occupational licenses.
- Management services provided by the State agency and acquisition of vending stands for small business enterprises operated by the severely handicapped under the supervision of the State agency.
- Interpreter services for the deaf.
- Services to a handicapped individual's family when such services will contribute greatly to the individual's rehabilitation.
- Other goods and services necessary to make a handicapped individual fit for gainful employment.

### TRAINING SERVICES

Vocational training is one of the essential services provided to the handicapped. In fiscal year 1975, vocational training services at colleges and universities, business and

vocational schools, elementary and high schools, and on-the-job training facilities accounted for about 40 percent of the funds spent on services to handicapped individuals. Also, personal and vocational adjustment services are provided to reduce barriers to employment. The following table shows the total fiscal year 1975 Federal and State expenditures for vocational training.

<u>Type of training</u>	<u>Amount</u>	<u>Percent</u>
	(millions)	
College or university	\$ 51.9	28
Vocational school	44.4	24
Business school	10.3	5
Elementary or high school	7.6	4
On-the-job	7.2	4
Personal and vocational adjustment	54.4	29
Miscellaneous	<u>11.6</u>	<u>6</u>
Total	<u>\$187.4</u>	<u>100</u>

#### SCOPE OF REVIEW

We reviewed the provisions of the applicable legislation, RSA policies and procedures, and selected client case files in California, Kentucky, New Jersey, New York, and Ohio. We made our review at HEW headquarters in Washington, D.C.; HEW regional offices in New York (region II), Atlanta (region IV), Chicago (region V), and San Francisco (region IX); and State vocational rehabilitation agencies in the five States.

We also visited selected rehabilitation facilities, colleges and universities, and business and vocational schools in the five States and on-the-job training providers in California, Kentucky, New Jersey, and Ohio. These States accounted for about \$46 million, about 25 percent, of all training services expenditures in fiscal year 1975. Appendix II shows, by State, training costs and the types and number of training providers that we visited.

We discussed program activities with vocational rehabilitation clients and facilities' personnel and with supervisors and counselors at local and district rehabilitation offices in each State. We also discussed our findings with State and Federal officials. State agency officials have, in many instances, taken action based on problems discussed in this report, such as recovery of funds and equipment, canceling of payment authorizations, and dismissal of an employee.

## CHAPTER 2

### ADMINISTRATION OF AND CONTROLS OVER TRAINING SERVICES NEED STRENGTHENING

Many handicapped persons have received needed services through the vocational rehabilitation program. However, in most States reviewed, program administrators, including vocational rehabilitation counselors, needed to give more attention to the fiscal management of training services. Rehabilitation agencies in three of the five States reviewed did not have internal review sections, and the two States where internal reviews were made needed to increase the scope of their reviews to improve their evaluation of the training services provided to rehabilitation clients.

The lack of adequate controls over funds for rehabilitation resulted in (1) questionable program expenditures for training services, (2) instances where clients did not fully benefit from the training, and (3) instances which appear to be "rip-offs." Also, Federal regulations do not require the States to consider financial need when distributing funds for program services.

### ADMINISTRATION OF TRAINING SERVICES

The rehabilitation counselor is responsible for administering day-to-day operations of the training program including:

- contacting potential clients,
- establishing client eligibility,
- assisting clients in developing rehabilitation goals,
- planning services to be provided,
- contracting with service providers,
- monitoring services,
- approving payments for services rendered,
- determining when rehabilitation goals have been met,  
and
- processing clients out of the program.

Most State rehabilitation agencies have counselor supervisors who are responsible for (1) reviewing counselor activities and assisting counselors in their casework management, (2) selecting providers of training services, and (3) arranging for needed counselor training. Generally, supervision and review of counselor activities needed strengthening. Several deficiencies were directly related to the counselors' failure to properly carry out their required functions, for example:

- Once a counselor established a client's service plans, he or she did not visit providers of training services to determine whether the client's needs could be met or to assess the client's attendance and progress during training.
- Counselors were allowing clients and others to arrange training without counselor guidance or participation.
- Counselors were authorizing questionable payments.

#### NEED FOR MORE REVIEWS OF TRAINING SERVICES

The Rehabilitation Services Administration is responsible for monitoring the administration of each State's rehabilitation program. RSA regional offices, under the guidance of RSA headquarters, periodically perform general reviews of the administration of training services provided to the handicapped. The overall scope and depth of the reviews vary with each region. RSA does not require regional offices to periodically review providers of training services to determine how well the providers are meeting program goals.

Rehabilitation agencies in Kentucky and New Jersey had no internal review section which periodically evaluated training services provided to vocational rehabilitation clients. After our fieldwork began, the Director, Division of Vocational Rehabilitation Services, Department of Labor and Industry, wrote a letter to the Commissioner of the New Jersey Department of Labor and Industry, dated January 26, 1976, which stated that:

"Approximately one year ago, we recognized the need for an audit function, but we do not have the personnel or audit resource capability to achieve this objective. Two requests for auditor positions

had been submitted to the Division of Administration, but neither have been favorably acted upon. Indications are that auditing staff will now be made available."

The Assistant Superintendent of the Bureau of Rehabilitation Services, Kentucky Department of Education stated that the Department of Education has an internal review process that primarily reviews the Bureau's bills. He acknowledged that the review process had not included specific evaluations of vendor training services. An official in the Kentucky State rehabilitation agency said the agency plans to hire an accountant-auditor soon.

In New York, the State Comptroller's office oversees vocational rehabilitation agency activities. The Comptroller's office made a review in 1973 which concentrated on compliance with procedures, case management practices, and payroll accuracy. The audit did not study training services paid for by the State, but the assistant commissioner of the rehabilitation agency said the Comptroller's office was interested in reviewing that aspect of the program. A special New York grand jury investigated irregularities and improprieties involving the State rehabilitation agency, various providers of training services, and rehabilitation clients in Niagara County and recommended in its report that an independent inspection unit be formed within the State agency to review counselor activities. According to the grand jury report, such a unit was necessary because the State agency apparently could not provide adequate measures for policing its employees.

In California, several units review the rehabilitation program. Two rehabilitation agency internal groups and three review groups conduct reviews of many State programs. These groups have concentrated their reviews on overpayments or underpayments of grants and administrative requirements and internal control procedures. However, there was still a need for (1) greater assurance that payment of vocational rehabilitation funds did not duplicate payment of Federal and State funds and (2) consideration by counselors of which other benefits are received by clients being rehabilitated. This would reduce rehabilitation program participation in these cases.

The Ohio State rehabilitation agency has an internal audit group, but it does not review training services. The agency also has a program and administrative review group which (1) periodically evaluates the efficiency and effec-

tiveness of rehabilitation program services and (2) assists field supervisors in improving administrative practices. After our fieldwork was completed, the program and administrative review group developed plans to review the administration of on-the-job training in Ohio.

### PROBLEMS IN CONTROLS OVER THE PROVISION OF TRAINING

Counselors authorize vocational rehabilitation training services provided by

- private establishments such as garages and auto-body shops in an on-the-job setting;
- vocational schools, such as those specializing in electronics and cosmetology;
- business schools; and
- colleges and universities.

We noted problems with the controls over each of these types of training. Many of the same problems were found during recent HEW Internal Audit Agency reviews in Virginia, Washington, Illinois, and West Virginia and by a special grand jury investigating irregularities and improprieties in the New York rehabilitation program.

#### On-the-job training

Properly planned and monitored on-the-job training can be a valuable service to handicapped individuals because it often leads to permanent employment at the place of training. On-the-job training used about \$7 million in fiscal year 1975 Federal and State funds. We visited 46 establishments providing on-the-job training in California, Kentucky, New Jersey, and Ohio. At the time of our visits, the New York rehabilitation agency was unable to identify those clients currently receiving on-the-job training, which accounted for less than 1 percent of the total rehabilitation expenditures in the State. The New York State agency was able to provide us with a list of all clients who had received on-the-job training, including the names of vendors. However, the list was outdated. Therefore, we did not visit any on-the-job training providers in New York.

Lack of counselor participation in  
arranging for and monitoring training

Rehabilitation counselors did not always actively participate in training arrangements for clients, and at times they did not agree with the appropriateness of training programs arranged for clients by others. As a result, (1) providers of training did not follow agreed-upon training for clients being rehabilitated, (2) a rehabilitation agency paid for training that should have been paid for by another agency, or (3) rehabilitation agency payments duplicated payments of other agencies.

Such arrangements might arise from situations like the one discussed by an Ohio rehabilitation counselor in an interview with State auditors after our fieldwork. The counselor made the following statements:

"\* \* \* the Rehabilitation Supervisor \* \* \* contacted me to inform me that the \* \* \* office was not spending enough money and requested that I contact \* \* \* (a potential provider) to see if we could not develop some sort of on-the-job training program that would lead to a good number of closures as well as spending the money. There was much emphasis on the need to spend the money in order that future fiscal year budgets could be justified."

This counselor set up a training program for which the State rehabilitation agency paid about \$6,200 to the owner of an auto-body shop to train six vocational rehabilitation clients. The agency also paid \$1,200 for tools and uniforms for the clients. The owner agreed to train the clients in auto restoration and to pay the clients the minimum wage of \$1.60 per hour. Nevertheless, because the counselor did not take an active part in assessing the progress of the training:

--The owner did not prepare the clients for work in auto restoration but relegated them to menial tasks.

--The owner did not pay the clients regularly, nor did he pay the minimum wage as agreed. One client worked 25 hours a week for 3 months and received a total of about \$25. Another client worked the same schedule for a 4-month period and received about \$112.

--Clients did not remain in this program longer than 4 months, but the owner billed the State agency and received payments for about 6 months.

--The State paid \$200 per client for tools and uniforms which none of the four clients that we contacted received.

In another case the proprietor of an Ohio foster home for handicapped children, alcoholics, and parolees proposed a training program for residents of the home. This program was to provide 6 weeks of housecleaning training to female residents of the home and 6 weeks of lawn care training to male residents. The rehabilitation counselor responsible for the clients under this proposal disapproved of this situation, but because of pressure from the supervisor, 6 weeks of training was approved for 10 residents at a cost of \$25 each per week. The program also paid for \$200 worth of lawn care tools for five residents.

In another Ohio case, a work-study coordinator for a county school system placed students in on-the-job training. The rehabilitation counselor said that the coordinator assured the training providers that the vocational rehabilitation agency would pay for the students' training. About \$100 per student per month was paid to the employers for the many students enrolled in the program. The counselor supervisor who approved the payments was aware that all the students had been employed in the same job several months before they were enrolled in the rehabilitation program. In addition to the vocational rehabilitation payments, the work-study coordinator used training funds from the National Association of Retarded Citizens, under a program funded by the Department of Labor, for these students. In at least one case, both programs paid the provider for the same service during the same training period. After our fieldwork, an investigation of this counselor supervisor's activities resulted in his being fired. The Administrator of the Ohio Rehabilitation Services Commission stated that the State agency has taken steps to rectify this situation.

At five establishments in one Kentucky county, all of the vocational rehabilitation clients trained were high school work-study program students. The high school work-study coordinator placed the students with the service providers, and the vocational rehabilitation program paid the providers training fees of about \$12,000 during fiscal year 1975.

The jobs held by the students required minimal skills. Students were working as gas station attendants, school cafeteria help, seasonal farmworkers, and counter help and cooks at fast-food restaurants. Students told us that the rehabilitation counselor had little or no contact with them, and some said that they were not even aware that they were in the rehabilitation program. We believe that vocational rehabilitation participation in this instance was inappropriate. The work-study program is the responsibility of the school system and should have been funded with educational revenues. The Assistant Superintendent of the Kentucky Bureau of Rehabilitation Services stated in an October 21, 1976, letter to us that the Bureau had reviewed and assessed the involvement of the State agency with the high school special education program in the county and had, as a result, terminated its work-study program contract.

The Assistant Superintendent stated that in other cooperative programs with high school special education programs in Kentucky, the State agency is acting to assure that all legal and traditional functions of a school system remain the school's responsibility, and that the rehabilitation program will complement but not duplicate services or payments for instances where a school work-study program is eligible for financial participation from another source.

In California, one employer was authorized vocational rehabilitation payments to train clients who were also clients of another Federal program. From June to November 1975, the employer trained 21 rehabilitation clients in electronics for about 3 months at a cost of \$700 per student. At the same time, the employer also received a \$60,000 Department of Labor Comprehensive Employment and Training Act (29 U.S.C. 801) grant to provide 1,000 hours of on-the-job training to 20 Comprehensive Employment and Training Act clients. Fifteen trainees were clients of both agencies. The employer billed the rehabilitation agency for on-the-job training provided to the clients and would have received dual payments if we had not advised the rehabilitation agency of this situation. The Director of the California State rehabilitation agency stated that internal auditors had followed up on information provided on this employer and that the auditors had made corrections and plans for the recovery of improperly authorized funds. The audit report recommended that authorizations of \$11,288 be voided and overpayments of \$700 be refunded for clients covered by the Training Act grant.

Because of a lack of coordination among agencies, such duplicate payments would likely go undetected. According to a

California district office official, his counselors had accidentally discovered two other similar cases where training fees for clients were being paid by other agencies and additional rehabilitation payments were stopped. He told us that the district office has no controls to enable identification of such dual payments cases.

Training of clients in jobs  
already held for long periods

Payments to providers of training were authorized by the vocational rehabilitation agency for training clients who at the time of their acceptance into the rehabilitation program had already held jobs for long periods. For example, at four establishments in Kentucky:

--About \$1,290 was paid for training a student for 33 weeks to be a counter helper at a restaurant. The student had already worked at this position for 10 months.

--About \$2,100 was paid for 2 years of on-the-job training for a student to be a school custodian. The student had already worked as a custodian at the school for 6 months. Later, the State agency paid about \$2,574 for 33 weeks of on-the-job training for the same student at a soft drink bottling company. The employer told us that the student applied for and got this job on his own and that the company did not require payments for training the student.

--About \$400 was paid for 8 months of on-the-job training for a student to work in a school cafeteria where the student had already worked for 2 years.

Excessive costs of training,  
equipment, and tools

In Kentucky and Ohio, counselors authorized payments for on-the-job training of \$11,600 when the clients could have been placed directly in jobs that did not require training or when training would have been given at no cost to the vocational rehabilitation program. The rehabilitation program was also making excessive payments for clients' tools and equipment.

--The owner of a janitorial service in Kentucky said he would have hired and trained clients without a fee. Originally, he approached the rehabilitation agency

as a source of dependable employees, and he did not plan to be paid for training he provided. However, he did not refuse payment offered by the rehabilitation agency. In fiscal year 1975, the State paid \$6,700 to this janitorial service.

--The owner of an automobile dealership in Kentucky trained three clients. He was seeking permanent employees and would have trained the clients without a fee. Nevertheless, the State paid this dealership \$2,900 in on-the-job training fees in fiscal year 1975.

--A personnel department official in Ohio said that rehabilitation clients would work on the secretarial staff. According to the department official, the rehabilitation agency did not have to pay for the training since it was benefiting the city. When the training was arranged, the counselor set up the training fees. The rehabilitation agency paid the city about \$2,000 in training fees for two clients.

The Assistant Superintendent of the Kentucky Bureau of Rehabilitation Services expressed concern that businessmen said they would have provided rehabilitation clients with training and jobs at no cost to the State agency. He said that based on his understanding of the State agency's relationship with businessmen and his experiences with the placement of disabled people, employers will not readily accept disabled clients for training and employment when able-bodied individuals are available. He also said that this training service gives these individuals an opportunity for training and gainful employment they would not have otherwise had.

While we recognize that the Assistant Superintendent's statement may be true for persons with severe handicaps, we believe that it does not reflect the situations, as discussed above, of persons who are generally not severely-disabled and who are able-bodied individuals capable of gainful employment.

A company in Kentucky which repairs automobile starters, generators, and alternators does not hire employees from the general labor market. The manager said that all persons applying for work are referred to the vocational rehabilitation program for sponsorship in on-the-job training. The manager said that he deals only with two counselors in the program because they know what kind of client the company can use. The company was paid for such things as (1) training clients in jobs already held by the clients, (2) training at excessive

cost, and (3) tools at inflated prices. If the activities of these counselors had been more closely monitored, the following might have been avoided:

- The company purchased many clients' tools at \$80 a set from a major department store and sold them to the vocational rehabilitation program at a 20-percent markup. State officials said these purchases should have been made directly from the department store. They could not explain why the counselor purchased tools through the company.
- The company provided unnecessary training at the expense of the vocational rehabilitation program. Of the 10 former clients employed by this company, 4 had previous training in the field. For example, one client received 10 weeks of on-the-job training from another company in repairing and restoring generators, alternators, and starters, and then before being hired by this company, was trained an additional 10 weeks by them.
- The company provided extended training to four employees. This training was in violation of the State vocational rehabilitation manual because no justification for the training was shown in the case files. One former client, already experienced in generator repair, was given a 6-week extension of training because the company had no opening at the end of the initial 10-week training period.
- Case files showed that funds for rehabilitation had been used to purchase pieces of permanent equipment for the clients. Some of this equipment was engraved with the company's name. The manager explained that this equipment was purchased for the company, but it was purchased in clients' names because the counselor said it had to be done that way.
- Kentucky's program guidelines required that on-the-job training fees be equal to the minimum wage to cover trainees' salaries. This was the practice in all Kentucky on-the-job training agreements we reviewed except one where the provider was paid an additional "fee" for providing the training. The counselor said that the fee was for breakage and was included in the agreement at the company's request. The company manager said additional compensation for damage was not required and that this lucrative arrangement was proposed to him by the counselor and he accepted without negotiation.

The Assistant Superintendent of the Kentucky Bureau of Rehabilitation Services stated that this company no longer provides training services to Kentucky rehabilitation clients, and that the permanent equipment purchased with rehabilitation funds was removed from the business' premises and is currently held by the State agency for use of other clients. He also pointed out that 10 disabled individuals trained at this business at the expense of the rehabilitation program are still employed.

In discussing the instances when clients had previous training in this type work and were given extended training with no apparent justification, he pointed out that training at this shop was not only for skills acquisition but for some the training was of the nature of work adjustment. This training requires considerable supervision as the disabilities included not only physically handicapped clients but also alcoholics and drug abusers. Due to a lack of documentation in case files, we were unable to verify the need for work adjustment training for the cases identified in our report.

#### Business and vocational school training

Many of the business and vocational schools we visited had accredited training programs, and problems identified in these schools can be attributed to counselors not adequately monitoring client attendance. In some instances in Kentucky, New Jersey, and Ohio, counselors were unaware when clients dropped out of training or missed extended periods of training. In other instances, counselors learned of client absenteeism but did nothing about it. The rehabilitation agency was, therefore, paying for service not provided or paying for extended training because of client absences during initial training. For example:

- A New Jersey client who was a public offender and drug addict started automotive training on May 27, 1975, and dropped out September 5, 1975. His tuition, transportation, and maintenance of about \$840 were paid through November 17, 1975. On October 21, 1975, more than 6 weeks after the client discontinued training, the counselor authorized tuition, transportation, and maintenance of \$640 to January 1976.
- A client in Ohio whose handicap was described as homosexuality was enrolled in an 11-month cosmetology course costing about \$1,000. Due to poor attendance, the client completed only half the required training in a 14-month period. The rehabilitation agency paid

the full tuition for the course and also paid the client continuous transportation and subsistence at a cost of \$720 despite the missed months of training.

Proprietors of two Kentucky cosmetology schools said that absenteeism was a serious problem with clients being rehabilitated. In fiscal year 1975 the rehabilitation agency paid these proprietors about \$7,400. According to the Assistant Superintendent of the Kentucky Bureau of Rehabilitation Services, both proprietors negotiated new contracts with the State rehabilitation agency requiring payment by the hour for training completed. He added that stipulations have been made in current contracts which are designed to reduce absenteeism. A secretarial school official in Ohio stated that often rehabilitation clients attend training only on Mondays to pick up their maintenance and transportation checks.

### College and university training

In fiscal year 1975, the vocational rehabilitation program spent about \$52 million nationwide for 126,000 vocational rehabilitation clients attending colleges or universities. Training at colleges is second to personal and vocational adjustment services as the most costly category of training in the vocational rehabilitation program. Often, individuals needing the college program the most do not receive this level of training and, in some cases, clients receive assistance for college training when they might not have met program eligibility criteria. Also, the vocational rehabilitation program is not making maximum use of similar educational benefits as required by the Rehabilitation Act of 1973, as amended. The term "similar benefits" refers to assistance available to handicapped persons from programs other than vocational rehabilitation. (See ch. 3.)

### Program eligibility criteria not being followed

Our review concentrated on vocational rehabilitation training program administrative controls. However, our limited review of clients' case folders in Kentucky and New Jersey showed that some clients receiving vocational rehabilitation-sponsored college training might not have met the rehabilitation program eligibility criteria that a client's disability must pose a substantial handicap to employment. For example:

--A client applied to the New Jersey agency for college sponsorship. Her disability was described as after-

effects of a spinal fusion. An orthopedic examination showed that the fusion was solid and was not expected to cause her problems. The client was studying to be a dance therapist and was taking courses in ballet and modern dance. The agency authorized \$1,664 for two semesters of college and \$160 for transportation expenses.

- A Kentucky client attending college had a disability described as an adjustment reaction to adult life. The client's IQ was 130, he held a bachelor's degree in chemistry, and he had worked as a chemist for several months. The psychological report stated that the client's problem apparently stemmed from job dissatisfaction. The vocational rehabilitation agency paid about \$1,000 for nurses training for the 1975-76 school year.
- A client with a disability described as a behavioral disorder, attended college in Kentucky at a cost to the vocational rehabilitation program of about \$900 for the 1975-76 school year. The medical report stated that the client was in good health and that her activities were not restricted. The client was a qualified cosmetologist and had experience as a secretary, but documentation in the case file indicated that she was not satisfied with either of these vocations.
- Another Kentucky client attending college had disabilities described as bronchial asthma and multiple allergies. The vocational rehabilitation agency authorized \$825 for the 1975-76 school year. A medical report stated that the client's only restriction was "no smoking."
- A 19-year old client described as blind in one eye was attending college on an athletic scholarship and was majoring in physical education. He was referred to the New Jersey agency by his wrestling coach for room and board assistance. The medical report stated that the client's disability did not impair his ability to work. The State agency authorized room and board of \$40 per week for 16 weeks during the spring 1976 semester.

The Assistant Superintendent of the Kentucky Bureau of Rehabilitation Services noted that determination of eligibility for services is a judgmental matter based upon medical data and counselor assessment of the handicap and that the medical conditions listed as established may be the basis for eligibility by Federal disability codes.

NEED TO EXAMINE CERTAIN  
TYPES OF CASES

Federal regulations do not require the States to consider the financial need of an individual being considered for program services. In an April 1973 report, <sup>1/</sup> we recommended that HEW encourage the States to closely examine those cases which require only payment of college tuition. Such an examination might identify the person who could afford to pay all or part of the tuition and might provide a basis for better use of resources and reduce the total universe of need which the program should attempt to serve.

HEW agreed with our 1973 recommendation, and most State vocational rehabilitation agencies do consider financial need when providing funds for various services under their programs. However, three of the five States reviewed continued to pay college tuition regardless of financial need.

The New Jersey State agency manual requires that payments for college tuition be based on economic need. The rehabilitation agency, however, did not always verify a client's financial status before paying for college training. In 10 of 34 case files for clients attending out-of-State colleges, we found questionable and conflicting client financial resource information which was not resolved. For instance, client financial information reported in applications for a Federal education grant differed from financial information reported to the vocational rehabilitation program. Many of these students might have been able to pay all or part of their college tuition without rehabilitation agency assistance, for example:

--A 19-year-old diabetic completed 1 year of college and applied to the vocational rehabilitation program for sponsorship for the remainder of her education. The client was an only child and she reported that her parents had earnings of \$19,000 per year. She had worked as a secretary and was working as a waitress at the time of her referral. A medical report indicated that the client's disability had been controlled and did not limit her ability to go to school or work. Therefore, we question whether this client met the program eligibility criteria. However, the State agency approved payments of \$1,400 for the school year 1975-76.

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<sup>1/</sup>"Effectiveness of Vocational Rehabilitation in Helping the Handicapped," B-164031(J), Apr. 3, 1973.

--A 31-year-old woman whose disability was described as inadequacy and low self-esteem was sponsored in a 22-month court reporter's course at a cost of \$1,984 for the first 8 months. At the time of referral the client's husband was working towards his master's degree while earning \$17,000 per year as a Government employee. The client was receiving unemployment payments as a result of being laid off after 12 years employment in a factory. Previously, the client had worked as a salesperson and as a clerk-typist. The psychologist's report concluded that the client needed a job with more status than a factory job.

The New Jersey vocational rehabilitation manual does not provide for sponsoring college training simply because clients want to attend college. We reviewed 34 New Jersey client case files and found that 14 clients were already enrolled or attending college at the time they applied for rehabilitation sponsorship. This indicates that the decision to attend college and possibly the client's vocational objective were reached without participation by rehabilitation counselors or officials. Under such circumstances, the vocational rehabilitation program becomes merely a bill-paying agency. For example:

--The 22-year-old son of a medical doctor applied for vocational rehabilitation sponsorship near the end of his sophomore year in college. The client's father prepared the medical report which listed his disability as a partial loss of hearing. While attending college, the client was earning \$150 per month at a part-time job. The medical report concluded that college training was needed to increase the client's job opportunities. The client was authorized \$700 per semester for school year 1975-76 to continue his education.

Many vocational rehabilitation clients receive assistance from other Federal programs. The Basic Educational Opportunity Grant program provides financial aid--a basic grant--to students attending postsecondary educational institutions. (See p. 29.) The Kentucky rehabilitation agency does not analyze financial need before paying for college tuition but does limit the amount provided for tuition--it is currently \$680 per year. The Kentucky agency was paying for college training for clients who did not meet the financial eligibility requirements of another Federal financial aid program. We identified 26 rehabilitation clients who had not applied for basic grants and who had all or part of their tuition at a State university paid by the Kentucky rehabilita-

tion agency. We asked these clients to apply for basic grant assistance. In 12 cases, the clients were found to be ineligible because their available resources exceeded established basic grant income limits; 3 were ineligible under other basic grant criteria. Of the other 11 clients, 4 were eligible for basic grant assistance, and 7 either dropped out of school or had to reapply because their applications contained errors.

## CONCLUSIONS

Although vocational rehabilitation training services have benefited many clients, RSA and State control over the training services program needs to be strengthened. RSA has overall responsibility for monitoring the vocational rehabilitation program and accomplishes this through its regional offices which periodically make generalized reviews. The scope and depth of these reviews vary with each region. RSA does not require regional offices to periodically review providers of training services to determine how well they are meeting the needs of the program. Three of the five State agencies did not have internal review sections and the two States with internal review sections need to increase the scope of their reviews. We noted many questionable expenditures for

- training that was already financed by other Federal and State programs,
- training not provided,
- training for jobs already held by clients,
- training for clients who might not have been eligible for rehabilitation services,
- training at excessive costs, and
- tools and equipment at inflated prices and tools and equipment not purchased for clients.

We believe that State rehabilitation agencies should examine more closely those cases requiring payment of college and business and vocational school costs only. We believe that if persons able to pay all or part of the tuition were required to do so, resources would be used more effectively.

The above situations resulted from counselors not visiting providers of training services once the client's service plans were established. Therefore, the counselors could not

determine whether the providers could meet the client's needs or whether the client actually attended the training. Also, vocational rehabilitation counselors have been given too much freedom in arranging, paying, and accounting for training services. Counselors have allowed clients and other persons to arrange for training without the guidance of the counselor.

### RECOMMENDATIONS

We recommend that the Secretary of HEW direct the Commissioner of RSA to arrange for periodic reviews of providers of training services by personnel in all RSA regional offices and State rehabilitation agencies.

The Secretary should direct the Commissioner of RSA to insure that State rehabilitation officials fully monitor training services provided to handicapped persons and establish better fiscal control over payments to providers of services. The Commissioner should assure that State monitoring is effectively carried out through periodic checks on States' activities.

The Commissioner should assist the States in:

- Developing information systems on approved providers of training services throughout the State. Such a system should include, as a minimum, data on the type and quality of training provided, cost of training, accurate information on client advancement, and total amount paid to providers of services.
- Providing guidance and supervision to counselors in the selection of training providers, monitoring client progress and attendance, and carefully examining cases involving only the payment of bills, such as tuition.
- Establishing internal review sections in the vocational rehabilitation agencies in States which do not have them so that they could, among other things, monitor providers of training services.
- Establishing better internal control over expenditures by not making the functions of arranging, paying, and accounting for case service expenditures the responsibilities of a single counselor.

### AGENCY COMMENTS

HEW commented on matters discussed in this report in a December 15, 1976, letter. (See app. I.) The Department con-

curred in our recommendations and said it had taken or planned to take the following actions:

- RSA is developing, in conjunction with the State agencies, better control programs for the fiscal and programmatic aspects of client training. RSA regional offices will be directed to (1) make annual reviews of the regularity and effectiveness of State agency visits to providers of training, (2) perform sample reviews of providers of training to State agencies, and (3) report their findings and recommendations to the RSA Commissioner.
- RSA plans to assist the States in developing and maintaining an information system on training programs and services used by State agencies. RSA also plans to give the States guidelines for identifying and evaluating required training services and supervising clients in training to insure attendance, progress, and other considerations necessary for successful rehabilitation. The need for rehabilitation will be more carefully monitored for those clients whose only vocational rehabilitation purchased service is tuition.
- In those States where internal review systems do not exist, RSA plans to provide guidelines for the formation and operation of such systems (both programmatic and fiscal) to insure the quality and fiscal integrity of rehabilitation training services. Such systems will also be responsible for monitoring providers of training services in those problem areas identified in this report.
- Although HEW said that the separation of counselors' functions and responsibilities goes beyond the scope and authority of RSA with regard to its immediate implementation, RSA plans, in conjunction with the States, to study those responsibilities. RSA is currently reviewing preliminary data from a study by JWK International Corporation on the role and function of the counselor. Based on the outcome of this and other studies underway and consultation with State personnel, RSA plans to work closely with State agencies to eliminate problems addressed in this report. Given the growth of the program, the continuous addition of case service procedures to counselor functioning, an expanding caseload of severely disabled persons, and numerous emerging management/case services responsibilities, RSA feels, as do the State agencies, that the timing of this review and possible modification of the rehabilitation counselor's function are most appropriate.

## STATE COMMENTS

Each of the five States was given an opportunity to comment on our findings and conclusions; their comments and our evaluations, where appropriate, are summarized below.

### California

The Director of the Department of Rehabilitation, State of California-Health and Welfare Agency, expressed concern that the report does not contain data on the number of cases in which specific problems were found or the percent of total State caseload represented. Therefore, it is not possible to estimate either the cost of correcting the identified problems or whether the cost and other operational problems which might be caused would outweigh any potential savings.

While we agree with the Director that based on data included in our report it is not possible to estimate the cost of correcting problems identified, we believe that such costs will be small in relation to the increases in quality and fiscal integrity of rehabilitation training services provided by the program.

The Director pointed out that a pilot system on providers of training services was developed and tested for 2 years in California. He stated that the system was discontinued because it failed to provide useful data for management purposes, due primarily to the large number of training resources and few trainees per facility used by California rehabilitation counselors.

### Kentucky

The Assistant Superintendent of the Bureau of Rehabilitation Services acknowledged that supervision of counselor activities needs strengthening and noted that the Bureau recently redefined counselor supervisor duties to specifically include a closer on-going review of counselor activities and case service practices to assure compliance with State and Federal regulations and policies.

The Assistant Superintendent stated that the separation of functions performed by counselors could be accomplished only by adding substantial administrative time and expense to the rehabilitation process and this could lead to delays in services to clients. He feels that the desired objectives can be accomplished by improving supervision and monitoring of training practices without fragmenting the counselor's management of service delivery.

While we agree that improved supervision and monitoring of training practices would assist in detecting and correcting problems noted in this report, we believe that the separation of certain counselor duties would add needed control to the administration of program training services.

### New Jersey

According to the Acting State Director of the Division of Vocational Rehabilitation Services, Department of Labor and Industry, several new policies and procedures regarding authorizing and monitoring training programs had been implemented as a result of issues discussed in our draft report. He pointed out that policies and procedures for purchasing training services always existed, but they were presented in general terms and often did not relate to specific problems as identified in our review. As a result of establishing an adequate data processing system, closer supervision and enforcement of the existing policies and procedures related to client services is being provided.

The acting director also reported that several additional corrective actions have been implemented, including

- a monitoring function in each of the 19 State field offices,
- a schedule and procedures for on-going case review, and
- increased emphasis by the HEW regional office in counseling and advising the State agency on its obligations for monitoring and evaluating the rehabilitation program.

Finally, in order to determine if the actions taken are effective, he stated that the State plans to undertake periodic reviews of the program.

### New York

The Associate Commissioner for Vocational Rehabilitation, The State of New York Education Department, noted that the grand jury investigation in Niagara County was concerned with the case of a single counselor who, through collusion with former clients and employers in the community, accepted "kick-backs" and set up inappropriate on-the-job training programs. Although the State agency is implementing a program involving internal audit teams, he believes there can be no guarantee

that this sort of activity will end because of the degree of collusion that was involved.

According to the Associate Commissioner the State agency is working under a grant to implement a special control system involving accountants and clerical staff with connection to management at local, area, and central office levels. He believes that these changes will be more effective for detailed monitoring than a small squadron of investigators who go Statewide and report only to the agency's top administrator.

The Associate Commissioner noted that the State agency has gradually introduced, beginning in 1970, management information systems for identification of all types of services as well as data on client characteristics, case flow, and financial control systems on authorizations, cancellations, and expenditures.

The Associate Commissioner stated that the State agency limits the use of educational trainers at private schools to an approved list issued by the State Education Department and for colleges to a requirement of a Regional Accreditation Association Charter or charter by the Regents of the State of New York. He does not believe that vendor lists for approved on-the-job training are practical because the majority of vendors in New York will never have more than one client due to the nature of their business and their inability to accommodate more individuals in training.

## Ohio

The Administrator of the Ohio Rehabilitation Services Commission stated that the Commission has developed several new policies to strengthen agency internal control. The two most current which are applicable to this report are a policy on the application of educational grant funds and a policy concerning on-the-job training.

He stated that under the policy on educational grants, the Commission has devised a communication system and has close working relationships with college financial aid offices. Each financial aid office relays the client's grant eligibility and grant status directly to the Commission.

He noted that the proposed policy for on-the-job training is the result of a lengthy Statewide study and will be accompanied by a manual for use by counselors and other staff.

The administrator noted that counselor decisions on financial need and similar benefits are required to be made under

the constraints of time and knowledge. He stated that the counselors are trying to deliver timely services as quickly as they can with the knowledge and experience they have and with the resources they have at hand or can call upon. He noted that their decisions vary from counselor to counselor and from one geographic area to another.

## CHAPTER 3

### NEED TO USE

#### SIMILAR EDUCATIONAL BENEFITS BETTER

Many vocational rehabilitation clients benefit from resources of other Federal and State programs, however, the vocational rehabilitation agencies we reviewed were not taking full advantage of similar educational benefits that were available from other sources, as required by the Rehabilitation Act of 1973. Use of these other benefits could release rehabilitation program funds, now spent for education, to serve other, possibly more severely handicapped, persons.

The Rehabilitation Services Administration has not provided State agencies with adequate guidance to establish policies and procedures for determining (1) whether clients were receiving benefits from other programs or (2) how these other benefits should be considered in arranging a client's program. For that reason, other program resources were not sought by State agencies.

In order for State vocational rehabilitation agencies to make maximum use of similar educational benefits, RSA needs to provide policy guidance to the States by defining

- the costs of clients' educations which rehabilitation agencies will pay,
- how rehabilitation agencies can identify other benefits received by clients,
- the extent to which information supplied by clients must be verified, and
- how similar educational benefits received by clients will be considered in reducing the rehabilitation program's share of these costs.

#### REQUIREMENTS TO USE, AND AVAILABILITY OF, SIMILAR BENEFITS FOR EDUCATION

RSA guidelines to the States on utilizing similar benefits said that the Congress emphasized that the vocational rehabilitation program make maximum use of similar benefits because of (1) the rising costs of serving clients, especially those with the most severe handicaps and (2) the increasing number of Federal, State, and other programs which provide such services.

The Congress was especially concerned that the vocational rehabilitation program use similar benefits for educational training as indicated by the following statement made in Senate Report Number 93-318, 93d Congress, 1st session (1973).

"The Committee also limited the use of program funds for individuals who are pursuing higher education paid for by this program to those for whom all alternative means of funding have been sought and were not available. The Committee feels that the costs for instruction at colleges should be borne by some other source of funds if in any way possible, and points out that a substantial new student assistance program [The Basic Educational Opportunity Grant Program] is available through P.L. 92-318, the Education Amendments of 1972. Statistics provided to the Committee show that many States do not limit the amount that may be spent on a handicapped individual's higher education, thus substantially diminishing basic program monies available for other services, especially those needed by individuals with more severe handicaps. The Committee does not wish to limit a handicapped individual's opportunity to pursue postsecondary education, but does believe that other sources of funds should be explored with diligence."

Accordingly, the Rehabilitation Act of 1973 states:

"that no training services in institutions of higher education shall be paid for with funds under this title unless maximum efforts have been made to secure grant assistance, in whole or in part, from other sources to pay for such training."

By using similar benefits available under other programs, the vocational rehabilitation program could use many funds now spent on education to serve other vocational rehabilitation clients. We reviewed 264 case files of clients in the five States receiving financial assistance from sources other than State vocational rehabilitation programs to attend colleges, universities, and business and vocational schools. In addition, these clients were authorized about \$311,000 by State vocational rehabilitation agencies for academic year 1975-76. Benefits of about \$140,000 received from other programs for this training should have been considered before authorizing \$311,000 from the vocational rehabilitation program. For example, State rehabilitation officials in California said they

could not take on any new clients over a 30-day period beginning in January 1976 because of a shortage in case service funds. Some of those clients may have been receiving financial assistance in excess of their needs.

In fiscal year 1975, vocational rehabilitation expenditures for training in higher education institutions totaled about \$106 million. In that year, over \$1 billion was available under two major Federal programs--Basic Educational Opportunity Grants and Supplemental Educational Opportunity Grants--to assist students attending such institutions.

The Basic Educational Opportunity Grant Program is authorized by the Higher Education Act of 1965, as amended by Public Law 92-318. The program, administered by the Office of Education, was available to eligible students for the first time during the 1973-74 academic year. This program is to provide eligible students with basic financial aid to help defray the cost of postsecondary education. In fiscal year 1975 about \$1 billion was available under this program.

A new concept included in the basic grant program is a formula used nationally for determining eligibility on the basis of financial need. Among the costs which can be paid are tuition, fees, living expenses, and miscellaneous expense items, such as books and transportation.

The Higher Education Act also authorized the Supplemental Educational Opportunity Grant program which is administered by the Office of Education. In order to be eligible for this assistance, a student must be enrolled at a participating institution on at least a half-time basis. In addition, the student must demonstrate "exceptional financial need," which, in general, means that a student's expected family contribution does not exceed 50 percent of the cost of education at the institution. The need is determined by each institution using an Office of Education approved system. In fiscal year 1975 about \$240 million was available to this program.

Student financial assistance is also available under state-administered programs. The Government participates in the costs of some of these programs, such as the State Student Incentive Grants Program.

Even though the eligibility criteria for services under the rehabilitation program might differ from the eligibility criteria of these other Federal and State education assistance programs, in many instances persons eligible for rehabilitation services are also eligible for these other benefits.

PROBLEMS IN CONSIDERING SIMILAR BENEFITS  
RECEIVED BY REHABILITATION CLIENTS

We visited 15 universities and colleges in California, Kentucky, New Jersey, New York, and Ohio in which vocational rehabilitation clients were enrolled. Our objective was to determine whether States, as required by the 1973 act, were considering similar benefits that these clients might be receiving from other programs for college training. We reviewed 196 of the cases of students receiving financial aid in addition to their rehabilitation benefits for the academic year 1975-76.

We also reviewed 58 cases of clients attending 30 business and vocational schools in Kentucky and New York for the academic year 1975-76. We were attempting to determine what effect the consideration of similar benefits for business and vocational school training would have on the vocational rehabilitation program.

University and college training

For the 196 college cases reviewed in the five States, vocational rehabilitation payments of about \$173,000 were authorized to clients for academic year 1975-76. These clients were also receiving benefits from other programs for this training. About \$80,000 of the authorized funds could have been available for other purposes if the similar benefits had been applied (in lieu of rehabilitation funds) to the college cost.

The five States did not have systems for obtaining information from educational institutions and, therefore, counselors often did not know that clients were receiving other benefits. Counselors usually relied on clients to tell them when they received other benefits, but there is no formal system for checking information supplied by clients.

At a California State university, in 9 of 17 cases we reviewed, counselors were not aware that clients were receiving basic or supplemental grant assistance. Most of these clients were receiving assistance in addition to these grants. For example, we determined the one-semester cost to attend this State university to be:

Tuition (in State)	\$ 95
Room and board	522
Miscellaneous:	
(Books \$130)	
(Transportation \$145)	<u>275</u>
Total	<u>\$892</u>

A student who was a client of the rehabilitation agency was receiving the following assistance for one semester to attend this university.

Vocational rehabilitation	\$ 370
Basic Educational Opportunity Grant	431
Supplemental Educational Opportunity Grant	500
College Work Study	393
National Direct Student Loan	<u>875</u>
<b>Total</b>	<b><u>\$2,569</u></b>

In New Jersey, counselors were not aware that five of the six clients at one college were receiving educational assistance other than assistance from the rehabilitation program for school year 1975-76. When counselors were aware of other benefits, they often did not fully consider them before authorizing rehabilitation program expenditures. In Kentucky and Ohio, State rehabilitation agencies continued to pay all costs defined in client service plans, and clients were allowed to use other assistance for other purposes.

Although the California Rehabilitation Services Manual requires that other sources of assistance be considered when distributing vocational rehabilitation funds, it does not specify which other sources should be considered. Some counselors in the State indicated that they were not aware of the basic grants while others believed that these funds were actually loans that clients eventually had to repay. In New York, the State rehabilitation agency policy generally was to pay tuition and apply similar benefits to nontuition items, with the exception of the State Tuition Assistance Program which is required to be used for tuition only. Examples are shown below of cases where more consideration should have been given to other program assistance to reduce the rehabilitation program's costs.

In Ohio, the plan of service agreed to by a counselor and client showed the cost for a year of college to be:

Tuition	\$ 720
Books	180
Personal expenses	450
Transportation	<u>80</u>
<b>Total</b>	<b><u>\$1,430</u></b>

The counselor authorized payment of rehabilitation program funds of \$1,430. The client who had a personality disorder was also receiving a basic grant of \$1,112, but the counselor did not consider this when determining the amount to be authorized by the State rehabilitation agency. The counselor said that since there was no State policy to the contrary, the client could use the \$1,112 grant for other purposes.

In Kentucky, the financial aid office at one university determined the cost of 1 year of college to be:

Tuition and fees	\$ 780
Books and supplies	150
Personal expenses	300
Transportation	<u>400</u>
Total	<u>\$1,630</u>

A rehabilitation agency client with diabetes attending this college was receiving a \$1,138 basic grant, a \$450 State grant and \$850 from rehabilitation program funds. The counselor said that he did not plan to reduce the amount authorized by the State rehabilitation agency because program administrators instructed counselors to disregard these other benefits. Program administrators said RSA guidelines on similar benefits were not clear and, therefore, they told counselors to disregard such benefits when determining the clients' need for rehabilitation agency support in paying for college tuition.

New York's policy of paying tuition and applying similar benefits to nontuition items may reduce the rehabilitation agency's share of costs, but we do not believe that it fully considers similar benefits as intended by the 1973 act. In one case, the State agency determined the cost for a year of college to be:

Tuition	\$2,304
Books, supplies, and maintenance	<u>685</u>
Total	<u>\$2,989</u>

The client received a \$1,400 basic grant which the counselor applied to the \$685 nontuition items, thereby reducing the State agency authorization to \$2,304. However, the balance of the basic grant was not applied to tuition. In

addition, the client was receiving a \$600 grant from the school which was not considered by the State agency.

How will our Nation's handicapped be affected by States not considering similar benefits in such cases as described above? We do not know. If such consideration were given to these cases, a significant amount of the \$52 million spent by State rehabilitation agencies for university and college training might have been available for rehabilitating other, perhaps more severely handicapped, persons.

### Business and vocational school training

Although the 1973 act requires that States consider similar benefits before authorizing payments for training in institutions of higher education, the Federal regulations and RSA's guidelines do not require that States consider similar benefits for business or vocational school training. The Higher Education Act of 1965 included business and vocational schools in its definition of "institutions of higher education" under its student financial assistance programs. These schools are included provided that the school offers not less than a 1-year program (6 months for other than public or other nonprofit institutions) to prepare students for gainful employment in a recognized occupation.

Because the Rehabilitation Act of 1973 does not define "institutions of higher education," the RSA guidelines are not entirely unjustified. However, it would be better to use the broader interpretation of institutions of higher education as contained in the Higher Education Act, especially in view of the congressional intent that funds be made available to assist the most severely handicapped.

In fiscal year 1975, the rehabilitation program spent about \$44 million for vocational school training and \$10 million for business school training for clients. In New York and Kentucky, rehabilitation agencies authorized about \$138,000 for business and vocational school training for 68 clients who were receiving similar benefits from other programs. About \$60,000, or 44 percent, of the \$138,000 could have been made available for other rehabilitation services, if the funds provided under the rehabilitation program were reduced by the amount that clients received from other benefits.

If State agencies do not consider other assistance received by rehabilitation clients, instances will continue where clients abuse both the rehabilitation program and other financial aid programs. For example, a Kentucky client with

a back problem was receiving the following assistance to attend a business college which cost about \$3,474 a year.

<u>Source of funds</u>	<u>Amount</u>
Vocational rehabilitation:	
To the school (tuition and books)	\$ 1,794
To the client	1,680
Supplemental Educational Opportunity Grant	1,200
National Defense Student Loan	1,200
Veterans benefits	<u>4,560</u>
 Total	 <u>\$10,434</u>

Another Kentucky client with a cosmetic disability, which he said was his big nose, was receiving the following assistance for 7 months of cosmetology training. The cost of this training was \$1,720.

<u>Source of funds</u>	<u>Amount</u>
Vocational rehabilitation:	
To the school (tuition)	\$ 600
To the client	1,120
Basic Educational Opportunity Grant	1,225
Veterans benefits	<u>1,890</u>
 Total	 <u>\$4,835</u>

The rehabilitation program's costs of sending clients to such schools might be reduced by applying the similar benefits provision in the 1973 act not only to college and university training but also to business and vocational school training.

LACK OF TIMELY GUIDANCE TO STATES  
ON CONSIDERATION OF SIMILAR BENEFITS

Although the Rehabilitation Act of 1973 was enacted on September 26, 1973, Federal regulations implementing the act were not issued until December 1974, and RSA guidelines pertaining to the use of similar benefits were not issued until October 1975. State officials in Kentucky said that these guidelines were unclear.

According to RSA officials in one region, they cannot help the States determine how similar benefits are to be applied, because the officials are not clear on this issue. They said that if a more definitive policy directive is to be

issued to the States, it will have to come from RSA headquarters. Until such a directive is released, they will continue to accept whatever policy the States adopt. In addition, State rehabilitation agencies do not have adequate guidance on how to identify other educational assistance received by clients; neither do the guidelines make any mention of the need to verify information that is supplied by clients.

An official involved in developing RSA's regulations and policy guidelines on the use of similar benefits admitted that the regulations and guidelines were unclear and allowed for inconsistencies in funding by rehabilitation agencies. He illustrated the need to include business or vocational school training in the similar benefits provision by describing a case involving a cooperative program of nurses training at a local community college and at a hospital. In the case of the community college, the counselor would have to consider other assistance received by the student when authorizing rehabilitation agency financed services. However, in the hospital case he would not have to consider other assistance, even though courses similar to those at the community college were offered.

At the time of our fieldwork, RSA had not reviewed States' policies on the use of similar benefits. However, in June 1975 HEW contracted with the Urban Institute to identify and evaluate the administrative procedures and policies of State agencies in the use of similar benefits. In a report submitted to HEW in August 1976, the Urban Institute concluded that State agencies have not emphasized the need for uniform procedures in the use of similar benefits. The report states that the need exists to develop procedures to identify those clients eligible for basic grants and document the clients' receipt of the grant award. The report also noted that few agencies have developed procedures to insure that clients automatically report to their counselors the notification of a grant award.

State agencies generally agreed with us that their administration in this area needed to be improved, and three agencies had taken or were taking corrective action.

The Kentucky agency has revised its policy to clarify which higher educational costs the State rehabilitation program will pay and how similar benefits should be applied to these costs. Also, all rehabilitation clients involved in post high school educational programs must now apply for a Basic Educational Opportunity Grant. The State rehabilitation agency has entered into a cooperative agreement with the

Kentucky Financial Aid Administrators Association to exchange information on educational assistance that is received by rehabilitation clients. The Assistant Director of the Kentucky State Agency said several test cases showed that the rehabilitation agency could greatly reduce its share of post high school training once the new policy is applied.

The New York State agency sent letters to providers of training asking them to identify rehabilitation clients receiving certain similar benefits. The State agency's Assistant Commissioner told us that adjustments would be made as information is received. We submitted to the State agency for review 136 case files on clients receiving college and noncollege training who were also receiving other aid. In 68 cases, the State agency reduced authorizations by about \$21,400. The Assistant Commissioner also said that the State agency has revised procedures to better use similar benefits. He noted that the affect of these actions would be to lower individual case costs and allow expanded services to handicapped individuals.

Before our review started in Ohio, the State rehabilitation agency began developing a system to exchange student benefit information with colleges.

## CONCLUSIONS

Vocational rehabilitation agencies in the five States reviewed were not making maximum use of similar educational benefits available from other programs as intended by the Rehabilitation Act of 1973. State rehabilitation agencies must consider similar benefits to reduce the costs of training at institutions of higher education. The term "institutions of higher education" is not defined in the 1973 act. Initially, RSA interpreted institutions of higher education to include vocational and business schools as well as universities, colleges, and community and junior colleges. However, in its final regulations, RSA excluded business and vocational schools from the definition of this term. Thus, for vocational and business schools, counselors are not obliged to consider whether clients are provided similar benefits.

Substantial amounts are paid under the vocational rehabilitation program for training provided to clients at business and vocational schools. We believe that a large portion of these funds could be spent on services for other severely handicapped persons if State agencies were required to seek out and apply other support for business and vocational training, and thus reduce vocational rehabilitation program costs in sending clients to such schools. We believe that the Federal regula-

tions implementing the Rehabilitation Act of 1973 should be revised by HEW to include business and vocational schools under the similar benefits program.

We found that (1) RSA guidelines do not clarify how similar benefits are to be applied to reduce vocational rehabilitation participation and (2) further guidance from RSA is needed.

Some State rehabilitation agencies have not (1) established adequate systems for determining when clients were receiving benefits from other programs and (2) applied other benefits received by clients to the maximum extent possible or consistently. The vocational rehabilitation program authorized \$311,000 for 264 clients to attend colleges and universities and business and vocational schools for the academic year 1975-76. About \$140,000, or 45 percent, of that amount might have been used to serve other handicapped persons if State rehabilitation agencies had fully considered other benefits received by these 264 clients.

The HEW Audit Agency also noted instances where the Alaska, Virginia, and West Virginia State rehabilitation agencies were not making maximum use of other educational benefits received by rehabilitation clients.

In order for State rehabilitation agencies to make maximum use of the similar benefits provision, State agencies need to establish better communication with the colleges, universities, and business and vocational schools which provide services to vocational rehabilitation clients. The revised systems being developed by some States in our review should assist counselors in learning of other benefits that clients were receiving in order to adjust the vocational rehabilitation program's share of training costs.

### RECOMMENDATIONS

In order for State vocational rehabilitation agencies to make maximum use of similar educational benefits, the Secretary of HEW should direct the Commissioner of RSA to provide policy guidance to the States defining (1) the costs of clients' education which the rehabilitation program will pay, (2) how agencies can identify other benefits received by clients, (3) the extent to which information supplied by clients must be verified, and (4) how similar educational benefits received by clients will be considered in reducing the rehabilitation program's participation in these costs.

The Secretary of HEW should encourage the Commissioners of RSA and the Office of Education to establish a mutually agreeable method of exchanging information on Office of Education student financial aid for clients of State rehabilitation agencies, taking into consideration legislative provisions which guard a person's rights to privacy. The Office of Education routinely determines financial need in connection with the Basic Educational Opportunity Grant Program. This information could assist the State rehabilitation agencies in determining financial need as discussed on p. 18.

#### AGENCY COMMENTS

HEW concurred in our recommendations and said it had taken or planned to take the following actions:

--RSA, with respect to similar benefits, plans to provide guidelines to the States to assist them in defining (1) which costs associated with client education are paid by the State agency, (2) how State agencies can better identify other benefits received by clients, (3) how to better verify required client information, and (4) how similar benefits received by clients can be used to reduce program costs as much as possible.

--RSA is developing an information system with the Office of Education to inform rehabilitation counselors about educational benefits which are available to their clients through local educational grant officers.

HEW also stated that the vocational rehabilitation regulations pertaining to similar benefits will be amended to include post-secondary business and vocational schools in the definition of "institutions of higher education." Although we did not specifically recommend in our draft report that HEW revise these regulations, we discussed the need for such a revision and concluded that the Congress should amend the Rehabilitation Act of 1973 to specifically define the institutions to be included under the similar benefits provision if HEW does not revise the regulations. In discussing their planned amendment to the rehabilitation regulations and those of the Office of Education, HEW said that the changes will further result in a broadened area, including business and vocational schools, in which similar educational benefits can be considered and applied to vocational rehabilitation clients.

#### STATE COMMENTS

Four States offered the following comments on our draft report.

## California

The Director of the Department of Rehabilitation expressed concern that the sample of case files (264 in five States) we reviewed was extremely limited and may not be representative of the total program caseload. He was also concerned that the report deals with individual counselor problems rather than a systems problem and whether establishing supervisory monitoring and training in selected locations would be preferable to creating new regulations affecting the national program.

According to the Director, the majority of California counselors were aware and made full use of similar benefits available in their particular area, although details of the benefit investigation were not always recorded in individual case folders. He also noted that due to the multiplicity of Federal and State regulations on confidentiality, training facilities--especially colleges and universities--are uncertain about the release of financial information and that until some of these issues are clarified, most facilities are reluctant to release anything.

The number of cases selected for our review represents a somewhat limited sample of all clients attending colleges, universities, and business and vocational schools in the five States. However, we believe that there are similarities in (1) the weaknesses noted in the procedures for determining use of similar benefits among the five states, (2) the lack of systems for obtaining information from educational institutions, and (3) the positive program results achieved by three of the States in our review following the initiation of corrective actions. These similarities affirm the need for new regulations and increased emphasis on the use of similar benefits in the rehabilitation program nationwide.

## Kentucky

The Assistant Superintendent of the Bureau of Rehabilitation Services said that some difficult administrative problems were created during the implementation of similar benefits processes due to unclear RSA guidelines and lack of an adequate lead time. As a result, institutions of higher learning were not made aware of their responsibility to assist in maximum utilization of similar benefits for rehabilitation clients.

He pointed out that the State agency has developed and implemented a plan to maximize the use of similar education benefits, especially basic education grants. Any vocational

rehabilitation client who may be entering a training program eligible for similar benefit funding is required to apply for such benefits. If the individual is determined eligible for similar benefits, the State agency adjusts its funding accordingly.

The Assistant Superintendent noted that there are still areas of clarification needed in Federal regulations and instructions pertaining to the provisions of the Rehabilitation Act of 1973, as amended, particularly in similar benefits issues and provision of services to the severely disabled.

### New Jersey

The Acting Director of the Division of Vocational Rehabilitation Services, Department of Labor and Industry, stated that he concurred essentially with our conclusions on the use of similar benefits in the rehabilitation program. He said that part of the problem in applying similar benefits has been the lack of clear instructions from the Rehabilitation Services Administration. He agreed that the use of similar benefits should be expanded beyond the area of higher education as the present law requires.

### New York

The Associate Commissioner for Vocational Rehabilitation, New York State Education Department expressed concern that the report does not fully recognize how important it is that the client receive a benefit in time for school enrollment and attendance. According to New York's systems, measures must be taken to insure that the client receives sufficient money for cash expenditures in order to avoid instances where clients are unable to enter school or are premature dropouts. However, this procedure does not apply to all State agencies and emphasis must be placed on the different payment systems by the various States.

We agree that appropriate measures should be incorporated into the systems developed in each State for the use of similar benefits to take care of cases which require special consideration.

The Associate Commissioner noted that the State agency has procedures on the application of similar benefits but that due to difficulties in administering the basic grant program, counselors have sometimes become very discouraged and may have become lax in their responsibilities. He noted that one of the major problems faced by States is the interpretation of eligible courses in private trade and business schools and

the constant change in basic grant eligibility standards. The Associate Commissioner stated that a system has been set up to provide the State agency with a listing of every approved course for basic grants. The listing is sent to all counseling staffs as an additional guide to the revised procedures.

## CHAPTER 4

### NEED FOR IMPROVED CONTROLS OVER

#### PAYMENTS TO REHABILITATION FACILITIES

State vocational rehabilitation agencies acquire services for their clients from nonprofit organizations such as sheltered workshops. These and other rehabilitation facilities evaluate the vocational potential of handicapped clients, provide them with skill training, and help them adjust to work in the competitive labor market or at the facility or workshop. Such facilities receive income from fees paid by State rehabilitation agencies for services, grants from HEW and State rehabilitation agencies, funds from other State and Federal programs, and from contract sales and other activities.

The Rehabilitation Services Administration must guarantee that the States maintain adequate fiscal control over payments to the facilities and that the States regularly monitor facilities' activities. We found that facilities

- were receiving fees which exceeded costs of services provided or which duplicated payments received under other grants from Federal and State agencies,
- received payments for services not provided, and
- used Federal funds as matching funds to obtain other Federal grants and purchase unauthorized equipment.

#### EXCESS PAYMENTS TO FACILITIES

We visited 25 rehabilitation facilities in the five States to determine whether RSA and State controls over payments to these facilities were adequate.

RSA regulations require that fees paid by State rehabilitation agencies include all costs of services provided--salaries and related staff expenses, supplies, communication, utilities, and other operating expenses.

State rehabilitation agencies award grants under title I of the Rehabilitation Act for establishing or maintaining facilities. These grants include funds for construction, equipment, and initial staffing.

Rehabilitation facilities can also receive grants from the Office of Human Development <sup>1/</sup> in HEW. Training grants are awarded to facilities in an effort to increase the number of personnel trained in providing services to the handicapped. Other grants and contracts can be awarded to facilities for research, mortgage insurance, and special projects and demonstrations for expanding or otherwise improving rehabilitation services to handicapped persons. These grants and contracts, which totaled about \$53 million in fiscal year 1975, are awarded under titles II and III of the Rehabilitation Act.

Rehabilitation facilities can also receive funds from other Federal agencies, such as the Department of Labor and the Social Security Administration, and from State agencies other than rehabilitation agencies.

Fees for services paid to some rehabilitation facilities by State rehabilitation agencies exceeded the cost of training provided the clients. Also, grants to facilities under titles I, II, and III of the Rehabilitation Act and other grants received by facilities duplicated payments made to the same facilities by State rehabilitation agencies under fees for service arrangements.

Fees not based on costs  
of services provided

Federal regulations require that each State establish written policies governing rates of payment for all purchased vocational rehabilitation services and that the State agency maintain information on current rates of payments.

In Kentucky, State agency officials said they had no systematic way of establishing or reviewing fees paid to facilities. In three of the six facilities reviewed, the fees paid by the rehabilitation program exceeded the cost of providing the service and/or duplicated other assistance received by the facility. The excess payments amounted to about \$91,000 in fiscal year 1975.

One facility received rehabilitation program fees totaling about \$144,325 for fiscal year 1975. The facility's accounting records showed that the rehabilitation agency paid this facility excess payments of about \$58,000. This occurred, in part, because the facility's costs were being

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<sup>1/</sup>In February 1975 RSA was transferred from the Social and Rehabilitation Service to the Office of Human Development, headed by the Assistant Secretary for Human Development.

partially recovered through contract sales and from an Office of Human Development training services grant.

We discussed this matter with the facility's director, and he agreed that the fees should be reevaluated and said he would discuss this with the facility's Board of Directors and with the rehabilitation agency. State rehabilitation agency officials later said some of the fees that were paid would be eliminated and others could be adjusted.

Also, as of June 30, 1975, this facility had retained earnings of \$405,000, some of which facility officials attributed to the vocational rehabilitation program. Of this surplus capital, \$62,500 was invested in U.S. Treasury bills.

The Assistant Superintendent of the Bureau of Rehabilitation Services said that there is no law prohibiting workshops from accumulating funds which could be used to expand workshop programs. He noted that Bureau fees for services are intended only to offset any operational costs in providing a rehabilitation program. He stated that all workshops in Kentucky involved with vocational rehabilitation funding are required to have a written plan, filed with the State agency, describing how these accumulated funds are to be used to improve the quantity and quality of their rehabilitation program.

According to the Assistant Superintendent, in the event any of the accumulated funds occurred as a result of an overpayment by the Kentucky Bureau of Rehabilitation Services, local workshops will refund the overpayment to the Bureau at the end of the State's fiscal year.

Another facility in Kentucky received excess payments of about \$11,000 for fiscal year 1975 because fees were not based on costs of services. The facility calculated the cost for providing services to the rehabilitation clients at about \$23,000 and calculated reimbursable wages at \$60,000. The rehabilitation agency paid the facility fees totaling about \$94,000.

A third facility in Kentucky recovered 70 percent of its costs from Social Security Administration and State mental health funds. Because the rehabilitation agency had never required cost justification for payments to this facility, it was not aware that it was duplicating the payments of these other programs. The excess payments were about \$22,000 in fiscal year 1975. The facility agreed that its accounting system allowed for duplication of payments and is developing a cost accounting system for vocational rehabilitation payments as well as for payments from other agencies. State

agency officials plan to renegotiate the fee schedule for this facility.

At one New Jersey facility, fees paid for providing training services duplicated payments the facility had already received under a \$125,000 Office of Human Development training services grant. The facility was training 12 rehabilitation clients under this grant at the time of our visit. Rehabilitation counselors had also authorized training fees of \$12,600 for this facility based on an established fee schedule for training these 12 clients. An RSA regional office official stated that these payments were not duplicated because the costs of providing the rehabilitation services were not completely covered by the training services fee. The fees for training services provided to these 12 clients were the same as those for other rehabilitation clients receiving similar training in the State but not included under a training services grant.

The California State rehabilitation agency paid standard fees to most facilities for rehabilitation services. Excess payments to facilities were a result of duplicated payments made under other vocational rehabilitation grants. For example, the State rehabilitation agency was paying \$20.25 per day per client to one facility for evaluating the vocational potential of clients while, at the same time, the facility was paid for costs of this evaluation program under a \$43,000 Office of Human Development establishment grant. A State rehabilitation agency official said that the State pays each facility for rehabilitation services provided regardless of grant assistance to provide the facility with an operating "cushion."

#### Payments for services not adequately monitored

In New Jersey, weaknesses in fiscal controls over payments to rehabilitation facilities resulted in rehabilitation agencies paying for services that were not provided to handicapped persons or that were paid by another source.

The New Jersey agency had no written policy concerning rehabilitation facility billing and payment procedures. Of five facilities visited in New Jersey three were overpaid by about \$81,000.

Two facilities billed the State agency before the training was completed. Because of overlapping periods of training and unauthorized charges for placement services, the rehabilitation agency overpaid these two facilities. At one facility, overpayments of at least \$36,000 were made for the period

1969-75. Facility financial records clearly showed that overpayments were received from the rehabilitation program; but the facility had never been approached by the State agency for return of the excess funds, and the facility did not offer to return them. The State agency did not know about the overpayments. The other facility was overpaid about \$900 during 1975 due to payment for overlapping periods of training. A State agency official stated that the agency planned to review payments made to these facilities and to obtain refunds for any overpayments.

Both facilities billed the State agency for an additional 2 to 4 weeks of training for each client after they had been employed. An official at one facility told us that the facility charges the extra fees because client followup services might be required. One facility was paid additional fees totaling \$2,385 for 24 clients, and the other facility was paid an additional \$900 for 5 clients.

At the third facility, about \$41,000 of vocational rehabilitation program payments had been voluntarily refunded to the State agency. The refund represented State agency payments from February to October 1975 for 19 clients. After the rehabilitation agency payments, the facility was reimbursed by Medicaid, private insurance companies, and other third parties and had determined that it had also been overpaid, in some cases, because of overbillings.

In his January 26, 1976, letter to the Commissioner of the New Jersey Department of Labor and Industry (see p. 7), the Director of the Division of Vocational Rehabilitation Services made the following statement.

"\* \* \* The G.A.O. audit team has met periodically with me and key members of my staff to share their findings. They have identified many positive aspects of our program as well as some problems.

\* \* \* \* \*

"I should point out that this is the first time in the history of the agency that this kind of audit has occurred, and reports from other states indicate that similar findings have been made in all of them. The major problem appears to be that individuals trained in counseling and special work, through lack of adequate accounting personnel, have been required to do an accounting function. The GAO audit has shattered traditions and made us aware, by their depth analysis, of some poor business practices.

- "1. We do not have a statewide policy or practice in the method of payments to workshops. Payments do not relate to the specific attendance of the client.
2. Payments to clients for maintenance and transportation are without regard to their complete attendance.
3. Payment process does not include mechanics for refunds from facilities to cover client absences.
4. Forms utilized to initiate payments for services lend themselves to potential practice for fraud.\* \* \*

New Jersey has attempted to correct problems we found by revising its policy for paying fees to facilities. Fees are negotiated on a per diem basis, and facilities' billings must be accompanied by client attendance reports. The practice of advance billing has been terminated. If clients are absent, the State is requiring adjustment of facility fees and clients' maintenance and transportation payments. The State has also established a task force to develop an appropriate system for paying facility fees, and the State plans to incorporate additional checks and controls on the payment of fees, if warranted.

Other problems noted because of  
lack of program monitoring

RSA regional office personnel have conducted 1-day site surveys at some facilities to determine whether grant requirements are being met. Facilities must submit periodic grant expenditure reports, but no indepth financial audits had been conducted in the past 10 years of the 21 grants awarded to facilities in our review. In one case in Ohio, Federal funds were used to meet matching requirements for other Federal grants. In New York, one case showed that Federal funds were used for the purchase of equipment. Neither of these uses were in accordance with grant terms.

The Ohio State rehabilitation agency negotiates fees with facilities based on the cost of services provided. In addition, the State agency's internal audit group audits rehabilitation grants and contracts that are awarded to facilities by the State agency. However, the State agency does not monitor the grants to facilities directly from the Office of Human Development, and RSA did not monitor a training services grant received by an Ohio facility. This facility used Federal funds to match other Federal funds.

HEW awarded an Ohio facility a vocational rehabilitation training services grant totaling \$1.3 million to be used over

an 8-year period beginning in 1968. HEW and State officials advised us that this grant had not been audited by HEW or the State at the time of our visit. Beginning in 1972, the State rehabilitation agency paid special fees to this facility to help it obtain the 10-percent matching funds needed for the training services grant. These fees included Federal funds and were used as the facility's share of matching funds required to obtain the other Federal funds. This practice is prohibited by the Code of Federal Regulations (title 45, chapter XIII, section 1361.80). State agency officials have reviewed other State agency arrangements with this facility to assure that this situation does not occur again.

A New York facility received \$60,000 from HEW in fiscal year 1975 for the purchase of computer equipment. The facility purchased the equipment specified in the grant application but later traded it for less sophisticated equipment and bought two additional pieces of equipment. The controller could not produce an authorization for the exchange nor the purchase of the additional equipment. As a result of our review, the facility returned about \$7,900 to the State agency to be credited against its Federal account.

The Associate Commissioner for Vocational Rehabilitation in New York noted that the facility could have complied with the intent of the grant if they had asked for approval before trading the equipment. He noted that the State agency had set up a more rigid control system for inventory and permanent identification on all equipment purchased through any State agency grant funds.

### CONCLUSIONS

Better fiscal control over payments to rehabilitation facilities is needed. Some State rehabilitation agencies need to develop systems which provide for periodic reviews of (1) fees paid to facilities, (2) methods for setting these fees, and (3) grants and contracts to facilities. The lack of such systems has resulted in both excess and duplicate payments to facilities as well as several other problems. Fees for services should be negotiated individually with providers and should be based on the cost of services provided, taking into account other vocational rehabilitation and other Federal grants received by the facilities. Current policies have allowed facilities to accumulate surplus funds--a practice especially questionable because the vocational rehabilitation program has been unable to provide services to all handicapped persons who need them.

In addition, the lack of indepth reviews of grants going directly from HEW to rehabilitation facilities has resulted in improper practices with regard to the use of Federal funds.

#### RECOMMENDATIONS

We recommend that the Secretary of HEW direct the Commissioner of RSA to:

- Coordinate with HEW regional offices and/or the HEW Audit Agency to provide for comprehensive financial reviews of the various grants and other funds awarded to rehabilitation facilities.
- Review State policies for paying rehabilitation facilities including how fees are established.
- Provide technical and financial guidance, including training sessions, to help States develop sound financial policies regarding payments to facilities.
- Encourage States to work with facilities in establishing accounting systems so that costs charged to the rehabilitation program are based on the costs of providing services to its clients.

#### AGENCY COMMENTS

HEW concurred in our recommendations and said it planned to take the following actions:

- RSA plans to (1) encourage increased comprehensive financial reviews of various grants and other funding to rehabilitation facilities, (2) issue directives to promote increased RSA regional reviews of rehabilitation facilities, and (3) provide guidelines to State agencies to use in reviews of their contracts or letters of agreement with rehabilitation facilities. RSA plans to request audits from the HEW Audit Agency in those areas that will be most efficient and effective in improving the program of services.
- RSA plans to review existing policies relative to fees paid to rehabilitation facilities by State agencies. RSA policies will encourage State agencies to work with facilities in establishing fees and accounting systems so that charges to State agencies accurately reflect the cost of services provided to clients and enable facilities to certify that the cost of providing such services are not paid for through other resources.

--RSA plans also to provide the State agencies with the necessary technical and financial guidance to carry out the above objectives and to conduct training sessions necessary to insure that they become operational, resulting in the application of sound fiscal policies relative to both the cost of rehabilitation facility services and payments to such facilities.

#### STATE COMMENTS

Four States offered the following comments on our draft report.

##### Kentucky

The Assistant Superintendent of the Bureau of Rehabilitation Services said that the Bureau, with extensive consultation and assistance from the HEW Region IV Office, had recently implemented a forward-funding concept for paying workshops for operating a rehabilitation program. Goals and objectives have been individually and mutually agreed upon in the areas of client slots (evaluation, work adjustment services, and skills training), and the average number of client days necessary. Fees are adjusted monthly according to the cost of the rehabilitation program provided. Quarterly meetings are held at each workshop with Bureau of Rehabilitation Services and workshop staff to review all aspects of the contracted program.

He also stated that a more efficient accounting system had been established for local workshops with the guidance of State and regional RSA officials. Careful attention will be given to insure that similar benefits are used to the fullest extent and that duplicate payments from other programs will not occur. This process will be monitored quarterly by on-site reviews.

##### New Jersey

The Acting Director of the Division of Vocational Rehabilitation Services, Department of Labor and Industry, said that counselors are more service/client-oriented, and therefore often made judgments and decisions from a programmatic viewpoint rather than from an administrative or fiscal viewpoint. The Acting Director also said that the fact that most, if not all, sheltered workshops are small community, non-profit organizations with limited resources had an impact on the counselor's subjective handling of situations discussed in our draft report. He stated that several corrective actions

have been implemented, including a policy on fee payment based on actual attendance.

### New York

The Associate Commissioner for Vocational Rehabilitation expressed concern that the differences in payment methods among the States were not adequately considered. He noted that the State agency pays all facilities after the delivery of client services. He also believes that the Federal and State supported programs of grants do not appear to be duplicative. He stated that monitoring systems are in operation and additional systems will become operative which will permit additional auditing of facilities and other organizations.

He stated that approval of rehabilitation facilities is under the control of the State vocational rehabilitation agency and the facility must meet minimum standards as to staffing, physical facilities, and programing of services. There are definite fee schedules according to category of services. These various items are made available to the field staff so that they may know and utilize approved vendors.

### Ohio

The Administrator of the Ohio Rehabilitation Commission said that the Commission cannot monitor Federal grants to facilities when it has no knowledge of the grants. He stated that a Federal grant involving Commission clients should never be awarded to a rehabilitation facility in Ohio without thorough planning and early involvement with the State agency.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20201

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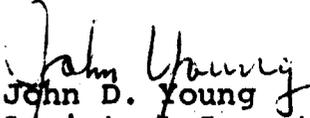
Mr. Gregory J. Ahart  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

The secretary asked that I respond to your request for our comments on your draft report entitled, "Improvements Needed in Control Over Vocational Rehabilitation Training Services." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication

Sincerely yours,

  
John D. Young  
Assistant Secretary, Comptroller

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT ON "IMPROVEMENTS  
IN CONTROLS OVER VOCATIONAL REHABILITATION TRAINING SERVICES"

GAO Recommendations:

That the Commissioner of Rehabilitation Services Administration (RSA):

- arrange for periodic reviews by RSA Regional Office personnel and State rehabilitation agencies of providers of training services.
- insure that State rehabilitation officials devote more time to monitoring training services provided to handicapped persons, and establish better fiscal control over payments to providers of services. The Commissioner should assure that State monitoring is effectively carried out through periodic checks on States' activities.

Department's Comments:

We concur. RSA is developing, in conjunction with the State agencies, better monitoring and control programs on the fiscal and programmatic aspects of client training. RSA Regional Offices will be directed to make annual reviews of the regularity and effectiveness of State agency visits to providers of training, to perform sample reviews of the providers of training to State agencies, and to report their findings and recommendations to the RSA Commissioner.

GAO Recommendations:

That the Commissioner of Rehabilitation Services (RSA) should assist States in:

- developing information systems on approved providers of training services throughout the State. Such a system should include, as a minimum, data on the type and quality of training provided, cost of training, provision of accurate information on client advancement, and total amount paid to providers of services.
- providing guidance and supervision to counselors in the selection of training providers, how to monitor client progress and attendance, and the need to examine cases involving only the payment of bills, such as tuition, carefully.

Department's Comments:

We concur. RSA will assist the States in developing and maintaining an information system on training programs and services used by State agencies in keeping with the recommendations by GAO. In addition, guidelines will be given

the States for the identification and evaluation of required training services and for the necessary supervision of clients in training to insure attendance, progress, and other considerations necessary for successful rehabilitation. The need for rehabilitation will be more carefully monitored among those clients whose only VR purchased service is the payment of tuition. The above actions should result in a more careful selection and evaluation of vendors and increased control over client training factors.

GAO Recommendation:

That the Commissioner of Rehabilitation Services (RSA) should assist States in:

- establishing internal review sections in the vocational rehabilitation agencies in States which do not have them so that they could, among other things, monitor providers of training services.

Department's Comments:

We concur. In those States where none exists, RSA will provide guidelines for the formation and operation of internal review systems (both programmatic and fiscal) to insure the quality and fiscal integrity of rehabilitation training services. Such systems will also be responsible for monitoring providers of training services in those problem areas identified in the GAO report.

GAO Recommendation:

That the Commissioner of Rehabilitation Services (RSA) assist the States in:

- establishing better internal control over expenditures by separating the functions now performed by counselors especially those regarding arranging, paying, and accounting for case service expenditures.

Department's Comments:

We agree in principle with the above recommendation, but its functional effectuation goes beyond the scope and authority of RSA with regard to its immediate implementation. We will, however, in conjunction with the States, study the functional responsibilities of the rehabilitation counselor. In this connection, RSA is currently reviewing preliminary data from a study being done by JWK International Corporation on Provision of Training for Improved Supervisory and Managerial Practices in the State VR Agencies. This report covers the role and function of the counselor. Other studies related to this issue plus extensive consultation with State personnel are now underway and are being addressed. Based on the outcome of the studies, RSA will work closely with State agencies in eliminating problems addressed by the GAO Audit report.

Given the growth of the program, the continuous addition of case service procedures to counselor functioning, an expanding case load of severely disabled persons, and numerous emerging management/case services responsibilities RSA feels, as do the State agencies, that the timing of this review and possible modification of the rehabilitation counselor's function is most appropriate.

GAO Recommendations:

That the Commissioner of Rehabilitation Services (RSA):

- provide policy guidance to the States defining the costs associated with clients' education which the rehabilitation program will pay, how agencies can identify other benefits received by clients, the extent to which information supplied by clients must be verified, and the manner in which similar educational benefits received by clients will be considered in reducing the rehabilitation program's participation in these costs.
- and the Office of Education establish a mutually agreeable method of providing for exchange of information on Office of Education student financial aid for clients of State rehabilitation agencies, taking into consideration legislative provisions which guard persons' rights to privacy.

Department's Comments:

We concur. RSA, with respect to similar benefits, will provide guidelines to the States to assist them in defining costs associated with client education paid by the State agency, how State agencies can better identify other benefits received by clients, how to better verify required client information, and how similar benefits received by clients can be maximally used to reduce program costs.

RSA is already in the process of developing an information system with the Office of Education which will enable rehabilitation counselors to be knowledgeable about educational benefits which are available to their clients through local educational grants officers.

GAO Recommendation:

That the Commissioner of Rehabilitation Services (RSA):

- coordinate with HEW Regional Offices and/or the HEW Internal Audit Agency to provide for comprehensive financial reviews of the various grants and other sources of funding awarded to rehabilitation facilities.

Department's Comments:

We concur with the intent of GAO's recommendation. RSA will encourage increased comprehensive financial reviews of various grants and other funding to rehabilitation facilities. Also, directives will be issued to promote increased RSA Regional reviews of rehabilitation facilities and provide guidelines to State agencies to engage in increased reviews of their contracts or letters of agreement with rehabilitation facilities. The Commissioner will request audits from the HEW Audit Agency in those areas that he believes will be most efficient and effective in improving the program of services.

GAO Recommendations:

That the Commissioner of Rehabilitation Services (RSA):

- review State policies for paying rehabilitation facilities including the fees paid to them and the manner in which they are established.
- provide technical and financial guidance, including training sessions, to assist States in developing sound financial policies with regard to payments to facilities.
- encourage States to work with facilities in establishing accounting systems so that costs charged to the rehabilitation program are based on the costs of providing services to its clients.

Department's Comments:

We concur. The Commissioner of Rehabilitation Services will review existing policies relative to fees paid to rehabilitation facilities by State agencies. RSA policies will encourage State agencies to work with facilities in establishing fees and accounting systems so that charges to State agencies accurately reflect the cost of services provided to clients and enable facilities to certify that the cost of providing such services are not paid for through other resources to the facility.

The Commissioner of RSA will also provide the State agencies with the necessary technical and financial guidance to carry out the above objectives and such training sessions as are necessary to insure that they become operational, resulting in the application of sound fiscal policies relative to both the cost of rehabilitation facility services and payments to such facilities.

Matters for the Consideration by the Congress

If HEW does not revise the Federal Regulations regarding consideration of similar benefits in cases involving business and vocational school training, the Congress should consider amending the Rehabilitation Act of 1973 to specifically define the institutions to be included under the similar benefits provision.

Department Comment:

The VR Regulations, Section 1361.71(b)3, will be amended to include post-secondary business and vocational schools. This amendment to the Regulations and those of the Office of Education will further result in a broadened area in which similar educational benefits can be considered and applied to VR clients.

EXPENDITURES FOR TRAINING SERVICES  
AND NUMBER OF PROVIDERS  
VISITED IN STATES REVIEWED

	<u>Expenditures</u> <u>Fiscal Year 1975</u>				
	<u>California</u>	<u>Kentucky</u>	<u>New Jersey</u>	<u>New York</u>	<u>Ohio</u>
	----- (000 omitted) -----				
College	\$ 2,202	\$1,427	\$1,508	\$ 4,375	\$3,033
Business college	1,114	168	311	1,809	536
Vocational school	4,116	185	891	3,034	2,450
Elementary and high school	40	-	52	27	223
On-the-job	923	230	194	429	319
Personal and vocational adjustment	1,543	915	1,203	7,712	2,474
Miscellaneous	449	44	27	1,473	486
<b>Total</b>	<b><u>\$10,387</u></b>	<b><u>\$2,969</u></b>	<b><u>\$4,186</u></b>	<b><u>\$18,909</u></b>	<b><u>\$9,521</u></b>

	<u>Providers Visited</u>				
	<u>California</u>	<u>Kentucky</u>	<u>New Jersey</u>	<u>New York</u>	<u>Ohio</u>
College	6	4	3	8	1
Business college	8	3	5	6	4
Vocational school	13	7	8	20	16
On-the-job	14	18	1	-	13
Rehabilitation facilities	5	6	5	5	4

PRINCIPAL HEW OFFICIALS RESPONSIBLE FOR  
ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>SECRETARY OF HEALTH, EDUCATION, AND WELFARE:</b>		
Joseph A. Califano, Jr.	Jan. 1977	Present
F. David Mathews	Aug. 1975	Jan. 1977
Caspar W. Weinberger	Feb. 1973	Aug. 1975
Frank C. Carlucci (acting)	Jan. 1973	Feb. 1973
Elliot L. Richardson	June 1970	Jan. 1973
Robert H. Finch	Jan. 1969	June 1970
Wilbur J. Cohen	Mar. 1968	Jan. 1969
John W. Gardner	Aug. 1965	Mar. 1968
 <b>ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE (note a):</b>		
James S. Dwight, Jr.	June 1973	May 1975
Francis D. DeGeorge (acting)	May 1973	June 1973
Philip J. Rutledge (acting)	Feb. 1973	May 1973
John D. Twiname	Mar 1970	Feb. 1973
Mary E. Switzer	Aug. 1967	Mar. 1970
 <b>ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT:</b>		
Arabella Martinez	Jan. 1977	Present
Stanley B. Thomas, Jr.	Aug. 1973	Jan. 1977
Stanley B. Thomas, Jr. (acting)	Apr. 1973	Aug. 1973
 <b>COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION (note b):</b>		
Joseph A. Mottola (acting)	Jan. 1977	Present
Andrew S. Adams	Apr. 1974	Jan. 1977
James R. Burress (acting)	Jan. 1974	Apr. 1974
Corbett Reedy (acting)	Jan. 1973	Jan. 1974
Edward Newman	Oct. 1969	Jan. 1973
Joseph V. Hunt	Apr. 1968	Oct. 1969
Joseph V. Hunt (acting)	Oct. 1967	Apr. 1968
Mary E. Switzer	Dec. 1950	Aug. 1967

a/In February 1975 the Rehabilitation Services Administration was transferred from the Social and Rehabilitation Service to the Office of Human Development, headed by the Assistant Secretary for Human Development.

b/In August 1967 the Vocational Rehabilitation Administration became the Rehabilitation Services Administration.