



**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

**ARIZONA AUDITOR GENERAL**  
**LINDSEY A. PERRY**

**JOSEPH D. MOORE**  
DEPUTY AUDITOR GENERAL

August 29, 2019

The Honorable Rick Gray, Chair  
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair  
Joint Legislative Audit Committee

Dear Senator Gray and Representative Kern:

We have recently completed a 30-month followup of the Arizona Department of Economic Security—Vocational Rehabilitation Services Program regarding the implementation status of the 22 audit recommendations (including subparts of the recommendations) presented in the performance audit report released in January 2017 (Auditor General Report 17-101). As the attached grid indicates:

- 15 have been implemented.
- 5 have been implemented in a different manner.
- 1 is in the process of being implemented.
- 1 has not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the January 2017 performance audit report.

Sincerely,  
Dale Chapman, Director  
Performance Audit Division

cc: Michael Traylor, Director  
Arizona Department of Economic Security

# Arizona Department of Economic Security—Vocational Rehabilitation Services Program

## Auditor General Report 17-101

### 30-Month Follow-Up Report

#### Recommendation

#### Status/Additional Explanation

#### Finding 1: Department should enhance processes for managing rehabilitation service costs and clients' progress

1.1 The Department should continue its efforts to establish specific lower authorization levels for counselors, supervisors, and managers by service categories and move away from blanket authorization levels, such as counselors approving up to \$25,000 for a client's IPE expenditures.

**Implemented in a different manner at 18 months**  
The Department has developed a document that establishes thresholds for services such as a unit or dollar amount per service per case, or a requirement for supervisory approval of the service. According to the Department, all services it provides are included on this document. Additionally, in July 2018, the Department lowered the authorization level for counselors from \$25,000 to \$10,000, and supervisory or manager reviews are required at \$10,000 increments. For example, a counselor can authorize up to \$10,000 in services for a client before a supervisor is required to review the case and approve additional expenditures. Once approved, the counselor can authorize up to an additional \$10,000 in services for a total of \$20,000 before another supervisory review is required. According to the Department, this provides an appropriate level of review without increasing client wait times for services.

1.2 To better monitor case costs and the time that clients spend in the Program, the Department should:

a. Analyze its rehabilitation services expenditure data to establish reasonable expenditure levels for the life of a case or expenditure levels at which a more detailed review of the case is required;

**Implemented in a different manner at 30 months**  
Although the Department has not established a reasonable expenditure limit for the life of a case, it has developed a document that establishes thresholds for services such as a unit or dollar amount per service per case, or a requirement for supervisory approval of the service (see explanation for Recommendation 1.1). Additionally, it has developed a monthly report that lists all cases with client service expenditures exceeding \$5,000 and has developed a process for conducting a more detailed review of cases appearing on this report that reach specific expenditure levels. As of August 2019, this process requires managers and counselors to review on a quarterly basis all cases with expenditures exceeding \$250,000 and provide department management with the following information about each case: the actions taken to date, next steps, anticipated closure date, and additional comments from the manager's review of the case. According to the Department, it plans to decrease the expenditure level at which cases are reviewed to \$200,000 by September 2019 and \$100,000 by September 2020.

## Recommendation

## Status/Additional Explanation

- b. Analyze its program data to establish reasonable time limits for the case to receive services and exit the Program or time frames at which a more detailed review of the case is required; and

**Implemented in a different manner at 30 months**  
Although the Department has not established a reasonable time limit for the life of a case, it has developed a document that establishes thresholds for services such as a unit or dollar amount per service per case, or a requirement for supervisory approval of the service (see explanation for Recommendation 1.1). Additionally, it began a review of cases with an emphasis on the length of time a case is open. Specifically, the Department is reviewing cases that have been receiving services for more than 10 years. It will then review cases that have been receiving services for 9 years, and so on, with the goal of beginning a review of cases that have been receiving services for more than 3 years by October 2020.

- c. Include the reasonable expenditure and time limits within its written guidance and add a reference to this guidance in the VR manual.

**Implemented in a different manner at 30 months**  
The Department has included information on its review limits and directed staff to follow the established expenditure and time limits within its VR manual. See explanations for Recommendations 1.2a and 1.2b.

- 
- 1.3 Once the Department has established its reasonable expenditure and time limits for cases, it should:

- a. Develop and implement management reports that will allow the Department to monitor where its cases are relative to the expenditure levels and time limits; and
- b. Establish a specific process supported by appropriate procedures for using these management reports, including how frequently to generate the reports, who should review the information, and what actions to take based on the results.

**Implemented at 30 months**

**Implemented at 30 months**

- 
- 1.4 To better manage program costs and help serve its clients, the Department should continue to review case costs and should establish a specific process for periodically analyzing its data, including the types of data to analyze, the frequency of the analyses, who to report the information to, and what type of actions to take in response to the analyses.

**Implemented at 18 months**

- 
- 1.5 To improve the guidance for counselors on conducting assessments, the Department should add references to the applicable VR manual chapters as well as incorporate into or include a reference to the guidance from its training on eligibility.

**Implemented in a different manner at 30 months**  
In September 2018, the Department added references within the VR manual to other applicable chapters for conducting assessments. According to the Department, it will not add any references in its VR manual to training materials because the training content may be modified and would not provide comprehensive information on conducting assessments. However, the Department has included links to its trainings and the VR manual on its internal website.

Recommendation	Status/Additional Explanation
<p>1.6 To help ensure counselors thoroughly research and adequately document their efforts to identify comparable benefits, the Department should:</p> <ul style="list-style-type: none"> <li>a. Revise its policies in the VR manual to include more examples of comparable benefits;</li> <li>b. Develop and implement a policy to require counselors to search for comparable benefits more frequently, such as when additional services are added to an IPE;</li> <li>c. Develop and implement a policy within the VR manual requiring counselors to use the Department's template and/or continue its efforts to develop a new method to document the search for and outcome of comparable benefits;</li> <li>d. Modify the template and/or develop the new method to capture the specific information regarding comparable benefits, such as what was done to search for comparable benefits along with any justification for not using such benefits;</li> <li>e. Develop and implement procedures regarding how to use the template and/or the new method; and</li> <li>f. Include these procedures in the VR manual.</li> </ul>	<p><b>Implemented at 6 months</b></p> <p><b>Implemented at 30 months</b></p> <p><b>Implemented at 30 months</b></p> <p><b>Implemented at 6 months</b></p> <p><b>Implemented at 30 months</b></p> <p><b>Implemented at 18 months</b></p>
<p>1.7 The Department should revise its VR manual on intermediate objectives by including examples and additional guidance, or references to the material covered in its staff training or other guidance documents, including how detailed the intermediate objectives should be written, what they are intended to cover, and the order in which they need to be accomplished.</p>	<p><b>Implemented at 6 months</b></p>
<p>1.8 To help better monitor its costs, the Department should develop and implement additional guidance in the VR manual for educational and vocational training by:</p> <ul style="list-style-type: none"> <li>a. Requiring supervisory approval for clients pursuing educational or vocational training;</li> </ul>	<p><b>Not implemented</b></p> <p>As reported in the 18-month followup, according to the Department, it does not plan to revise its VR manual to require supervisory approval for clients pursuing educational or vocational training. However, the Department stated that it believes implementing Recommendations 1.1, 1.2a, 1.2b, and 1.3 will fulfill this recommendation without adding an administrative burden.</p>

**Recommendation****Status/Additional Explanation**

b. Enhancing its guidance within the VR manual to define how satisfactory progress in an educational or vocational training program will be determined, such as through a specific grade point average, and require that the client's IPE include the specific ways that the Department will monitor this progress; and

**Implemented at 30 months**

c. Developing additional policies and procedures surrounding the purchasing of related equipment and supplies, such as leasing equipment or purchasing used textbooks.

**Implemented at 30 months**

---

1.9 To help ensure counselors and supervisors are trained, the Department should continue to revise its training and develop and implement additional staff training by:

a. Developing and implementing supervisory training that focuses on the supervisors' role in helping staff meet program requirements and covers any monitoring changes made to the Department's policies and procedures resulting from this audit, such as reviewing and using its management reports to actively monitor case cost and length of time in the Program;

**Implemented at 18 months**

b. Continuing its efforts to revise its remaining ten initial staff training core classes;

**Implemented at 18 months**

c. Developing additional trainings to cover any changes made to the Department's policies and procedures or oversight processes resulting from this audit; and

**Implemented at 30 months**

d. Ensuring that all staff are provided with these trainings.

**Implementation in process**

According to the Department, it has developed a quarterly report for supervisors and managers to use to track staff completion of core classes. We reviewed the report and found that although some staff have completed core training classes, other staff began training in 2017 and have not yet finished the core training classes. Therefore, the Department has not ensured that all staff are provided with the core training classes.