

***CHANGES AND IMPACT
OF THE MOVE OF THE
DIVISION OF SERVICES
TO THE DEAF AND
HARD OF HEARING TO
THE GOVERNANCE OF
THE DEPARTMENT OF
WORKFORCE SERVICES***

Task Force Report

March 2018

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Scope & Purpose, Members & Definitions

Scope and Purpose:

The Task Force will review the impact of the move of the Division of Services to the Deaf & Hard of Hearing to the auspices of the Department of Workforce Services. The review will include the impact to the Division of Services to the Deaf & Hard of Hearing programs, services, employees and patrons. The Task Force will make recommendations based on those findings.

While the Task Force recognizes that the other programs of the Utah Office of Rehabilitation may have also been impacted by the move, this task force was not commissioned to review those programs nor make recommendations regarding any program other than the Division of Services to the Deaf & Hard of Hearing.

Task Force Members:

Dawn Duran

Jodi Becker Kinner

Dr. Dan Hoffman

Joene Nicolaisen

Marilyn Call

UAD Board

Definitions: Task Force: References made to the “Task Force” refer only to the task force reviewing the impact of the move of Division of Services to the Deaf and Hard of Hearing to the governance of the Department of Workforce Services.

Acronyms:

- SCCDHH: Sanderson Community Center of the Deaf & Hard of Hearing
- SUDHHP: Southern Utah Deaf and Hard of Hearing Programs
- DSDHH: Division of Services to the Deaf and Hard of Hearing
- DWS: Department of Workforce Services
- USOR: Utah State Office of Rehabilitation
- UAD: Utah Association of the Deaf
- USOE: Utah State Office of Education
- USBE: Utah State Board of Education
- VR: Vocational Rehabilitation

History & Background

Division of Services to the Deaf and Hard of Hearing Mission Statement:

A community for the Deaf, Hard of Hearing, Deaf-Blind and their families: Promoting connections, awareness and equity, while inspiring greatness.

The Sanderson Community Center for the Deaf & Hard of Hearing (SCCDHH) is a centralized location where members of the community can meet and access services without barriers. It is a community center with a rich history and is the product of the community's long, hard fight for accessibility. The original intent, when envisioned in 1962, was to provide a place for the deaf & hard of hearing to receive comprehensive social services and to interact without language barriers. The Sanderson Center has met the expectations of that vision and currently provides case management, community education & events, employment services and interpreter certification programs. The programs expanded statewide in 2004 when granted funds to open a satellite office in St. George, Southern Utah Deaf and Hard of Hearing Programs (SUDHHP). DSDHH been so successful that it has become a model to other states, and has even been toured by visitors from other countries seeking to develop similar centers as well, including Japan, Peru, Belarus and Belgium. *(See Appendix A for more history information)*

DSDHH was a division of the Utah State Office of Rehabilitation (USOR), and was housed under the governance of the Utah State Board of Education (BOE). Vocational Rehabilitation (VR) was also a division of USOR and housed under the governance of the BOE. In 2008, VR begin facing difficulties managing its budget. By 2014, they were running with a \$4.9 million deficit. This monetary crisis triggered an audit of USOR as a whole.

In 2015, the Office of the Utah State Office Auditor released its report *(See Appendix C)* to the legislature of a performance audit of USOR's budget and governance. It was recommended that USOR be moved to the purview of DWS. That recommendation was passed by the legislature via HB325 and became effective on Oct 1, 2016. Because the legislature deemed that USOR be housed under DWS and because USOR governs DSDHH, DSDHH was moved at that same time with all other divisions of USOR.

It is noted that the recommendation in the audit report to make this move included a caveat that DSDHH may be one division not suited for the move.

Not all of USOR's divisions focus on employment. Rehabilitation Services and the Division for the Blind and Visually Impaired are predominantly employment focused, while the Disability Determination Services and Division of Services for the Deaf and Hard of Hearing have other focuses. All divisions are not required to be under the same departmental governance. (A Performance Audit of USOR's Budget and Governance, Report to the Utah Legislature Number 2015-10, September 8, 2015, Page 41, Footnote 3)

Recognizing that the move could have an impact on the patrons, services and employees of the DSDHH, the Utah Association of the Deaf (UAD) commissioned the Task Force to review the impact of the move and to make recommendations if the Task Force found any negative impact. In this effort, the Task Force met with and interviewed a variety of DSDHH patrons, DSDHH staff, DWS staff and agencies that collaborate with DSDHH. This report encompasses the data collected by the Task Force as well as their recommendations.

Summary of Findings

The move of DSDHH to DWS was a result of the financial crisis created within USOR by the financial practices of VR. The audit of USOR did not name DSDHH as a division who had been mishandling funds. However, because VR and DSDHH were both governed by USOR under the auspices of the BOE, and because USOR as a whole was moved to DWS, all divisions are now governed by DWS. Therefore, DSDHH is experiencing the punitive impact of VR's mishandling of funds.

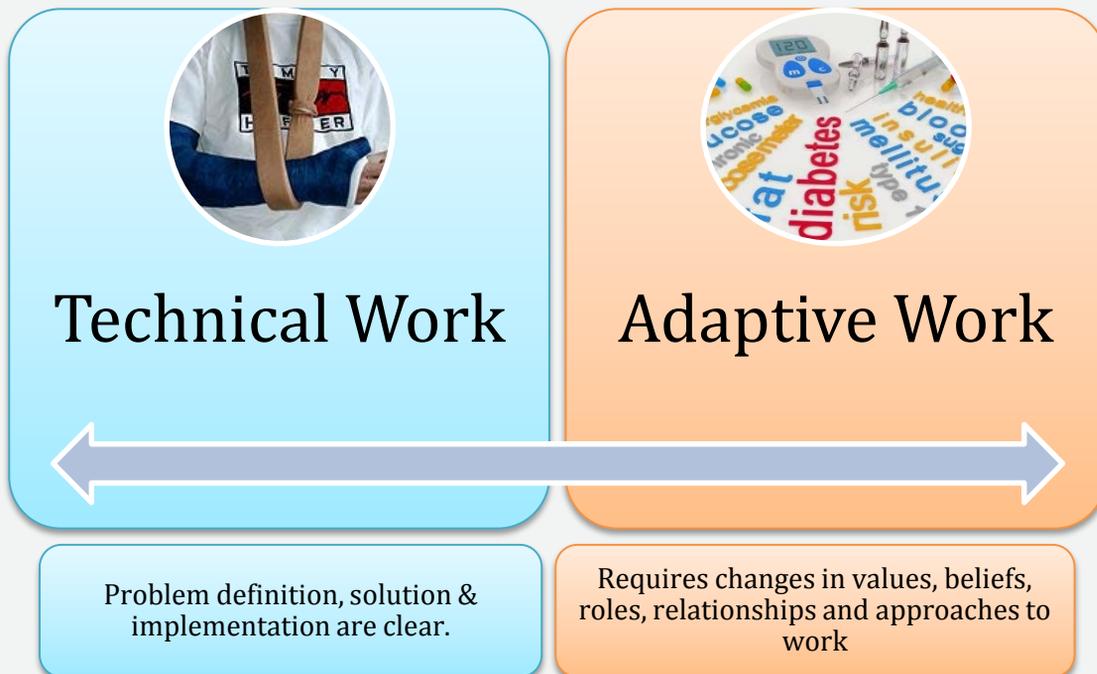
Moving from the BOE to DWS has impacted the quality of services, patrons and employees of DSDHH. The structure and operations of DWS vary widely from the structure and operations of BOE upon which this thriving division was founded. DSDHH initially started with 7 staff members and has grown to over 30 full time staff members between the two locations. The programs of DSDHH now include case management services, educational and community events, outreach and technology services, employment services, specialized services for the hard of hearing community and sign language interpreter certification and enforcement. This kind of growth reflects a division flourishing in its services to an oppressed, underserved population. It is clear that the success of the DSDHH since its founding and the lack of any negative audit findings as a result of DSDHH operations confirms that the only reason DSDHH is saddled with the impact of such a move is that they were housed alongside VR under USOR.

It is not the position of the Task Force that DWS has developed or implemented punitive policies or procedures, but that because the mission and purpose of DWS is limited in scope to employment as a part of the governor's cabinet, it creates barriers in achieving the mission and goals of DSDHH which extend beyond the goal of employment.

General Finding

The transition to DWS included many technical changes but needed more adaptive changes to understand and adjust to the culture, services and mission of DSDHH.

When the legislature passed HB325, a transition plan (*see appendix D*) was put into effect. As part of that transition plan, 5 public input sessions were held to allow for feedback on the transition plan. Additionally, a transition website was created (www.jobs.utah.gov/usortransition). Updates and progress were consistently posted to the transition website. After the transition to DWS governance, it continued to require significant time to implement all of the policies and procedures necessary to complete the transition. These changes were largely technical work as opposed to adaptive work. It is the opinion of the Task Force that the technical changes required in the transition were significant and became the focus of the move rather than including adaptive changes.



Most work is a combination of both. A common failure is treating an adaptive challenge with a technical solution.

Technical work is external and operational in nature. It includes identifying specific problems and creating solutions and clear implementation of those solutions. Adaptive work is internal and cultural in nature. It includes adjusting values, beliefs, roles and approaches. For example, if someone breaks their arm, they can go to a hospital for an x-ray, get a cast and have it removed when the bone is healed. That external treatment resolves the problem. If someone is diagnosed with diabetes, they may receive a prescription for medication, but also have to adjust diet and exercise to treat the problem. The internal adjustment of lifestyle is required to treat the problem.

While DWS went to great lengths to institute a smooth transition, the implementation was technical and did not address the underlying adaptive work.

SUMMARY TOPICS

Below is a summary topics mentioned during interviews. Expanded explanations follow this summary.

- 1. IDENTITY:** There has been a loss of identity as an agency serving multiple needs of an oppressed community of individuals.
- 2. MISALIGNMENT IN MISSION & VALUES:** Both DSDHH and DWS serve the people and purpose of its design, the services, mission and goals of each agency do not align or support each other except in a very narrow area.
- 3. COMMUNICATION and AUTHORIZATIONS:** DWS is a large department trying to support a very small agency and the extensive channels of communication are often time consuming, increases barriers and leads to information being lost or misinterpreted.
- 4. OPERATIONS & ACCESSIBILITY:** DWS's operations and services focuses on their consumer and employees' needs related to employment and benefits. However, DSDHH's operations and services focuses on many aspects of patrons' and employees' lives such as case management, educational and community events, outreach and technology services and more.
- 5. POLICY & PROCEDURE:** Many policies in place serve the needs of DWS based on their agency culture, services and consumers but do not meet the needs of DSDHH based on their culture, services & consumers.
- 6. MORALE:** Overall the morale of patrons and staff working at, and collaborating with DSDHH is very low.

1. IDENTITY

There has been a loss of identity as an agency serving multiple needs of an oppressed community of individuals

DSDHH serves a population with common values, language, traditions and service needs. It is a sanctuary for the community. It is the place where Deaf, Deaf-Blind and Hard of Hearing individuals can access services without barriers to communication, services and education while improving their quality of life. The community as a whole recognizes DSDHH as their beacon to ensure they have not only access to information, but a voice in the larger community. It is recognized as the authority for information and services to the Deaf, Deaf-Blind and Hard of Hearing population, help community members advocate for themselves as well as serving as the educator for the local mainstream population. The identity of DSDHH has slowly eroded within the community because they are now such a small part of a vast department (DWS). This has been recognized in the requirement of the DWS logo being displayed alongside the DSDHH logo and changes in the promotional materials and newsletter. DSDHH is a place of equity. Its identity is important as a haven for individuals to have an equal experience not just access (such as to an interpreter or transcription). This is a place where the everyday discrimination experienced by the community is minimal or none and should hold its identity as such.

2. MISALIGNMENT IN MISSION & VALUES

Both DSDHH and DWS serve the people and purpose of its design, the services, mission and goals of each agency do not align or support each other except in a very narrow area.

DWS	DSDHH
Mission Statements	
We strengthen Utah's economy by supporting the economic stability and quality of our workforce.	A community for the Deaf, Hard of Hearing, Deaf-Blind and their families: Promoting connections, awareness and equity, while inspiring greatness.
Vision Statement	
We are preparing our customers to prosper now and as the workforce of the future.	Our vision is to provide a safe place with full communication where every Deaf, Hard of Hearing and Deafblind person is embraced by their community and supported to grow their full potential.

DWS and USOR are established and designed as a government entity to provide resources and supports for the citizens of Utah to develop economic independence. DSDHH is a multi-purpose service and community center. Their mission includes employment, but only as one aspect. It incorporates multiple facets outside the employment specialty.

DSDHH is not an agency focused solely on employment. The array of services provided include education, social services, interpreter certification, and community outreach as well as employment. All of these services are a variation to the services provided by DWS and creates conflict in understanding identity as well as impacting the functionality within the established DWS policies.

DSDHH serves consumers in three areas:

Community Center: A community center is a place where people from a particular community can meet for social, educational, recreational, or cultural experiences. Individuals who are deaf, hard of hearing, or deaf/blind are part of an oppressed minority group with similar cultural, traditions, values and needs that are best met by a collective group of resources that includes, but extends beyond, economic opportunity.

Social Services: Includes case management, employment, hard of hearing adjustment services and technology support.

Utah Interpreter Certification Program (UIP): Tests and certifies professional American Sign Language interpreters.

The policies and procedures of DWS are appropriately set to manage the goal of employment and economic stability. They are not set to manage the goals of providing consumers with experiences in other areas.

The mission and values of DWS are not inappropriate for the agency they serve, they just do not speak to the population and services of DSDHH.

3. COMMUNICATION and AUTHORIZATIONS

DWS is a large department trying to support a very small agency and the extensive channels of communication are often time consuming and lead to information being lost or misinterpreted.

Previously, the Director of DSDHH was able to make immediate decisions regarding the needs of the patrons, services and employees of the agency. The channels required under DWS are much more extensive because of the large size of DWS and the increased supervision required under DWS.

For example, DSDHH plans events and activities well in advance but experience extensive wait times for approval. Because of those extensive wait times, implementation often approved just before the event creating increased stress and work for DSDHH staff.

Another example shared with the Task Force is in regards to policy & procedure. Staff report that they must contact multiple people, often all of whom provide different answers regarding policies & procedures, making it difficult for staff to determine what is actually the correct policy/procedure. When there are errors due to which policy/procedure to follow, staff report feeling it reflects poorly on their job performance.

4. OPERATIONS & ACCESSIBILITY

The operations of DWS serve the needs of the provision of services to their consumers and employees but do not serve the needs of the services of the employees and consumers of DSDHH which provides services beyond employment.

The staff of DSDHH are part of the unique community it serves. They specialize in meeting the needs of those patrons. As members of the Deaf, Deaf-Blind or Hard of Hearing community themselves, they are the experts in approaching their work. While DWS administration seeks to understand their needs, they are not equally qualified to determine the approach and mechanisms to serve the patrons of DSDHH.

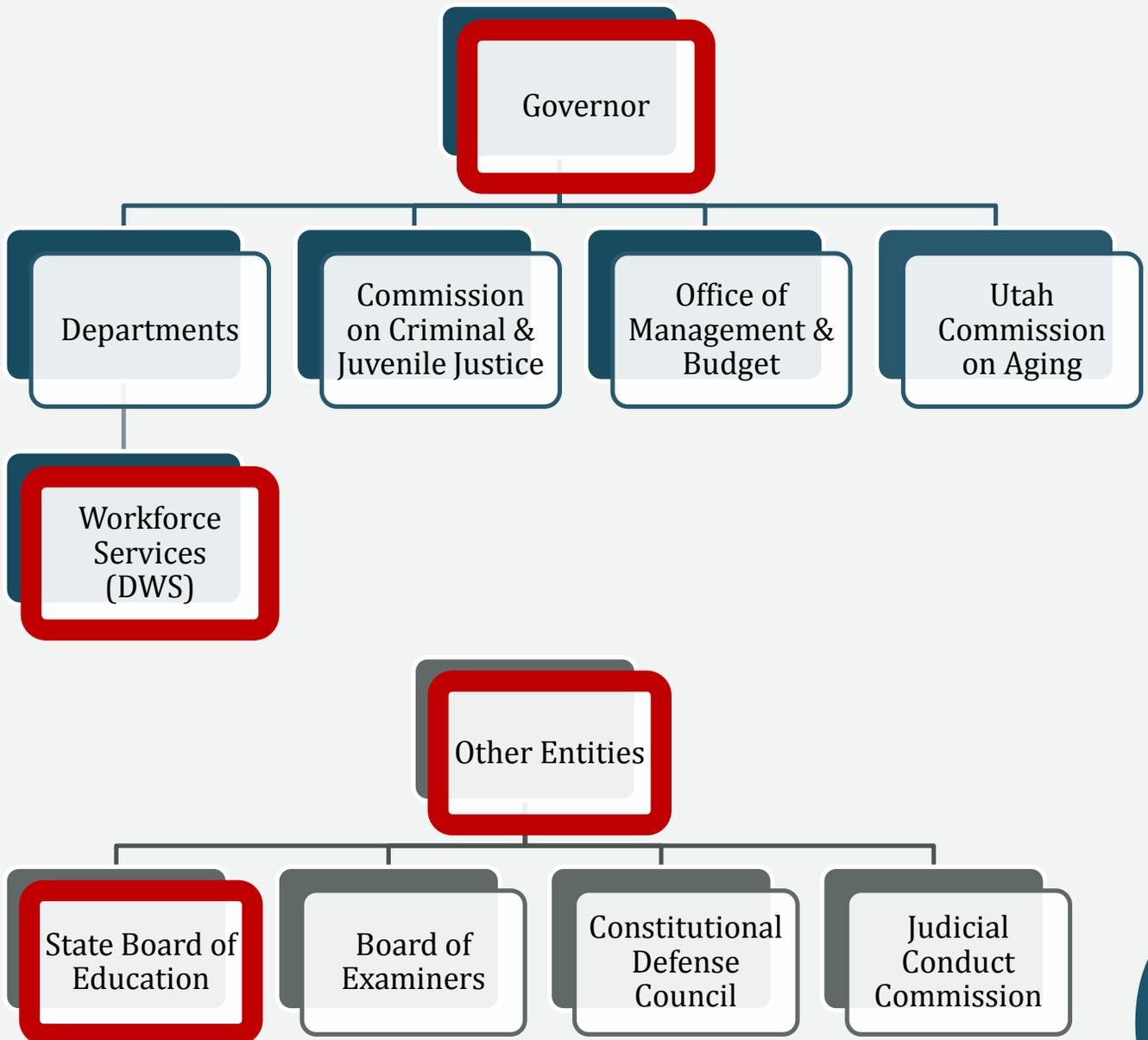
For example, DSDHH staff have been questioned on requested accommodations. Some meetings require accommodations in multiple formats (CART, ASL interpreters & tactile interpreters). Because DWS administration is less familiar with the varied needs of the community, they lack understanding regarding the need for one, two or all three of these accommodations.

Another example is the response to DSDHH promotional materials. The staff at DSDHH recognize that ASL is a visual language and that staff and patrons access information via visual materials more readily and clearly. Therefore, they include more visual aids and videos to create accessibility than DWS who operates widely on written English. Additionally, they have been questioned about social media posts such as a post regarding audism which specifically addresses the oppression of the community they serve. Because DWS operations require that their PR department (who are not experts in the community) supervise and monitor all materials created by the staff (who are the experts) it has created friction in how DSDHH disseminates information.

5. POLICY & PROCEDURE

Many policies in place serve the needs of DWS based on their agency culture, services and consumers but do not meet the needs of DSDHH based on their culture, services & consumers.

Changes in the organizational chart of USOR created an entirely different set of policies and procedures. DWS is part of the Governor's Executive Branch while the State Board of Education is listed as "Other Entities". (See simplified organizational charts below)



DWS is part of the governor's cabinet. Because of that, they must follow some very specific policies set forth for all departments of the executive branch. Prior to the move, DSDHH was part of the BOE and fell under "Other Entities" in the state government organizational chart. Though those under "Other Entities" do have some policies that parallel those of departments in the governor's cabinet, not all of them do. Therefore, when the move was made to DWS, many policies and procedures were enforced because DSDHH is now under the governor's cabinet. It created the perception that DWS instituted these policies when they were actually largely following the policies they are required to follow. However, DWS does appear to have many policies that have been instituted in addition to those mandated by all departments and those have not been reviewed to determine if they are functional, appropriate and efficient for DSDHH as a new division under the DWS purview.

For example, the policy regarding the use of computers. Because ASL is a visual language, it is more effective for staff to be able to work jointly with clients when accessing information online. However, policy dictates that staff computers can be used by staff only. Therefore, in an appointment, staff can't sit with client and access pertinent information together. This policy severely limits efforts to decrease language barriers.

Another example is the loss of a direct voice with the legislature. DWS policy requires that their legislative committee address any legislative issues. Therefore, DSDHH lost the opportunity to directly educate legislators regarding the needs of the deaf and hard of hearing communities. It is the opinion of the Task Force that the staff of DSDHH are part of the larger community impacted and should be the leaders in educating the legislature about their own needs.

6. MORALE

Overall the morale of the staff working at, and collaborating with DSDHH is very low.

Many staff report that strong feelings of stress and tension are impeding their work. Additionally, many feel they are being punished for the financial mistakes of VR when DSDHH did not play a role in the financial crisis.

It was noted that due to constant need to explain and justify the operations of DSDHH, some staff are experiencing fatigue trying to increase the cultural competency of a department as large as DWS.

Recommendations

The Task Force reviewed all information gathered and has included below a list of recommendations with an eye towards improving a positive outcome for both DWS and for DSDHH. Section one includes a recommendation if it is determined that a change in governance is deemed appropriate. Section two includes recommendations if it is deemed that DSDHH continue under the governance of DWS.

Section One: If a change in governance is determined appropriate:

Recommendation:

DSDHH should be returned to the governance of USBE as a companion agency to USDB operating in tandem with USDB.

The mission statement of USDB is in alignment with that of DSDHH. See mission statements below:

Mission Statements	
USDB	DSDHH
The mission of USDB is to educate students who are Deaf, Blind, or Deaf-Blind and to provide resources and enrichment activities for them and for their families (so they can achieve their full academic, social, and career potential).	A community for the Deaf, Hard of Hearing, Deaf-Blind and their families: Promoting connections, awareness and equity, while inspiring greatness.

The USBE, established as an “other entity” already has policies and processes in place to adapt to the needs of the deaf and hard of hearing community. DWS, under the governor’s cabinet does not have a history of addressing those same issues in policy.

USDB serves families and individuals from birth-21. DSDHH is the natural partner to serve those families and individuals in an ongoing capacity to ensure services from cradle to grave. This structure would streamline services to families and individuals with hearing loss, and provide joint advocacy on bills impacting deaf education as well as the community at large.

USDB has a mentoring program until the child reaches the age of 3. DSDHH is the likely option for mentoring throughout childhood, and into adulthood. DSDHH can provide supports to USDB’s transition program as a place to teach students about available post-education services and programs.

The DSDHH strategic plan (*see appendix B*) includes items specific to that goal stating the following:

PARENT ADVOCACY/SUPPORT

Equitable Information: Provide parents with children who have hearing loss with equitable information for communication options (oral, signing, etc.).

Family Programs: Develop more programs for families with Deaf, Hard of Hearing and Deaf-Blind children.

USBE's strategic plan includes

Educational Equity: The Utah State Board of Education will set the general statewide conditions in which each student can excel, including equity of educational opportunities and culturally responsive practices to promote each student's academic success and well-being. Resources and Board policies and practices will be aligned to high expectations and successful outcomes for each student.

Quality Learning: The Utah State Board of Education will place focus on intended learning outcomes as a key to high student achievement with the understanding that high quality instruction is central to that ideal.

System Values: The Utah State Board of Education will set the conditions and systems for student success by working with, understanding, and listening to stakeholders on every level on practices, strategies, resources, and policies that will lead to continued and even greater efficiencies and improvements in student outcomes.

The inclusion of culturally responsive practices and equity align with the overall mission and strategic plan of DSDHH. The system values of USBE include working with, understanding and listening to stakeholders. The staff and patrons of DSDHH are members of the stakeholder community.

Additionally, DSDHH and USDB have shared cultural and oppression issues as well as language needs and have a joint ability to navigate and resolve issues of oppression and accessibility.

Jointly USDB and DSDHH have the expertise and ability to advocate and educate for the needs based on growth. DSDHH maintains statistics based on growth of the Deaf and Hard of Hearing population. As experts in serving the deaf and hard of hearing community, they can educate legislators regarding those needs.

Furthermore, because of decreased size of USBE in comparison to DWS, there will be fewer layers required to process requests and obtain required approval for programs and events.

DSDHH is already familiar with USOE policies and procedures. A transition back to their governance would be less difficult, save money and save time in re-educating people DSDHH work with than a transition to any other location.

Section Two: If a change in governance is determined not to be appropriate:

If a change in governance is not determined appropriate (DSDHH remains under DWS), the Task Force has identified the following recommendations:

1. Establish a liaison/advocate to work directly with the DWS administration in addressing staff concerns.

Many staff questions and concerns could be addressed more quickly and efficiently if a liaison is established. It is our recommendation that the bylaws of the DSDHH Advisory Council (AC) be amended to include the authority to make recommendations to DWS administration regarding DSDHH staff and their concerns and questions. Staff could send those questions and concerns to the chair of the AC who could submit them anonymously to the entire AC or his/her designee. The AC could make recommendations to address those concerns. This process would provide an outside, non-state employee entity to provide a more neutral recommendation.

2. Establish an Inclusion Committee.

Because DWS now governs an agency who are part of a minority community and serve that same minority community, specific efforts must be made to address the inclusion of those staff and patrons. We recommend the following be a part of that inclusion committee:

- a. The committee members should include a representative of various minority groups including deaf, hard of hearing, persons with disabilities, persons of color etc.
- b. The committee should develop and implement curriculum specific to sensitivity and cultural issues of both employees and consumers.
- c. Committee members should be invited to participate in other committees as requested to ensure cultural diversity in interview and hiring.
- d. The committee should develop a strategic plan for outreach to minority and oppressed groups who may benefit from their services.
- e. The committee should develop strategic plans to collaborate and partner with other entities in serving specialized needs of underserved populations.

3. Establish an ad hoc committee or task force for policy review and adaptations.

The Task Force recommends the following charge for the committee:

- a. Review current policy and procedure.
- b. Identify those policies governed by Utah law or rule that are not easily adapted and those established by DWS only that are more easily adapted.
- c. Make recommendations for caveats to those policies and procedures that currently do not meet the needs of the DSDHH services as commissioned by the legislature.

4. Institute joint training for both DWS and DSDHH together about structural changes, and ways to address adaptive changes.

The Task force recommends a facilitator with expertise in deaf culture. A facilitator with this expertise would be best selected by the DSDHH staff, however the Task Force does have suggestions that can be made to DSDHH and DWS if needed.

Develop a joint plan for addressing adaptive changes as part of the above mentioned training.

5. Restore DSDHH authority to work directly with legislature.

The bylaws of the Advisory Council include “Make recommendations to the Division regarding legislative issues and budgetary proposals for maintaining, improving or expanding the services and programs of the Division.” The Assistant director of DSDHH should be empowered to bring those recommendations to members of the legislature as recommended by the advisory council. Those educating the legislators should represent their constituents.

6. Restore the Assistant Director’s ability to manage the DSDHH budget.

Some funding needs are specific to the needs of the population being served. The Assistant Director should be given a more active role in determining not only how to allocate funds, but to request funds from the legislature when needs are not being met.

7. Reduce the amount of time required to process approvals via a chain of command by instituting a timeline.

Because DWS has a more layered chain of command, the time to received required approval for programs and events takes an extensive period of time. Staff should have a clear indicator of long to expect a response to those requests. We recommend that a communication policy a specific number of days for a response. If that response is not received within that time period, staff should be able to immediately contact the next person in the chain of command. For example if a response is not promptly given within 3 business days the requester could contact the next person in the chain of command.

Appendixes

APPENDIX A
***History of the Sanderson Center of the
Deaf & Hard of Hearing***

Appendix A

History of the Sanderson Center of the Deaf & Hard of Hearing

The following historical information was taken from the website “Utah Deaf History & Culture” located at <http://www.utahdeafhistory.com/robert-g-sanderson-community-center.html>. It was compiled and written by Jodi Becker Kinner and edited by Valerie G. Kinney in 2012.

1946 - Dr. Robert G. Sanderson wrote of his memory in his “A Brief History of the Origins of the Robert G. Sanderson Community Center of the Deaf and Hard of Hearing” book that the idea of having a meeting place for the deaf first surfaced at the Utah Association of the Deaf convention in 1946 (Sanderson, 2004). For years, the Utah Deaf community gathered for socials, parties, athletic events, and such. While gathering, they always asked, “Why do we have to go begging for time and space?” They had to take whatever time was available, not necessarily the time, date and place they wanted. They rented a hotel ballroom, an auditorium from a local utility, the gymnasium at the Utah Schools for the Deaf and the Blind, and Murray A. Allen Center for the Blind (Sanderson, 2004).

1960s - While all things going on at the national level regarding Vocational Rehabilitation Administration and Office of Captioned Films for the deaf, deaf Utahns organized a lobbying effort to get rehabilitation services for deaf Utahns. Several Deaf Utahns, encouraged by national developments and obvious local needs, became activists. Among the activists at that time were officers of the Utah Association of the Deaf, Dr. Robert G. Sanderson, Eugene W. Petersen, and G. Leon Curtis (Sanderson, 2004).

1962 - The proposal for the Services to the Deaf Adults came from Utah Association of the Deaf officers and its members. In 1962, tentative efforts were begun by the three officers, Dr. Sanderson, Mr. Peterson and Mr. Curtis, to establish an office that would serve deaf people of the state on a full-time basis. They were concerned about inaccessibility of services to deaf adults. Their goal was for the State of Utah to provide more adequate social services for them. It was nearly impossible for deaf adults to access necessary and available services because of communication barriers (UAD Bulletin, Winter 1965). Deaf leaders proposed that Services to the Adult Deaf for the State of Utah be formed under the direction of the Division of Vocational Rehabilitation and suggested that the personnel divide its time between vocational rehabilitation and straight social services designed to meet the needs of deaf adults (UAD Bulletin, Spring 1965). Dr. Sanderson, Mr. Petersen and Mr. Curtis came up with the idea of approaching the Salt Lake Area United Fund for assistance in establishing services for Deaf (Sanderson, 2004).

1963 - The United Fund people were highly interested in the problems described by the deaf leaders, so they referred the matter to its coordinating agency, the Community Services Council, for further study. The referral was adopted as a project by the Community Services Council in March, 1963. A committee of the Community Services Council was assigned to study all the community agencies to see whether any of them could provide the needed services (UAD Bulletin, Fall 1963). After the study, it became clear that effective services for deaf people could best be established within the Division of Vocational Rehabilitation (UAD Bulletin, Winter 1965).

1965 - The Community Services Council Committee focused on working with the Utah legislature to secure funding for the services to be provided under Office of Rehabilitation Services. During the 1965 Utah State Legislature session, several UAD officers and some members sacrificed several days' pay to go with UAD President, G. Leon Curtis, to the Capitol for talks with Governor Calvin L. Rampton, to secure his support for funding, and to lobby the 1965 legislature. However, the Legislative Budget Committee had excess funding requests, which affected the inability for the state to finance all requests. The committee had to make some cuts and the appropriation for services for the deaf was eliminated (UAD Bulletin, Spring 1965). UAD did not give up. They did intensive campaigning to persuade the legislature that these funds should be reinstated and successfully secured funding. It was a long, hard pull that led to the United Fund, the Community Services Council and finally to the State Legislature.

When funds became available on July 30, 1965, the Utah Merit System Council announced the opening of a new position: Coordinator, Services to the Adult Deaf, in the Department of Public Instruction. On November 15, 1965, Dr. Robert G. Sanderson was appointed as the first state coordinator of services to deaf people in the United States. While working in this position, he led advocacy efforts to establish a community center that the deaf could call their own, and developed a specialized rehabilitation unit for the deaf and hard of hearing.

1975 - While working for the Office of Rehabilitation Services, Dr. Sanderson still had a vision of a community center for the deaf and spearheaded the drive for it. For several years, he persisted in engaging in-depth discussions with deaf and hearing community leaders on what a community center of the deaf should be and what services it should encompass. Dr. Sanderson's hard work finally paid off in June 1975 when the first actual spark that set in motion plans for a community center came about, similar to the Murray B. Allen Center for the Blind and Visually Impaired (Sanderson, 2004).

A committee was established to study the feasibility and desirability of providing a community center for the deaf in the State of Utah. Dr. Sanderson was appointed as chairman. Five deaf members, David Mortensen, Lloyd Perkins, Dora Laramie, and Ned C. Wheeler joined the committee (UAD Bulletin, December 1975; Sanderson, 2004). A forty-seven-page feasibility report of the study with recommendations was completed on December 1, 1975. Governor Calvin L. Rampton along with local organizations wrote a letter to Dr. Sanderson in support of this concept of a community center of the deaf (Sanderson, 2004).

1977 - Through the 1977 legislative process, a bill finally made through the various legislative committees. At the close of the official legislature at twelve midnight in February of 1977, Governor Rampton was about to sign the bill, but he noticed that the word, “deaf” was replaced with “blind” by mistake! Since it was past midnight closing of the legislature, he could not fix it (Sanderson, 2004). In order to get funding for the new community center for the deaf, the deaf leaders had to go back to square one (Sanderson, 2004).

1978 - In June 1978, the Utah State Board of Education developed a budget for the next legislature to be used for the purpose of a comprehensive community center for the deaf. It was a goal that the services of the future center could serve all deaf people of the community, including oral deaf and hard of hearing people (The Silent Spotlight, June 1978). Dave Mortensen, UAD president gave a powerful message to the Joint House Senate Committee that that there was now a need for a center for the deaf and a commission to serve all deaf people, not just rehabilitation consumers (The Silent Spotlight, June 1978; Sanderson, 2004).

1980 - In September 1979, the Utah State Board of Education reserved \$2.5 million out of \$15.1 million budget for building construction and remodeling for the center for the deaf. While the center was listed #1 on the building priority list, the board was in the process of preparing to present the request to the State Building Board and the 1980 Legislature (The UAD Bulletin, September 1979). However, during the legislative process in January 1980, the community center for the deaf was pushed down from its 6th place on the building appropriations list to 11th place by Governor Scott Matheson. While work was still in the process of moving the center for the deaf to top priority, Mr. Mortensen pushed for support from the Deaf community and campaigned the legislators to make it to top priority.

1981 - However, in April 1981, the proposed community center for the deaf was not funded. Despite the effort of UAD encouraging the Deaf community to contact their local legislators in March 1981, not everyone did. With very little effort from the Deaf community, the Republican-dominated legislature put the need of a dairy barn at Utah State University ahead of the needs of the deaf citizens. The dairy barn bumped the community center down below the funding cut off line (UAD Bulletin, March 1981; UAD Bulletin, April 1981; Sanderson, 2004).

UAD President Mortensen and Valerie Kinney, UAD secretary met with Governor Matheson, aide, Tony Mitchell and William Boren of the Division of Rehabilitation, to meet with Mr. Mortensen along with Valerie (Kinney) Platt, UAD secretary and Alden Broomhead, an UAD board member. Their concerns were shared of several failures of the legislature to pass funding for a community center for the deaf and the "cows before deaf people rejection." Mr. Mitchell, after talking about the failure of obtaining funds for a center for the deaf, told Mr. Boren to find \$500,000 from the Division of Rehabilitation budget and begin a search for a location (Sanderson, 2004).

1982 - During the last days of the 1982 Utah Legislature, a bill outlining the funded projects under the State Building Board was passed, containing a line item for a center for the deaf in the amount of \$200,000. This was cause for rejoicing, since Utah Association for the Deaf had worked for the last several years to obtain funding for the center (UAD Bulletin, March 1982).

Before the construction and remodeling of the Midvale building began in October 1982, Dora Laramie, a teacher at the Utah School for the Deaf, and her husband, George, both long-time members of the Deaf community, met with Dr. Sanderson and told him about a large church in Bountiful that had been standing vacant for a while. They felt that because it had a gym and many meeting rooms, it would be much more suited to the needs of the Deaf community. It required very little fixing up to be ready for immediate occupancy (Sanderson, 2004). Dr. Sanderson's request to change the location of the center from Midvale to Bountiful was approved by the board (Sanderson, 2004).

1983 - After a long wait and much patience since the 1975 Feasibility Study for a Community Center for the Deaf, the Utah Community Center for the Deaf (UCCD) was officially opened at the Bountiful 33rd LDS Ward Chapel at 388 North 400 South in January 1983 (Sanderson, 2004). On June 9, 1983, members of the Deaf community had a ribbon-cutting ceremony to dedicate the renovated UCCD a 'home of their own' after culminating years of frequently frustrating efforts to make their needs known to the legislature. The Utah Community Center for the Deaf however soon faced numerous obstacles with safety, maintenance, population demographics issues.

1985 - In 1985, a flurry of letters and memos to the Director of the Division of Facilities Construction & Management from Dr. Judy Ann Buffmire of the Office of Rehabilitation Services, and State Superintendent of Public Instruction Bernarr S. Furse, began. They suggested that planning funds be directed more to a new community center for the deaf instead of the Bountiful center and its long-term needs for meeting code violations and repairs. They clearly understood that money would not be used effectively by pouring it into the old facility when consumer usage was declining because of its location (Sanderson, 2004).

1985 - While the UCCD still utilized and operated its facility for both rehabilitation services and recreation services, on January 2, 1985, Dr. Grant B. Bitter, an ardent oral advocate, frowned upon services they provided. He criticized how the UCCD offered recreation activities and how the UCCD counselors worked with the oral deaf population in the rehabilitation services, and its connection with the Utah Association for the Deaf. Dr. Bitter accused the Utah Association for the Deaf, rehabilitation counselors, namely Gene Stewart, Jim Hilber, Beth Ann Stewart Campbell, for not respecting those options for educational and social programs for the oral deaf population and that there was little demonstrated evidence that they cooperatively work with divergent points of view to preserve the integrity of alternative programs in the State of Utah (Bitter, 1985). The author wonders why did Dr. Bitter complain about the way UCCD provided services to the oral deaf population when they had a choice in selecting either a “total communication” or “oralist” counselor, as established in 1976 and again in 1978. Additionally, why couldn’t the deaf population have the same recreation opportunities as the hearing population with their local recreation center? Despite Dr. Bitter's objectives, the Utah Deaf community continued to work hard to get a better building to serve the deaf and hard of hearing citizens of Utah.

1987 - After the inspection of the Bountiful building, it was recommended in 1987 that a new/newer facility be purchased as soon as possible to serve the deaf and hard of hearing citizens of Utah. It was necessary to bring the center up to health, building, fire, safety and handicapped accessibility codes to make the current center a safe and usable state building. Because this building was old and inadequate, lobbying efforts to get a new community center built began (Sanderson, 2004).

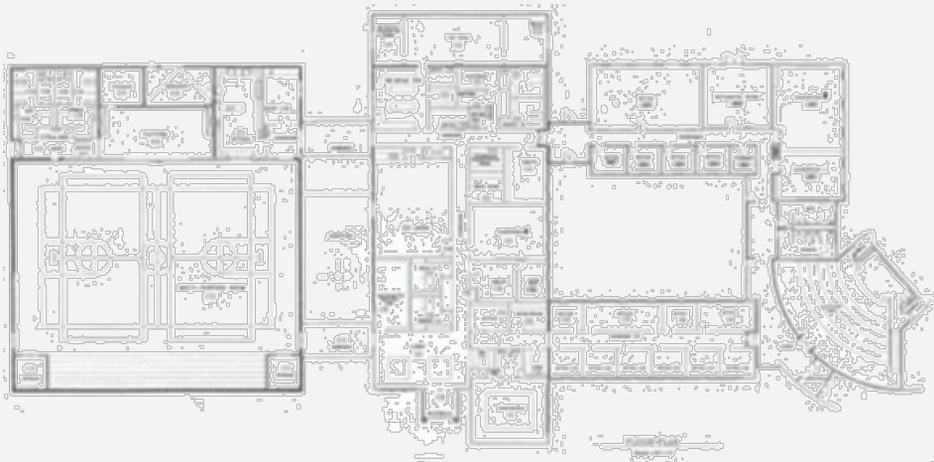
1988 - The SB 218 bill, setting up a separate Division of Services to the Hearing Impaired, was passed by the 1988 legislature and signed into law by Governor Norman H. Bangerter on March 10 without the knowledge of deaf people. Dave Mortensen, UAD president, expressed his concern about the Utah Deaf community and its leaders not being informed about this bill and asked why they weren’t asked for input, for opinions (Mortensen, UAD Bulletin, April 1988; Mortensen, UAD Bulletin, May 1988). To this particular piece of legislation the title, “*Division of Services to the Hearing Impaired*” was given. This title did not sit well with the Utah Deaf community. After the Utah Deaf community, particularly UAD President Mortensen speaking up, it was agreed to change to new Division of Services **to the** Deaf and Hard of Hearing (DSDHH) and this division was housed at the Utah Community Center for the Deaf.

1990 - During the 1990 legislative session, Governor Norman H. Bangertter recommended the legislature to support building funds for a new Deaf Center for Utah Community Center for the Deaf. The 1990 Utah Legislature approved the budget for the Utah State Office of Rehabilitation/Division of Services for the Deaf and Hard of Hearing. It was a victory! It did not take long to locate a suitable plot of land for the new community center (Sanderson, 2004).

1991 - A crowd of approximately 200 people was present at the groundbreaking ceremony of the new facility for the Utah Community Center for the Deaf in Taylorsville, Utah on June 10, 1991 (UAD Bulletin, July 1991; Sanderson, 2004).

1992-1993 - During the first year of operation in the new facility in 1992-1993, the center had already become crowded and many public areas were booked. Since then, this problem continued to increase. Scheduling of classrooms was also difficult. Because of heavy usage, many community organizations had to schedule classes and activities months in advance. Many public group requests were denied. Due to the steady increase of visitors in addition to the staff expansion, parking had become an issue (Sanderson, 2004).

2001 - With director, Rusty Wales (deaf)'s effort, the new wing became a reality. On May 4, 2001, a groundbreaking ceremony for the new addition to the Utah Community Center of the Deaf and Hard of Hearing took place. The center staff members, Deaf and hearing communities, officials and legislators were present to celebrate the occasion (UAD Bulletin June 2001; Sanderson, 2004).



2003 - While Marilyn Call (hard of hearing) was the director of the Utah Community Center of the Deaf, she felt the history would not be complete without telling how the Utah Community Center of the Deaf and Hard of Hearing became the Robert G. Sanderson Community Center of the Deaf and Hard of Hearing. She always thought the center should carry the name of a deaf individual because the center would not have been possible without Deaf people's persistent advocacy (Call, *UAD Bulletin*, September 2003; Sanderson, 2004).

At the Utah State Board of Education meeting, Marilyn Call shared the excellent reasons why Dr. Sanderson was chosen to represent Utah's Deaf leaders (Call, *UAD Bulletin*, September 2003). The State Board unanimously supported renaming the community center (Call, *UAD Bulletin*, September 2003). On October 4, 2003, a huge renaming celebration was held in honor of Dr. Robert G. Sanderson, a leader in the Deaf community of Utah.

Lastly - It took the UAD officers and members of the Utah Deaf community 40 years to make our community center a permanent reality. For years, the deaf leaders, especially Dr. Sanderson and Dave Mortensen got active and remained active throughout the political process without giving up so that we have a fully functioning community center to meet our communication, cultural and accessibility needs. In addition, they were persistent in keeping the ball rolling despite bumps in the road reflecting the vision of the community center. Now that they have conquered hurdles to realize the Sanderson Community Center for the benefit of the Utah Deaf community. I hope this historical document helps you remember and appreciate what the self-sacrificed leaders had done for us that we now take for granted.

After the ground-breaking ceremony of the new facility for the Utah Community Center for the Deaf in 1991, Lyle G. Mortensen, president of the Utah Association for the Deaf wrote a message of gratitude thanking Dr. Robert G. Sanderson and David Mortensen, as noted below:

"To Robert Sanderson and David Mortensen...a TREMENDOUS THANKS...for a job well done from the UAD members and the Deaf/Hard-of-Hearing of Utah. You've made outstanding accomplishments and done excellent teamwork in providing us with list: the UCCD, Interpreting services, telephone relay, TDD's and repair services, and the new building complex Center which is more centrally located and will provide increased space and better activities and attendance. Our hats are off to your excellent leadership and also to the past UAD Board of Directors which served you so well" (Mortensen, UAD Bulletin, August 1991).

APPENDIX B
DSDHH Strategic Plan 2014 – 2016

Appendix B

DSDHH Strategic Plan 2014 – 2016

Division of Services to the Deaf and Hard of Hearing Mission Statement:

Division of Services to the Deaf and Hard of Hearing provides education, advocacy, and accessible services to enhance the quality of life for people who are Deaf or Hard of Hearing.

Strategic Plan – Main Goals/Objectives:

A) TECHNOLOGY

Public Relations (PR): To provide social, visual and technology media and outreach to the Deaf, Deaf-Blind, and Hard of Hearing, and any other community members interested with SCCDHH.

Website: Develop a user-friendly website where community members can easily access information and resources.

Vlogs: Increase the use and consistency of V-logs providing information visually and accessibly.

Webinar and Live Streaming: Use technology to create a broader audience such as webinars and live streaming to enhance experience and opportunities for participation. Information can be recorded and made available for future reference, and track numbers for annual report.

Apps: Create accessible E-Applications (Apps) for Event notifications, Breaking News and Emergency notifications for people who are Deaf/HH can access crucial information easily and quickly.

B) COMMUNITY NEEDS & SERVICES

Workshops/Events: Provide a variety of workshops events, preferably taught by members of the Deaf, Deaf-Blind and Hard of Hearing community and target all audiences (deaf-blind, various age groups, etc.).

Transportation: Improve transportation and parking services to the Sanderson Center, and St. George program.

Expand and increase services: Expand and increase services to more heavily populated areas and their outlying rural areas that are currently insufficiently served.

Isolation: Minimize isolation among Deaf, Deaf-Blind, and Hard of Hearing individuals.

Awareness: Increase community awareness of our services and programs of DSDHH.

C) PARENT ADVOCACY/SUPPORT

Equitable Information: Provide parents with children who have hearing loss with equitable information for communication options (oral, signing, etc.).

Family Programs: Develop more programs for families with Deaf, Hard of Hearing and Deaf-Blind children

Strategic Plan 2014-2015 UPDATES:

Technology Group: The group met in February to develop an action plan with tasks for each goal. The action plan/tasks items will be handled by teams of 2 -3 from the group. They will meet again in March 13th at 2:00 to continue working on the goals and report on progress.

- Progress
 - PR- There is already the use of Social media in place.
 - Vlogs – are now being used more and more for announcements.
 - Website – this team is exploring products and costs of web designers.
 - Webinars – Adobe Connect is being tested for small interactive classes and meetings; other products such as Canvas are being investigated for online classes/webinars.

Community Needs Group: This group met in February to review and prioritize and re-write the goals. An action plan and tasks were created. Teams of 2 – 4 were formed to focus on the tasks.

- Progress
 - Workshops - A new “interest” survey is being designed for the community to use online for feedback on what they would like to see for workshops, presentations, etc.
 - Transportation – A workshops will be given for Deaf/Blind and Low Vision on March 25th at 2:00 to inform the community of various transportation options.
 - Expand and Increase Services - Case managers have already started providing services one day a month in Provo and Ogden.

Parent Advocacy/Support Group: This group has met to design a plan of action and divide the tasks. Much of the objectives and tasks are related to research and making connections with professionals who may encounter a child with hearing loss.

– Progress:

- Equitable Information - A meeting was held on February 10th with the EDHI committee (early intervention professionals) at Primary Children's Hospital. Cheri Mills, CSW from the Sanderson Center attended the meeting to inform the group of services available at the DSDHH. Cheri will attend future EDHI meetings.
- Family Programs - The group invited the Deaf Program Specialist to their meeting to share ideas for programs and events for families who have children who are deaf or hard of hearing.

Strategic Plan 2015-2016 UPDATES:

Technology Group: The Technology group submitted a progress report for the last year 2015-2016.

– Progress

- PR **(Done)** - There is already the use of Social media in place.
 - Facebook Post Guideline created for the DSDHH staff to use when posting information and to support the community.
 - Mitch Moyers is the Communication Liaison and will be coordinating with Britnee Johnston of DWS for media outreach.
- Vlogs **(Some done, some pending)** :
 - Accomplished -
 - *Purchased a better camera for filming*
 - *Guideline and script development completed to make Vlogs more professional and enjoyable.*
 - In Process –
 - *Attempting to produce one Vlog per week. Coordination problems. Staff needs more support for script development and time. May change the focus. HOLD*
 - *Filming room is almost done and should be done by the end of January 2017. Once this is done it will be easier for staff to create Vlogs as they will have the physical space and support.*

- Website (**Done**) – The new website developed by USOR is in place and functioning and is greatly improved. There are some things that need improvement. Now with the DWS transition, we are learning the process of giving feedback. Here is the link: www.usor.utah.gov/dhh
- Webinars (**In Progress**) – Adobe Connect system was having some technical problems (picture not clear, one way transmission, etc.). While trying to resolve the problems, it was at the same time as the transition to DWS. DWS were informed us that they have a more sophisticated online training system that we could use and offered to train Mitch Moyers and Ron Nelson. This will allow for better quality at a cost savings.
- Develop APPS (**Removed**) DTS did a study on developing an APP for DSDHH. The study showed that with the new website does a good job and therefore it was determined no APPs are needed at this time.

Community Needs Group:

– Progress

- Workshops/Events (**On-going**) – The community interest surveys is posted on the website and the results are reviewed periodically by Mary Beth and Joene to get ideas for trending interests. However, we have noticed that the last submission was in October 2016. We are looking into this problem and think it could be related to technical problems due to the transition to DWS. We hope to create a Vlog to encourage more community members who are Deaf/HH to take the survey as it shows a high number of the survey results are from hearing people interested in ASL. We also gather topics from surveys that are passed out at the end of workshops/events and compile this into a report to review.
- We are utilizing more community members to teach classes.
- Transportation – (**Pending**)
 - Create a transportation survey.
 - Explore the UTA Grants if the survey shows a large enough need.

- Expand and Increase Services – **(Revised and on-going)** Case managers continue to provide services as needed to Provo and Ogden residents. Previously they were going once a week to these cities. However, there is now a shortage of case managers now that Joene has reduced her clients when she took to job as Program Director. This impacts the case managers’ ability to travel as they have taken on a larger case load. The need to hire another case manager may need to be explored. The team is working on a plan to inform the community that they are available by appointment to meet in various locations. Pamela Mower, Employment Specialist does go to Ogden once a week and is available by appointment to meet in other locations.
- Isolation **(HOLD)**: We do not have the staff to develop a program to prevent isolation.
- Awareness **(On-going)** Use PR – more flyers and Vlogs to promote services.

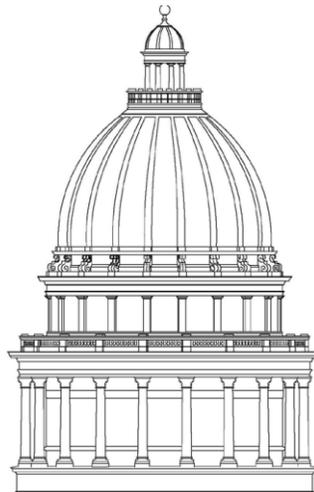
Parent Advocacy/Support Group: (Discontinued) : This group no longer meets as the chair and co-chairs who were leading the group resigned.

- Family Programs / Parent Support - We are trying to offer tours and information to parents when we have family events. We have increased the number of family events we offer per year. We have developed a good relationship over the last year with USDB. Their staff is aware they can refer parents to us as needed for more resources. Explore the possibility of USDB taking over to develop a parent support group?
- Equitable Information / Advocacy – DSDHH will continue to watch legislative issues that could impact information that is provided to parents of deaf and hard of hearing children to ensure they have the full scope of resources.

Appendix C
USOR's Budget and Governance, Report to
the Utah Legislature
Number 2015-10, September 8, 2015

REPORT TO THE
UTAH LEGISLATURE

Number 2015-10



**A Performance Audit of
USOR's Budget and Governance**

September 8, 2015

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah



STATE OF UTAH

Office of the Legislative Auditor General

315 HOUSE BUILDING • PO BOX 145315 • SALT LAKE CITY, UT 84114-5315
(801) 538-1033 • FAX (801) 538-1063

Audit Subcommittee of the Legislative Management Committee

President Wayne L. Niederhauser, Co-Chair • Speaker Gregory H. Hughes, Co-Chair
Senator Gene Davis • Representative Brian S. King

JOHN M. SCHAFF, CIA
AUDITOR GENERAL

September 8, 2015

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of USOR's Budget and Governance** (Report #2015-10). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

A handwritten signature in black ink that reads "John M. Schaff". The signature is stylized and includes a flourish at the end.

John M. Schaff, CIA
Auditor General

JMS/lm

Digest of A Performance Audit of USOR's Budget and Governance

Since the 2008 recession, Utah State Office of Rehabilitation (USOR) has had problems managing its budget. These difficulties eventually led to the request of this audit by the Social Services Appropriations Subcommittee. We recognize that the Board of Education (USBE or the Board), USOR, and Utah State Office of Education (USOE) have made and plan to continue making aggressive organizational changes to address their problems.

This audit answers the following questions:

- Why was USOR's budget and financial management process inadequate to prevent budget problems?
- Why were USOR's and USOE's oversight efforts inadequate to identify and prevent budget problems?
- Is USOE the best place for USOR to be housed within Utah state government?
- Was USOR's use of money from the Visually Impaired Trust Fund to help fulfill their vocational rehabilitation match appropriate?

Chapter II USOR Mismanaged Its Budget

USOR's Budget Practices Were Unsustainable. Although warned of potential financial risks, USOR lacked financial planning and budget controls. As a result, the agency used unsustainable budget practices to meet uncontrolled costs. This ultimately resulted in USOR:

- Running a \$4.9 million deficit in 2014
- Eliminating approximately \$17 million of federal spending reserves traditionally available in the second year of USOR's vocational rehabilitation (VR) grant
- Needing a \$6.3 million state supplemental appropriation in 2015
- Anticipating a potential penalty from the federal government of \$5 to 6 million

These unsustainable practices were made possible by USOR accelerating its use of federal funds and exploiting the timing difference between state and federal fiscal years.

USOR and USOE Internal Accounting Lacked Adequate Budget Processes and Controls. Regular budget reports submitted to the Board by USOE internal accounting (IA) were inaccurate and unreliable. As the budgeted amounts steadily increased, they gave

the Board and USOR management unrealistic expectations of USOR's spending ability. These budgeting inconsistencies can be partially explained by USOR's insufficient budget staff and inadequate support from USOE IA.

USOR and USOE Internal Accounting Budget Mismanagement Impacted USOR's Federal Funds Authorizations. IA provided poor federal funds information on which the Legislature based their federal funds authorizations. Because IA's federal funds estimates were so inaccurate, the Legislature's authorizations bore little resemblance to USOR's actual funding stream. USOR violated Utah's Federal Funds Procedure Act as a further consequence of these poor budget controls.

USOR Could Have Potentially Avoided These Problems. As the number of USOR clients increased and state funding decreased, USOR management could have made use of a client waiting list and sought relief from potential federal penalties instead of spending its budget in an unsustainable way. Instead, USOR is now facing a penalty of approximately \$5 to 6 million.

Chapter III

Weak Oversight and Communication Prolonged and Worsened Financial Problems

Nonfunctioning Oversight and Poor Communication Aggravated Financial Problems. Lack of communication between USBE, USOE, and USOR prolonged the organization's financial problems. A fundamental breakdown in oversight and communication among USBE, USOE, and USOR delayed the discovery of the budget problems reported in Chapter II. This delay allowed USOR's financial health to decline further than it would have had the problems been identified earlier. These issues were due to governance and management functions and interactions that were not clearly detailed in policy.

USBE Failed to Provide an Appropriate Level of Governance of USOR. We believe that USBE overlooked its USOR governance responsibilities due to its significant education focus, thus giving inadequate support or attention. In addition, USOR did not have a necessary or appropriate level of interaction with the Board. This lack of attention on USOR allowed it to function essentially without oversight. Since USOR's budget issues came to its attention in 2013, USBE has taken steps to provide more oversight and better define each entity's role.

USOE Failed to Provide Oversight of USOR. USOE overlooked its responsibility to provide oversight of USOR. This responsibility included developing controls and monitoring USOR's finances. In addition, USOE did not ensure that USOR was receiving

proper support. Since USOR's financial issues came to light, the new state superintendent has aggressively addressed these issues.

Chapter IV

USOR's Mission Would Be Better Served Elsewhere in State Government

USOE Is Not the Best Location for USOR. USOE's educational focus and USOR's broader employment-based focus do not align. Because of these disparate missions, it is possible that USOR may not receive sufficient oversight without a change in governance. In addition, a comparison of programs similar to USOR in other states shows that rehabilitation programs are seldom governed by a state educational entity.

DWS Appears to Be the Most Likely Candidate for USOR Placement. Our analysis shows significant potential for alignment between USOR and DWS. First, they have significant mission and clientele overlap. Second, the Office of the Legislative Auditor General and Legislative Fiscal Analyst have made recommendations in the past to combine USOR to DWS. Third, at least one other state is moving rehabilitation under its labor department in response to federal changes and budget problems similar to those at USOR discussed in this report. DWS points out that they enjoy a "long-standing partnership with USOR," and are willing to actively partner with USOR.

Stakeholder Concerns Exist. Various stakeholders, including USOR, client groups, advisory councils, and individual citizens have historically expressed concerns with moving USOR from USBE's governance. These fears could be addressed. If a move is undertaken, federal regulations require public meetings and consultations with stakeholders to address concerns.

Other Options Exist for USOR Placement. Although DWS appears to be a likely fit for USOR, there are other viable options. We examined the possibilities of placing USOR under DHS or creating a new independent agency.

Chapter V

Use of Visually Impaired Trust Fund for VR was Imprudent

Guidance on Fund Use Is Limited. Although it is referred to as the Visually Impaired Trust Fund (VITF), there is no documentation of its establishment as a legal trust, and therefore no strict requirements that go along with that distinction. We recommend that the Legislature clarify exactly what type of fund the VITF should be, with accompanying overriding restrictions. Due to the lack of clear legal standards, it was within the power of the Board to use VITF for VR purposes.

VITF Use Was Questionable. VITF use as state match may not have been appropriate, given poor record keeping. The federal government has not questioned this use. In addition, the use of \$500,000 VITF money essentially supplanted the funds usually used for blind and visually impaired VF clients.

Options Exist for Possible Reimbursement of the Funds. The Legislature may want to determine whether it is comfortable with the way these funds were spent, whether the funds should be reimbursed, and if so, how. Although it was legal, use of the fund for VR expenses was unusual and there has been great concern in the blind and visually impaired community. Federal requirements prohibit using federal grants to reimburse the fund, so any reimbursement would have to come from state funds.

REPORT TO THE UTAH LEGISLATURE

Report No. 2015-10

A Performance Audit of USOR's Budget and Governance

September 8, 2015

Audit Performed By:

Audit Manager	Tim Osterstock
Audit Supervisor	Leah Blevins
Audit Staff	Jake Dinsdale Matthew Harvey Tyson Cabulagan

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Chapter I

Introduction

The Utah State Office of Rehabilitation (USOR) is housed within the Utah State Office of Education (USOE). USOR offers multiple programs to help Utahns who are disabled¹ achieve employment, greater independence, and a higher quality of life. Primarily, USOR provides a range of vocational rehabilitation (VR) services to Utahns who are disabled with the goal of obtaining employment. VR services include training, education, transportation, assistive technology, and others. In federal fiscal year 2014, USOR served approximately 20,000 clients.

As part of its oversight of USOR, USOE provides both internal accounting and information technology services to USOR. Throughout this report, when we refer to USOR's budget management until 2014, we are primarily discussing USOE internal accounting's actions on behalf of USOR. Despite this distinction, USOR itself was not without responsibility for its budget formation, monitoring, and any resultant mistakes.

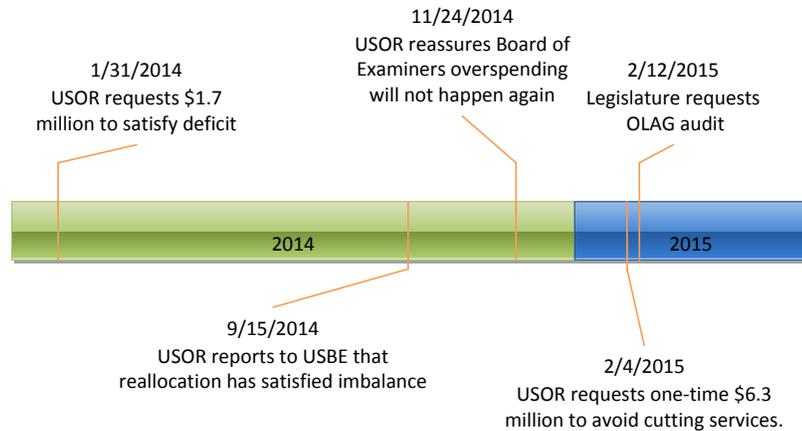
Brief History of Audit Request

Since the recent recession, USOR has had problems managing its budget. These difficulties eventually led to the request of this audit by the Social Services Appropriations Subcommittee (SSAS). Figure I.1 shows a timeline of the oversight bodies' knowledge of these problems.

USOR had problems managing their budget starting in 2008.

¹ Utahns who are disabled includes individuals with mental illness, cognitive disabilities, orthopedic amputation, drug or alcohol addiction, and individuals who are deaf, hard of hearing, blind, or visually impaired.

Figure 1.1 Timeline of USOR’s Interaction with State Oversight Bodies. USOR reassured multiple oversight bodies that their deficit was satisfied while still in the midst of financial problems.



Source: Legislative committees, Board of Examiner, and Board of Education minutes

USOR has failed to provide accurate and complete information to oversight bodies.

During the 2014 General Legislative Session, USOR appeared before the SSAS to report a pending budget deficit of \$7.8 million. In a January 2014 meeting with the SSAS, USOR stated that an additional appropriation of \$1.7 million would allow USOR to acquire one-time federal funds and completely satisfy its looming budget deficit. USOR emphasized a waiting list of 10,000 clients as a consequence of the Legislature failing to act. Much of the information presented by USOR to its oversight bodies in Figure 1.1 was inaccurate or incomplete, which may have contributed to the length and depth of the problems.

Despite receiving financial assistance from the Legislature in 2014, USOR failed to take into account the timing of the year-end financial closing process for the state fiscal year and exceeded its budget by \$4.9 million.² After the close of the state fiscal year, USOR obtained the one-time federal funding to which it referred during the 2014 General Session. In September 2014, USOR reported to the State Board of Education (USBE) that the budget deficit and the overarching structural imbalance³ had both been resolved.

² \$1.2 million of the \$4.9 million budget deficit in 2014 was comprised of an accrual for services USOR had authorized but not yet paid.

³ USOR’s budget problems have been referred to as a structural imbalance; that is a misnomer. We will use the terms mismanagement or budget problems throughout this report because it is a case of an agency not controlling its program relative to available revenue.

Because USOR exceeded its budget for state fiscal year 2014, the agency was legally required to appear before the Board of Examiners⁴ in November 2014. In their presentation, USOR and USOE management stated that the underlying budget problems had been solved and that such an occurrence would not happen again.

Despite reports that the budget issues had been corrected, USOR appeared before the SSAS during the 2015 General Session and requested a \$6.3 million supplemental appropriation in order to avoid an immediate halt of paid client services to its approximately 20,000 clients who are disabled. With a lack of viable alternatives, the Legislature appropriated the funds and requested this audit to ensure that the current problems are thoroughly understood and that long-term solutions are developed by USOR and, by extension, USOE and USBE.

We would like to acknowledge the significant work done by the Office of the Legislative Fiscal Analyst in bringing these problems to light and serving as the catalyst for the subcommittee's audit request. The Office of Legislative Research and General Counsel has also provided assistance on this report. Both offices' input and assistance have been invaluable.

We also recognize that the Board of Education, USOR, and USOE have made and plan to continue making aggressive organizational changes to address their problems.⁵ Leadership at USOE, USOR, and USBE has changed significantly since these problems were discovered, partially in response to USOR's budget deficit.⁶ However, there is still much work to be done, and it will take time to regain USOR's financial footing. These are not problems that will be solved by the next legislative session, but appropriate steps are being taken.

In the 2015 General Session, USOR had to request a \$6.3 million supplemental appropriation to avoid a halt of paid client services.

⁴ If an agency's line item is over expended at the close of a fiscal year, the agency must report to the Board of Examiners which consists of the Governor, the State Auditor, and the Attorney General.

⁵ These efforts will be discussed in more detail in the following chapters.

⁶ See Appendix A for a detailed timeline of the financial events of the past few years, including the tenure of recent management for both USOR and USOE.

The scope of this audit focuses on USOR's budget problems and oversight concerns.

In addition, we would like to note that this is the first of two anticipated audits of USOR operations. The second audit (to be released at a later date) will focus on the provision of vocational rehabilitation services and related cost controls.

Audit Scope and Objectives

1. Why was USOR's budget and financial management process inadequate to prevent budget problems?
2. Why were USOR's and USOE's oversight efforts inadequate to identify and prevent budget problems?
3. Is USOE the best place for USOR to be housed within Utah state government?
4. Was USOR's use of money from the Visually Impaired Trust Fund to help fulfill their vocational rehabilitation match appropriate?

Chapter II

USOR Mismanaged Its Budget

The recent budget problems at the Utah State Office of Rehabilitation (USOR or the agency) were caused by a lack of adequate budget processes and controls. Without budget oversight, USOR made use of unsustainable budget practices to exploit the complex nature of its state and federal revenue and temporarily satisfy expenditures that had grown out of control. These unsustainable budget practices led to inaccurate estimates and authorizations of federal funds. USOR management could have potentially avoided or mitigated these problems with different responses to factors affecting program operations.

USOR's shortcomings discussed in this chapter are, by extension, also deficiencies of the Utah State Office of Education (USOE) and the Utah State Board of Education (USBE or the Board) as discussed in Chapter III. The entities share responsibility because USOE has historically provided accounting services to USOR through an indirect cost pool.⁷ These shortcomings resulted in USOR:

- Running a \$4.9 million deficit in 2014⁸
- Eliminating approximately \$17 million of federal spending reserves traditionally available in the second year of USOR's vocational rehabilitation (VR) grant
- Needing a \$6.3 million state supplemental appropriation in 2015
- Anticipating a potential penalty from the federal government of \$5 to 6 million

⁷ See Appendix A for a timeline of the events of the past two years, including the tenure of recent management for both USOR and USOE.

⁸ This \$4.9 million deficit was comprised of a \$3.7 million overexpenditure and a \$1.2 million accrual of client service expenses that USOR had authorized.

USOR's Budget Practices Were Unsustainable

Although warned of potential financial risks, USOR lacked financial planning and budget controls. As a result, the agency used unsustainable budget practices to meet uncontrolled costs. These unsustainable practices were made possible by accelerating the use of federal funds and exploiting the timing difference between state and federal fiscal years.

Unsustainable Budget Practices Covered Growing Expenditures

Despite clear warnings and direction from the Rehabilitation Services Administration (RSA),⁹ USOR failed to make adequate preparations to effectively manage its finances amid program changes.

In a 2009 report, RSA expressed concerns about USOR's weak financial planning process. The report warned that, because USOR anticipated reductions in state revenue, it could be less likely to meet the financial conditions of its federal VR grant. RSA also warned that budget cuts, "may have a grave impact on the level of services that have been historically provided to USOR consumers." USBE was given a brief overview of this RSA report that included only positive aspects of USOR performance.

As predicted, USOR's ongoing state appropriation was reduced along with that of many other state agencies. Demand for VR services also increased unchecked though USOR had the ability, with the approval of RSA, to restrict it using a waiting list. These actions had the critical effect of increasing USOR's expenditures to an unsustainable level. Because USOR lacked a budget process or strategy to guide the agency through these changes, USOR management decided to serve the growing number of eligible VR clients without recognizing that they had inadequate resources to do so on a long-term basis.

Figure 2.1 illustrates how funds were used to satisfy USOR's increased expenses. This was done by both spending its VR revenue

⁹ RSA is the federal government entity that oversees vocational rehabilitation grants and programs throughout the United States.

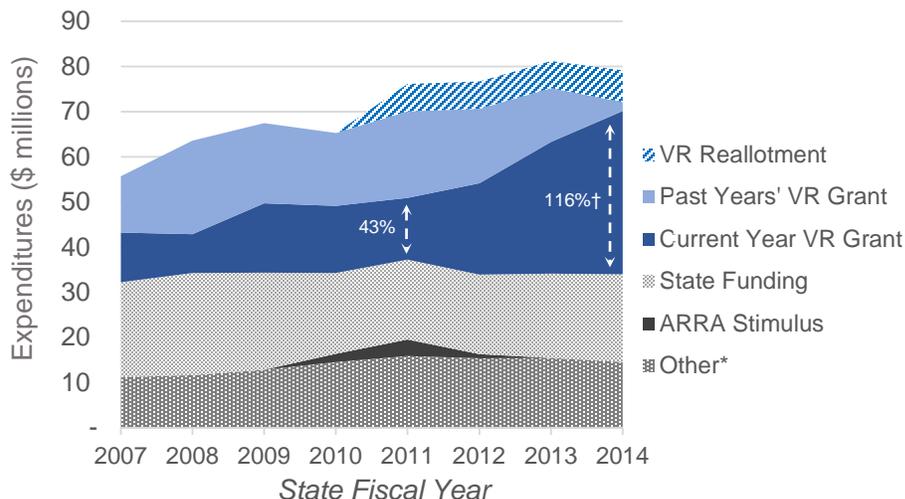
The budget practices used to sustain USOR's increasing expenses were unsustainable.

A 2009 federal report advised USOR to improve their weak financial planning process.

An increase in demand for VR services led to unsustainable spending.

faster than it had in the past and requesting one-time federal funding (VR reallocation) from 2011 to the present.

Figure 2.1 USOR Spent an Increasing Portion of Its VR Grant in the First of Two Possible Years. It also requested additional one-time VR funding from 2011 to the present.



Source: Auditor generated

†Expenditures beyond USOR's basic VR grant amount reflect the agency's \$4.9 million deficit in SFY 2014.

*This includes primarily federal funding for USOR's Division of Disability Determination Services. It also includes independent living grant revenue along with various other relatively small revenue sources.

Because federal VR grants (both shown in solid shades of blue) may be spent over a two-year period, multiple grants can be expended concurrently. From 2007 to 2011, USOR met less than half of its VR expenses with current-year grant revenue (dark blue), leaving spending reserves that could be spent in the second year (light blue). This can be seen in 2011 when USOR spent 43 percent of its basic VR grant on state fiscal year (SFY) 2011 expenditures.

Beginning in approximately 2012, USOR began to spend an increasing amount of VR grant money in the first year. This is shown as the dark blue area grows and the light blue diminishes until, in 2014, USOR spent 116 percent of its federal fiscal year (FFY) 2014 grant. By doing this, USOR ran a budget deficit, spent at higher levels than it had historically, and reduced the amount that had typically carried forward into year two of the grant. In past years USOR would have approximately \$17 million or more to spend on the second year of the grant. In contrast, LFA reported in the 2014 General Session that USOR had no federal grants with remaining spending reserves.

USOR's VR grant use was accelerated to an unsustainable level.

USOR also used one-time federal money to cover expenses.

Because spending its grants faster was not, by itself, enough to satisfy its higher costs, USOR also applied for and accepted one-time VR reallocation money.¹⁰ This is shown in the figure as the striped blue portion. In order to accept this funding, USOR exploited the overlap of state and federal fiscal years as discussed in the next section of this chapter. USOR also received stimulus funds during this period.

USOR's use of VR grant money was permissible but, as now evident, not in line with appropriate budget practices. Without any clear strategy or controls, it appears to have been a haphazard, uncontrolled effort to satisfy costs that had been allowed to grow unchecked. The practice was unsustainable and ultimately led to a \$4.9 million budget deficit in 2014 and a \$6.3 million supplemental appropriation in 2015 in order for USOR to keep serving its approximately 20,000 clients.

Given the complex nature of USOR's budget, the need for USOR to have a strong financial planning process is clear. No one in USOR or USOE had sufficient knowledge of, or control over, the USOR budget resulting in a system wide lack of financial support. We found no evidence that an analysis like that shown in Figure 2.1 was performed before 2014. As a result, the overspending was not prevented and went undetected for multiple years.

We believe that with clear financial strategy and controls, USOR management could have successfully guided the agency through its budget and program changes. USOR has since hired a finance director who is tasked with developing this strategy and who, with the superintendency,¹¹ has begun to control the agency's budget.

USOR Exploited the Timing Difference Between State and Federal Fiscal Years to Cover Increased Expenditures

The Utah SFY and the FFY overlap from the beginning of July to the end of September each year. For example, SFY 2014 began three

¹⁰ Each year, multiple states relinquish unused VR grant funding to RSA. RSA then redistributes this funding to states that apply and are able to satisfy the necessary 21.3 percent match in state funding.

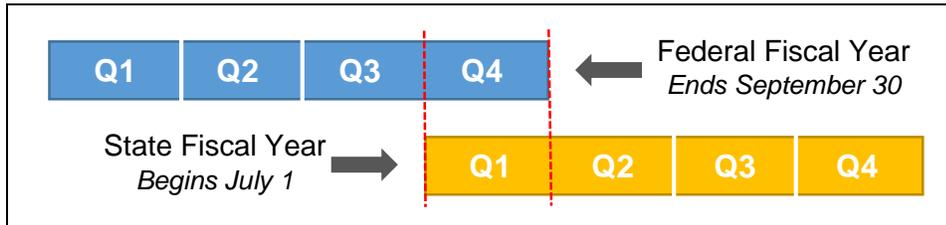
¹¹ The superintendency includes the superintendent and associate superintendent over internal accounting.

Neither USOR nor USOE had sufficient control over the USOR budget.

Recently USOR hired a finance director to monitor and control the agency's budget.

months before FFY 2013 concluded. Figure 2.2 illustrates this overlap.

Figure 2.2 The State and Federal Fiscal Years Overlap from July to September. Because of this overlap, USOE can spend its state appropriation toward the prior federal year’s grant award.



Source: Auditor generated

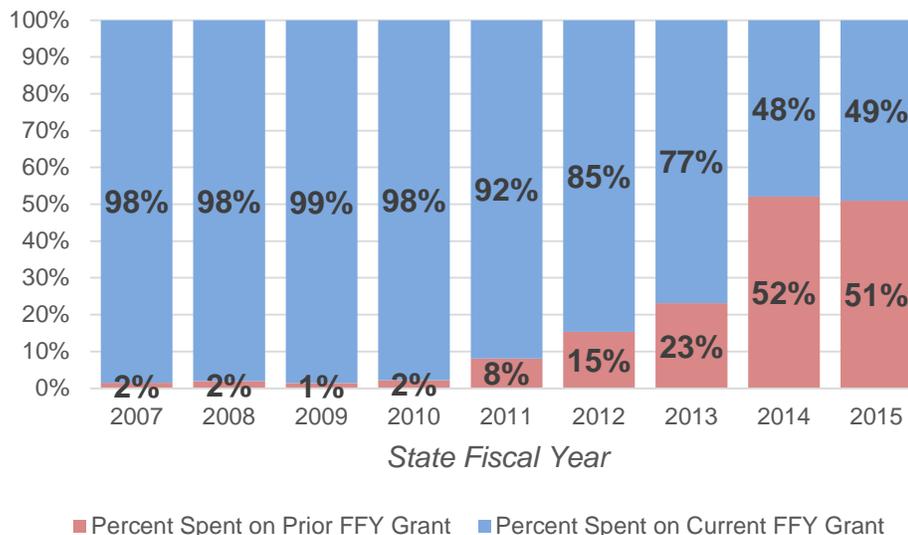
Because of the overlap shown in Figure 2.2, USOR has the opportunity to spend portions of two years’ worth of its state appropriation toward one federal grant award.¹² This is concerning because state funding meant for one federal fiscal year grant could be disproportionately applied to the prior year’s federal grant leaving less state funding available for its original purpose and timeframe. This is precisely why USOR needed an emergency supplemental appropriation during the 2015 General Session.

Figure 2.3 shows how USOR applied increasing amounts of its state appropriation on prior years’ federal grant awards from 2011-2015. To the extent that this is done strategically and within controlled limits, the practice is allowable. However, the figure shows that the practice grew to an unsustainable level.

USOR can spend two years of state appropriations during one federal grant award, leaving an insufficient amount for the next grant.

¹² State contribution for the VR grant, including reallocation, must be used for match and maintenance of effort. Note that maintenance of effort becomes the level that must be met if it exceeds the required match in a given year.

Figure 2.3 USOR Spent an Increasing Amount of State Funding on Prior Federal Fiscal Year Federal Awards. By SFY 2014, USOR spent more than half of its state appropriation on its prior-year VR grant award.



Source: Division of Finance Data Warehouse

By 2014, at least 50 percent of USOR's state appropriations were spent on the prior-year's grant.

Figure 2.3 shows that USOR received its SFY 2011 state appropriation and applied 8 percent of it toward its FFY 2010 VR grant award. This was done, at least in part, to match the one-time VR reallocation (striped blue) shown in Figure 2.1. Figure 2.3 also shows that, after the large amount of expenditures in FFY 2013, USOR needed to spend a much larger amount of its SFY 2014 state appropriation to cover program costs, meet grant requirements, and continue receiving one-time reallocation money. Because this shift to cover prior year overspending left USOR with limited state funds for the remainder of the year, the agency ultimately overspent its budget.

RSA discovered USOR was using its funds disproportionately.

The figure also shows that USOR was not in compliance with federal regulations governing cash management which require that state funds must be applied proportionately to federal funds. Because USOR disproportionately spent current state appropriations on prior year grants, it lacked sufficient funds to proportionately match its subsequent VR grant. Its state spending therefore fell out of proportion and RSA became aware of USOR's budget problems. According to federal law, USOR should have spent \$7.2 million in state funds by March 2014 in order to match the federal funds it had expended. However, USOR had only spent \$8,500 due to a lack of available state funds.

USOR and USOE Internal Accounting Lacked Adequate Budget Processes and Controls

Regular budget reports submitted to the Board by USOE internal accounting (IA) were inaccurate and unreliable. As the budgeted amounts steadily increased, it gave the Board and USOR management unrealistic expectations of USOR's spending ability. These budgeting inconsistencies can be partially explained by USOR's insufficient budget staff and inadequate support from USOE IA.

Working Budgets Submitted To the Board Were Unreliable

IA submitted regular reports showing USOR's working budget to USBE. A historical review of these reports from 2013 to 2014 illustrates the following:

- Highly questionable budget practices used by IA
- The general lack of control over the USOR budget
- The lack of budget oversight by the superintendency

A working budget is an annual plan or forecast that identifies how much money is available, what has been spent, and how much is left to spend. Throughout a fiscal year, the working budget total should remain fairly constant and serve to benchmark and control spending. Expenditures should grow as the year goes on and, consequently, remaining funds should shrink.

Figure 2.4 shows substantial, unrealistic changes in the working budget as reported to USBE in its regular meetings in SFY 2013 and 2014. We selected a sample of five months in each state fiscal year to give an idea of how the budget numbers changed.

Monthly budget reports show lack of control and questionable budget practices.

Figure 2.4 USOR’s Budget Numbers Reported to USBE Were Highly Inconsistent. The working budget grew as large as \$110 million in SFY 2014, far beyond reasonable expectations.

State Fiscal Year	Reporting Month	Total Available Funds (Working Budget)	Expenditures to Date	Remaining Funds
2013	July	\$ 80,986,000	\$ 1,742,000	\$ 79,243,000
	October	86,470,000	21,698,000	64,771,000
	December	89,129,000	34,370,000	54,758,000
	April	94,691,000	63,788,000	30,903,000
	June	95,262,000	81,101,000	14,161,000
2014	June*	\$ 95,033,000	\$ 5,755,000	\$ 89,278,000
	October	85,935,000	24,181,000	61,754,000
	December	110,791,000	33,936,000	76,855,000
	April	79,624,000	63,004,000	16,620,000
	June	82,370,000	77,899,000	4,471,000

Source: USBE Board Meeting Packets 2013-2014

*Despite being dated 6/30/2013, USOE internal accounting staff confirmed that this budget report was the first report for SFY 2014.

Finance staff increased the working budget as expenditures increased without basis.

Figure 2.4 shows a disturbing trend in USOR’s reported working budget during 2013 and 2014. Instead of controlling USOR’s spending within its actual revenue, USOE finance staff assigned to manage USOR’s budget simply increased the working budget as USOR spent beyond available resources. As illustrated in the Remaining Funds column, this gave USBE and USOR the false impression that USOR had ample funding to cover its growing expenditures.

The working budget was inflated in this way to avoid the appearance of overspending. This contributed to USOR spending an unprecedented \$81.1 million in 2013 as shown in the figure above and by the growth of expenditures in Figure 2.1.¹³ The working budget estimate climbed as high as \$110.8 million in December of SFY 2014. This is a significant overestimate of USOR funding, reflecting substantial errors in budget preparation.

¹³ Because of the way USOR disproportionately spent state funds in SFY 2013 and SFY 2014 to cover its FFY 2013 VR grant expenditures, it currently faces an approximately \$5 to 6 million federal penalty that may reduce its future VR grant awards.

These inaccurate budget numbers were reported with the review and approval of the USOE controller. USBE cannot be reasonably expected to assemble years' worth of budget data to examine long-term changes and trends. USOE executive staff charged with oversight of USOR should have continually monitored the budget and reported this volatility to the Board as a significant red flag and sought to understand and correct the underlying causes of such inconsistency. The extent of the budget inaccuracy relative to USOR's actual funding stream illustrates the primary cause of USOR's budget problems, namely that there was no substantive budget oversight or control in place within USOR or USOE.

USOR Had Insufficient Financial Staff

Until recently, USOR operated with no in-house finance personnel. Job descriptions for the state superintendent, associate superintendent, USOE internal accounting director, and the USOR budget manager (a USOE internal accounting employee) clearly describe a responsibility over the USOR budget. In response to evidence of mismanagement, some of these employees reported that they lacked adequate time and payment processing support to perform their budget duties as required. USOR has since hired an internal finance director with support staff to remedy this.

Discussions with other departments in Utah and VR programs throughout the country found that agencies with comparable programs and funding streams have dedicated budget personnel and a system of regular review in decreasing detail up to the executive level. USOR should continually evaluate the appropriate level of financial skills and support needed to adequately manage its budget and work to build its staff, policies, and procedures accordingly.

Financial Support and General Administrative Services have Been Billed to USOR by Means of an Indirect Cost Pool. USOE agreed to provide certain administrative services to USOR in exchange for sharing USOE's costs for those administrative positions. Among the shared costs were accounting and financial support, human resources, information technology, and others. Because of USOE's inadequate service, USOR has paid at least \$1.1 million to employ people in administrative functions, including the budget and finance positions mentioned above, whose services were ostensibly covered by the indirect cost pool.

The Board cannot be expected to compile and compare all budget reports, but should rely on USOE's analysis.

USOR did not have sufficient financial staff for a budget of its size and complexity.

USOR has paid at least \$1.1 million for services it did not receive from USOE.

Although USOR expressed frustration to us over the level of service provided by their agreement with USOE, our review of reports and correspondence could find no evidence that USOR sought to alter the indirect cost agreement or request additional services until early 2014. USOE and USOR are currently in the process of studying this system to improve its accuracy and effectiveness.

USOR and USOE Internal Accounting Budget Mismanagement Impacted USOR's Federal Funds Authorizations

IA provided poor federal funds information on which the Legislature based their federal funds authorization. Because these federal funds estimates were so inaccurate, the Legislature's authorizations bore little resemblance to USOR's actual funding stream. USOR violated Utah's Federal Funds Procedure Act as a further consequence of these poor budget controls.

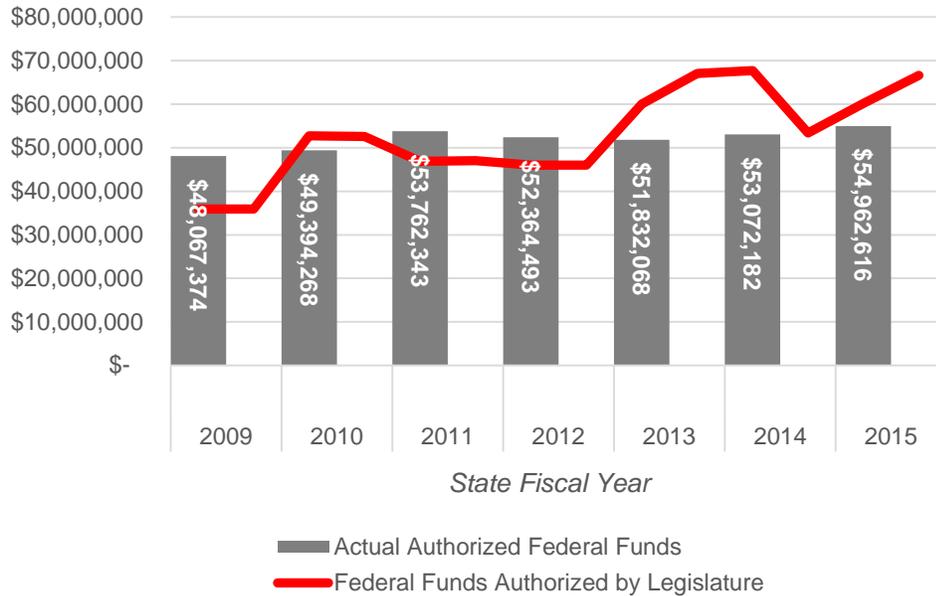
IA Provided the Legislature with Poor Federal Funds Information

The annual estimates of USOR's incoming federal funds clearly show a lack of necessary information and controls. For several years, USOE internal accounting submitted unfounded and inconsistent estimates to the Legislature on behalf of USOR, which caused the amounts of federal funding authorized by the Legislature to fluctuate greatly.

Each year, as part of the state budget process, state agencies submit federal funds request summary forms, which pass first through the Governor's Office of Management and Budget, then through the Office of the Legislative Fiscal Analyst (LFA). These requests should reflect agencies' best estimates of federal revenue for the upcoming year, and are used as the basis for the Legislature's subsequent authorization of federal revenue. Because the information submitted for USOR on these forms was poor, the resulting federal funds authorizations bore little resemblance to USOR's actual funding stream. Figure 2.5 illustrates this inconsistency.

Poor information resulted in inconsistent federal funds authorizations.

Figure 2.5 The Legislature Authorized Federal Funds Based on Poor Information. In 2014, LFA recommended a \$14.3 million correction to bring legislative authorizations in line with actual federal funding.



Source: Auditor generated
 Note: The red line reflects multiple authorizations by the Legislature in a single year.

Figure 2.5 shows how dissimilar USOR’s actual federal funding was to the amounts authorized by the Legislature. The gray bars show a relatively stable flow of federal funding from year to year, which should have enabled more accurate estimates of future funding. The red line should closely follow the gray bars. The obvious lack of consistency confirms that neither USOR nor USOE was benchmarking their estimates against actual federal funding.

In SFY 2011 and 2012, for example, it can be seen that USOR’s actual federal funding exceeded the Legislature’s authorizations. This was due to USOE and USOR’s failure to account for one-time federal awards in its funding estimates. Once LFA alerted USOR to this problem, the estimate was overcorrected, and the legislative authorization grew by over \$21 million from SFY 2012 to 2013. The authorized amount was far above actual federal funding which, in fact, fell slightly. This error was later corrected by LFA and the Legislature with a \$14.3 million supplemental reduction to USOR’s federal budget in SFY 2014.

USOR’s actual federal funding bore little resemblance to the amounts authorized by the Legislature.

USOR's inaccurate federal fund estimates were due to poor methodology and calculation errors.

It may be appropriate to establish a statewide grant management system.

Regarding this significant overestimation, USOR reported to LFA that it was overcompensating for its prior low estimates. Additionally, USOR stated that the overestimation was due to its anticipation of one-time VR reallocation revenue. Considering that the gray bars from 2011-2015 in Figure 2.5 already reflect this one-time revenue, projecting additional revenue beyond that was a miscalculation or misrepresentation on the agency's part.

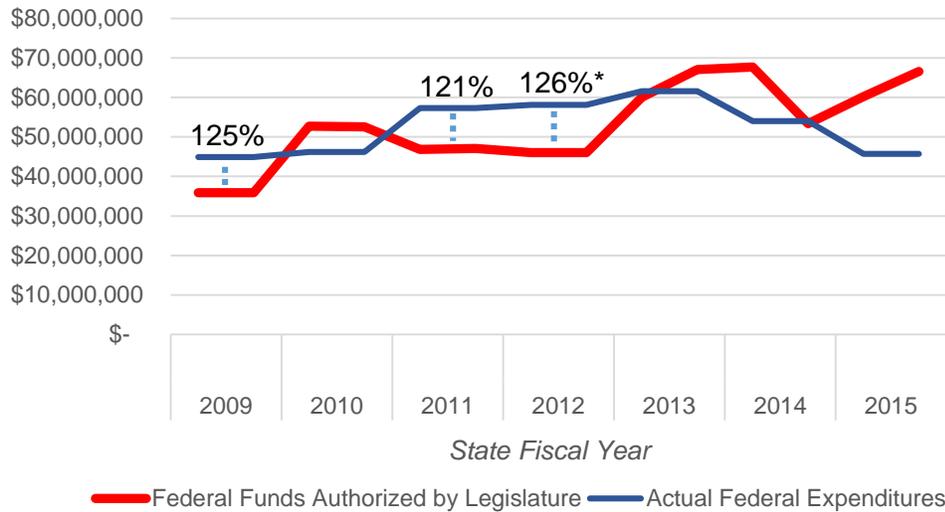
This scenario highlights a lack of accountability that exists in the state's federal funds approval process. Due to a lack of readily available data on federal grant awards and grant distribution, it is difficult for legislative budget staff to check estimates against actual federal funding. State agencies are relied upon to accurately estimate federal funding and it is assumed that they are doing so responsibly. USOR has shown how that trust can be exploited due to a lack of financial controls. For this reason, it may be appropriate for legislative budget staff and other stakeholders to establish a statewide grant management system in order to check estimates, analyze trends, and generally inform the state budget process.

USOR Violated Utah's Federal Funds Procedures Act

USOR's lack of budget controls also caused the agency to violate Utah's Federal Funds Procedures Act in SFY 2012. A portion of the act states that an agency may expend up to 25 percent more than the amount of federal funds approved by the Legislature, provided that doing so does not require the addition of permanent employees or new state money to match the funds.¹⁴ Figure 2.6 shows the extent to which USOR spent above its authorized limits in 2009 and 2011 and how the agency's overspending violated the law in 2012.

¹⁴ See *Utah State Code* 63J-5-205, passed during the 2011 General Session.

Figure 2.6 USOR Violated Utah’s Federal Funds Procedures Act in 2012. USOR also spent significant amounts above its authorized federal revenue in 2009 and 2011.



Source: Auditor generated
 *LFA originally reported this as 132 percent. See footnote 15 for more information.

Figure 2.6 shows that USOR spent 126 percent¹⁵ of its approved federal funds in 2012 without legislative approval, thus violating state law. Also, in order to spend beyond the authorized amount in 2012, USOR had to use new state money to match one-time federal dollars and hire additional permanent employees, further violating the code restrictions. The inconsistency between USOR’s expenditures and the amounts authorized by the Legislature further illustrates that neither USOE nor USOR maintained sufficient oversight or control over USOR’s federal funding stream.

Not only was USOR’s grant management process ineffectual, but state code is silent on enforcement responsibility and consequences for violations of the law in question. These factors contributed to USOR’s ability to spend federal revenue in an unsustainable way over several years without detection. A federal funds review process including formal penalties and clear enforcement authority and responsibility

USOR violated state budget law by overspending without Legislative approval.

Utah’s federal funds approval process may benefit from clear enforcement authority and penalties.

¹⁵ If ARRA funds are excluded from the calculation, the level of overexpenditure is 132 percent. This is the number LFA originally reported to the Social Services Appropriations Subcommittee during the 2013 General Session. Regardless, both amounts exceed the 125 percent limit.

could have worked in this instance to identify USOR's violations and inconsistencies and more quickly correct its problems.

The Legislature should consider establishing responsibility for the monitoring and enforcement of this act. Penalties for violation should also be established. This step, combined with the prior recommendation to improve federal revenue data, would provide better transparency and control in the state budget process.

USOR Could Have Potentially Avoided These Problems

As the number of USOR clients increased and state funding decreased, USOR management could have made use of a client waiting list and sought relief from potential federal penalties instead of spending its budget in an unsustainable way. Instead, USOR is now facing a federal penalty of approximately \$5 to 6 million.

USOR Should Have Implemented A Waiting List for VR Services Earlier

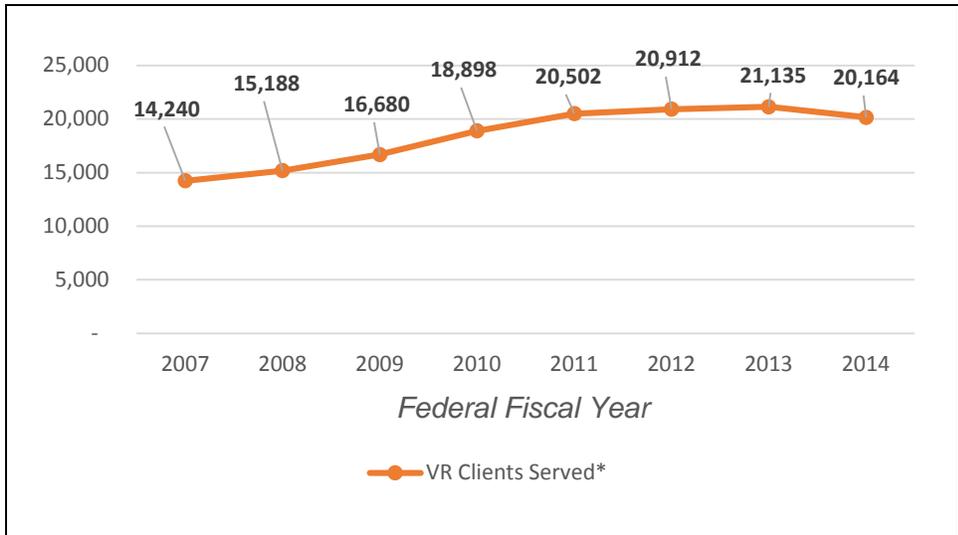
USOR allowed an overall increase in VR clients to increase the agency's cost of operations to an unsustainable level. In order to keep USOR's expenditures within the bounds of its revenue, state code and federal regulations give USOR management the ability and the obligation, with federal approval, to implement a prioritized waiting list¹⁶ for VR applicants. Though USOR did implement a waiting list in 2015, experts stated that a VR waiting list at USOR may have been appropriate as early as 2009. Figure 2.7 shows the number of VR clients served by USOR from 2007-2014.

USOR currently faces a federal penalty of approximately \$5 to 6 million.

A waiting list for VR clients may have been appropriate as early as 2009.

¹⁶ This is known formally as an 'order of selection' because a state must describe the order in which clients will be served based on the significance of their disability.

Figure 2.7 The Number of VR Clients Grew from 2007-2013. USOR officials cited a weak job market during the recession as the primary cause of this increase.



Source: RSA, USOR
 *These VR client numbers differ from those reported by USOR in the past. The numbers here reflect a more accurate picture of clients who were receiving services as opposed to the full body of VR applicants, a portion of whom were found ineligible for services.

Despite the growth in clients shown in Figure 2.7 and the corresponding strain placed on the budget, USOR management was fundamentally opposed to the idea of a waiting list and refused to implement one. Even though the effects of the budget strain and poor financial management began to emerge in 2013, a waiting list was avoided until early 2015. In contrast, according to a representative from RSA, many states make use of waiting lists by necessity; doing so is not seen in any sort of negative light.

Though the desire to serve all clients reflects good intentions on the part of USOR management, the decision to do so despite a lack of adequate, ongoing revenue created a situation in which the long-term health of the organization was placed at risk. We believe that USOR could have avoided a large portion of its current financial difficulties had management implemented a waiting list sooner than they ultimately did.

USOR Overspending May Result In a Maintenance of Effort Penalty

Because USOR irresponsibly spent such a large portion of both SFY 2013 and 2014 funds on its 2013 VR grant, it now faces a

USOR management was fundamentally opposed to a VR client waiting list.

USOR could have avoided most of its financial difficulties with a VR client waiting list.

Because of excessive spending, USOR faces a potential \$5 to 6 million federal penalty.

potentially large maintenance of effort¹⁷ penalty in the coming federal fiscal year. The current estimate for this penalty is approximately \$5 to 6 million though this is contingent on the final maintenance of effort amount at the close of FFY 2015.

Amid concerns of such a penalty as early as SFY 2009, USOR management reported to an advisory council that an application for a penalty waiver had been submitted to RSA. We found no similar report or discussion with the Board. However, conversations with USOR and RSA staff confirm that an application was never formally submitted because USOR believed it had found means to avoid the penalty. It is unlikely that RSA will grant a waiver for the current penalty.

Recommendations

1. We recommend that the Utah State Office of Rehabilitation, the Utah State Office of Education, and the Utah State Board of Education create policy to guide development of the annual federal revenue estimates that are submitted to the Legislature as part of the budget process.
2. We recommend that the Legislature work with the Office of the Legislative Fiscal Analyst and other stakeholders to establish a statewide grant management system.
3. We recommend the Legislature consider assigning responsibility for the monitoring and enforcement of the Federal Funds Procedures Act in Utah Code. A penalty for violation should also be considered.
4. We recommend that the Utah State Office of Rehabilitation, the Utah State Office of Education, and the Utah State Board of Education develop in policy a systematic, ongoing process of budget creation and monitoring including communication of budget information to key governance, oversight, and management members. We further recommend that the Utah

¹⁷ The maintenance of effort for the VR grant requires a program to spend the same amount of non-federal funds in a given year as it did two years prior. If not, the program is penalized dollar-for-dollar from its subsequent VR grant.

State Office of Rehabilitation ensure that all reported communication be accurate and complete.

5. We recommend that the Utah State Office of Rehabilitation, the Utah State Office of Education, and the Utah State Board of Education continually evaluate the appropriate level of financial skills and support needed to adequately manage its budget and work to build its staff accordingly.
6. We recommend that the Utah State Office of Rehabilitation, the Utah State Office of Education, and the Utah State Board of Education create policy in line with federal regulation that requires regular, documented analysis of trends, forecasts, revenue, and need for an order of selection.



Chapter III

Weak Oversight and Communication Prolonged and Worsened Financial Problems

The Utah State Board of Education (USBE or the Board) and the Utah State Office of Education (USOE)¹⁸ did not provide sufficient governance or oversight of the Utah State Office of Rehabilitation (USOR), which prolonged and worsened their financial problems. Oversight and communication did not function in a way to prevent, detect, or address USOR’s budgetary issues, with USBE being informed of the problems at least five years after they were anticipated. USBE did not provide governance of USOR. In addition, USOE failed to provide management oversight of USOR to prevent budgetary issues.

Although this chapter focuses mainly on shortfalls of USBE and USOE, it is not meant to ignore USOR’s culpability, which was addressed at length in Chapter II.

Nonfunctioning Oversight and Poor Communication Aggravated Financial Problems

Lack of communication between USBE, USOE, and USOR prolonged the organization’s financial problems. A fundamental breakdown in oversight and communication among USBE, USOE, and USOR delayed the discovery of the budget problems reported in Chapter II. This delay allowed USOR’s financial health to decline further than it would have had the problems been identified earlier. These issues were due to governance and management functions and interactions that were not clearly detailed in policy.

USBE and USOE did not develop clear policies to guide the governance and management of USOR.

¹⁸ When this chapter discusses USOE, it is primarily referring to the superintendency, or executive team of the superintendent.

***Utah State Code* clearly identifies that governance and oversight of USOR is the responsibility of USBE and the superintendent.**

Governance and Management Oversight Defined by Utah Code

The *Utah State Code* clearly identifies that governance and oversight of USOR are the specific responsibility of USBE and its superintendency. As authors of state code, the Legislature gives authority and purpose for USBE, the superintendent, and USOR. The lack of clear governance and oversight by USBE and the superintendent led to delayed action in identifying and addressing USOR's budget issues. USBE and USOE did not develop clear policies to guide their governance and management oversight of USOR. Figure 3.1 details how both statute and standards defines each body's oversight role.

Figure 3.1 Roles for USBE, the Superintendent, and USOR are Defined by Statute and Standards.

Entity	Role	Performance of Role	Utah State Code
USBE	Governance	“Responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.” ¹	“There is created the Utah State Office of Rehabilitation under the policy direction of the State Board of Education...” ³
Superintendent (USOE)	Oversight	“Sets strategic direction (under the [direction] of the board) and establishes an entity’s value system. Provides assurance that risks are managed as part of a risk management process, operations are monitored, results are measured, and corrective actions are implemented in a timely manner.” ²	USOR is: “... under the direct and general supervision of the superintendent of public institution.” ³
USOR Director	Management	“Deploys strategy, enforces internal control, and provides direct supervision for areas under its control. Is accountable to executive management, and ultimately to the board, for implementing and monitoring the risk management process and establishing effective and appropriate internal control systems.” ²	“The [USOR] director shall administer the office in accordance with the direction of the executive officer of the board, policies of the board, and applicable state and federal laws and regulations.” ⁴

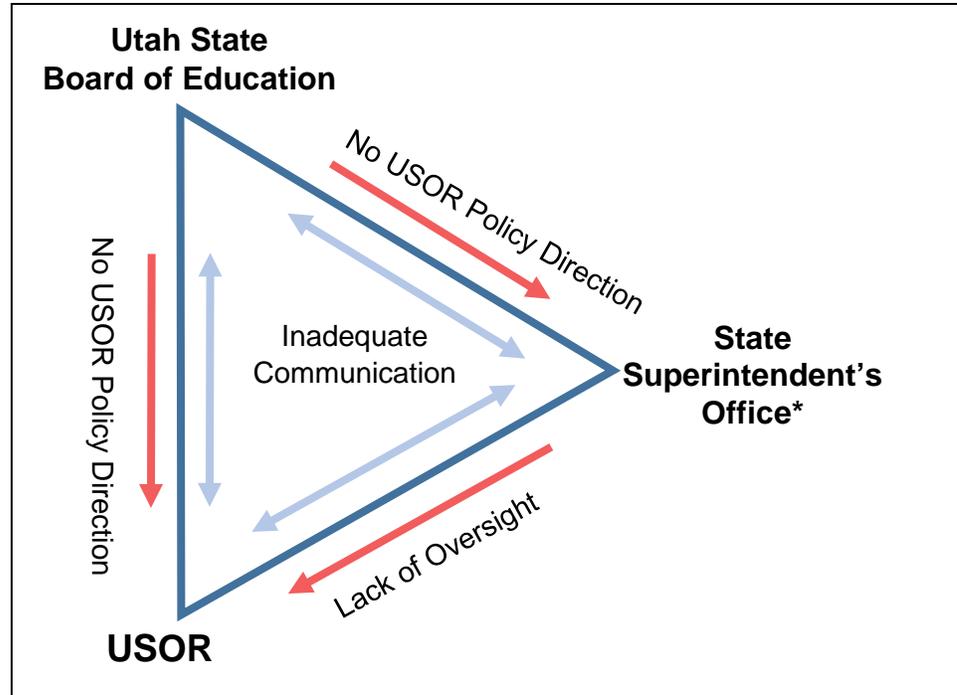
Sources –
 1 Government Accountability Office
 2 Institute of Internal Auditors
 3 Utah State Code 53A-24-103(1)
 4 Utah State Code 53A-24-104(2)

Oversight and the defined roles described in Figure 3.1 were absent from the decisions that led to USOR’s budget deficit. USBE should have created a culture of good governance and policy to direct and monitor USOR. USOE should have ensured that the policy and direction set by USBE were followed. However, USOE failed to provide appropriate oversight of USOR. USBE did not ensure USOE was properly overseeing USOR, and there was no policy ensuring these duties would be performed. Adding to these failings was a lack of communicated feedback between the organizations.

USOR leadership failed to adequately manage and control the organization.

In addition to USBE's and USOE's failures, we found that USOR also failed to adequately manage and control the organization, which led to inadequate identification and communication of problems. Figure 3.2 illustrates the lack of adequate policy direction, oversight, and communication among parties within USOE.

Figure 3.2 Lines of Oversight and Communication Among the Three Organizations Did Not Function.



Source: Auditor generated
 *This includes, by extension, all areas of USOE with responsibility to support USOR. Namely, USOE Internal Accounting due to that office's pivotal role in financial management.

As shown in Figure 3.2, USBE should provide policy direction to USOE and USOR, who would then execute that policy. To ensure that the policy and direction are followed, communication is crucial. According to state code, USOR should be reporting to the state superintendent, who, in turn, should report to the USBE. This reporting should include any concerns or future risks USOR might encounter.

There is no clear written department policy detailing interaction between USBE, USOE, and USOR, which allowed reporting and communication to function improperly. A review of USBE bylaws, policies, and training material show no clear guidance on the role of USBE and interaction with USOR. USOE staff could also find no

There is no clear written policy detailing interaction between USBE, USOE, and USOR.

guiding governance documents. Without a written and enforced policy it will be difficult to prevent future oversight issues.

In addition, USBE's own internal auditors noted a risk due to this lack of guidance, recommending that "governance policies and procedures outlining expectations, reporting lines, etc. would help mitigate this risk." We agree that not only governance, but also lines of communication should be defined and strengthened.

Communication of Budget Issues Was Detrimentially Delayed

The delay in USBE and USOE receiving information on USOR's budget issues confirms there were problems with the lines of communication. USOR did not communicate concerns to USOE or the Board. The cycle of poor information only added to the budgetary issues at USOR. As stated by the Institute of Internal Auditors (IIA), "breakdowns in communication are often the root cause of control deficiencies." These control deficiencies at USOR led to financial problems.

USOR and USOE Internal Accounting Failed to Communicate Problems and Financial Decisions to USBE and USOE. Due in part to poor lines of communication, as well as a misunderstanding of budget issues, neither USOR nor USOE internal accounting (IA) reported budget concerns to the superintendency or the Board until they had spiraled out of control. Concerns with decreasing state budgets and the increasing inability to meet federal maintenance of effort (MOE)¹⁹ requirements date back to October 2008; however these concerns were only expressed to a USOR (or VR) advisory council. The funding shortage appears to be first communicated to USBE and USOE in October 2013. After that point, a lack of sufficient detail and overly optimistic reports by USOR and USOE further delayed solutions.²⁰

The lack of financial understanding may, in part, be due to poor support from IA. However, despite USOR complaining at length to us about a lack of adequate support from IA, we could find no evidence that USOR ever made a good faith effort to bring this

USOE internal accounting did not provide a sufficient level of support to USOR, but USOR raised no complaint.

Budget concerns were not communicated to USOE or USBE until the problem was out of control.

¹⁹ MOE requirements prohibit the state from reducing nonfederal expenditure from year to year or suffer a penalty assessed on a subsequent federal award.

²⁰ This is also discussed in detail in Chapter II.

problem to the superintendent or USBE until it became a discussion topic in 2014. Budget issues were made worse by the inability of USOR to clearly articulate the causes and extent of the issue.

It appears that the superintendency was unaware that financial support for USOR was inadequate and was largely unaware of developing budget issues at USOR, nullifying its ability to appropriately inform the Board. Neither USOE (mainly IA), nor USOR accurately communicated budgets and budget issues. In turn, we found no evidence USBE was directly notified of budget concerns until October 2013.

In addition, it appears USOR did not communicate options and strategies for dealing with the budget shortages to the Board until late 2014. USOR did not inform the Board of two prevention strategies in a timely fashion: specifically, order of selection²¹ and the use of federal one-time money. Importantly, if the superintendent or Board would have been made aware of the nature of USOR's financial activities, the current problem could have potentially been less severe. Given the lack of oversight and poor communication described above, we believe that if even one party within this system would have raised any level of concern earlier, it would have sparked a more timely corrective action.

USBE Failed to Provide an Appropriate Level of Governance of USOR

We believe that USBE overlooked its USOR governance responsibilities due to its significant education focus, thus giving inadequate support or attention. In addition, USOR did not have a necessary or appropriate level of interaction with the Board. This lack of attention on USOR allowed it to function essentially without oversight. Since USOR's budget issues came to its attention in 2013, USBE has taken steps to provide more oversight and better define each entity's role.

²¹ Order of Selection (OOS) is a waitlist to be enacted when a program does not have sufficient resources to serve all clients. OOS prioritizes clients by the significance of their disability.

USOR did not communicate possible budget management strategies to the Board.

USBE Overlooked USOR Governance Responsibilities

Although USOR is under the policy direction of USBE, the Board provided little governance. *Utah State Code 53A-1*²² details a list of the Board's education duties, but does not directly mention USOR. The specific role USBE has over USOR is not mentioned in Title 53A until 53A-24, which is page 448 of 487. We recommend that if USOR remains under USBE's governance, USOR should be mentioned specifically in 53A-1 so they are reflected in the administrative section of the Public Education Code, thus emphasizing the Board's governance responsibility. Though statute is clear on USOR's placement within USOE, state code places a clear focus on the Board's education-related duties and responsibilities. The lack of emphasis on USOR is also reflected in the Board's bylaws, administrative rules, and the strategic plan of both USOE and USBE.

Members of the Board have said they were not aware USOR was under Board oversight when they were running for the position. This illustrates Board members' lack of interest in governing rehabilitation, contributing to a disregard for their governance over USOR and lack of Board directives to ensure USOE fulfilled its supervisory role over USOR.

Additionally, a member of the Board, not speaking for the Board, said in the October 15, 2014 Health and Human Services Subcommittee meeting in regard to USOR, "the state Board is not getting around to providing oversight for policy, for finance, the way I think that a Board needs to do." A review of USBE's strategic plan and 2015 legislative plan distributed to legislators also shows no mention of rehabilitation or USOR.

USBE should make changes in their organizational structure to ensure that USOR is a more prominent entity within the organization. Illustrating this, USOR has had:

- Limited interactions and communication with the superintendency and USBE
- No access to USOE intranet, due to a firewall limiting USOR's access to available policies and procedures, and a webxtender

²² Title 53A governs the state system of public education.

USBE members have said they were not aware USOR was under Board oversight when they were running for the position.

allowing them to see some client information and the underlying transactions behind their budget

- No prominent display of USOR on USOE's website²³

Further indicating the lack of interest in USOR, USBE did not utilize their internal auditor to ensure compliance at USOR. Internal auditors were asked by the Board to focus on education entities.

Since USOR's budget issues came to its attention in 2013, USBE has taken steps to provide more oversight and better define each entity's role. In 2014, the Board hired an internal auditor to provide audits and risk analysis of USOR. In addition, USBE changed administrative rules governing internal audits, specifically naming USOR as an audit item. The Board has also clarified budget reporting expectations in Board bylaws and have given more attention to USOR's finances in Board committee meetings. In fact, since early 2014, a great deal of time in both the finance and audit committees has been spent on USOR.

USOR Did Not Have a Sufficient Level of Interaction with USBE

USOR had very limited time before the full USBE. Board meetings are held nearly every month. In these meeting the focus was on public education and education policies. From 2009 to 2014 USOR presented to the full Board in 7 of the 97 meetings, even though a USOR representative was present at nearly 70 percent of the full Board meetings. USOR's 7 presentations averaged less than 13 minutes and focused on how USOR fit under the Board and the successes of the program rather than budget and financial concerns. USOR was not assigned to a specific Board committee²⁴ where they could have more time with Board member to discuss specific issues. However, each year the Board approved USOR and the Independent Living Center's state plan, approved new member of the State Rehabilitation Council, fiscal year budgets, and received monthly

USBE has taken steps to provide more oversight and to better define each entities roles.

USOR only presented 7 times in 97 full Board meetings between 2009 and 2014

²³ A link to USOR's website can be accessed from USOE's website under "partner links" and "contact."

²⁴ Currently, USBE has five committees to discuss issues in more detail. These committees are the executive committee, audit committee, finance committee, standards and assessment committee, and law and licensing committee.

budget reports from IA on behalf of USOR.²⁵ Most of these items fell on the consent calendar where little discussion was given.

It is unclear to what extent USOR's finances were discussed in finance and audit committees prior to 2012. However, since the finance committee did not raise concerns to the full Board it is likely USOR's budgets were not discussed in detail. In theory, USOR budget concerns should have been discussed in depth in finance committee meetings and if concerns were raised in the finance committee those concerns would then be brought to the full Board, of which we find no evidence until late 2013. We were able to determine that the limited budget information reported to the Board was often incorrect, which further limited USBE's ability to effectively oversee USOR's budget.²⁵

Prior to 2002, USOR was under the now defunct State Board for Applied Technology. This board was comprised of the members of USBE, but focused on USOR and applied technologies. In addition, the board established a committee for Applied Technology and Rehabilitation. A previous director of USOR said that this board gave USOR more attention. However, when the Utah College of Applied Technology was removed from under USOE, the State Board for Applied Technology was also removed, after which USOR fell under USBE.

Due to the lack of support from USBE, on June 6, 2014 USOR proposed four recommendations to the Board audit committee to improve the level of interaction with USBE:

1. A member of USBE should serve on the State Rehabilitation Council and report back quarterly to the Board.
2. USOR should be assigned to a committee to give quarterly updates.
3. USBE should establish a committee overseeing USOR and Utah Schools for the Deaf and Blind.

²⁵ The inaccuracies of the monthly financial reporting to the Board are discussed at length in Chapter II.

We found no evidence USOR's budget concerns were brought to the full board until late 2013.

USBE should develop clear processes and structures to provide accountability and ensure oversight of USOR.

4. The full Board should oversee USOR.

While we agree that these unimplemented recommendations and some additional steps taken by USBE could improve the oversight function of USOR, there is still more that must be done to ensure proper oversight. A clear, written management policy must be formulated. There should be clear processes and structures implemented in order to provide accountability and ensure oversight of USOR. The lack of policy over such governance is concerning and needs to be improved.

USOE Failed to Provide Oversight of USOR

USOE overlooked its responsibility to provide oversight of USOR. This responsibility included developing controls and monitoring USOR's finances. In addition, USOE did not ensure that USOR was receiving proper support. Since USOR's financial issues came to light, the new state superintendent has aggressively addressed these issues.

The Superintendency Did Not Adequately Monitor USOR's Finances

The State Office of Rehabilitation Act in *Utah State Code* requires the state superintendent to provide "direction and general supervision" to USOR. The specific duties and responsibilities of the superintendent listed in code, make no mention of USOR. Rather, the state superintendent's individual job description mandates he regularly review the budget. However, there is little evidence or documentation of the involvement of the superintendency in USOR. For example, USOR's executive director was never present at or invited to USOE executive team meetings.

Supporting this assertion, the current state superintendent²⁶ said at the February 4, 2015, meeting of the Social Services Appropriations Subcommittee that USOR's current problems were due to a leadership failure. He also said that there was a lack of clear communication to the state Board or superintendent. The

²⁶ See Appendix A for the tenure of the current superintendent and other related managers, with a timeline of significant events.

Utah State Code requires the state superintendent to provide "direction and general supervision" to USOR.

superintendent added there is fault in the state superintendency in oversight and a failure at the state Board level regarding governance.

In response to these concerns, the new state superintendent has taken steps to ensure his office is properly managing USOR. These steps include weekly meetings with the USOR director and monthly budget reviews. A new associate superintendent over administration and business was hired and will oversee internal accounting. Finally, a new director has been hired for USOR.

The Superintendency Did Not Ensure Proper Support of USOR

The superintendency failed to ensure that IA provides adequate financial support to USOR. IA should have managed USOR's budget and advised executives and managers of spending and fiscal issues. In the job description for IA staff, the IA director is required to "advise [the superintendent] and managers of fiscal problems and present alternatives to minimize impact of revenue cutbacks and shortfalls." This was not being done properly. IA staff were not adequately reviewing budgets, expenditures, and budget forecasts. If IA had been more involved, they could have informed the proper management personnel.

IA failed to fulfill their responsibilities and failed to inform the superintendent of USOR's fiscal issues. If the superintendency had processes in place to oversee USOR's budget and activities, and ensure that IA provided the superintendency with timely, accurate information, these issues would likely have been brought to light prior to USOR falling short of funds.

In response to the lack of financial support, USOE is currently in the process of hiring a new director of internal accounting. USOR and USOE are also working on a memorandum of understanding to clearly state what will be expected from each party. Although these steps will help the current situation, clear policies and expectations still need to be created in order to prevent breakdown if or when the current leadership of USOE and USOR change.

The superintendent has taken steps to ensure proper management of USOR.

USOE failed to ensure USOR receive proper financial support.

Recommendations

1. We recommend that the Utah State Office of Education and the Utah State Office of Rehabilitation determine ways to ensure that lines of communication remain open and structured such that decision makers are apprised of pivotal program and budget activities.
2. We recommend that the Utah State Board of Education and the state superintendent clearly define their roles as to governance and oversight in policy.
3. We recommend that the Utah State Office of Rehabilitation, under the policy direction of the Utah State Board of Education, create policy detailing the following:
 - Key process steps
 - Performance and financial metrics
 - Controls
 - A monitoring schedule for its interaction with its oversight body
4. We recommend that the Utah State Office of Education consider modifying their organizational structure to ensure that the Utah State Office of Rehabilitation is given a more prominent position (e.g. organizational chart, Board meetings, intranet, etc.).
5. We recommend that if the Utah State Office of Rehabilitation remains under the oversight of the Utah State Board of Education, *Utah State Code* should be amended to reflect the needed priority the Utah State Board of Education should place on the Utah State Office of Rehabilitation.

Chapter IV

USOR’s Mission Would Be Better Served Elsewhere in State Government

The Utah State Office of Rehabilitation (USOR) would be best served by moving it elsewhere in state government. Its current placement under the Utah State Board of Education (USBE or Board) within the Utah State Office of Education (USOE) lacks aligned missions, which leads to concerns about governance and oversight. The Department of Workforce Services (DWS) appears to be the most closely aligned location, with overlapping missions and clientele.

Past reports, studies, and national trends also support rehabilitation providers, like USOR, being housed under a labor agency. While concerns about moving USOR continue to be an issue, these concerns can be addressed. If the Legislature decides that DWS is not the best place for USOR, there are other options for USOR placement.

USOE Is Not the Best Location for USOR

USOE should not be the oversight body for USOR. USOE’s educational focus and USOR’s broader employment-based focus do not align. Because of these disparate missions, it is possible that USOR may not receive sufficient oversight without a change in governance. In addition, a comparison of programs similar to USOR in other states shows that rehabilitation programs are seldom governed by a state educational entity.

USOR Is Not an Education Program

USOR is, at its core, an employment entity. While there are many other essential roles played by USOR vocational rehabilitation (VR) counselors, the program’s end goal is employment. In fact, the State Office of Rehabilitation Act in *Utah State Code* has a section entitled “Employment first emphasis on the provision of services.” Figure 4.1 shows provisions of this section.

USOR should not remain under USOE’s oversight.

Figure 4.1 State Code Requires that Priority Be Given to Assisting Clients in Gaining Employment. A plan must be established to carry out this priority.

Utah State Code 53A-24-106.5

(1) When providing services to a person with a disability under this chapter, the office shall, within funds appropriated by the Legislature and in accordance with the requirements of federal and state law, give priority to providing services that assist the person in obtaining and retaining meaningful and gainful employment that enables the person to:

- (a) Purchase goods and services;
- (b) Establish self-sufficiency; and
- (c) Exercise economic control of the person’s life.

(2) The office shall develop a written plan to implement the policy described in Subsection (1).

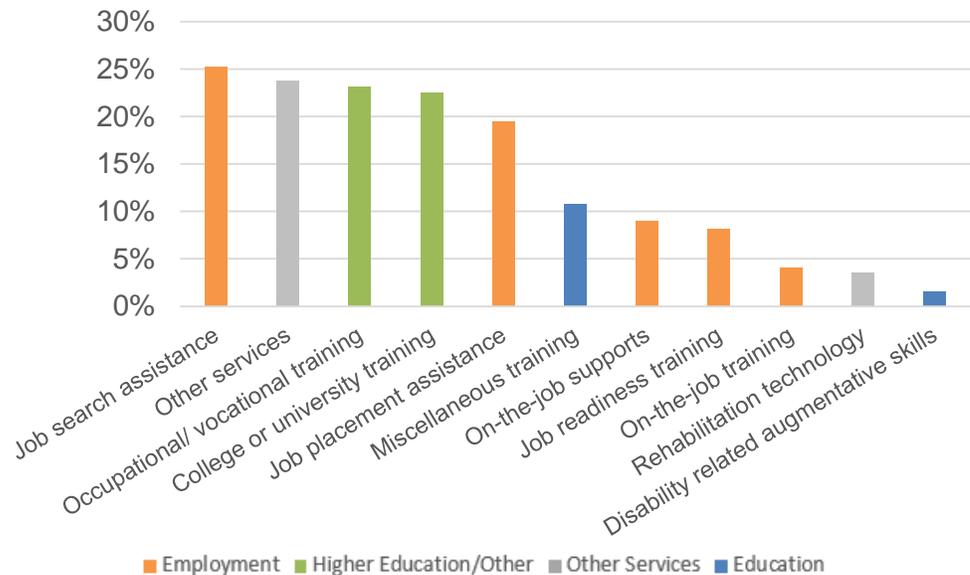
Source: *Utah State Code*

Employment is USOR’s statutory priority.

Figure 4.1 shows that education is neither USOR’s ultimate goal nor primary priority. Instead, the goal is employment. Supporting this goal, USOR’s core operations and metrics as reported to the federal government and the Utah Legislature center on employment.

Figure 4.2 shows the distribution of services provided to clients by USOR. The majority of services provided to USOR clients are employment related.

Figure 4.2 Majority of Client Services are Employment Related.



Source: *Rehabilitation Services Administration Federal Fiscal Year 2009-2013*

Note: *Miscellaneous training includes GED or high school training leading to a diploma. Disability related augmentative skills training includes rehabilitation teaching; training in the use of low vision aids; Braille; speech reading; sign language; and cognitive training/retraining. Clients can receive multiple services*

As Figure 4.2 shows, there are two categories related to public education (shown in blue). Only the “miscellaneous training” category, with approximately 11 percent usage, focuses on helping clients finish high school or obtain their GED, a goal which is still employment directed. It is clear that a majority of the services offered by USOR are focused on employment.

USOR works with public education to prepare students with disabilities for employment. USOR serves an estimated 3,721 clients who are potentially students²⁷ each year, approximately 12 percent of their total clientele. An argument has been made that because it is overseen by USOE, USOR has agreements with each school district that makes serving student clients easier. Moving USOR from USOE would not make these agreements go away, just as not being governed by DWS has not negated similar agreements between DWS and USOR.

Additionally, a significant part of USOR’s education-focus lies with institutions of higher education. In federal fiscal year 2014, 23 percent (approximately \$4.4 million) of USOR’s total VR expenditures went toward higher education degree programs. We feel that, similar to its current relationship with public education, combining USOR with higher education would be incongruous because no other strategic mission alignment exists.

USOR’s Mission Is Not a Significant Focus of USOE’s Responsibilities

As mentioned in Chapter III, the primary focus of USBE and the superintendent is public education in the state of Utah. As a result, USOR failed to receive the necessary oversight and management, causing a budget deficit and on-going financial difficulties. USOR should not stay within USOE for the following reasons:

- USBE voted to recommend USOR move to another entity
- USBE has no rehabilitation representation

²⁷ This number is estimated based on USOR clients age 21 and younger. Although students are traditionally defined as 18 and younger, the Individuals with Disabilities Education Act allows for the age to increase to 21 for students with disabilities. There are 881 student clients age 18 or younger. Because it is unclear how many of the approximately 3,000 clients from 18 to 21 are actually students, 3,721 is a conservative estimate.

The majority of services offered by USOR are employment focused.

Higher education also represents a significant USOR expense.

The Board voted to recommend that USOR not remain under its governance.

No rehabilitation members are on the Board or advise the Board.

- USOR budget could get lost in USOE's large budget

The Board Recommended Moving USOR. Since early 2014, USBE has studied the governance of USOR. In a June 2015 Board meeting, USBE recommended that USOR not remain under its governance. Specifically, the minutes state that:

USOR is not best served by a Board that is primarily elected to serve another entity, but that the Board will continue to fully support USOR while a decision is being finalized.

If the Board is not interested in USOR remaining under their governance, it will be difficult for the Board to maintain focus on USOR.

The Board Structure Does Not Have Any Rehabilitation Representation. The makeup of USBE and their focus and objectives may lead them to again lose focus on USOR. The current Board structure consists of 15 elected voting members who receive quarterly recommendations from four advisory members of related boards.²⁸ None of these advisors represents the disabled community. A member of the Board in the February 4, 2015 Social Services Appropriations Committee Meeting stated “that no state Board member runs for the State Board of Education thinking that they are going to be managing the State Office of Rehabilitation.”

Education's Budget Is Significantly Larger than USOR's. USBE annually oversees spending of \$4 billion for public education. Although a majority of this money is passed through to school districts and charter schools, it is still the Board's responsibility to ensure it is distributed correctly and used appropriately. Figure 4.3 shows the allocated budgets of the potential oversight bodies for fiscal year 2016 and what percentage USOR would make of the respective total budget.

²⁸ Two advisors are appointed from members of the Board of Regents, one from the Utah College of Applied Technology, one from the State Charter School Board.

Figure 4.3 USOR Is a Small Percentage of Public Education’s Total Budget (FY 2015). In comparison, it would be a larger portion of both DWS and DHS.

Agency	Total Budget	USOR’s Budget as a % of the Agency
USOR	\$ 81,403,800	-
Public education ²⁹	4,289,118,800	1.9%
DWS	968,602,100	7.8
DHS	688,889,900	10.6

*Source: Legislative Fiscal Analyst state fiscal year 2016 appropriation
Public Education funds are appropriated to the State Board of Education. The large percentage of this money goes to school districts and charter schools through the Minimum School Program.*

As shown in the chart above, public education oversees the largest budget compared to other agencies with clientele similar to USOR.³⁰ USOR constitutes a mere two percent of the budget overseen by the Board. DWS is the second largest and USOR would make up nearly 8 percent of its budget if they were added to DWS. The Department of Human Services (DHS) has a smaller budget at nearly \$690 million. The size differential between a \$4.3 billion educational budget and the \$81 million USOR budget is concerning. We believe that USOR could easily be a lost priority once immediate issues are resolved.

Public education is by far the largest comparative budget.

Nationwide, Education Is Least Frequent Oversight Body

There are 27 states,³¹ including Utah, whose rehabilitation agencies are combined agencies.³² When comparing agency placement in state government, we found that education was the least used governance structure, as seen in Figure 4.4.

²⁹ Public Education Budget includes Minimum School Program, School Building Programs, and State Board of Education.

³⁰ USBE’s budget, not including dollars passed through to school districts, is \$657,944,700.

³¹ This includes the District of Columbia.

³² States can have an agency over blind and visually impaired services and a separate agency over general vocational rehabilitation, or states can combine functions in one agency, similar to Utah.

Figure 4.4 Education Is Least Frequent Oversight Body Among Other States. Human and Social Services Departments House the Most Rehabilitation Agencies.

Department	Percentage of Combined Agencies	Count
Human/Social Services	37%	10
Labor/Workforce	26%	7
Independent	22%	6
Education	15%	4

Source: Rehabilitation Services Administration

Only four rehabilitation entities, including Utah, are located under an education agency. More commonly, vocational rehabilitation programs are located under a human or social services agency. Utah’s DWS is a hybrid of social services, labor, and workforce development.

Though it is not a commonly used governance structure, VR programs under education agencies have better-reported employment rates. In 2013, programs overseen by education agencies had an employment rate of 59.8 percent compared to social and human service agencies at 54.2 percent, labor agencies at 49 percent, and independent agencies at 48.4 percent. However, we do not have sufficient information to determine why the four states have higher rates.

DWS Appears to Be the Most Likely Candidate for USOR Placement

Our analysis shows significant potential for alignment between USOR and DWS. First, they have significant mission and clientele overlap. Second, the Office of the Legislative Auditor General (OLAG) and Legislative Fiscal Analyst (LFA) have made recommendations in the past to combine USOR to DWS. Third, at least one other state is moving rehabilitation under its labor department in response to federal changes and budget problems similar to those at USOR discussed in this report. DWS points out that they enjoy a “long-standing partnership with USOR,” and are willing to actively partner with USOR.

Only three other states govern rehabilitation under education.

There is significant potential for alignment between USOR and DWS.

USOR's and DWS' Missions and Clientele Have Significant Overlap

USOR and DWS appear to be very similar agencies when comparing clientele and missions. Both mission statements focus on employing their clientele. In addition, there is a significant overlap in the individuals USOR and DWS serve. This supports the assertion that USOR would be a good fit within DWS.

USOR and DWS Mission Statements Focus on Employment.

USOR's mission aligns more closely with DWS than any other department in the state. DWS' mission is "connecting job seekers to Utah jobs," while USOR's mission is "to assist individuals with disabilities to prepare for and obtain employment and increase their independence." The major focus of these two agencies is to help their clients gain employment. USOR's clients may have additional steps and efforts because of their specific clientele needs, but at its core, the ultimate goal is employment.³³

A Majority of USOR and DWS Clientele Overlap. We reviewed the clientele served by both DWS and USOR and found a significant overlap. Seventy-one percent of USOR clients also receive services from DWS. As previously mentioned, only 12 percent of USOR's clientele are student-aged, and would potentially be served by USOE. Clearly, a much larger percentage of USOR's clientele overlap with DWS than with USOE.

Legislative Staff Have Previously Recommended USOR and DWS Be Combined

In two prior audits, OLAG recommended USOR be moved to DWS. Audits released by OLAG in 1992 and again in 2000 advocated the consolidation of USOR with DWS due to their clear service overlap.³⁴ The recommendation in the 2000 audit report reads, "We recommend that the Office of Rehabilitation be made into a separate division within the Department of Workforce Services."

Both USOR's and DWS' mission statements focus on employment.

Seventy-one percent of USOR clients receive services from DWS.

A 2000 OLAG audit recommended USOR be a separate division within DWS.

³³ Not all of USOR's divisions focus on employment. Rehabilitation Services and the Division for the Blind and Visually Impaired are predominantly employment focused, while the Disability Determination Services and Division of Services for the Deaf and Hard of Hearing have other focuses. All divisions are not required to be under the same departmental governance.

³⁴ Appendix B contains the applicable section of the 2000 audit.

In addition, the 1992 audit cited a report issued in 1979 by the Committee on Executive Reorganization which, with input from the Legislative Auditor General, advocated that USOR be consolidated with state employment programs. The report cites USOR's clear employment mandate and the inappropriateness of insulating a direct services program from executive branch oversight by housing it under the State Board of Education.

Additionally, in recent years USOR was moved from the Education Appropriations Committee to the Social Services Appropriations Committee. DWS, DHS, and Department of Health are overseen by the same appropriations committee as USOR. This move was made to align similar agencies into the same appropriations committee.

The Legislative Fiscal Analyst (LFA) also recommended in a 2009 interim report that "the Legislature consider transferring the [DWS-run General Assistance Program] from DWS to USOR]. The General Assistance Program helps adults achieve economic independence. The report concludes that "USOR . . . has a mission statement that is directly aligned with assisting the same population."

Colorado Rehabilitation Agency Is Moving to Labor

On May 8, 2015, the Colorado governor signed a bill to transfer its Division of Vocational Rehabilitation (DVR) to Colorado's Department of Labor and Employment (Labor). The press release on the signing gave two main reasons for the move: (1) to better respond to Workforce Innovation and Opportunity Act (WIOA) mandates, and (2) to support the governor's employment initiatives.

While Colorado cites WIOA alignment as one rationale for moving DVR to Labor, USOR cites the same federal legislation as evidence to remain with USOE. Although federal WIOA regulations have not yet been released, USOR has asserted that the legislation moves rehabilitation closer to education. Colorado officials seem to disagree. Colorado's interim DVR director cited better WIOA alignment as their primary reason for the move to Labor, further stating that the services they provide, even when they are used in the funding of education needs, are still focused on the end goal of employment.

In 2009, LFA recommended moving a function of DWS to USOR because their mission statements align.

Colorado cites WIOA as a reason they are moving rehabilitation to their labor agency.

In 2013, Colorado’s DVR experienced a significant increase in spending much like USOR did, precipitating a request for a \$5.5 million supplemental appropriation. In its performance audit of DVR, Colorado’s Office of the State Auditor stated that “the division does not have sufficient policies, procedures, and oversight to manage its financial resources and ensure its expenditures are within available resources.” Perhaps as a result of such troubles, the DVR interim director shared one additional reason for the move to Labor – that the division needs a fresher perspective.

Colorado had a similar financial shortfall.

DWS Sees An Overlap of Missions

When consulted about the possibility of USOR being combined with their department, DWS management pointed out a number of existing partnerships and overlapping services.³⁵ When discussing missions, they state “Our missions align where training and/or job readiness activities lead to employment for our customers.”

DWS sees mission alignment where activities lead to employment of customers.

While they do point out some concerns and areas where they feel divisions of USOR may not be an obvious overlap, they state

DWS will be an active and willing partner in any request to explore additional oversight duties. We respect and appreciate the opportunity to administer these types of government services. We are a caring and service-oriented department that takes great pride in serving the citizens of Utah.

Stakeholder Concerns Exist

Various stakeholders, including USOR, client groups, advisory councils, and individual citizens have historically expressed concerns with moving USOR from USBE’s governance. These fears could be addressed. If a move is undertaken, federal regulations require public meetings and consultations with stakeholders to address concerns.

Stakeholders Have Advocated Remaining at USOE

USOR management and interested client groups have long resisted moving the governance of USOR from USBE. Figure 4.5 presents

³⁵ Appendix C contains DWS’s full statement on USOR.

some concerns with moving from USOE, as well as responses to these concerns.

Figure 4.5 Various Entities Have Expressed Concerns with Moving USOR from USOE.

Concern	Response
History of recommendations shows USOR should remain under USOE	This assertion has been misrepresented ¹
Decreasing the emphasis on student clients	Student clients will continue to be served, as they are in other states not placed under education.
Operating agreements with school districts	Agreements can be transferred to operate under another agency
Large grant for students	Changing governance will not affect grant
Funding, rules, policies and regulations come from US Department of Education	Other states are under different agencies and are still funded by the Department of Education
USOR is an education agency	While education is a component of USOR, the stated primary mission is employment. Education is not mentioned
Federal law is further aligning rehabilitation with education	Other states have chosen to align with labor in response to perceived shifts in federal law
Education has a natural flow and coordination of services	Operating agreements similar to those currently with DWS could preserve this coordination
DWS is primarily concerned with serving employers, while USOR focuses on the client	DWS employment funding sources do not allow a primary focus on employers
DWS's emphasis on online provision of services is difficult for a population that needs individualized, face to face service	Employment case management services are provided face to face, individually. In addition, federal requirements for personal services provides some assurance of maintaining the needs of clients ²
DWS is too big, USOR will be swallowed up in that organization	Federal regulations require that if the oversight body is not primarily concerned with VR, there must be a separate agency within the oversight body that primarily deals with VR, has a full-time director, has primarily VR staff, and has major organizational status. This entity must also form their policy and determine allocation of VR funds.

Source: Review of meeting minutes and individual auditor interviews, and OLAG responses
 1 – For example, USOR leadership told the Legislature an OLAG audit found no need to move USOR. In fact, the report recommended USOR move to DWS.
 2 – In addition, as pointed out in our May 2015 audit number 2015 -02, A Performance Audit of DWS Customer Service and Follow-Up, DWS has taken, and continues to take steps to improve their customer service.

These concerns were expressed in venues including interviews with auditors, advisory committee meetings, and legislative committees. While they are legitimate concerns that require attention, they are also not without solutions.

Another concern expressed by USOR pertains to the timing of a decision to move the agency. Where USOE is currently working to restructure and improve USOR, it is questioned whether the agency could sustain the additional changes to its core operations that would naturally occur in a transition to another agency. It has been suggested that, instead of moving immediately, USOE be afforded time to correct USOR's problem. Then, the question of whether to move USOR could be taken up again once USOR is in a more stable position.

We disagree with this plan and believe that the necessary structural and oversight improvements ought to be made in the agency in which USOR is likely to remain. If USOR is ultimately relocated after USOE spends multiple years correcting the current problems, those efforts would be largely wasted as relocation would require similar, significant changes to integrate or establish USOR in its new location. If the Legislature decides to relocate USOR, the natural delay in the political process should afford adequate time to prepare USOR for the transition.

Additionally, it is questioned whether there will be some efficiency gain or other cost reduction related to a relocation. Both USOE and DWS have expressed concerns that there may be additional costs to their organizations during the as yet undetermined transition process. The LFA believes relocation would likely be cost neutral to the state, but due to time constraints, no additional work has been done to determine the fiscal effect to the specific agencies.

Since the primary concerns outlined in this audit focus on the need for long-term governance, oversight, financial controls, and accountability, our recommendations for and analysis of moving USOR are focused on these needs and not cost or efficiency considerations.

Federal Regulations Require Consultation With Stakeholders

A study group consisting of stakeholders could work to address the concerns and fears discussed above. Two of the federal requirements of a potential governance change are that rehabilitation agencies consult with stakeholders and conduct public hearings.

Changes can and should continue in the entity in which USOR is likely to remain.

This move is recommended because of the need for governance, not because of cost or efficiency.

Before moving USOR, the federal government requires meeting with stakeholders and holding public meetings.

The federal government specifies stakeholders as agency stakeholders, the director of the Client Assistance Program, the State Rehabilitation Council, and tribal organizations. If desired, this group could be expanded to include representatives from other state agencies.

Federal requirements for public meetings include that sufficient notice be given, that meetings be held in different locations throughout the state, and that they allow all modes of communication. These meetings could provide a valuable venue for hearing concerns and suggestions of how best to deal with stakeholder issues.³⁶

Other Options Exist for USOR Placement

Although DWS appears to be a likely fit for USOR, there are other viable options. We examined the possibilities of placing USOR under DHS or creating a new independent agency.

DHS Is Another Governance Option

DHS offers a wide array of services but has two divisions that serve similar clientele, the Division of Substance Abuse and Mental Health Services (SAMH) and the Division of Service for People with Disabilities (DSPD). SAMH ensures the availability of prevention and treatment services for people with mental health disorders and substance abuse issues. DSPD provides services for people who have intellectual or physical disabilities or have an acquired brain injury. However, because SAMH is administered at the local level, we focused on the comparison of just DSPD and USOR.

Comparing DSPD's nearly 5,500 clients with USOR's clients shows that only 6 percent of USOR's current clientele have ever been in the DSPD system, indicating minimal overlap between the two programs. DSPD's mission is to "promote opportunities and provide supports for persons with disabilities to lead self-determined lives," while USOR focuses on helping eligible individuals gain employment and independence. DSPD officials explained that the majority of their

³⁶ The federal Rehabilitation Services Administration (RSA) advises that "states should contact their RSA state liaison as early as possible to determine whether their reorganization is in compliance with federal requirements, including submitting proposed legislation or executive order requiring the reorganization."

DSPD and SAMH in DHS are the most similar in services to USOR.

Only six percent of USOR's clients have been in the DSPD system.

clients are clients for life, and are unable to seek work due to their disabilities.

DHS Is Reluctant To Take USOR Given Potential Resource Shortages. When asked to respond to the possibility of combining DHS and USOR, DHS sees a lack of clear alignment of services and missions between USOR and their own operations. They are also concerned with the increase in oversight an alignment with USOR would have, in that it would “represent a 13 percent increase to the DHS workforce.” Currently they report that “existing administrative infrastructure in DHS is already operating at full capacity.” DHS closes their opinion by stating,

If after careful consideration it is determined DHS is the best state department for USOR, they will be welcomed and all efforts will be concentrated on assisting them to maximize services within the limitations of their appropriation. However, cascading consequences – more intense in the first year, diminishing in the out years – on the total scope of DHS services are not to be underestimated.³⁷

USOR Could Be an Independent Department

A third option for governance is establishing an independent, cabinet-level entity. Six of the surveyed states noted in Figure 4.4 chose this option. A benefit of this move would be increased direct oversight by the executive branch. Currently, because of USOR’s placement under USBE, the executive branch has little influence on USOR. Becoming an independent entity would increase the executive branch’s oversight of USOR’s operations and budget processes.

A potential drawback of this arrangement is the possible lack of detailed budgetary oversight, leading to a repeat of USOR’s current financial difficulties. This arrangement would require that USOR have a much tighter grip on their finances than they currently have.

DHS reports that its administrative infrastructure is operating at full capacity.

Six states have an independent rehabilitation agency.

³⁷ Appendix D contains DHS’s full statement on USOR.

Recommendations

1. We recommend that the Legislature consider moving the Utah State Office of Rehabilitation from the Utah State Office of Education to be placed under the governance of the Department of Workforce Services. If the Legislature determines this is not the best location, we recommend they consider placing the Utah State Office of Rehabilitation under the Department of Human Services or making it an independent executive entity.
2. We recommend that, if the Legislature chooses to move the Utah State Office of Rehabilitation, recommendations from the other chapters of this report be implemented by whatever agency is chosen to house USOR.
3. We recommend that, if the Legislature chooses to move the Utah State Office of Rehabilitation, it also creates a study group responsible for the transition of the agency in accordance with state and federal requirements.

Chapter V

Use of Visually Impaired Trust Fund for VR Was Imprudent

Little documented guidance exists on the use or creation of the Visually Impaired Trust Fund (VITF or the fund), leading to the conclusion that it is not a legally defined trust fund. Because of this lack of documentation, the Utah State Office of Rehabilitation's (USOR) decision to use that money as part of the state's match of federal funds was questionable. The \$500,000 worth of vocational rehabilitation expenses transferred into the VITF did not supplement funding for vocational rehabilitation (VR) services for the blind population; instead it was used to supplant traditional VR funding by utilizing an alternate funding source.³⁸ The Legislature may want to consider the possibility of reimbursing this fund.³⁹

Guidance on Fund Use Is Limited

Although it is referred to as the Visually Impaired Trust Fund, there is no documentation of its establishment as a legal trust, and therefore no strict requirements that go along with that distinction. We recommend that the Legislature clarify exactly what type of fund the VITF should be, with accompanying overriding restrictions. Due to the lack of clear legal standards, it was within the power of the Board to use VITF for VR purposes.

The Fund Is Not a Legal Trust

We could find no evidence that the VITF has ever been legally established as a trust fund, with the accompanying requirements for its

³⁸ Although "supplant" has a technical connotation in terms of federal grants, its use throughout this report will be according to the more common definition of "to take the place of." VITF money replaced expenditures of traditional VR grant money.

³⁹ In 2013, the State Board of Education approved the transfer of \$500,000 worth of VR expenses into a donation fund intended for blind and visually impaired Utahns. This transferred money was used to pay for vocational rehabilitation services for blind and visually impaired clients. At the time of transfer, there was approximately \$1 million in the fund.

The VITF is not a legally defined trust fund.

use and formal documentation. The fund was established in approximately 1950 from individual contributions, and we found no documentation from its original creation. In 1983, a proposed policy attempted to clarify the purpose of this fund by stating “the fund shall be known as the Visually Handicapped Trust Fund and shall be deposited by the state and controlled by the Office of Education.”⁴⁰ According to legal counsel, this statement and the accompanying policy alone are insufficient to create a legal trust fund.⁴¹

Attorneys from the Office of Legislative Research and General Council (LRGC) confirmed this lack of legal status.⁴² They concluded that “there is no reliable evidence that the Fund was ever formally created as a trust fund.”

Because the VITF was never established as a “trust fund”, it does not have the same legal requirements for documentation and use of funds. LRGc states:

If the monies in the Fund are simply donated, the only legal requirement imposed on the state is that the state must expend them according to the direction, and subject to any conditions, established by the donor. . . . Without substantive evidence of a settlor’s intent to create a trust fund, the Fund is not subject to legal requirements that would otherwise govern the administration and expenditures of a trust fund.

The only documented direction or condition set on these funds is that they are used “to assist visually handicapped persons in Utah to live a richer, fuller, more constructive life.” Because of the broad parameters of this requirement, it is difficult to determine that VR services do not fit under these purposes.

Exact Definition of the Fund Is Unclear

Although the VITF is clearly not a trust fund, the exact definition of the fund is unclear. The specific fund is not mentioned or defined

⁴⁰ Due to generally incomplete records, we were unable to determine if this policy was approved by the Board.

⁴¹ A trust fund is a unique legal entity that must be established and administered according to strict statutory and legal requirements. A settlor creates a trust, appoints a trustee, and names beneficiaries to benefit from the trust.

⁴² For LRGc’s entire written opinion, see Appendix E.

The VITF does not have the same documentation requirements as a trust fund.

Funds must be used to “assist visually handicapped persons in Utah...”

anywhere in state statute. The most helpful information is found in the State Office of Rehabilitation Act, shown in Figure 5.1, which gives USOR authority to receive gifts and also provides some guidance on how the gifts may be used.

Figure 5.1 State Code Allows USOR to Accept Gifts. These gifts must be used in accordance with the conditions of the gift.

Utah State Code 53A-24-1-108
(1) The executive director may, with the approval of the board, accept and use gifts made unconditionally by will or otherwise for carrying out the purposes of this chapter.
(2) Gifts made under conditions that the board finds to be consistent with this chapter may be accepted and used in accordance with the conditions of the gift.
(3) Gifts are not subject to appropriation of the Legislature.

Source: *Utah State Code*

We believe the code outlined in Figure 5.1 is the section which allows the VITF, but it seems the VITF should be specifically listed in this chapter. Some research indicates that the fund most closely resembles an expendable special revenue fund, but it does not meet all of the requirements.⁴³

We recommend that the Legislature consider defining the purpose and type of fund the VITF should be, as they recently did with the Utah State Developmental Center Miscellaneous Donation Fund.⁴⁴ There was some question about the nature of the Developmental Center’s donation fund, as well as its appropriate uses. In the 2013 General Session, the Legislature defined this fund as a restricted special revenue fund, which restricts its use to only those benefiting the intended population.

The statute discussed in Figure 5.1 also requires that the use of the funds be “in accordance with the conditions of the gift.” Currently, there is insufficient tracking of the conditions of the gift to ensure that these conditions are being met. In fact, in a review of the use of the fund by the Utah State Board of Education (USBE) internal auditor recommended “that [the Division of Services for the Blind and

The VITF is not specifically mentioned in state code.

There is insufficient tracking of the conditions of VITF gifts.

⁴³ Expendable special revenue funds are discussed in *Utah State Code* 51-5-4(4)(c).

⁴⁴ The Utah State Developmental Center Miscellaneous Donation fund is discussed in *Utah State Code* 62A-5-206.5

Visually Impaired] establish policies and procedures and internal controls . . . to ensure appropriate use of trust funds in accordance with donor stipulations.” We concur with that recommendation.

USOR has started the process of establishing policies and controls for this fund. The draft policies include a list of each individual fund they oversee with the general purpose, the authority for use of the funds, and the procedures for management, accounting, and expenditures. The policies will continue through the approval process.

Board of Education Could Legally Use These Funds

Because the VITF is not a trust fund, there is nothing restricting the USBE from using this fund for any purpose that benefits the blind and visually impaired, including VR. The Division of Services for the Blind and Visually Impaired (DSBVI) has been the main entity in charge of these funds with the review and approval of USBE. When the fund was created, DSBVI outlined the first priority use of these funds as “to supplement or implement the programs and services of the Division through financial grants or through the purchase of equipment or renovations.” As VR is a program and service of DSBVI, this appears to be a viable use of the funds.

LRGC agrees with this assessment.

There is nothing indicating that the State Board lacked the authority to transfer money in the Fund. The State Board approved the expenditure for vocational rehabilitation services provided by DSBVI, an expenditure that is arguably within the spirit of the Fund’s history going back over 70 years of using the donations to help the visually impaired. . . . The State Board acted within its statutory authority to approve the Fund transfer, consisting of donations, for vocational rehabilitation purposes.

VITF Use Was Questionable

VITF use as state match may not have been appropriate, given poor record keeping. The federal government has not questioned this use. In addition, the use of \$500,000 VITF money essentially

The Board was within their authority to use the VITF for VR purposes.

supplanted the funds usually used for blind and visually impaired VF clients.

Use of VITF Money as State Match was Questionable

Because the \$500,000 was used for VR purposes, USOR accounted for this as a state match of federal funds. This classification may have been inappropriate, although the federal government has not questioned this use. There are specific federal requirements for when private donations are allowed to be counted as state match. These requirements are that the private donations are earmarked for one of the following:

- The state match
- Geographic areas
- For “any other purpose under the state plan”

Because record keeping has been poor as to the specific donation purposes of these funds, there is no way to know whether the funds were earmarked for the purposes listed above. This further emphasizes the need for better record keeping regarding these donations.

VITF Money Did Not Increase the Amount of Services for the Blind

Despite the payment of VR expenses with VITF funds, neither the number of blind or visually impaired VR clients, nor the amount spent on these clients has increased a similar amount. Instead of increasing services or the number of clients, the fund money was used to supplant typically used VR funds. Figure 5.2 shows the amount spent and number historically served.

Figure 5.2 The Number of Clients and Amount Spent on Clients Have Not Markedly Increased Since the Funds Were Transferred in 2014.

Federal Fiscal Year	VR Amount (\$)	Number VR Clients
2010	842,534	624
2011	693,337	661
2012	749,568	616
2013	914,318	665
2014	923,788	634

Private donations can only be used as state match for specific purposes.

Neither the number of clients nor the amount spent on VR for the blind markedly increased.

As can be seen in the figure, the average number of blind or visually impaired clients from 2010 to 2013 was 641.5. The 634 clients served in 2014 is not out of line with that number. In addition, the money was moved to VR in 2014, with only about a corresponding \$9,000 increase in the amount spent on the blind and visually impaired population for VR. Consequently, we believe these funds were used to supplant VR funds traditionally used for this population because of USOR's larger budget problems.

Funds used from the VITF appear to have been used for blind VR clients.

Although there has been some question about whether these funds taken from the VITF were actually spent on the blind population, it appears that they were. All of the expenditures were coded to cover the blind and visually impaired population.

In addition, since the \$500,000 was moved from the VITF, no grants have been awarded. Prior to 2013, grants were awarded from the interest earned on the VITF, and ranged from \$600 to \$2,500. Grants were given to groups such as the National Federation for the Blind, the Ogden Association for the Blind, and the Utah Council for the Blind.

The purpose of the VITF should be defined. The uses until 2014 were fairly minor, and exclusively used the earned interest. Although there are requirements for how the interest on the fund has been used, we have seen nothing discussing the use of the principal. In order for these funds to be more productively used, we recommend DSBVI and USOR, under the policy direction of USBE, determine the purpose of these funds.

Options Exist for Possible Reimbursement of the Funds

The Legislature may want to determine whether it is comfortable with the way these funds were spent, whether the funds should be reimbursed, and if so, how. Although it was legal, use of the fund for VR expenses was unusual, and there has been great concern in the blind and visually impaired community. Federal requirements prohibit using federal grants to reimburse the fund, so any reimbursement would have to come from state funds.

The Legislature has options if it determines these funds should be reimbursed.

The following are options the Legislature could choose in relation to the VITF:

- Do nothing and allow the fund to be replenished by donors.
- Appropriate state general funds, gradually or all at once, to reimburse the VITF.
- Require USOR to reimburse the VITF with non-lapsing funds.⁴⁵
- Require USOE to reimburse the VITF with education funds.

We recommend the Legislature determine whether these funds should be replenished.

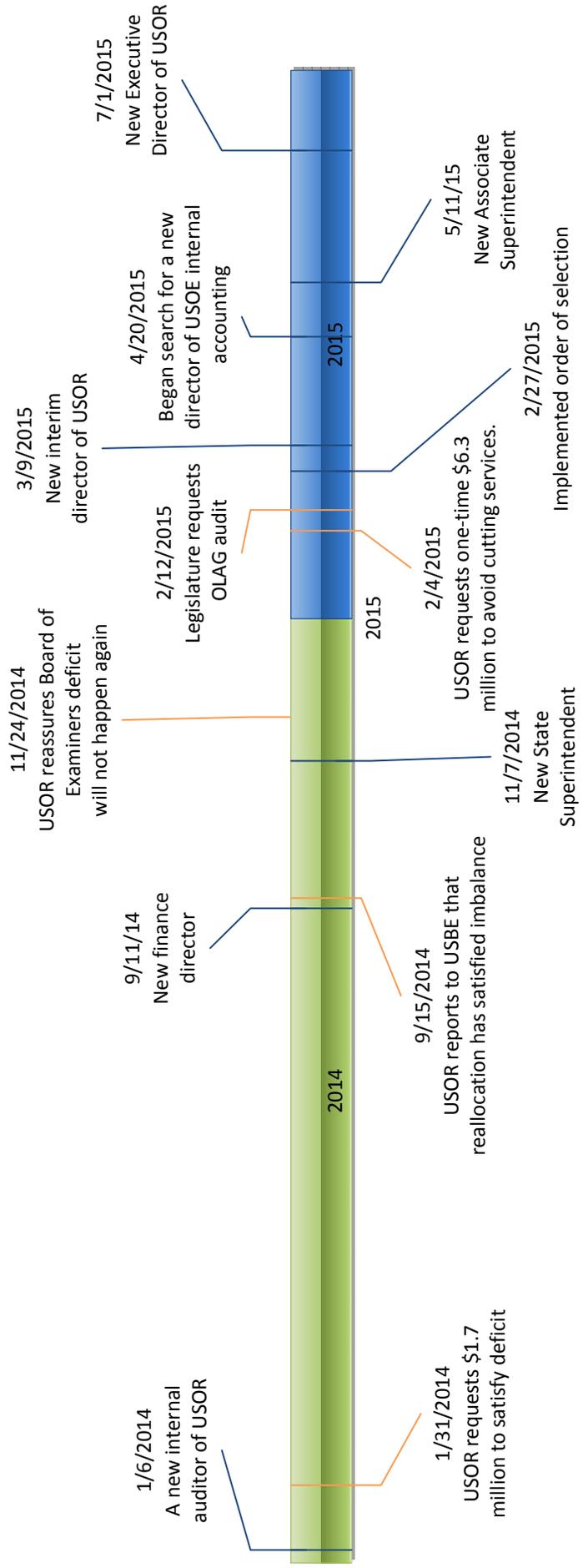
Recommendations

1. We recommend that the Legislature clarify in code which type of fund the Visually Impaired Trust Fund should be, as well as how it can be used.
2. We recommend that policy for use and oversight of the Visually Impaired Trust Fund be written and followed by the Division of Services for the Blind and Visually Impaired.
3. We recommend that the Division of Services for the Blind and Visually Impaired, under the policy direction of the Utah State Board of Education, determine the ultimate purpose of remaining Visually Impaired Trust Fund money.
4. We recommend that the Legislature consider whether Visually Impaired Trust Fund money should be reimbursed, and if so, how that is to be accomplished.

⁴⁵ These non-lapsing funds would also be taken from the Education fund.

Appendices

**Appendix A
Timeline of Events and
Tenure of Management at
USOR and USOE**



Appendix B
Audit Number 2000-03 A Follow-up Review of
Utah's Employment and Training Programs

**REPORT TO THE
UTAH LEGISLATURE**

Report No. 2000-03

**A Follow-up Review
of
Utah's Employment and
Training Programs**

August 2000

Audit Performed by:

Audit Manager	Rick Coleman
Audit Supervisor	James Behunin
Audit Staff	Darren Marshall Salvador Petilos Pauline Ingols

need to ensure that the department adequately monitors the effectiveness of its services to special needs populations and, if necessary, develops special strategies to meet their unique needs. As the department shows it can effectively serve clients with special needs, we believe the Legislature should consider consolidating the State Office of Rehabilitation with DWS, as discussed in the next section.

Should the State Office of Rehabilitation Be Consolidated with DWS?

There is a significant overlap in services between the Department of Workforce Services (DWS) and the Utah State Office of Rehabilitation (USOR). In fact, two-thirds of USOR clients are also clients of DWS. Just as we reported in our 1992 audit, we found that clients are still caught between two agencies that duplicate their efforts, that do not coordinate with one another, and that have very different policies. In order to reduce duplication and improve service delivery, we recommend that the State Office of Rehabilitation become a separate division within the Department of Workforce Services. If this is not possible, the two agencies should at least try to coordinate their efforts in a way that allows clients to receive the services of both agencies through a single case manager.

It was originally assumed that little overlap exists between USOR clients and those of other agencies.

The USOR was originally included among those agencies that were to be consolidated into the Department of Workforce Services. However, the Governor's Task Force was told that USOR clients were typically not among those being served by other agencies. In addition, some client advocates argued that people with a disability require specialized services that could not be provided by the Department of Workforce Services. As a result, the Governor's Task Force recommended that the issue be studied further rather than including USOR in the new department. The legislation creating the new department included language requiring such a study. However, funding for the study was never provided and the requirement was repealed during the 2000 Legislative Session.

We found that most USOR clients are in fact clients of the Department of Workforce Services. In addition, if USOR is transferred to DWS as a separate division, USOR clients would continue to be served by rehabilitation counselors. In fact clients would be able to receive better

service because their rehabilitation counselors would be able to draw from additional services and benefits offered by DWS.

Lack of Coordination Between Agencies Results in Inefficient Administration of Services

The USOR was not included among the agencies that were consolidated into DWS because many believed that the USOR served a unique client population. However, over two-thirds of the clients served by USOR in 1999 were also clients of DWS. That statistic, plus our own review of 23 case files of clients served by both agencies, led us to conclude that there is significant duplication in some services between the agencies. In addition, some clients may not be receiving some benefits and services that they would have received if they were served by a common case manager.

69% of USOR clients are also DWS customers.

Sixty-nine Percent of USOR Clients are Also Served by DWS. Of the 21,152 clients that were served by USOR during fiscal year 1999, at least 14,593 (or 69 percent) were also clients of the Department of Workforce Services. USOR staff report that the overlap results from their policy of having all clients register with DWS as soon as they are job ready. Thus, rather than indicating duplication, USOR staff feel the client overlap reflects efforts to coordinate services. Still, so many clients receiving services from both agencies indicates that there could be some benefit from consolidation. The client overlap raises the same concerns we raised in 1992 regarding the poor customer service and inefficiency that results from a fragmented service delivery system. For example, clients must fill out two sets of applications, pass through two eligibility reviews, and work with two separate employment plans developed by both DWS and USOR.

A client's USOR employment plan often conflicts with his or her DWS plan.

Lack of Coordination Results in Disjointed Services. As a result of our review of client case files and through interviews with staff we found that both DWS and the USOR are often unaware of whether clients are receiving services from the other agency. As a result, the employment development plan prepared by DWS often conflicts with the rehabilitation plan prepared by USOR. In addition, if not identified early on in the process, a person with a disability may use up some of their time limited benefits before they begin receiving rehabilitation services.

One problem that both agencies have is determining which clients are receiving services from the other agency. Since neither agency has access

to the other's client databases, they must rely on the client in providing this information. As a result, opportunities to coordinate service plans early on are often lost placing an added strain on DWS eligibility time limits.

For example, in over one-half of the case files that we reviewed, DWS and USOR did not recognize the same disabilities of their mutual clients. Much of this difference can be attributed to USOR's more in-depth assessment of a person's disabilities. In addition, DWS's failure to recognize all of a client's disabilities could result in the ineffective delivery of services to those with a disability. In some instances, DWS does not recognize their clients have certain disabilities until months after they have started using DWS benefits. In one instance, DWS failed to recognize a client's psychological disorder until some time after she had begun using up her FEP benefits.

DWS does not always recognize a customer's disability.

We also found that valuable time can be wasted when a client is referred from DWS to USOR. DWS may take a few weeks or months working with an individual before they realize that he or she has a disability and is referred to USOR. If the customer is relying on time-limited benefits, the delay may compromise his or her ability to complete some USOR training programs. In addition, it takes USOR an average of 53 days to verify eligibility and begin delivering services. Thus, a customer may use up several months of their time-limited benefits before beginning their USOR training program.

DWS needs to do a better job of identifying those who may have a disability early in the process to allow the most efficient use of both agencies' resources and to achieve the most effective results. In addition, both agencies should have access to the other's client database (if permissible under federal requirements) to improve the timing and distribution of services between the two agencies.

It's possible that both agencies could pay for a customer's food or transportation expenses.

Both Agencies Pay for Client Supportive Services. An additional concern we have is that some clients might be paid by both agencies for the same exact service. In a review of 23 case files of clients served by both agencies, we found two cases in which clients received the same type of services from both agencies. However, we could not determine whether there was any double payment for the exact same service because the lack of documentation in the files. One of these clients received bus passes from both DWS and USOR and the other client received groceries

from USOR, food stamps from DWS and child care from both agencies as well. We are concerned about the possibility that clients may apply to both agencies for the same types of expenses, since neither agency coordinates services on a routine basis.

Separate Policies Create Problems

One of the issues raised in the 1992 audit, which still exists between USOR and DWS, is the problem of having agencies with different policies serve the same clients. In our 1992 audit report, we addressed the difficulties that are created when the state tries to provide clients with a consistent package of services when they are served by different agencies, each with their own policies and budgets. This still remains a problem with DWS and USOR.

USOR’s Philosophy Focuses on Training and Education While DWS’s Philosophy Focuses on Employment. Both DWS and USOR have the same goal of having clients obtain employment and become self-sufficient. However, the two agencies take different approaches to achieving that goal. DWS places a priority on placing a client in a job as soon as possible while USOR focuses more on helping individuals improve their skills.

USOR emphasizes training while DWS emphasizes immediate placement in a job.

Clients of USOR qualify for services by having a disability that prevents them from working. In addition, they must be able to re-enter the workforce through education, training or assistive technology. It is also policy of USOR to allow clients to decide what their career objectives are and therefore the type of training they will receive. This freedom to choose their own career objective even goes so far as to allow USOR clients to switch to new fields of study in the middle of a training program.

In contrast to the USOR policy that places no time limits on benefits, DWS operates under a policy in which a time limits are placed on most customer benefits. Specifically, a customer on the family employment program has 36 months to become self-sufficient; however, only 24 of those months can be used for training. Moreover, a customer on general assistance may obtain two years of assistance within five years. DWS does permit time extensions if valid reasons are given. As a result, it is the policy of DWS to encourage its customers to find a job as soon as possible.

USOR may choose to enroll someone in a four year college program while DWS prefers to limit training to 2 years.

Because the two agencies operate under different policies, serious problems for the client can occur. For example, clients of USOR may wish to pursue a two or four-year program; however, we found that the majority of clients experience set-backs while in their programs delaying their program completion times. Furthermore, USOR clients often start their training program after having started receiving benefits at DWS. Either situation makes them unable to follow their USOR service plan because of the deadlines at DWS, and adjustments need to be made. As one example, we found in our case file reviews that one female client decided midway through her training program to switch to a new career, even though her TANF benefits were running out and she hadn't begun the new program yet. Her DWS employment counselor said that it is a very difficult decision to extend DWS benefits because it would be difficult for the client to become self-sufficient and employable within the time requirements if she chose to pursue a different course of training.

Legislature Should Consider Ways to Reconcile Conflicting Policy Objectives. The Legislature may want to address the conflicts between the state's policies for vocational rehabilitation and workforce services. One way to bring greater policy consistency between USOR and DWS would be to place the two agencies within the same department and have them report to the same legislative committee. If USOR were made into a separate division within DWS, it would have to develop a set of program policies that are consistent with the state's welfare-to-work program while retaining specific flexibility to meet the requirements of its federal grants.

Legislators should consider ways to resolve policies differences.

Legislators might also consider adopting a policy similar to the one used in California to limit client's ability to change vocational rehabilitation plans. The California State Auditor pointed out that some regions of the California Office of Rehabilitation conserve limited resources with the following policy.

The Fresno and Greater Los Angeles districts emphasize to their counselors the importance of constantly evaluating client needs versus wants and also giving clients only what they need to support their plans for employment. Further, counselors stress to every client that the plan for employment is essentially a contract and generally it will not be changed except to accommodate an alteration in the client's disability. . . . This discourages clients from repeatedly changing their vocational goals and optimizes the district's use of money and resources.

When this policy was suggested to the USOR, staff told us that they believed that restricting a client’s ability to change their training program would violate the “informed choice” provision of federal law and would not stand up to a court challenge. Clearly, further study would be needed to determine how these regions in California are able to comply with the requirement of giving clients an informed choice.

Consolidation May Improve Case Management

In Chapter II of this report, we suggested that one of the benefits of consolidation is that all employment and training services can be provided through a single case manager who has access to all services that the state can offer a client. Bringing USOR within DWS would make it possible for a single rehabilitation counselor to oversee all of the services provided to a person with a disability. The rehabilitation counselors would be authorized to draw from every source of funding and services offered by the state and use those to develop a comprehensive employment plan.

If consolidated, rehabilitation counselors should continue to function separately from employment counselors.

USOR Could Be Incorporated into DWS as a Separate Division to Facilitate Coordination of Services. If the Legislature chooses to integrate DWS and USOR, we recommend that the vocational rehabilitation counselors remain separate from other DWS employees because of their specialized training. This is necessary in order to retain USOR’s highly trained staff of rehabilitation counselors. According to the Associate Commissioner for Rehabilitation Services Administration within the U.S. Department of Education, Utah is one of only a few states that require rehabilitation counselors to have a masters degree in rehabilitation. She said that this placed Utah far ahead of other states in terms of the professionalism of their staff. She said that studies by Rehabilitation Services Administration show a strong correlation between the education level of a state’s rehabilitation counselors and a state’s placement rate. For this reason she suggests that if the Office of Rehabilitation is combined with the Department of Workforce Services, the rehabilitation counselors should remain a separate position.

We agree that if USOR is made into a separate division within the Department of Workforce Services, that the state’s highly qualified rehabilitation counselors should continue to provide rehabilitation services to people with disabilities. This means that individuals who have a disability would be assigned to a rehabilitation counselor who could then oversee all the services provided to that client. Because they will be a part

Consolidation should help the state monitor performance of programs serving individuals with disabilities.

Several states have combined their vocational rehabilitation and workforce services agencies.

of DWS, the rehabilitation counselors would be able to draft an employment plan that draws from all the different state employment and training services for which the client is eligible. This, in our view, would greatly improve the quality and quantity of services that the state offers to people with disabilities.

Consolidation Will Improve Program Assessment. Another reason to consolidate DWS and USOR is that it will allow legislators and administrators to accurately assess performance. As long as the two agencies share clients and both have a goal of placing those individuals in a job, it will be difficult to hold both agencies accountable for successful or for poor performance. If a client is successfully placed in a good job, both agencies could take credit for that placement. On the other hand, if a client remains in the system for years without achieving self sufficiency, both agencies could blame the other for not providing adequate services. Placing both programs in the same department would make it easier for the Legislature to provide consistent policy and budget oversight and hold them accountable for their performance.

Some States have Combined Rehabilitation and Workforce Services. During a review of other state vocational rehabilitation programs, we found that there is no predominate location for vocational rehabilitation in state governments. In many states, like Utah, vocational rehabilitation is considered an educational program. Many other states include vocational rehabilitation within its human services department. However, with the passage of the Workforce Investment Act and the move towards one-stop service centers for employment and training programs, several states have recently combined their vocational rehabilitation programs with their agencies for employment and training.

According to representatives at two national organizations that we spoke with—the Rehabilitation Services Association and the Rehabilitation Services Administration within the U.S. Department of Education—a few states began consolidating vocational rehabilitation with workforce services several years ago because it was viewed as a way to reduce the cost of service delivery. Then, with the passage of WIA, which requires a high level of coordination between the two programs, even more states chose to consolidate these agencies. Examples include Minnesota, Wisconsin, Michigan, New Jersey, Wyoming and Nevada. When we asked whether the vocational rehabilitation program has suffered as a result of consolidation, they said that there is no evidence that the quality of

Choose to Work program created a synergy between USOR and DWS staff in the program.

rehabilitation services have declined or clients that have been adversely effected by the change. But at the very least, these states consider it to be a good way to improve the efficiency of service delivery if not improve service quality.

“Choose to Work” Program Shows That Combining USOR and DWS Improves Services. The joint effort between USOR and DWS in creating their “Choose to Work” program shows that the two agencies can, in fact, combine their efforts to form an effective program that meets the needs of clients of both agencies. The success of the “Choose to Work” program can also be considered a reason why consolidation could be beneficial.

Since October 1999, the “Choose to Work” program has placed 310 out of 550 individuals receiving TANF, General Assistance, SSI, or SSDI benefits in jobs. This equates to a 56 percent placement rate. According to the co-coordinator of the Choose to Work program, “For most individuals, even those with strong disabilities, this program can work for them.”

One reason why coordination of services is beneficial to USOR is because it lacks the employer contacts and the focus on developing these contacts with the employer community. By creating teams of DWS staff, who are effective at the placement process, with the vocational rehabilitation staff, who are effective at the rehabilitation process, the trial program demonstrates how there may be a synergy created by combining DWS and USOR. Each has a skill that complements the other.

USOR Officials Oppose Consolidation

USOR officials are concerned about the risks of consolidation.

Officials from the Utah Office of Rehabilitation have expressed opposition to consolidating their agency with the Department of Workforce Services. They feel USOR operates one of the best rehabilitation programs in the country and Utah should not risk damaging such a successful program. USOR staff expressed the following concerns about consolidation.

1. USOR and people with disabilities that they serve would lose visibility with the Legislature,

USOR might lose its visibility with the Legislature.

2. The quality of services provided to clients would suffer under DWS's welfare reform mentality, and
3. Consolidation has not worked in other states that have tried it.

USOR officials may be correct in believing that consolidation would lessen their visibility with the Legislature. Currently, USOR does enjoy some distinction with the Legislature as a separate state agency. Appropriations to USOR are made as a separate line item in the state budget. As one of many specific programs within DWS, USOR might not receive the same recognition from legislators. In addition, all appropriations to DWS is currently made as a single line item. Legislators would have to decide whether to include USOR within that budget or to continue to give them a separate line item in the budget.

We have no evidence to support the latter two concerns expressed by USOR. In our opinion, the quality of services to rehabilitation clients can improve by making USOR a division within DWS. Most of the USOR programs would remain intact and counselors would be able to draw on additional programs and services offered by DWS. As far as the experience of other state's is concerned, the individuals from other states and national organizations with whom we spoke said there is no evidence that rehabilitation services have suffered as a result of their consolidating vocational rehabilitation with their state's employment and training agency.

If Consolidation is Not Possible, Coordination Must Improve

If the Legislature determines that USOR should remain a separate agency, an effort should be made to integrate the services offered by the two agencies as much as possible. Our primary concern is that clients will not be well served as long as their employment development and training is handled by two separate case managers who follow two different sets of policies.

If they are not combined, the two agencies should explore ways to improve their efforts to coordinate services. For example, USOR and DWS might explore the possibility of entering into a contractual relationship which would allow USOR to manage the entire range of services that are currently provided by DWS and USOR separately. This means the Vocational Rehabilitation Counselor would need to have authority to incorporate all of the public assistance benefits, funds for

If consolidation is not possible, USOR and DWS should share client data and co-locate as much as possible.

training, and food stamps that are currently handled DWS, into a client's employment plan.

In addition, USOR and DWS should investigate ways to enhance the ways they coordinate now. For example, efforts to share client databases can be enhanced. USOR staff feel that DWS's new UWORKS system may enable greater information sharing. Also, efforts to locate USOR staff within the one-stop service centers operated by DWS can be increased. USOR staff report they are trying to co-locate with DWS as much as possible, but DWS has sometimes not been able to accommodate USOR staff.

Finally, an effort should be made to resolve the policy differences between the two agencies so that DWS isn't trying to immediately place the individual in a job while USOR is trying to implement a three or four-year training program. In our opinion, clients should not have to sort out conflicting messages from two case managers.

Recommendations:

1. We recommend that the Legislature or the State Council on Workforce Services identify the method the Department of Workforce Services should use to decide how many program staff should be assigned to each employment center.
2. We recommend that the State Council on Workforce Services, after consulting with each regional council, identify the performance standards to measure the effectiveness of individual programs and employment centers.
3. We recommend that future surveys of customer satisfaction include survey results for specific customer groups such as those clients receiving support services.
4. When customer monitoring indicates it is needed, we recommend that the Department of Workforce Services describe in its strategic plans the strategies that will be used to meet the needs of specific client groups with special needs.

5. We recommend that the Office of Rehabilitation be made into a separate division within the Department of Workforce Services.
6. If the Office of Rehabilitation is not transferred to the Department of Workforce Services, we recommend the agencies take steps to improve coordination including sharing client information when possible and developing a shared service plan for each client.

**Appendix C
DWS Statement on
USOR Governance**



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

**Department of
Workforce Services**

JON S. PIERPONT
Executive Director

CASEY R. CAMERON
Deputy Director

GREG PARAS
Deputy Director

August 9, 2015

Utah State Auditors Office

RE: Letter of Input

The Department of Workforce Services (DWS) was asked to provide a letter of input to the current audit pertaining to the Utah State Office of Rehabilitation (USOR). Specifically, we have been asked to address the possibility of USOR being moved under our agency. We welcome the opportunity to share our perspective on the matter.

DWS has a long-standing partnership with USOR, especially as it relates to working together around employment initiatives and the Office of Vocational Rehabilitation. Our missions align where training and/or job readiness activities lead to employment for our customers. We work together on committees, share data and referrals, as well as information between case managers. In addition, we co-manage the Choose to Work Program.

The new Workforce Innovation and Opportunity Act (WIOA), through the Department of Labor (DOL), requires our agencies to work as mandatory partners in the implementation of this new law. Thus, there is much that we are working on together and will continue to do so along these lines.

There are areas of USOR that appear to be independent of this alignment. For instance, Disability Determination Services seems to be a stand-alone, federally funded program, governed heavily by the Social Security Administration. The end goal of customers seeking these services is not employment, rather a disability determination. Although these individuals may also be on programs such as Medicaid, Food Stamps and General Assistance, there does not appear to be the ability to align these programs with an employment outcome or merge administration with the existing public assistance programs.

DWS will be an active and willing partner in any request to explore additional oversight duties. We respect and appreciate the opportunity to administer these types of government services. We are a caring and service-oriented department that takes great pride in serving the citizens of Utah.

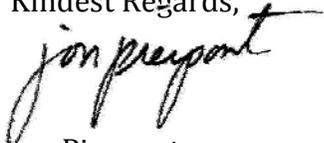
If DWS is asked to take on the programs of USOR, it will require a strong action plan where collaboration is a must with all parties involved. In addition, a thorough budget evaluation

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Fax 801-529-9211 • jobs.utah.gov • Equal Opportunity Employer/Programs

will be needed to understand the financial resources necessary to administer the programs. Our goal will be to ensure a smooth transition where the customers feel little impact, and if change is necessary; it is only to improve efficiencies and service.

We look forward to more dialogue on this issue. Thank you for soliciting our input.

| Kindest Regards,



Jon Pierpont

**Appendix D
DHS Statement on
USOR Governance**



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

DEPARTMENT OF HUMAN SERVICES

ANN SILVERBERG WILLIAMSON
Executive Director

MARK L. BRASHER
Deputy Director

LANA STOHL
Deputy Director

August 5, 2015

Leah Blevins
Jake Dinsdale
Office of the Legislative Auditor General
350 North State Street
Salt Lake City, UT 84114

The Office of the Legislative Auditor General (OLAG) requested that the Department of Human Services (DHS) respond briefly to the possible transfer of the Utah State Office of Rehabilitation (USOR) to DHS.

The addition of USOR would increase DHS staff by 500 employees representing a 13% increase to the DHS workforce. DHS current employee count is approximately 4,000 full time employees with 7 distinct divisions. Each division has their own line item with multiple programs, systems, and grants to manage. The addition of USOR would add 4 new programs and increase oversight without additional resources in EDO to manage the new demands. A concern about transferring USOR to DHS, particularly at a time when the financial and administrative oversight is so critical, is that existing administrative infrastructure in DHS is already operating at full capacity, frequently making difficult choices of priority within the existing scope of the mission. The Executive Director's Office, responsible for finance, contracting, federal compliance, internal audit among other roles, has sustained cuts of 23% since FY 2009 while at the same time meeting expectations of additional oversight.

DHS anticipates additional oversight of USOR would be required in the first year to assist with establishing a sound fiscal plan and ensure they end the year with a balanced budget. Without additional investments, this would require pulling resources from other areas reducing their oversight and jeopardizing those programs where it was withdrawn. Staff charged with providing oversight would require time to gain the necessary knowledge of the programs and their requirements. Currently, DHS lacks the expertise in eligibility determinations which is an important function of USOR. DHS would need to become more familiar with employment counseling, vocational rehabilitation, and new federal grants and waivers. These are areas that other Departments have more expertise in and might be better suited to make the transition without compromising other oversight responsibilities.

If after careful consideration it is determined DHS is the best state department for USOR, they will be welcomed and all efforts will be concentrated on assisting them to maximize services within the limitations of their appropriation. However, cascading consequences – more intense in the first year, diminishing in the out years- on the total scope of DHS services are not to be underestimated.

Sincerely,

Mark L. Brasher, Deputy Director

Appendix E
Office of Legislative Research
and General Council VITF Use
Written Opinion



Michael E. Christensen
Director

John L. Fellows
General Counsel

Utah State Capitol Complex
House Building, Suite W210
PO Box 145210
Salt Lake City, Utah
84114-5210
Phone (801) 538-1032
Fax (801) 538-1712
www.le.utah.gov

To: Leah Blevins

From: Victoria Ashby, Associate General Counsel
John Fellows, General Counsel

Date: July 9, 2015

Re: Legal Opinion Responding to Your Request

This memo responds to your request for an opinion on the following questions:

1. Is the "Individuals with Visual Impairment Fund" (Fund) a formally created trust fund?
2. Was the State Board of Education (State Board) transfer in November 2013 of \$500,000 from the Fund to assist in providing vocational rehabilitation services a legitimate use of the Fund?
3. Could the State Board transfer Fund money for purposes of meeting federal maintenance of effort requirements (state match) for federal vocational rehabilitation programs?

We conclude that the Fund is not a trust fund and that the State Board's expenditure for vocational rehabilitation services was appropriate. We also conclude that the State Board's use of the Fund to contribute to the state match was appropriate if donations in the Fund met federal earmarking requirements.

- 1. Question: Is the Fund a formally created trust fund?**
Answer: No.

There is within the State Office of Rehabilitation (USOR) a fund presently called the "Individuals with Visual Impairment Fund," which contains donations from donors who wish to assist the visually impaired. Part of your question involves the legal status of the monies donated to the Fund. Particularly, you asked whether the monies are part of a legal trust with the state as trustee or if they are simply donated funds.

A trust fund is a unique legal entity that must be established and administered according to strict statutory and legal requirements. Generally, a "settlor" creates the trust, provides the revenues or deposits to fund it, appoints a trustee, provides direction to the trustee about how trust funds are to be invested and distributed, and names one or more beneficiaries to benefit from the trust. The trustee has affirmative fiduciary responsibilities requiring the trustee to invest, manage, and distribute trust monies with the same care as if they were the trustee's own funds. The beneficiaries of a trust

receive the monies or other assets of the trust from the trustee according to the instructions established by the settlor.

If the monies in the Fund are simply donated, the only legal requirement imposed on the state is that the state must expend them according to the direction, and subject to any conditions, established by the donor.

There is no reliable evidence that the Fund was ever formally created as a trust fund. The Fund has been called at various times the “Endowment Trust Fund for the Blind,” the “Visually Handicapped Trust Fund,” the “Visually Impaired Fund,” and the “Individuals with Visual Impairment Disability Fund.” Although the Fund was initially called a “trust fund,” the Fund does not meet the legal requirements of a trust fund. Under Utah law, a settlor must indicate an intention to create a trust, or a statute must authorize the trust.¹ There is no evidence that either of those conditions were met.

The earliest available documentation of the Fund is a 1984 “Visually Handicapped Trust Fund Proposal” (1984 Proposed Policies) prepared by the Division of Services for the Visually Handicapped (DSVH) within the Office of Agency and Rehabilitation Services (OARS). DSVH is now known as the Division of Services for the Blind and Visually Impaired (DSVBI) within USOR, which is under the direction of the State Board.² According to the 1984 Proposed Policies, the Fund was established at least 40 years earlier from various gifts. These gifts had historically been used “to benefit the blind” and “to assist visually handicapped persons to live more useful and productive lives” through various programs. There is no evidence in the 1984 Proposed Policies that donors had ever indicated an intention to create a trust. Furthermore, there is no mention of the Fund being created as a trust or otherwise in state statute.³

Without substantive evidence of a settlor’s intent to create a trust fund, the Fund is not subject to legal requirements that would otherwise govern the administration and expenditures of a trust fund.

¹ Utah Code Ann. § 75-7-401(1) (Supp. 2014).

² Division of Services for the Visually Handicapped, Utah State Office of Education, Visually Handicapped Trust Fund Proposal (1984). A copy of the 1984 Proposed Policies is attached as Appendix A.

³ In a “Fund Information” memorandum issued by the Division of Finance, the Division, based on conversations between the Division and the Utah State Office of Education (USOE), characterized the Fund as a trust fund. However, that characterization is insufficient to create a legal trust. See Memorandum, letter, and supplemental information from Division of Finance to State of Utah Office of Education (May - June, 1985). A copy of the memorandum and supplemental letter and conversation notes are attached as Appendix B.

2. Question: Was the State Board transfer of \$500,000 from the Fund to assist in providing vocational rehabilitation services a legitimate use of the Fund?

Answer: Yes.

In November 2013, the State Board transferred \$500,000 from the Fund after hearing a report from the USOE Accountability and Finance Committee (Committee) Chair David Thomas regarding the Fund.⁴ According to the minutes, USOR “requested the Board to consider approval of the expenditure of \$500,000 from [the Fund]. The funding will be used to assist in provision of vocational rehabilitation services under [DSBVI] and help the agency meet federal Maintenance of Effort Requirements under the Vocational Rehabilitation Program.” The Committee had provisionally approved the \$500,000 transfer, and at the November 8, 2013, meeting the State Board gave the transfer final approval.

Although the 1984 Proposed Policies recommends the purposes for which donations in the Fund should be used (“to assist visually handicapped persons in Utah to live richer, fuller more constructive lives when the assistance which they need is in keeping with the philosophy of DSVH”) and also proposes approval procedures for Fund expenditures and control, it is unknown whether the State Board ever adopted the 1984 Proposed Policies. It is also unknown whether these statements in the 1984 Proposed Policies are affirmative declarations of the donors’ intent for the use of their donated money.

Based upon our conclusion that the Fund is not a trust fund, and because it is unclear what, if any, other requirements exist establishing authority to expend Fund monies, there is nothing indicating that the State Board lacked the authority to transfer money in the Fund. The State Board approved the expenditure for vocational rehabilitation services provided by DSBVI, an expenditure that is arguably within the spirit of the Fund’s history going back over 70 years of using the donations to help the visually impaired. Furthermore, state law allows the executive director of USOR, with the approval of the State Board, to accept and use unconditional gifts for purposes consistent with state law and accept conditional gifts if the State Board determines that the conditions are consistent with state law.⁵ The State Board acted within its statutory authority to approve the Fund transfer, consisting of donations, for vocational rehabilitation purposes.

⁴ See Utah State Board of Education, Minutes of the Accountability and Finance Committee, Visually Handicapped Trust Fund (Nov. 8, 2013) attached as Appendix C.

⁵ Utah Code Ann. § 53A-24-108 (2013).

3. Question: Could the State Board transfer Fund money for purposes of meeting federal maintenance of effort requirements (state match) for federal vocational rehabilitation programs?

Answer: Yes, if the transferred donated money was earmarked in accordance with federal law.

Federal law dictates when private donations to a state may be used to match federal funds for vocational rehabilitation programs. Private contributions like those made to the Fund are allowed to be used for the required state match if the donations are “earmarked” by the donor in accordance with the following. (The term “earmarked” is not defined in federal law.)

a. Private donations earmarked for the state match

A donation by a private party may be used for a state match if the donation is earmarked by the donating party to meet “in whole or in part the State’s share for establishing a community rehabilitation program⁶ or constructing a particular facility for community rehabilitation program purposes.”⁷ It is unknown whether any of the donations were submitted with this earmark. If the donor did indicate that the donation was for the state match, and the Board segregated that money from other donations in the Fund, then the earmarked donation could be used to assist with the state match.

b. Private donations earmarked for geographic areas

If a donation by a private party is earmarked by that party for use in “particular geographic areas within the State for any purpose under the State plan” and in accordance with certain criteria, then the earmarked donation may be used for the state match.⁸ There is no indication that the State Board approved transfer of money from the Fund for this purpose or that donors restricted use of the donation to a particular geographic area.

c. Private donations for any other purpose

A donation may be used for a state match if the donor earmarks the donation for “any other purpose under the state plan” and the donor, a relative of the donor, or any other entity with whom the donor shares a financial interest does not benefit from the expenditure unless the benefit is received after being vetted through the state procurement process.⁹ It is unknown whether

⁶ “Community rehabilitation program means a program that provides directly or facilitates the provision of one or more of the following vocational rehabilitation services to individuals with disabilities to enable those individuals to maximize their opportunities for employment, including career advancement...” 34 C.F.R. 361.5(9).

⁷ 34 C.F.R. 361.60(b)(3)(i).

⁸ 34 C.F.R. 361.60(b)(3)(ii).

⁹ 34 C.F.R. 361.60(b)(3)(iii). “For a State to receive a grant under this part, the designated State agency must submit to the Secretary, and obtain approval of, a State plan that contains a description of the State’s vocational rehabilitation services program, the plans and policies

any of the donations were submitted with this earmark or met the financial interest condition. If the donor did indicate that the donation was for the state plan, the donor did not violate the condition, and the Board segregated that money from other donations in the Fund, then the earmarked donation could be used to assist with the state match for purposes under the state plan.

Conclusion

To summarize, we conclude that there is no evidence that the “Individuals with Visual Impairment Fund” is a legal trust fund. We also conclude that the State Board was not prohibited from approving the funds transfer and that use of the transferred funds to help meet the state match was appropriate if the donations to the Fund were earmarked in accordance with federal law.

to be followed in carrying out the program, and other information requested by the Secretary, in accordance with the requirements of this part.” 34 C.F.R. 361.10(a).

4004871

General Exhibit No. 3663

General Exhibit No.

Visually Handicapped Trust Fund Proposal
January 6, 1984

b - 3663



SERVICES FOR THE VISUALLY HANDICAPPED

ADMINISTRATIVE OFFICES

Warren Thompson, Dir.

309 East 100 South • Salt Lake City, Utah 84111
Telephone: (801) 533-9385

MEMORANDUM #84-12

TO: Daryl McCarty

FROM: Warren Thompson *Warren Thompson*

SUBJECT: SUMMARY AND PROPOSED POLICY STATEMENT-VISUALLY HANDICAPPED TRUST FUND

DATE: November 8, 1985

Attached is a document summarizing the Visually Handicapped Trust Fund, together with a one page proposed policy statement which is intended to be used for securing Board approval on policy.

If the Board approves, I recommend we send copies of the full document to our accounting office, Mr. John McAllister, Assistant Attorney General, and the Treasurer's Office.

The document was discussed in detail with the Advisory Council on Visually Handicapped and includes their recommendations.

If you have any questions or desire further elaboration, please let me know.

/sn

Attachment

cc: Judy DeWaal

UTAH STATE OFFICE OF EDUCATION
Dr. G. Leland Burningham • Superintendent of Public Instruction
250 East 500 South • Salt Lake City, Utah 84111
OFFICE OF AGENCY AND REHABILITATION SERVICES

Visually Handicapped Trust Fund Proposal
January 6, 1984

DIVISION OF SERVICES FOR THE VISUALLY HANDICAPPED

Policies for administration of the Endowment Trust Fund for the Blind

This fund has been created by the financial gifts of many persons over the past 40 years. There is no single written guide that can be used in its administration. The practice has always been to accept financial gifts and to deposit them in a fund controlled by the State Office of Education. The State Treasurer now allows for the accrued interest to revert back to the Endowment Account.

In the past, these funds have been used to assist visually handicapped persons to live a more useful and constructive life. For example equipment has been purchased that has created jobs in the workshop. Deficits have been eliminated from the Revolving Fund in the workshop. The Endowment Trust Fund has also been used to renovate and maintain our various buildings which have included furnishings and equipment.

This fund can be used totally or as a part of additional local, state and federal money to create new programs or services. It is recommended that the Utah State Board of Education officially adopt a statement of purpose and establish the method for its administration.

The purpose of the Endowment Trust Fund for the Blind shall be to assist visually handicapped persons in Utah to live a richer, fuller, more constructive life when the assistance which they need is in keeping with the philosophy and policies of the Division of Services for the Visually Handicapped under the State Office of Education. One special gift of \$1,000.00 was contributed with the request that it be used to benefit blind persons in Sanpete County.

The recommendations made by the Administrator of the State Services for the Visually Handicapped shall have as its first priority to supplement or implement the programs and services of the Division either through financial grants or through the purchase of equipment or renovations.

Administration of the fund shall be maintained by the State Office of Education. The accrued interest shall revert to the fund. Recommendations will be made by the Administrator of the DSVH to the State Superintendent who will make the final decision.

ATTACHMENT B
(DOCUMENT OF FILE)

Visually Handicapped Trust Fund Proposal
January 6, 1984

VISUALLY HANDICAPPED TRUST FUND - (USOE DIV. 87)

W.T./DSVH
October 1983BRIEF HISTORY

The fund was established over 40 years ago from bequests and gifts. There have been no guidelines for its use other than to benefit the blind. It is deposited as a state fund. Recently interest from the fund has been permitted to be deposited into the fund. The fund has been used to assist visually handicapped persons to live more useful and productive lives by purchasing equipment at the workshop, eliminating deficits at the workshop, and renovating, maintaining, and furnishing various buildings belonging to DSVH. Recently \$12,000 was transferred to another SOE account to permit Low Vision Aid services to a backlog of DSVH clients. Expenditures from the fund have been recommended by the DSVH Director and approved by the Superintendent, usually after Board approval.

RECOMMENDED POLICYGENERAL STATEMENT

The fund shall be known as the Visually Handicapped Trust Fund and shall be deposited by the state and controlled by the Office of Education.

SOURCES OF INCOME

Bequests and other contributions exceeding \$1,000.00 and not otherwise specified shall be deposited in the Fund. Receipts shall be provided to the grantor and shall become a part of the permanent record of the fund.

Annual interest shall accrue to the fund.

Repayment of loans for equipment etc., shall be deposited in the fund and properly identified.

EXPENDITURES

Expenditures shall be made by transfer of funds to other SOE accounts, by voucher and in accordance with other accounting and disbursement procedures within the SOE.

PURPOSE

The purpose of the fund shall be to assist visually handicapped persons in Utah to live richer, fuller more constructive lives when the assistance which they need is in keeping with the philosophy and policies of DSVH, USOE.

The first priority of the fund shall be to supplement or implement the programs, services, and funds of the division either through transfer of funds within SOE or through the purchase of equipment or renovation of DSVH facilities.

APPROVAL PROCEDURES

The Director, DSVH, shall make recommendations for expenditures to the Superintendent through the Associate Superintendent, Office of Agency and Rehabilitation Services. The Superintendent shall approve or disapprove the recommendation or may delegate this authority to the Associate Superintendent, OARS, or the Director, DSVH

ANNUAL REPORT

A Performance Audit of USOR's Budget and Governance - (September 2015)

Visually Handicapped Trust Fund Proposal
January 6, 1984

DIVISION OF SERVICES FOR THE VISUALLY HANDICAPPED

VISUALLY HANDICAPPED TRUST FUND

(USOE DIV. 87)

HISTORY

The Visually Handicapped Trust Fund has been known for the past 40 years or so as the Endowment Trust Fund for the Blind. The name was recently changed to more accurately identify the fund. Actually the fund is not an "endowment" fund which infers that the fund is a "source of income" or that only the interest of the fund will be available for use. The fund actually has no such restriction.

The attached statement (attachment B) is the only record we have of the fund with the exception of a bequest in 1982 and receipts for small donations in the recent past. An extract from the Estate of Ruth Cowie Steiner is also attached (attachment C). It lists the Murray B. Allen Center for the Blind as one of four "Charitable" organizations to receive proceeds, designating that the Center receive 50% of the residue of the estate. No constraints are stipulated. In June 1982, we received \$31,896.64 from the estate.

The current amount of the Visually Handicapped Trust Fund is approximately \$190,000.00. There have been recent inquiries from two consumer groups as to the uses to which the fund has been put, whether it shouldn't be used more frequently to support community efforts in behalf of the blind, and whether it is necessary for the State Board to approve expenditures, once policy has been established. These groups have requested they be presented with a policy statement regarding this fund.

Following is a proposed Policy Statement for utilization of the Visually Handicapped Trust Fund, setting forth the objectives and method of expenditures. (Attachment A)

Warren Thompson
Acting Director, DSVH
November 1, 1983

Visually Handicapped Trust Fund Proposal
January 6, 1984

FIFTH: All the residue of my estate and property, wherever situated, in cash, or in kind, or partly in cash and partly in kind, as my personal representative determines, to the following charitable organizations in the following respective portions:

- a) To the Murray E. Allen Center for the Blind,
309 East 100 South, Salt Lake City, Utah..... .50%
- b) To The Boy Scouts of America, Great Salt Lake
Council, to be used at Camp Steiner in the
Uintah Mountains.....20%
- c) To The Neighborhood House, 1050 W. 5th South,
Salt Lake City, Utah.....20%
- d) To The Humane Society of Utah.....10%

ATTACHMENT C
(EXCERPT FROM WILL)

UTAH STATE OFFICE OF EDUCATION

250 East 500 South / Salt Lake City, Utah 84111
(801) 533-5431

UTAH STATE BOARD OF EDUCATION
UTAH STATE BOARD FOR VOCATIONAL EDUCATION

Keith T. Checketts Margaret R. Nelson
Chairman Vice Chairman
Lion C. Baker-Neola Brown-Donald G. Christensen
Ruth Hardy Funk-Darlene C. Hulchison
Valene J. Nelson-M. Richard Maxfield



Bernarr S. Furse
State Superintendent
of Public Instruction

September 16, 1986

Mr. Jesse Anderson, Chairman
Governor's Advisory Council for the
Visually Handicapped
309 East First South
Salt Lake City, Utah 84111

Dear Jesse:

The request of the Governor's Advisory Council for the Visually Handicapped that they be given approval to spend interest only from the Visually Handicapped Trust Fund to provide identified services, grants for projects, equipment, etc. was heard by the State Board of Education during its meeting on September 5, 1986. The Board gave approval to the Governor's Advisory Council for the Visually Handicapped to approve up to \$1,000 for expenditures from the interest of the Visually Handicapped Trust Fund.

If you have any questions regarding this action, please give me a call.

Sincerely,

Bernarr S. Furse
State Superintendent
of Public Instruction

BSF:tb

cc: Wayne Noble, DSVH Administrator
Dr. Daryl McCarty

STATE OF UTAH
Division of Finance
Fund Information

FINET Name: (PED) Individuals with Visual Impairment Fund

FINET Fund: 2355

Legal Name: Individuals with Visual Impairment Fund

Legal Authorization: Trust relationship

Earns Interest: [X] Yes [] No

Earns Interest Authority: Trust relationship

Table with 6 columns: Initiated By, Creation Date, Revision Date, Termination Date, Repeal Date, Old FINET Fund. Values include L Francom, 7/1/1950, 12/27/1996, and 738.

Responsible Dept: 400
Responsible Division: Ed. Agency Servs.
Responsible Person: Jeff Young
Phone: 538-7633
Reconciler's Division: Ed. Agency Servs.
Reconciler's Name: Jeff Young
Reconciler's Phone: 538-7633

Revenue Source(s):

1) Contributions

Description and History:

(Fund # through FY 1984 was 914087).

Created approximately 1950. The fund is derived from contributions to provide services for the visually handicapped and varies in size from a few dollars contributed in lieu of flowers for a funeral to a \$30,000 contribution willed to Services for the Visually Handicapped.

Fund expenditures are approved through the Utah State Advisory Council for the Blind with expenditures over \$1,000 also receiving approval from the Utah State Board of Education.

5/13/2014 Note: Fund was renamed from the Visually Handicapped Fund to the Visually Impaired Fund.

1/5/2015 Note: Fund name was modified slightly to read: Individuals with Visual Impairment Fund.

Legal Authorization memo:

LETTER to Judy DeWaal, State of Utah, Office of Education, dated June 6, 1985

Dear Judy:

In response to your question about whether the Visually Handicapped Trust Fund (Fund) was part of the State of Utah, we found a limited amount of information on the nature of the Fund. Apparently, the Fund is derived from contributions to provide services for the visually handicapped.

From this information and the discussion Lynne Koga of our office had with you, the Fund looks as though it is a trust fund to be administered and accounted for by the State of Utah, under direction of the State Office of Education. We give the following reasons:

- 1. In their contributions, if the donees have requested the State to be the trustees, it doesn't appear that the State could legally transfer the trustee responsibility.
2. The expenditures are made at the final decision of the State Board of Education. This indicates that the contributions have been made to the State for State control.
3. If the Fund assets are transferred to another group, the State would still need a trust fund for any contributions made to the State for the benefit of the blind.

STATE OF UTAH
Division of Finance
Fund Information

Should the issue be pursued, we recommend that an Attorney General opinion be obtained to determine the legality of transferring the Visually Handicapped Trust Fund from the State to a private entity.

Sincerely,
 (signature)
 Lynn H. Vellinga, CPA
 Assistant Controller

NOTE: To see original memo and documentation contact Financial Reporting at State Finance.

PTIF Account(s):

<u>FINET</u>	<u>PTIF #</u>	<u>PTIF Name</u>
2355	0523	DED-VISUALLY HANDICAPPED TRUST

Fund Balance History:

<u>Fund</u>	<u>Year</u>	<u>Beg Balance</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>End Balance</u>
2355	1981	\$143,129	\$70,641	\$58,256	\$0	\$155,514
2355	1982	\$155,514	\$13,271	\$0	\$0	\$168,785
2355	1983	\$168,785	\$64,984	\$0	\$0	\$233,769
2355	1984	\$233,769	\$33,182	\$9,644	\$0	\$257,307
2355	1985	\$0	\$0	\$0	\$0	\$0
2355	1986	\$0	\$0	\$0	\$0	\$0
2355	1987	\$294,102	\$22,092	\$9,501	\$0	\$306,693
2355	1988	\$306,693	\$24,838	\$19,225	\$0	\$312,306
2355	1989	\$312,306	\$30,117	\$16,700	\$0	\$325,723
2355	1990	\$325,723	\$31,627	\$19,725	\$0	\$337,626
2355	1991	\$337,626	\$345,704	\$67,074	\$0	\$616,256
2355	1992	\$616,256	\$89,619	\$122,810	\$0	\$583,065
2355	1993	\$583,065	\$32,444	\$21,340	\$0	\$594,169
2355	1994	\$594,169	\$22,195	\$15,600	\$0	\$600,764
2355	1995	\$600,764	\$47,274	\$20,000	\$0	\$628,038
2355	1996	\$628,038	\$37,721	\$27,180	\$0	\$638,579
2355	1997	\$638,579	\$64,794	\$33,480	\$0	\$669,893
2355	1998	\$669,893	\$42,675	\$36,000	\$0	\$676,568
2355	1999	\$676,568	\$52,646	\$36,000	\$0	\$693,214
2355	2000	\$693,214	\$47,179	\$35,000	\$0	\$705,393
2355	2001	\$705,393	\$48,414	\$40,500	\$0	\$713,307
2355	2002	\$713,307	\$24,520	\$28,000	\$0	\$709,827
2355	2003	\$709,827	\$85,845	\$15,156	\$0	\$780,517
2355	2004	\$780,517	\$36,388	\$11,000	\$0	\$805,905
2355	2005	\$805,905	\$23,511	\$11,000	\$0	\$818,416
2355	2006	\$818,416	\$42,568	\$23,000	\$0	\$837,984
2355	2007	\$837,984	\$52,016	\$36,000	\$0	\$854,000
2355	2008	\$854,000	\$96,788	\$39,996	\$0	\$910,792
2355	2009	\$910,792	\$35,473	\$18,858	\$0	\$927,407
2355	2010	\$927,407	\$10,817	\$7,958	\$0	\$930,266
2355	2011	\$930,266	\$43,454	\$5,737	\$0	\$967,982

STATE OF UTAH
Division of Finance
Fund Information

2355 2012	\$967,982	\$11,532	\$0	\$0	\$979,514
2355 2013	\$979,514	\$17,281	\$5,481	\$0	\$991,314
2355 2014	\$991,314	\$8,658	\$500,000	\$0	\$499,972



STATE OF UTAH
DEPARTMENT OF ADMINISTRATIVE SERVICES

NORMAN H. BANGERTER, GOVERNOR

W. VAL OVESON, LT. GOVERNOR
EXECUTIVE DIRECTOR

June 6, 1985

Judy De Waal
State of Utah Office of Education

Dear Judy:

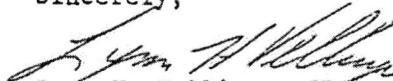
In response to your question about whether the Visually Handicapped Trust Fund (Fund) was part of the State of Utah, we found a limited amount of information on the nature of the Fund. Apparently, the Fund is derived from contributions to provide services for the visually handicapped. The contributions range from dollars given in lieu of funeral flowers to a \$30,000 contribution willed to Services for the Visually Handicapped. Expenditures from the Fund include some remodeling for the Murray B. Allen Center for the Blind, a State run Center.

From this information and the discussion Lynne Koga of our office had with you, the Fund looks as though it is a trust fund to be administered and accounted for by the State of Utah, under the direction of the State Office of Education. We give the following reasons:

1. In their contributions, if the donees have requested the State to be the trustee, it doesn't appear that the State could legally transfer the trustee responsibility.
2. The expenditures are made at the final decision of the State Board of Education. This indicates that the contributions have been made to the State for State control.
3. If the Fund assets are transferred to another group, the State would still need a trust fund for any contributions made to the State for the benefit of the blind.

Should the issue be pursued, we recommend that an Attorney General opinion be obtained to determine the legality of transferring the Visually Handicapped Trust Fund from the State to a private entity.

Sincerely,


Lynn H. Vellinga, CPA
Assistant Controller

DIVISION OF FINANCE

27784
PS

June 5, 1985

Judy de Waal

Dear Judy:

From information in our office, the Visually Handicapped Trust Fund (Fund) is derived from contributions to provide services for the visually handicapped. The contributions range from dollars given in lieu of funeral flowers to a \$30,000 contribution willed to Services for the Visually Handicapped. Expenditures from the Fund include some remodeling for the Murray B. Allen Center for the Blind, a State run Center.

From this information and the discussion Lynne Koga of our office had with you, the Fund looks as though it is a trust fund to be administered and accounted for by the State of Utah, under the direction of the State Office of Education. We give the following reasons:

In their contributions, if the donees have requested the State to be the trustee, it doesn't appear that the State is able to transfer the trustee responsibility.

You've stated that expenditures are made at the final decision of the State Board of Education. This indicates that the contributions have been made to the State for State control.

If the Fund assets are transferred to another group, the State would still need a trust fund for any contributions made to the State for the benefit of the blind.

Should the issue be pursued, we recommend that an Attorney General opinion be obtained to determine the legality of transferring the Visually Handicapped Trust Fund to a private entity.

Sincerely,

L

Lynn H. Vellinga, CPA
Assistant Controller

2778A
P 5

Judy DeWaal x 5862

Adult Blind Trust Fund

Visually Handicapped Fund Trust Fund

Educ. Endowment Trust, Schol. for Blind

748708 1986 Fund
914087 1987 Fund

what kind of info do we have.
Want set up as Trust outside the state.
What legal authority set up.

Will -
endowment
should be set
up as trust

May need Atty. Gen. Opinion on pulling out the funds.

~~Less 5144~~

Some of the money in past years has gone to build ~~Keith~~ ~~from~~ the Murray, B. Allen Center which is part of the State.

Received a contrib. willed to Services for the Handicapped - ^aState Division
Workshop for the Blind - matching funds -
required fr. State? Private sources? didn't know.

Wills, Bequests - do they designate the State in any way? Yes -
Then it would still need a Trust Fund

Committee at Blind Center - make recommend to Board of Ed. how to spend. Therefore the \$ are under State control, the State is the oversight agent and ^{we} don't think they can transfer that responsibility and the funds to another group.

STATE OF UTAH
DEPARTMENT OF FINANCE
TRUST AND AGENCY FUNDS

RECEIVE

APR-8 1980

ACCOUNTING

Ok
AC

Bd of Educa
Responsible Department
Adult Blind Trust Fund
ENDOWMENT TR. SCH BLIND
Fund Name

State Office of Education
Fund Custodian

914087
Fund Accounting Number

Approximately 1950
Date Fund Established

Indefinite
Est. # of years Fund Required
(If indefinite, so indicate)

\$30,000
Estimated Annual Receipts

\$ Not determinable
Estimated Annual Disbursements

50
Estimated # of Annual
Transactions

AUTHORITY TO ESTABLISH THIS FUND (INDICATE STATE, FEDERAL OR
LOCAL LAW REFERENCES):

DESCRIPTION OF FUND PURPOSE:

The fund is derived from contributions to provide services for the visually handicapped and varies in size from a few dollars contributed in lieu of flowers for a funeral to a \$30,000 contribution willed to Services for the Visually Handicapped. Some donations state the purpose for which it may be used and some are given for whatever purpose is deemed advisable. Examples of expenditures made from this fund include some remodeling for the Murray B. Allen Center for the Blind and matching funds for federal grant on the Work-

...Cont'd next page

OTHER CONSIDERATIONS OR COMMENTS:

[Signature]
SIGNATURE

shop for the Blind. Some funds have been contributed to purchase a parking lot for the Blind which has not yet been done.

AVH:jp
4-2-80

DIVISION OF SERVICES FOR THE VISUALLY HANDICAPPED
Utah State Office of Education

M E M O R A N D U M

TO: Daryl McCarty
FROM: Warren Thompson *Warren Thompson*
DATE: Friday, May 17, 1985
SUBJECT: MEETING WITH PRESIDENT OF UCB

This morning I met with Mr. Fred Schmidt, President, Utah Council of the Blind, to discuss several issues the Council has. We met at his place of business at his request. I felt the meeting was very positive in all ways and agreed to follow up with you on some of the items.

Mr. Schmidt said he met last week with Governor Bangerter to seek his assistance in obtaining access to the Visually Handicapped Trust Fund to meet some of the needs of blind persons. The Council wonders if the fund should not be turned over to a community committee which would consider applications from blind individuals and groups for its use. The Fund would be deposited in a bank. He asked if I would obtain copies of early bequests and gifts to the Fund to enable the Council to determine if the monies were not really intended to be made available to the community without Office of Education involvement.

I told him I would search our files and request our Accounting Office to do likewise and we would provide him with the early documents he desired if it were permissible.

We talked of a possible alternative to the plan he proposed. This would involve the Fund remaining as it is but would assign the Governor's Advisory Council responsibility for considering applications from the community. This would require State Board action since the current board policy is that VHT Funds may be expended only to supplement or extend DSVH programs.

Mr. Schmidt wondered why the Advisory Committee to UIB had been discontinued. He feels such a committee can provide a very valuable service and recommends one be reestablished.

Mr. Schmidt said he had also made contacts in the State House to urge that the state purchase items available through UIB on a priority basis. If this were adopted as state policy it could have a very beneficial effect on the UIB program.

The Council has been active in obtaining audio signals at selected

COMMUNICATIONS COMMITTEE

Committee Chair Tami Pyfer reported that one-page sheets on the budget priorities will be prepared. She also announced that the new Board website is close to launching.

ACCOUNTABILITY AND FINANCE COMMITTEE

Committee Chair David Thomas reported on the following items from the Committee.

Visually Handicapped Trust Fund

Fifty years ago, the Visually Handicapped Trust Fund was developed under the Division of Services for the Blind and the Visually Impaired. It was determined that any donation received by the Division of \$1,000 or more would be placed in this fund. Expenditures from the fund must be approved by the Board of Education. Due to the current value of the fund and the experienced loss of both federal and state allocations for service provisions to the blind in Utah, the Utah State Office of Rehabilitation (USOR) requested the Board to consider approval of the expenditure of \$500,000 from the Visually Handicapped Trust Fund. The funding will be used to assist in provision of vocational rehabilitation services under the Division of Services for the Blind and Visually Impaired, and help the agency meet federal Maintenance of Effort requirements under the Vocational Rehabilitation Program.

The Committee approved the movement of \$500,000 from the Visually Handicapped Trust Fund into USOR's budget, and moved that the Board approve the utilization of the funds.

Motion carried; Member Griffiths absent.

R277-116 Utah State Board of Education Audit Procedures

Amendments to R277-116 were reviewed to add the requirement for the Internal Auditor to meet semiannually with the Board Chair.

The Committee made further amendments on line 26, to replace "Finance Committee"

Agency Response



UTAH STATE BOARD OF EDUCATION

David L. Crandall, Chair David L. Thomas, First Vice Chair
Jennifer A. Johnson, Second Vice Chair

Dixie L. Allen Brittney Cummins Jefferson Moss
Laura Belnap Linda B. Hansen Spencer F. Stokes
Leslie B. Castle Mark Huntsman Terry Warner
Barbara W. Corry Stan Lockhart Joel Wright

Brad C. Smith, Chief Executive Officer
Lorraine Austin, Board Secretary

September 1, 2015

Mr. John M. Schaff, Auditor General
Office of the Legislative Auditor General
315 House Building
Salt Lake City, Utah 84114

Dear Mr. Schaff:

Thank you for the opportunity to provide this combined management response from Utah State Board of Education Leadership, Utah State Office of Education (USOE) and Utah State Office of Rehabilitation (USOR) to the *Performance Audit of USOR's Budget and Governance*. We respectfully acknowledge the tremendous time and effort involved, and are grateful for this formal account of the problems that are acknowledged and understood by the USOR, the USOE and the Utah State Board of Education (Board).

What is more, we appreciate your recognition of the aggressive steps we have already taken to address these issues, beginning with extensive changes in governing and executive leadership. We have developed plans to resolve the core causes of the problems, and most of the work is underway. As with any complex situation many years in the making, permanent fixes take time to implement. Nonetheless, we are confident that all of these issues will be resolved.

Therefore, we concur with all of the recommendations offered in the report that are directed to us. We have already begun addressing most of these, and we have a plan to address all of them as soon as possible.

Respectfully submitted,

David L. Crandall, Chair
Utah State Board of Education

Brad C. Smith, Superintendent
Utah State Office of Education

Darin Brush, Executive Director
Utah State Office of Rehabilitation

Response to A Performance Audit of the USOR's Budget and Governance

September 1, 2015

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Summary

After several years of unsustainable client caseload growth, USOR overspent its Vocational Rehabilitation program budget in 2014. After the recession of 2007 to 2009, Vocational Rehabilitation program caseload and spending grew to a point that, in 2012, USOR obligated higher percentages of its federal Vocational Rehabilitation grant awards in the year of appropriation (year one of two). Additionally, USOR received an increasing amount of additional federal Vocational Rehabilitation funds through the federal reallocation process (used to redistribute unexpended funds from other states) in FFY2010 to FFY2015. The increased expenditures meant that USOR carried over smaller portions of its federal Vocational Rehabilitation funds in FFY2012 and FFY2013. Federal grant awards are for two-year periods, so funding can, but is not required, to stretch or carry over into the second year. As such, the federal funds can be spent in the second year so long as the state match has been obligated by the end of the first federal fiscal year.

During the months of July, August, and September of 2013 (the first quarter of SFY2014, but the fourth quarter of FFY2013), to ensure compliance with federal matching requirements for the FFY2013 Vocational Rehabilitation grant, and to cover significant Vocational Rehabilitation expenditures, USOR had to expend the majority of its SFY2014 state Vocational Rehabilitation match funds on the FFY2013 award expenditures. This left insufficient non-federal funds to match the FFY2015 award until the SFY2015 funds became available in July 2014.

Ultimately, this unsustainable spending pattern led to USOR's need for the \$6.3 million supplemental appropriation request during the 2015 General Session. The Board, USOE, and USOR wish to thank the Legislature again for this additional funding which has had the desired effect of allowing USOR to continue to deliver paid client services to Vocational Rehabilitation clients already in plan to be served, and to help remedy the noncompliance with the federal requirement that state funds must be spent proportionate to federal funds. We are also grateful for the ability to carry the unexpended portion of this supplemental appropriation into SFY2016, which allows us to make the budgetary and compliance corrections outlined in the report and this response.

In 2013 and 2014, when the Board, USOE, and USOR started to become aware of the budget problems with the Vocational Rehabilitation program, they began to take action. A visible result is illustrated in the systematic replacement of nearly all of the executive leadership at USOE and USOR in recent years. Concurrently, the Board has witnessed a two-thirds change in membership. The new Board and the leadership of USOE and USOR have developed plans and are executing the necessary changes which they are confident will prevent these problems in the future.

Background

The Utah State Office of Rehabilitation is often referred to as "Vocational Rehabilitation", which is USOR's largest, but not its only program. Vocational Rehabilitation provides services designed to help rehabilitate individuals with disabilities, prepare them for gainful employment (consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice), and increase their independence. Eligible individuals have a mental and/or physical impairment, and if USOR is unable to serve all eligible individuals, priority must be given to serving individuals with the most

significant disabilities. The largest service USOR provides is professional-level vocational counseling and guidance by certified Vocational Rehabilitation counselors. Other services include those outlined in the report, which are often provided by third parties.

The Vocational Rehabilitation program is authorized by the Vocational Rehabilitation Act of 1973. Federal funding and oversight of the Vocational Rehabilitation program come through the Rehabilitation Services Administration of the Department of Education. This is probably a key reason that USOR was originally placed under the Board with USOE.

Many years ago, USOE accepted responsibility for some of USOR's centralized business functions including all of its accounting, and USOE charges USOR for these services through an indirect cost methodology. This includes budgeting, financial reporting, transaction processing, etc. Outsourcing the accounting function to USOE Internal Accounting clearly represented a major risk to USOR's grant management capability.

By state statute, USOR is governed "under the policy direction of the [Board, and] the direct and general supervision of the superintendent of public instruction" (UCA 53A-24-103(1)). The Board is an elected body of 15 members, subject to large change every two years. Recent events and elections mean that more than two-thirds of the Board began service since 1 January 2013. Additionally, the Superintendent of Public Instruction, Brad Smith was appointed in November 2014, and the Executive Director of USOR, Darin Brush assumed responsibilities in July 2015. USOR's Finance Director, its first ever, was appointed in March 2015. Attached to the report is a detailed timeline of events (Appendix A). It expands on the timeline of the report by listing additional, key events.

The report notes that much work is still to be done and it will take time for USOR to regain its financial footing. Given the structure of the federal requirements related to state funds matching and maintenance of effort (MOE), we estimate this time frame to be three to four years.

Response to Chapter One (Introduction)

Important to the report's claim that "Much of the information presented by USOR to its oversight bodies in Figure 1.1 was inaccurate or incomplete..." is the timing of hiring of USOR staff with more extensive financial competencies. The request for \$1.7 million of state funds on 31 January 2014 was made based on financial information provided by USOE Internal Accounting under a governance structure that lacked sufficient oversight. We acknowledge the lack of consideration of the impact of that funding on the SFY2014 deficit. However, subsequent information presented to the Board of Examiners and Legislature was based on financial analysis completed by the USBE Internal Auditor focused upon USOR or recently hired USOR financial staff. These analyses were completed later in 2014, as part of on-going reviews, and included additional scrutiny by agency management, Board committees, and the Legislative Fiscal Analyst (LFA) particularly in the case of the \$6.3 million supplemental appropriation. Therefore, we feel that the information presented was as accurate and complete as possible while acknowledging dependence on assumptions and estimations based on the available information at the time.

We similarly clarify that on 11 November 2014 at the Board of Examiner's meeting, though agency management may have indicated that "overspending would not happen again" or "underlying budget problems had been solved", the intent was to convey that there would not be another budget deficit as

of 30 June 2015, not that all budget concerns were resolved. The letter to the Board of Examiners dated 23 October 2014 indicated this, stating the following:

The increase in the number of clients and caseloads have and will continue to result in increased expenditures over the next few years, as vocational rehabilitation customers usually receive services over a two to four year period as they work through their individualized plans. The USOR management, under the direction of the State Board of Education and with the recent hiring of an internal auditor and new compliance and budget officer, is working on a comprehensive analysis of organizational policies and the budget, and is closely monitoring the level of vocational rehabilitation expenditures in the current year. Budgetary reviews have begun on current year expenditures at both the state and customer level. The USOR will also complete an analysis of rehabilitation expenditures, resources, and impacts to customers should an Order of Selection process be deemed necessary to meet budget requirements and levels....At the present time, the USOR is not requesting any supplemental appropriations in the current fiscal year, as federal reallocation funds were received and were sufficient to cover the deficit.

The above does not indicate that all budget problems were solved given the nature of the current client caseload. Rather, it shows that budget analysis was continuing and there was a possibility of needing to implement an Order of Selection as part of that process. As the budget analysis continued, and as acknowledged in the report, an Order of Selection was necessary to meet budget requirements and levels. Unknown at the time of the aforementioned letter, was the impact on existing clients, which led to the request for a \$6.3 million appropriation. However, that was also identified based on the budgetary reviews the letter indicated were happening.

We believe it is important to comment on the statement in the report that suggests USOR reported in September 2014 to the Board “that the budget deficit and the overarching structural imbalance had both been resolved.” If this refers to the Board’s finance committee meeting discussion at that time, the minutes of that meeting state that “USOR has satisfied [the deficit] and reduced its structural imbalance”, which is significantly different.

Response to Chapter Two (USOR Mismanaged Its Budget)

We agree that the budget problems at USOR were caused by a lack of adequate oversight, policies and procedures, and controls and offer a few clarifications. Of note, much of the report’s analysis and conclusions about the Vocational Rehabilitation program are made from figures that include *all* USOR funding, possibly because it can be difficult to isolate only the Vocational Rehabilitation funding from other funding sources over the span of the years reviewed (Figure 2.1 in the report reflects this challenge). Vocational Rehabilitation is the largest section of USOR, but there are other programs that receive appropriations, expend funds, and serve individuals with disabilities. The report emphasizes the increase in expenditures at USOR; and while the other divisions saw some modest increases in expenditures, it was only the Vocational Rehabilitation program that had the budget deficit in 2014.

The report accurately indicates that the federal Vocational Rehabilitation grants may be spent over a two year period. The federal regulations also give a qualification to the two-year period of availability, which is that spending of the grant in the second year is only allowed if state match has been obligated by the end of the first federal fiscal year of the grant award. Although the federal grant can be spent

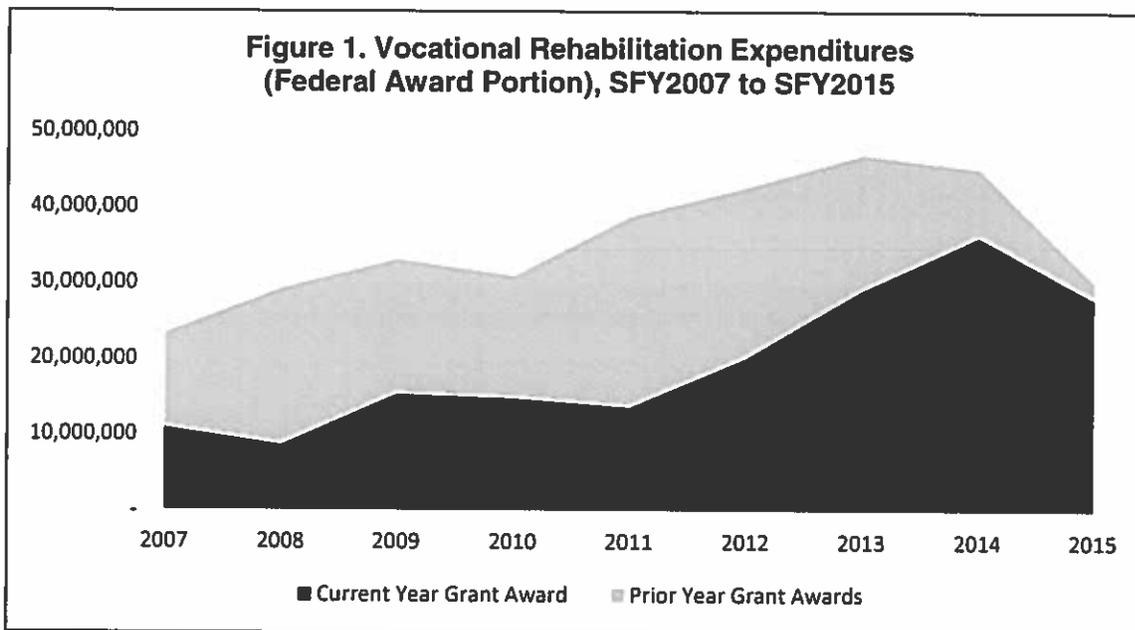
over the two-year period, there is no prohibition against spending most of or the entire grant award in the first year.

The report also indicates several times that USOR applied for and obtained one-time federal reallocation funds to satisfy increased expenditures. USOR first received reallocation funds in FFY2010, and has reapplied and received re-allocation funds each year since then. But, due to the timing of the reallocation funds, they are not actually available until the subsequent state fiscal year; therefore, the FFY2010 reallocation award was not available until August 2010, which was SFY2011. For the FFY2010 and FFY2011 awards, USOR had sufficient state match to receive reallocation funds with no new state funds and no disproportionate state funds from subsequent state fiscal years.

The report states "...USOE finance staff assigned to manage USOR's budget simply increased the working budget as USOR spent beyond available resources". In fact, the only year USOR spent beyond available resources and had a deficit was in SFY2014. Additionally, related to Figure 2.4, the Board recognized weaknesses in the monthly budget report they were receiving, and in April 2015 requested an internal audit of the report. The final audit report will be presented to the Board in its September 2015 meeting.

The analysis on Figure 2.6 of the report indicates that "to spend beyond the authorized amount in 2012, USOR had to use new state money to match one-time federal dollars...." In 2012, *no new state money* was requested or obtained to match one-time federal dollars for FFY2011 federal grant reallocation funds that were received; the existing appropriation was sufficient for the required match.

Indications are that the measures taken by the USOR to cure these budget problems are taking hold. Vocational Rehabilitation federal award program expenditures in the recently closed SFY2015 show a significant decline in expenditures from the highs in SFY2013 and SFY2014, revealing a correction of slowing current and prior year spending (see Figure 1.)



Recommendations

(Responses in this letter refer only to the recommendations made to the Board, USOE, and/or USOR.)

- *Recommendations 1 and 4.* The Board, USOE, and USOR have begun the policy and procedure development process related to budgeting. This task is being led by the new Associate Superintendent of Business and Operations that oversees USOE's Internal Accounting section. Associate Superintendent Scott Jones was appointed to this position in May 2015. While Interim Executive Director of USOR, Associate Superintendent Jones created a USOR Finance Director position, was instrumental in ensuring appropriate staffing for the Finance Director, and established budget workshops for all relevant personnel for the preparation of the SFY2016 budget.

The Utah State Office of Rehabilitation is also subject to additional budget procedures for SFY2017 implemented by Associate Superintendent Jones, under the direction of the Board and Superintendent, for all entities governed by the Board, including new budget forms to track all requests for increased funding that may be included in the budget submission to GOMB and the LFA. Associate Superintendent Jones has created a budget development and reporting timetable to ensure that future budgets will be prepared in a timely manner and subject to appropriate review. Additionally, budget responsibility that has historically resided generally with USOE Internal Accounting will be required at the agency (USOR) level and section level (for USOE).

As personnel and the organization realize more stability, additional policies and procedures will be developed, and trained on, as well as internal controls to ensure accurate reporting.

- *Recommendation 5.* The Board, USOE, and USOR are currently engaged in assessing the financial competencies and level of staffing needed to adequately manage the budget function. This is evident in the recent efforts by the Board and Superintendent to carry out the budget policy and procedure development explained in recommendations 1 and 4 above, by hiring a new Director of Internal Accounting, and by requesting supplemental and ongoing funding of \$580,000 from the Legislature and Governor to fund three new managerial accounting positions and a grants compliance officer. These four new positions are critical to attain a clear status of funds to support appropriate budget forecasting, submissions to GOMB and the LFA, transition from the current outdated BASE budget and expenditure tracking system to FINET, corrective action on a large number of audit findings (including the findings in the report), and to respond to other areas of risk in the organizations.

In particular for USOR, the new Executive Director who began in July 2015 has established an agency plan for USOR that includes financial and performance metrics. As part of this plan, Director Brush has identified the need for additional positions within USOR to ensure appropriate federal funds management, and these positions are slated to be filled as funding is identified and requested in SFY2016 and SFY2017.

- *Recommendation 6.* The response above to the recommendations also pertains to this recommendation. Particularly, as mentioned in Recommendation 5 above, to meet the goals

established in the new USOR agency plan related to financial and performance metrics, USOR has identified the need for, and begun work on, a predictive case modeling system. This system is critical because it will allow the agency to forecast client caseloads, evaluate demand for and cost of services, and analyze the current waiting lists established by the implementation of the Order of Selection to determine when individuals may receive services. It will test these assumptions by constantly comparing them against the actual monthly obligations and expenditures. Moreover, the USOR Finance Director is also in process of creating tools to ensure appropriate financial analysis, including revenue and expenditure trends and payroll forecasting tools.

Response to Chapter Three (Weak Oversight and Communication Prolonged and Worsened Financial Problems)

The leadership of the State Board of Education concurs about the historic lack of governance and oversight for USOR and about the importance of its recent reforms. The key activities of the Board to establish better oversight for USOR have been:

1. Large governance reform beyond the oversight for USOR beginning in 2013
2. The 2014 search for a new state superintendent
3. Escalating responses specifically about USOR beginning in August 2013.

We respectfully submit that the Board has been responding significantly since 2013 to the larger problems that caused the failure at USOR. The Board has been doing this by recognizing that the problems at USOR are not only the consequence of years of neglect, but more significantly, they are symptoms of a board that, until recently, had largely abdicated its policy-making to staff, and permitted an office to function without critical competencies and policy and procedures at *both* USOR and USOE. These larger problems are being addressed by significant governance reform measures.

1. Governance reform: The Board has been directing a large governance reform since mid-2013. The orientation of this governance reform is three-fold:

- Reclaim policy-making power that formerly had been delegated to staff
- Create data-driven policy, especially in a risk-sensitive manner
- Discharge with fidelity the significant legal responsibilities of a state-level pass-through entity for federal grants

Since 2013, the Board has undertaken many significant actions to assert its primacy and to accept the immediate rather than a secondary responsibility for policy and financial matters. This broader context of Board actions is and will be critical to the ultimate multi-year governance remediation of USOR and public education. Figure 2 outlines some of the more significant reforms by which the Board has been transforming itself into a more robust governing board.

Figure 2. State Board of Education Governance Reform 2013-2015

- Board, as a whole, began annually evaluating the State Superintendent and its other employees (starting in July 2013)
- Board Bylaws were amended significantly, returning power to the Board (2013-2015)
- Established that its internal auditors report directly to the Board and not the State Superintendent (summer 2013-2015)
- Board Finance Committee began budget reviews (April 2014)
- The Board approved annual budgets for USOE, USOR, and USDB for the first time in recent memory (June 2014)
- Appointment of a new State Superintendent (October 2014)
- Established a more board-directed policy-making process (October 2014-August 2015)
- Board obtained its own legal counsel from the AG’s office (April 2015)
- Called a task force to review advisory groups and board appointment processes (Spring 2015)
- Redirected the Associate Superintendent of Business and Operations to report directly to the Board (August 2015)

These efforts of the Board to execute a systemic reform are the critical foundation for solving the problems at USOR. This is because reforming federal grants management is not possible without the Board continuing to make reforms, not just at USOR or USOE, but also for itself (see Figure 3). This is true also for non-USOR federal grants for which the Board is responsible.

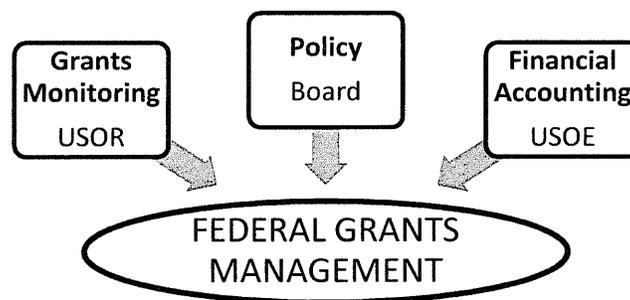


Figure 3.

2. State Superintendent Search: In the midst of this multi-year reform, the executive search for a new State Superintendent was a central means of governance improvement for all matters under the hand of the Board. As such, the superintendent search of 2014 was significantly different than previous searches.

The Board emphasized the need for executive leadership skills over educational experience when it advertised that the “candidate need not be licensed as a public educator.” The invitation for applicants for the position of the Superintendent explicitly sought for an executive officer who could “[direct] the work of the Utah State Office of Education and assists the State Board in oversight of the Utah State Office of Rehabilitation and the Utah Schools for the Deaf and Blind” (emphasis original) and who could “implement a strategic plan that includes excellence in matters of: finance, human resources,

information technology, law, education, and communications” (emphasis original). In contrast, former searches had focused heavily on former experience as an education administrator at a school district or state department of education, rather than on critical executive competencies.

The Board leadership has confidence that the new Superintendent and new Executive Director of USOR will execute a full resolution to USOR problems, but also that this reform will be well-supported by many key executive staff persons who have been or soon will be appointed (see Figure 4).

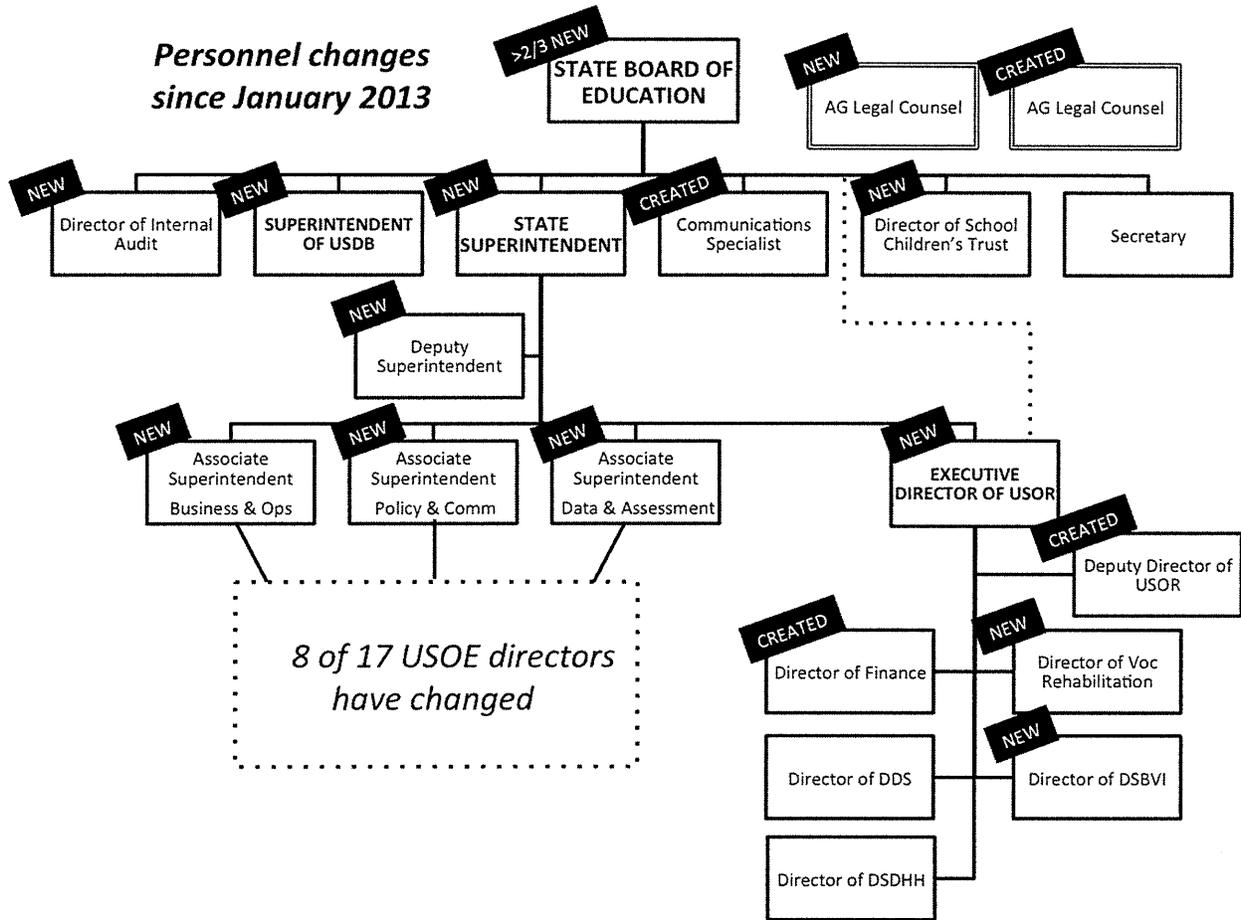


Figure 4.

3. Escalating responses to USOR: We concur that, until August of 2013, the Board gave little direction regarding USOR to the State Superintendent or the Executive Director of USOR. We also submit that from August 2013 through January 2015, there has been a crescendo of understanding and response by the Board, which helped illuminate the scope of the problem in time for the 2015 General Session (see Figure 5).

The timeline in Appendix A of the report presents the series of escalating activities by the Board and its executive team starting in August of 2013 in response to the unfolding of an increasingly serious financial situation. The initial changes starting in August 2013 were precipitated by two significant reports to the Board regarding USOR. The first was a presentation by USOR highlighting almost \$2 million of indirect overhead paid by USOR to USOE. The second was an audit report of the Office of the

State Auditor. Additionally our internal audit staff concurrently expressed concern over the lack of internal audit resources preventing it from looking at risks inside of USOR and USDB. These two reports and the expressed concern by our audit staff created an understanding for some Board members of the responsibility for USOR by the Board and the need to better assess the risks faced by USOR. This resulted in the hiring of an additional internal auditor to focus on USOR. The role of internal audit in unveiling problems at USOR was significant.

Members of the audit committee and the finance committee of the Board became very concerned about USOR earlier than others. This is not only because they were more expert in financial matters, but also because they naturally received much more detailed information during their committee work. They were sooner able to grasp the connection between the worsening situation at USOR, the clear implication of problems inside of USOE Internal Accounting, and the absence of consistent federal grant management throughout USOE.

As noted in the report, the Executive Director of USOR provided multiple reassurances to the Board throughout 2013 and 2014 that the financial problems had been addressed. These reassurances were often coupled with the repeated representation that all governance studies indicated that USOR was best placed with education.

With such financial assurances being intermingled with references to USOR placement, some members of the Board were particularly unable to acknowledge the worsening of the fiscal state of USOR independent of a preconceived belief that there was no need for a governance study of USOR. Even in the face of a report in November 2014 to the Board from its finance committee and USOR executive staff that an order of selection was an inevitable need and still would not be enough to meet committed plans for paid client services, several Board members told the incoming Superintendent that there were no problems at USOR.

Despite this unfortunate history, the financial trouble for the Vocational Rehabilitation program would not have been avoided by an elimination of any delays in 2014. The structural problems already had been cemented by decisions made largely without Board input in prior years. USOR would still have needed the SFY2015 supplemental appropriation, significant reduction in personnel and operations, and the increase of financial controls. More immediate action by the Board in 2014 could only have reduced the amount of the SFY2015 supplemental funding.

Recommendations

- *Recommendation 1.* We concur about the historic lack of coordinated communication about USOR between the Board, the Superintendent, and the Executive Director of USOR. The Board and its executive team are working to address these problems. The Board has been and currently still is in process of adding communication processes for itself, the Superintendent, and USOR. Since April 2014, the Board's finance committee has discussed at length calendars for budgetary reports and reporting elements for USOE, USDB, and USOR. The entire Board has reviewed and updated these calendars and budget formats. Recently the leadership of the Board has directed that the budget reports be presented quarterly as an item separate from the consent calendar, and the State Superintendency has begun twice monthly meetings with the USOR Executive Director and the Superintendent of USDB. As part of complete budgetary reviews of USOE, USOR, and USDB that we are conducting, we will publish a new organizational chart.

- *Recommendations 2, 4, and 5.* The leadership of the Board concurs about the historic lack of role clarity between the Board, the Superintendent, and the Executive Director of USOR. The Board also is working to address these problems as part of the governance reforms described above. The Board also invites assistance from the Legislature in clarifying roles.

The Board has been adding processes to establish its role in the work of USOR. Since 2013, the Board's audit committee has been including USOR as a regular agenda item on its monthly meeting schedule. The following year, the Board's finance committee has been reviewing USOR budgets. That same year the Board began including an executive evaluation of the Executive Director of USOR. Since January 2015, the State Board has explicitly approved not only the appointments of the Executive Director of USOR, but also of all directors inside of USOR, most of which approvals are required by state statute (see especially UCA 53A-24-104, 53A-24-203, 53A-24-303, 53A-24-403, and 53A-24-503).

To aid in the process of role clarification, the Board respectfully requests greater precision of statutory language for the role of the Board in the appointment of the Executive Director of USOR. Currently the Board only approves the appointment made by the Superintendent.

The State Board of Education and the State Superintendent of Public Instruction are both constitutionally named bodies. In Utah statute there are several occasions where the Legislature has bypassed the State Board to explicitly direct the Superintendent to do something. (e.g. appoint the members of Utah Professional Practices Advisory Commission, appoint the Executive Director of USOR, a series of duties in 53A-1-301, etc.). Historically the Board generally has presumed an explicitly understood and statutorily directed delegation of power when such language has been used. Case law also points to a connected power to terminate an employee with the power of appointment (*Sheriff of Salt Lake County v. Board of Commissioners*, 71 Utah 593, 268 P. 783, 784 (Utah 1928); *Ward v. Richfield City*, 776 P.2d 93, 96 (Utah App. 1989)).

If the Legislature intends for the Board to only ratify appointments then no change is needed. However, if the Legislature, even for the short-term, expects the Board to have an unambiguous power of termination for the executive director of USOR, it would be clearer if the actual appointment power rather than solely the approval power were given to the Board. This matter might be considered in a statutory review of all instances when the Legislature empowers the Superintendent rather than the Board.

- *Recommendation 3.* We concur that a comprehensive plan with performance and financial metrics, controls, and a monitoring schedule are needed. See Appendix B for the draft plan for USOR that soon will be presented to the Board for approval.

Response to Chapter Four (USOR's Mission Would Be Better Served Elsewhere in State Government)

The Utah State Office of Rehabilitation, the Utah State Office of Education, and the Utah State Board of Education recognize the significant concerns about the placement of USOR within USOE, and agree that USOR had not been well served by its location within USOE. We realize that the possibility of moving USOR is a complex and difficult issue. We appreciate that there are many strong opinions and feelings

on the subject, and that there will be implications for individuals in Utah with disabilities for years to come.

There is perhaps no ideal match for USOR. As the report shows in its sample, there are a variety of ways other states handle the alignment of rehabilitation services. We recognize the concerns expressed by both the Utah Department of Workforce Services and the Utah Department of Human Services indicating that neither agency is a perfect match and suggesting that a budget evaluation will be needed to determine any administrative cost impact. The concept raised in the report of an independent commission with direct gubernatorial and legislative lines-of-sight is intriguing because it mitigates the issues of agency mismatch, though not without concerns, too.

We are confident that the Legislature will take the time to gather the necessary information to make the best decision for the individuals in Utah with disabilities who need individualized and accessible services offered by USOR. We pledge our support and assistance for this process, and to providing any information that may be useful. We encourage the Legislature to gather stakeholder input. Finally, we fully appreciate the Legislature and its public policy setting role, and will respectfully and completely comply with the direction it establishes.

We are committed to serving the mission of USOR. We are confident in our ability to solve recent problems, and plan to move forward as a stronger agency that will continue providing quality, effective, and needed services to individuals with disabilities, regardless of wherever USOR is located.

Response to Chapter Five (Use of Visually Impaired Trust Fund for VR Was Imprudent)

The Utah State Office of Rehabilitation has always maintained that using funds from the Visually Impaired Trust Fund (Fund) in order to purchase Vocational Rehabilitation services and equipment for clients who are blind and visually impaired was within the guidelines for use of the Fund. This interpretation was supported by a review by the USBE internal auditors. USOR is pleased that the report, and specifically the opinion of the Office of Legislative Research and General Council contained therein, agrees that using the funds for Vocational Rehabilitation expenses was a legal use of the Fund.

Recommendations:

- *Recommendation 2.* USOR agrees with the recommendation that clarification is needed to define what type of fund the VITF represents, and that Division of Services for the Blind and Visually Impaired (DSBVI) should develop and finalize new policies and procedures for use and oversight of the Fund. As indicated in the report, some of this work has begun as USOR has already drafted new policies documenting specifically the procedures for management, accounting, and processing expenditures for each of the funds.
- *Recommendation 3.* USOR also agrees that the DSBVI and USOR, under the direction of the Utah State Board of Education, should further define the ultimate purpose of the Fund. USOR looks forward to enlisting input from stakeholders and further examining the history and past use of the Fund to help define and document the ultimate purpose and uses for the Fund going forward.

Appendix A

USOR TIMELINE

Time	Activity
Aug 22, 2013	USOR reports to USBE with a strong emphasis of the benefit to USOE administrative budget of approximately \$1.8 million in indirect costs Several USBE members began asking why there wasn't internal auditing staff for USOR paid out of those indirect costs
Sept 11, 2013	Executive Director Don Uchida of USOR retires Russ Thelin appointed as the new Executive Director
Sept 12, 2013	Office of the State Auditor report on USOR with findings of materials internal control weakness, significant deficiency of internal control, and reportable noncompliance or illegal acts
Oct/Nov 2013	State Superintendent indicates to the USBE Audit Committee that he will identify funding to hire a new internal auditor to focus on USOR
Jan 2014	A new auditor requested by and funded by USOR, Debbie Davis, begins work on USOR
Feb 7, 2014	USBE Audit Committee hears first high level assessment of risks regarding governance inadequacies; a risk assessment is ordered for USOR; <i>thereafter, USOR is a significant item in the USBE Audit Committee and/or USBE Finance Committee</i>
March 2014	USOR hires a Program Planning & Evaluation Specialist; this position incorporated fiscal and budget duties
Apr 2014	USBE Finance Committee begins budgeting as core focus
Apr 2014	USBE internal audit work commences on the indirect costs
May 5, 2014	Internal Audit, Internal Accounting, Associate Superintendent of Business Operations, and USOR meet to discuss indirect costs in conjunction with the audit on indirect costs
Jun 6, 2014	With a 8-7 vote, USBE initiates a legislative priority for a joint task force study concerning the governance of USOR
Jun 20, 2014	USBE Audit Committee receives the USOR Risk Assessment; A high level summary of the risk assessment is provided to the State Board
July 2014	Program Planning & Evaluation Specialist resigns
Aug 7, 2014	USBE internal audit 15-01 – <i>USOE and USOR Accrual Process</i> with several findings regarding lack of policies, procedures and internal controls on data, and accruals was presented to the Audit Committee. The USOR accrual added \$1.2 million to the SFY2014 budget deficit. Internal Audit, Internal Accounting, and an Associate Superintendent met with State Finance on the accruals and year-end concerns on 8/14/14.
Aug 21, 2014	USBE appoints interim State Superintendent Joel Coleman and interim Deputy State Superintendent Syd Dickson
Sept 11, 2014	Jennifer Roth is hired as the USOR Program Planning & Evaluation Specialist, which increasingly incorporated finance and budget related items
Oct 10, 2014	USBE appoints State Superintendent Brad Smith
Oct 15, 2014	Interim Health and Human Services Committee Testimony: <ul style="list-style-type: none"> • USOR Executive Director spoke strongly in favor of the status quo for USOR oversight • USBE member Jennifer Johnson, speaking for herself, raised concerns about USBE

	<p>providing effective oversight to USOR</p> <ul style="list-style-type: none"> • No action was taken by the legislative committee
Oct 20, 2014	USBE member Jennifer Johnson had a conversation with the Executive Director where she repeatedly asked him why he wasn't asking for more funds for USOR and if there was sufficient funding; The USOR Executive Director represented that there was sufficient funding
Nov 7, 2014	<p>Brad Smith is sworn in as the State Superintendent</p> <p>USBE Finance committee received a presentation from USOR on the inevitability of Order of Selection waiting list, the likelihood of needed funds for VR, and a USOR SWOT analysis; USBE Finance Committee reported this to the USBE</p> <p>With a 7-8 vote, USBE removes from its legislative priorities the request for a joint task force study concerning the governance of USOR</p>
Nov 11, 2014	<p>Speaking for herself in an email response to Sachin Dev Pavithran, Board member Jennifer Johnson raised the governance questions that follow with</p> <ul style="list-style-type: none"> • State Superintendent Brad Smith • USOR Executive Director Russ Thelin • State Board of Education Chair Dave Crandall • Senate Health and Human Services Committee Chair Evan Vickers • House Health and Human Services Committee Chair Paul Ray • Representative Steve Handy • DWS Executive Director Jon Pierpont • GOMB Executive Director Kristen Cox • Governor's Education Advisor Tami Pyfer • Disability Services Advocate Sachin Dev Pavithran
Nov 24, 2014	USOR promises the Board of Examiners that they will not overspend
Jan 5, 2015 & Jan 7, 2015	Public hearings regarding to the Order of Selection waiting list for USOR
Jan 8, 2015	USBE approves USOR's plan for Order of Selection; USBE makes request for \$6.7 million supplemental its #1 priority for funding for USOR
Jan 15, 2015	USBE Internal Audit 15-06 <i>Review of USOE/USOR Year-End Financial Close Process</i> with several findings regarding lack of policies, procedures and internal controls on the year-end financial close process was released. Internal Audit, Internal Accounting, and an Associate Superintendent met with State Finance on year-end concerns on 8/14/14 and a memo regarding an adjustment to the CAFR was sent 10/6/14.
Feb 2015	USBE started having committee meetings on Thursday evenings prior to the Friday board meetings to give more time for public comment and attendance. Also, gives additional time for USBE to discuss matters needing oversight.
Feb 6, 2015	USBE approves USOR's modified plan for Order of Selection (OOS)
Feb 19, 2015	<p>USBE Internal audit (14-05) with several findings and observations regarding the indirect cost plan is discussed</p> <p>The Superintendency also presents to the Audit Committee their response and recommendations for revising the indirect cost plan</p>
Feb 25, 2015	Federal Department of Education Rehabilitation Services Administration (RSA) approves USOR Order of Selection plan (Note: RSA initially denied the OOS proposal and USOR had to modify the OOS proposal before receiving approval)

	RSA had technical difficulties approving the plan and publishing it on its website so the OOS was actually implemented by USOR on Feb 27, 2015
Mar 6, 2015	Scott Jones is appointed interim Executive Director of USOR Joel Coleman is appointed interim Division Director of DSVBI and DSDHH
Mar 18, 2015	Governor signs supplemental appropriations bill authorizing the \$6.3 supplemental appropriation to USOR for paid client services
Mar 25, 2015	Jennifer Roth is promoted to USOR Finance Director, a new position
May 8, 2015	USBE amends its rule R280-200 to require State Board policy-making for federal funding requests, including for additional one-time re-allotment funds and regarding use of state match/maintenance of funds that will be applied to federal grant awards.
May 8, 2015	USBE directs that \$1,084 be reimbursed to the DSBVI Trust Fund for unallowable expenditures
Jun 19, 2015	USBE approves the appointments of Darin Brush, USOR Executive Director and Steve Winn, USOR DSVBI Director
Jul 1, 2015	Darin Brush starts as USOR Executive Director
Aug 7, 2015	USOR Executive Director presents initial comprehensive plan for USOR

Governance questions regarding USOR raised in November 2014:

- *How is and how should policy be formed for USOR?*
- *Should the State Rehabilitation Council composition requirements include advocacy group representation for mental-illness disabilities in addition to the current general requirements for members who have a disability? Or, would inclusion of mental illness advocacy groups (who usually also are service organizations) increase regulatory capture?*
- *What quality of legal counsel is being provided to USOR?*
- *Are the statewide coordinating councils to which USOR belongs structured well and operating well? Who determines this? How well is the collaboration going with county services?*
- *Should a mechanism be developed so that the State Board gets reports about the quality of collaboration via some process independent from USOR? If so, how?*
- *Should the State Board largely rely upon recommendations from USOR for its appointments to the State Rehabilitation Council or should complete independence be required?*
- *What data does the State Board (or some other entity) need for policy oversight of USOR?*
- *Are the current and historic indirect cost pool charges to USOR by USOE appropriate, and should this regularly be evaluated by an independent state-level party?*
- *Should USOR be subsidizing the entire state superintendency when historically very scant amounts of any of their work has been devoted to USOR?*
- *Should the State Superintendent appoint the Executive Director of USOR? Does this contribute to an incentive for the Executive Director to not complain of issues to the State Board with services provided by USOE to USOR or the amount of indirect cost charges from USOR to USOE?*
- *Who should be in charge of grant management at USOR since USOE provides accounting services but USOR runs the programs?*

- *Should the state portion of USOR's funding come from the Education Fund or should it be funded from the General Fund? Or a combination?*
- *Should USOR make its legislative budget requests to the health and human services subcommittee or the education appropriations subcommittee?*

Appendix B

USOR Agency Plan

Updated 28 July 2015

Goal: USOR manages its resources to effectively and efficiently serve the greatest number of eligible clients while remaining within its allocated budgets

Description: USOR will develop and utilize **a comprehensive budget and accounting management system** for informed and accurate budget projections, timely and thorough obligations and expenditures tracking, and long-term planning to help predict future funding needs

Activities:

- Build a financial management team with sufficient capacity to meet the needs
- Develop the FY2017 agency budget
- Create, test, and implement a payroll tool that accurately informs the budget and accounting system
- Develop a model to explain and track state maintenance of effort, federal funding, and reallocation funding for rehabilitation services
- Develop a model to accurately project client services in the short- and long-term (by estimating average costs to provide services to each category of clients), and continuously compare actual expenditures to projections
- Create a mechanism for regularly evaluating the ability to provide the full range of vocational rehabilitation services to all eligible individuals
- Implement an Order of Selection resource tracking mechanism
- Provide fiscal monitoring and technical assistance to divisions and contracted partners
- Review statewide building/space usage for maximum efficiency
- Manage restricted assets (trust funds) for appropriate uses
- Establish working agreement with the Utah State Office of Education for accounting services

Goal: USOR uses relevant and accurate performance management data to achieve and sustain operational excellence

Description: USOR will build **an integrated management information system (MIS)** that tracks performance across all activities that are relevant to agency goals and federal/state requirements, and which is accessible to USOR management, staff, and clients, as well as stakeholders, partners, and the public.

Activities:

- Build a management information and reporting team with sufficient capacity to meet the needs
- Survey and capture the required performance indicators across all USOR divisions and programs
- Identify additional performance indicators necessary for managing the agency
- Build an MIS reporting template that includes all relevant performance indicators
- Automate MIS reporting
- Publish performance results

Goal: USOR complies with applicable laws, regulations and rules, and follows essential plans, policies, and procedures in order to properly carry out its mission and mandates

Description: USOR will create **a centralized compliance and quality assurance structure** to ensure regulatory compliance, organizational consistency, and continuous improvement

Activities:

- Build a compliance team with sufficient capacity to meet the needs
- Create a robust set of necessary agency policies and procedures
- Comply with the guidance contained in the Omni Circular
- Implement the Workforce Innovation and Opportunities Act
- Provide monitoring and technical assistance to divisions and contracted partners

Goal: USOR has an organizational structure and the key operational activities that support it as a high performance agency

Description: USOR will **configure the agency to consistently implement managerial direction, align service delivery systems, and enhance communication**, while allowing for adaptation to changing conditions and needs

Activities:

- Analyze organizational strengths, weaknesses, and risks
- Review current organizational structure for gaps and efficiencies
- Organize management and administrative positions to meet agency needs, adding new positions as necessary
- Create a centralized, long-term planning function
- Organize management teams (e.g. executive, senior, and/or expanded) to reflect the agency priorities
- Expand the leadership development strategy throughout the agency
- Look for efficiencies throughout the agency
- Focus on clear and consistent communication throughout the agency and with stakeholders
- Clarify expectations for communication with the State Board of Education

Appendix D

Transition Plan



USOR ► DWS



TRANSITION PLAN

FOR THE MOVE OF THE
UTAH STATE OFFICE OF REHABILITATION TO THE
DEPARTMENT OF WORKFORCE SERVICES

HB 325 GENERAL SESSION 2016

June 1, 2016

PLEASE SEND COMMENTS TO:
usortransition@utah.gov

Latest updates as of Oct. 1 are found in “Additional Details” of Task Lists.

Last bi-weekly summary update: [Sept. 21, 2016](#)



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COMMUNICATION **6**

The communication plan describes the efforts made to openly share the progress made in the transition of USOR to DWS. It outlines the methods used to communicate updates as well as address rumors to both external and internal stakeholders, including opportunities to provide feedback. Included on the task list is the transition of the USOR hotline number for fraud, waste and abuse.

PROGRAMS & CLIENTS **10**

The transition of funds used to support USOR programs from USOE to DWS is described in the plan. While it is not expected that the funding amounts and service delivery of USOR programs will be impacted by the transition, grant transfers and necessary state plan amendments will be made to properly transition the funds to DWS. In addition, the plan includes appendices showing the federal and state programs currently offered by USOR and strategies to improve employer services.

EMPLOYEES **13**

Efforts to ensure support from Human Resources as well as discussions of employee benefits, retirement and job titles are addressed in the plan. To facilitate collaboration and build relationships beyond the transition, Human Resources will create employee outreach strategies and approaches to educate staff on USOR and DWS services and each other’s distinct roles.

BUDGET & FINANCE **19**

The integration of budget, accounting and grants management for USOR into DWS are described in the plan. Outlined are decisions regarding finance organizational structure, payment processing procedures, FINET budget creation, grants management and other financial and budgetary decisions made to ensure continuity of fiscal services.

FACILITIES **22**

Any facility and staffing moves that will occur prior to the transition and/or soon after are outlined in the plan. Known moves include the relocation of 25 USOR staff currently located in a USOE building. In addition, detailed discussion concerning decisions around any building leases soon to expire is included.

TECHNICAL SUPPORT **24**

The plan addresses the transition of USOR desktop and application support, security, procurement, hosting and telecommunication to the Department of Technology Services (DTS). In addition, the plan details the strategy to transition identified USOR technical support staff to DTS.

CONCLUSION **27**



INTRODUCTION

TRANSITION SUMMARY

The Utah State Office of Rehabilitation (USOR) will transition to the Department of Workforce Services (DWS) effective October 1, 2016.

USOR assists individuals with disabilities in achieving meaningful employment and increasing their independence through vocational rehabilitation. It also supports a variety of services for the blind and visually impaired as well as the deaf and hard of hearing.

With the transition, USOR services will be overseen by DWS, which has similar goals in helping individuals of all circumstances overcome barriers. DWS manages several divisions with distinct purposes that support specialized services for individuals and families. In addition to supporting gainful employment and providing eligibility services, DWS helps parents with childcare needs, provides funding for low-income housing, assists refugees resettling in Utah, manages labor market data and offers career counseling for veterans.

As USOR transitions to DWS, it will move over as its own division. DWS recognizes that USOR clients need individual, specialized care and that USOR's unique service delivery model contributes to its success. Therefore, there is no intent to change it at this time. Throughout the transition and beyond, DWS and USOR will work together to ensure customers and clients on both sides will continue to receive high-quality service.

Key components to a smooth transition include a focus on communication, programs and clients, employees, budget and finance, facilities and technical support.

BACKGROUND

In 2015, the Office of the Legislative Auditor General (OLAG) audited USOR's budget and governance practices. This audit found that the Utah State Office of Education (USOE) did not give USOR the administrative support it needed. As a result, USOR mismanaged its budget, leading to a \$4.9 million deficit in 2014; a need for a \$6.3 million state supplemental appropriation in 2015; a \$5 to \$6 million penalty owed to the federal government; and reduced future spending abilities.

Based on these findings, OLAG recommended moving USOR from USOE to DWS. Following the 2015 audit, the Education Legislative Committee, the State Board of Education and the Social Services Appropriations Subcommittee voted in favor of moving USOR to DWS.

The major reason why DWS was the favored landing spot for USOR was because 71 percent of USOR customers also received services from DWS. In addition, DWS has excellent leadership and outstanding administrative support staff that have the ability and bandwidth to provide the support USOR needs. Furthermore, DWS has experience of successfully integrating outside divisions.

Following the audit and the legislative recommendations, Representative Norman Thurston sponsored [House Bill 325](#) during the 2016 Utah General Session, which effectively moves the entirety of USOR to DWS. The bill passed both houses, was signed by Governor Gary R. Herbert and will be effective October 1, 2016.



TRANSITION PLAN REQUIREMENTS

Prior to the October effective date, the bill mandates that both agencies create a transition plan that outlines, for the public, how the transition will take place. This transition plan must be completed and posted publicly by June 1, 2016. The bill delineates specific elements that both agencies must address in the transition plan.

Required Transition Plan Elements

- Describe the tasks that need to be completed before the move on October 1, 2016, including a description of:
 - Which employees, by job title and classification, will transition with USOR to DWS and the expected transition dates
 - Office space and infrastructure requirements related to the transition
 - Any work site location changes for transitioning employees
 - The transition of service delivery sites
 - Amendments needed to existing contracts
 - The provision of directions and information to USOR clients regarding where and during what hours services will be provided
 - Procedures for the transfer and reconciliation of USOR budgeting and funding as the office transitions to DWS
 - The transition of technology services to USOR
- The tasks that need to be completed during the year after the move on October 1, 2016
- How the transition to DWS will be funded, including details of:
 - How expenses associated with the transition will be managed
 - How funding for services provided by USOR will be managed between the State Board of Education and DWS to ensure services will be provided by USOR without interruption
 - How federal funds will be used by or transferred between the State Board of Education and DWS to ensure services will be provided without interruption.

TRANSITION COMMITTEE

DWS and USOR are committed to work together to ensure a successful transition with little to no disruption of services. A USOR Transition Committee was created with key members from DWS and USOR to develop the transition plan, which lists the major milestone tasks. The transition itself will take the work of hundreds of tasks from various workgroups in both DWS and USOR in order to be completed smoothly.

The USOR Transition Committee will update the transition plan every two weeks until the transition is completed on October 1, 2016. The committee will also ensure that the transition tasks will be completed by the deadline.

PUBLIC INPUT SESSIONS

Five public input sessions were held across the state to allow concerned citizens to participate in a listening and feedback session. Jon Pierpont, executive director of DWS, and Darin Brush, executive director of USOR, led the discussions.

Those who attended the public input sessions included community partners, advocates, contractors, school district representatives and members from the independent living, deaf and hard of hearing, and blind and visually impaired communities. After a presentation by the executive directors, a public



comment period allowed for all comments, questions and feedback to be shared and documented with the USOR Transition Committee for consideration.

Those who were unable to attend the public input sessions were given the option to submit feedback and comments to usortransition@utah.gov. Also, a video presentation featuring the same PowerPoint and information shared in the public input sessions was posted online for those who couldn't attend in person. The public comment period was open through May 25, 2016.

The remainder of this document outlines the transition plan and transition timeline ([see attachment B](#)) as mandated in HB 325.



COMMUNICATION

COMMUNICATION OVERVIEW

With many changes underway for the Department of Workforce Services (DWS) and Utah State Office of Rehabilitation (USOR), communication is vital during the transition process. Overarching communication started with the creation of jobs.utah.gov/usortransition that serves as the one-stop resource page with the latest information posted about the transition.

To encourage open conversations, Jon Pierpont and Darin Brush answered questions about the transition in a live online broadcast on March 30. A video of this along with a FAQ sheet was posted on the transition webpage. A draft of the transition plan was made public on May 2 and was shared with stakeholders in public input sessions in Ogden, Provo, St. George, Price and Taylorsville. The communication team documented all feedback submitted at the sessions and online, which was reviewed by the USOR Transition Committee.

Further tasks have been identified to maintain communication internally with DWS and USOR employees and externally with stakeholders, including community partners and legislators.

GOAL

To keep DWS and USOR audiences informed throughout the transition process with open and transparent communication.

TRANSITION TASKS

Communication Methods

DWS will use a variety of methods to communicate to external and internal audiences, including the public webpage on jobs.utah.gov, the DWS and USOR intranets, public input sessions and monthly email updates to stakeholders. Feedback will be requested through the public input sessions and through the webpage. Comments and feedback may also be submitted online by emailing usortransition@utah.gov.

Audiences

- Internal: DWS and USOR Employees
- External: stakeholders, community partners, media, legislature, Governor's Office

Strategies

- Inform audiences regularly with updates on the transition process
- Provide opportunities for audiences to submit feedback on the transition plan
- Address concerns or rumors by promptly providing responses
- Create or update communication pieces for internal divisions as needed

USOR/DWS Websites

The USOR website is currently in a redesign phase that was planned prior to the transition. USOR plans to launch the new website between June 15, 2016, and August 1, 2016. DWS tentatively plans to redesign



USOR ► DWS



its website in two years and, at that time, will incorporate all DWS divisions, including USOR, into the overall design. The goal of the redesign is to bolster the user experience and effectively communicate information of all of the DWS division services. In the meantime, the DWS website will link to USOR's separate website.

*Responsible Parties: DWS Communication Director and Public Information Officer
and Communication Committee with DWS and USOR members*



COMMUNICATION

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Manage updates on http://jobs.utah.gov/usor/transition	Ongoing	Completed	
Form communication committee with USOR and DWS	March 30, 2016	Completed	
Develop internal employee communication plan	April 27, 2016	Completed	Includes ongoing communication via email, regular throughput rounds with staff and management, consistent messaging for open dialogue and asking questions.
Create USOR stakeholder contact list	April 2016	Completed	
Send monthly email updates (include employees)	June 1, 2016	Completed	April – Public Input Session fliers May – Draft transition plan; feedback June – Transition plan; video wrapup
Compile a FAQ Sheet and post on transition webpage	April 6, 2016	Completed	Update regularly as more questions come up
Create flier for public input sessions	April 8, 2016	Completed	
Create usortransition@utah.gov for public to submit feedback	April 14, 2016	Completed	
Post public input sessions on Utah Public Network Website	April 15, 2016	Completed	
Create session agenda, comment cards and PowerPoint	April 27, 2016	Completed	Agenda by April 15 for Braille, the rest due by April 27
Develop master timeline of the transition plan	May 1, 2016	Completed	
Post transition plan on jobs.utah.gov/usortransition	May 2, 2016	Completed	



COMMUNICATION (cont.)

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Invite media correspondents to public input sessions (as required by Open and Public Meetings Act)	May 3, 2016	Completed	Target key media in select markets.
Create communication template for potential location changes—as needed	Ongoing	In Progress	Oct. 1 update: USOR Bountiful/Layton location change is still in progress as of Oct. 1, 2016.
Meet with Legislative bill sponsor and committee chairs to provide in-person updates	Ongoing	Completed	Email update of draft plan sent to Becky Edwards, Lyle Hillyard Edward Redd, , Dean Sanpei, Brian Shiozawa and Steve Eliason. Jon Pierpont and Kathy Bounous met with Norm Thurston in April.
Add USOR accessibility to the intranet	October 1, 2016	Completed	
Update onboarding documents, annual training and other Human Resources needs	October 1, 2016	Completed	
Transition USOR Hotline from USOE to USOR/DWS that takes complaints of fraud, waste and abuse	October 1, 2016	Completed	Oct 1 update: New hotline information is available at the DWS website and "Contact Us" page, as well as at https://www.usor.utah.gov/report-fraud-waste-abuse-or-unresolved-issue
Complete DWS/USOR office visits to meet with DWS and USOR staff	October 11, 2016	In Progress	Oct. 1 update: Made 72 stops throughout the state. As of Oct. 1, three office visits are left. Final office visit will be at the Buffmire Building on Oct. 11



PROGRAMS & CLIENTS

PROGRAMS & CLIENTS OVERVIEW

The successful transition of programs from Utah State Office of Rehabilitation (USOR) and the Utah State Office of Education (USOE) to Department of Workforce Services (DWS) is critical to ensure program services remain unchanged and continue to operate without disruption of services to clients.

USOR manages multiple federal and state-funded programs ([see USOR Annual Report](#)). Federally funded programs include the Vocational Rehabilitation Program (VR), the Business Enterprise Program for individuals who are blind, the Disability Determination Services (DDS) Program, the Utah Independent Living Programs (IL) and the federally funded ASPIRE grant project.

State-funded services include a Vision Screening Program and multiple programs for individuals who are deaf or hard of hearing ([see Attachment A for a list of USOR programs and program descriptions](#)).

With the transition, USOR services will be overseen by DWS, which has similar goals in helping individuals of all circumstances overcome barriers. DWS manages several divisions with distinct purposes and supports specialized services for those individuals. In addition to supporting gainful employment and providing eligibility services, DWS helps parents with childcare needs, provides funding for low-income housing, assists refugees resettling in Utah, manages labor market data, and offers career counseling for veterans.

As USOR transitions to DWS, it will move over as its own division. DWS recognizes that USOR clients need individual, specialized care and that USOR's unique service delivery model contributes to its success. Throughout the transition and beyond, DWS and USOR will work together to ensure clients on both sides will continue to receive the utmost quality of services.

GOAL

To protect existing programs and access to services as USOR currently provides them, and to ensure the types of services provided through USOR programs will not change at this time, or anytime, unless it will improve the customer experience, strengthen program outcomes or increase efficiency.

TRANSITION TASKS

USOR and DWS have identified the following immediate needs for transferring federally funded programs:

- Collect necessary input, feedback and approval from stakeholders
- Obtain approval from federal oversight agencies
- Complete accounting functions related to federal fund transfers

Responsible Parties: DWS Workforce Development Program Manager and USOR Deputy Director



PROGRAMS & CLIENTS

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Transfer VR Program Federal funding from USOR to DWS <ul style="list-style-type: none"> Draft changes to Unified State Plan (USP) Submit draft amendment to RSA and DOL for feedback Present draft amendment to Board of Education Present amendment draft to State Rehabilitation Council Present amendment to State Workforce Development Board Hold public meetings to receive feedback on USP amendment Submit amendment to RSA and DOL for approval Complete VR Grant Transfer Forms Obtain RSA and DOL approval 	<p>June 3, 2016</p> <p>June 6, 2016</p> <p>June 10, 2016</p> <p>June 29, 2016</p> <p>July 14, 2016</p> <p>July 12, 2016</p> <p>July 30, 2016</p> <p>September 15, 2016</p> <p>October 1, 2016</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>In Progress</p> <p>Completed</p>	<p>Includes getting approval from Rehabilitation Services Administration (RSA), Department of Labor (DOL) and completion of grant transfer forms.</p> <p>The Unified State Plan amendment was submitted to the State Rehabilitation Council on June 29, 2016. The council unanimously voted to support the amendment. The council offered no additional recommendations.</p> <p>Oct 1 update: USOR held a conference call with the Rehabilitation Services Administration (RSA) on Sept. 2, 2016. The federal grant transfer of the VR grant is nearing approval, pending the submission and review of the grant transfer agreement (GTA).</p> <p>Oct. 1 update: RSA Commissioner Janet LeBreck approved and signed the amendment to the VR section of the Unified State Plan on Sept. 28.</p>
Transfer IL Program federal funds from USOE to DWS <ul style="list-style-type: none"> Submit approval per State IL Plan for reassignment of designated state entity and submit new State IL Plan New State IL Plan approval Complete any necessary grant transfer accounting forms Secure approval for transfer of funding contracts for IL Centers 	<p>July 1, 2016</p> <p>September 30, 2016</p> <p>September 15, 2016</p> <p>October 1, 2016</p>	<p>Completed</p> <p>Completed</p> <p>In Progress</p> <p>Completed</p>	<p>The State IL Plan was submitted and pending federal approval will be effective October 1, 2016.</p> <p>The Independent Living Administration (ILA) reviewed and approved the State of Utah FY 2017-2019 State Plan for Independent Living.</p> <p>Oct 1 update: All required grant transfer forms have been prepared and are awaiting signatures for finalization. All forms will be completed and submitted prior to Oct. 1.</p>



PROGRAMS & CLIENTS (cont.)

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Transfer federal funding for the ASPIRE Project from USOE to DWS <ul style="list-style-type: none"> • Coordinate any required written approvals from the Federal Office of Education • Complete any necessary grant transfer accounting forms • Secure approval for transfer of funding contracts for other states who are part of ASPIRE 	June 30, 2016	Completed	Oct. 1 update: All grant transfer forms have been completed.
	October 1, 2016	Completed	
	October 1, 2016	Completed	
Transfer federal funding for the DDS program <ul style="list-style-type: none"> • Coordinate any required written approvals from the Social Security Administration • Complete any necessary grant transfer accounting forms 	September 16, 2016	Completed	Oct. 1 update: USOR continues to coordinate with the Social Security Administration to finalize the transfer of fiscal authority for Disability Determination Services. Coordination efforts also include obtaining necessary security clearance for IT services to transfer to the Department of Workforce Services.
	October 1, 2016	In Progress	



EMPLOYEES

EMPLOYEES OVERVIEW

The Department of Workforce Services (DWS) keenly understands the concerns and questions that exist among staff at the Utah State Office of Rehabilitation (USOR). In order to address those concerns and questions with staff, DWS is implementing a proactive outreach strategy to make all employee impacts transparent. DWS and USOR leadership are working closely together to minimize changes that could detract from a positive employee experience.

GOAL

To establish a positive employee culture that can thrive through transition and beyond in order to maintain and continue attracting high-quality talent to meet the needs of USOR clients.

TRANSITION TASKS

The following summary outlines details about the planning, outreach strategies and approaches for helping employees manage the transition.

EMPLOYEE CULTURE & ONBOARDING

Communication of Positive Work/Life Balance

DWS wants USOR employees to experience a smooth transition with a positive work/life balance and an understanding of how they fit and contribute in the department's overall service delivery to Utahns. To this end, DWS is working closely with the Department of Human Resource Management (DHRM) and has already held a live broadcast session with Executive Directors Jon Pierpont and Darin Brush to address questions and concerns submitted by employees.

In-Person Visits and Other Resources

DWS and the department's human resources field office (HR) are also arranging visits at DWS and USOR offices throughout the state to speak with employees face to face about this transition. DWS and HR are using a wide variety of resources to communicate transition information to staff, including online video broadcasts accessed on YouTube, the DWS intranet and in-person visits. USOR staff can currently use their state login to access the DWS agency intranet.

Training

HR is working with DWS to develop a training schedule to educate USOR staff on internal processes and practices such as tuition reimbursement, exercise-release time and other work-environment topics. Additionally, DWS is developing a plan to integrate USOR staff into its annual training cycle required of all department employees. Training topics include operating state vehicles, professional development, information disclosure, security awareness, unlawful harassment and abusive conduct, and fair labor standards act.



ORGANIZATIONAL STRUCTURE

Throughout the legislative process associated with moving USOR to DWS, it was made clear there are to be no immediate changes to USOR's organizational structure. DWS supports this direction, which has been communicated by both executive directors, Jon Pierpont and Darin Brush. USOR will transition to DWS as its own division. A list of USOR employees is available [here](#), which includes the employees' names, titles, full-time or part-time status, and career service status (schedule code). Employees who are highlighted in the list may move to a new work location or some other type of impact. These impacts are explained below.

Information Technology Support

State agencies do not maintain their own internal Information Technology (IT) resources ([Title 63F of Utah Code](#)); this oversight is provided by the state's Department of Technology Services (DTS). After reviewing the responsibilities of USOR's small group of existing IT staff, DWS and DTS have determined that some of those staff will transition to DTS and provide continued support to DWS/USOR. The remaining staff will transition to DWS. If any portion of a non-DTS employee's job responsibilities include services normally provided by DTS, the departments will evaluate to determine how those responsibilities and services will be transferred to DTS. DWS, USOR, DTS and HR staff will continue to evaluate how best to manage this effort during and after the transition. The details about specific IT employees are highlighted in the [USOR employee transition list](#).

Employees transitioning to DTS will receive the option to move from career-service employees (Schedule B) to at-will employees (Schedule AT) and receive an 8.25% increase in salary, consistent with past practices established when DTS consolidated into one department in 2006. Employees may reject that option and instead choose to remain career-service.

Relocation

In an effort to maximize budgetary resources, USOR management and some support staff have been asked to relocate to the DWS Administration Office (140 East 300 South, Salt Lake City) and the Judy Ann Buffmire Building (1595 West 500 South, Salt Lake City) on July 1, 2016. These moves will impact approximately 25 staff. These employees are being relocated to align with functions delivered by USOR and currently overseen by DWS (e.g., finance, facilities, program support and HR). Details on specific employees relocating can be found in the [USOR employee transition list](#) and are highlighted.

Human Resource Support

DHRM has an out-stationed Human Resources analyst assigned to support USOR. This person will relocate to the DWS Administration Office and work alongside the other HR staff that support DWS. This analyst will continue to provide support to USOR employees.

Budgetary Impacts to Staffing

As was communicated throughout the 2016 legislative session, USOR had implemented strategies to align business practices with available funding. This included plans to reduce their staff by a total of 14 FTE positions. USOR and DWS leadership have been working together to find alternative positions in USOR or other DWS divisions to preserve employment for these staff. At this time, the majority of those staff received successful resolution; evaluation and exploration will continue to find satisfactory internal employment opportunities for the remaining staff.



COMPENSATION & CLASSIFICATION

Actual Salary Rates and Compensation Practices

Employees of USOR as well as employees at DWS have expressed concerns about compensation and/or classification in connection with the transition. There are no plans to change the actual salary rates of any USOR employee transitioning to DWS, nor are there plans to change compensation practices in any division at DWS.

Job Title Changes

Legislation mandates a change in job title for some management positions at USOR. DWS currently plans to make the following changes:

- Executive Director, USOR to Division Director, DWS
- Deputy Director, USOR to Assistant Director, DWS
- Various director-level job titles currently in USOR will also change to Assistant Director, DWS

These job title changes do not result in any actual salary rate changes. The new job titles align with the other DWS Divisions' leadership job titles. Aside from those mandated changes, DWS does not anticipate any other immediate compensation or classification changes in connection with this transition.

HUMAN RESOURCE PROCESSES

HR understands the unnecessary confusion that can sometimes be caused when services transition from one source to another. The office wants to minimize that confusion wherever possible and will continue to gather information about how services are delivered today at the HR Field Office for Education. The purpose of gathering information is to continue providing services as delivered today wherever possible. HR will consider changes only when necessary for improving the customer experience, strengthening program outcomes or increasing efficiency.

BENEFITS

Standard State Employee Benefits

A large majority of employment benefits enjoyed by USOR employees are standard state employee benefits. Several employees have expressed concern about a change in those benefits resulting from the move from one agency to another. However, there will be no change to the standard state employee benefits package, and no piece of those benefits will be negatively impacted (for example, 20 years of service at USOR equates to 20 years of service at DWS in terms of standard retirement benefits).

Decision on USOR Retirement Benefits

The State of Utah has a history of offering strong retirement benefits, which includes the Utah Retirement Systems (URS) standard package available to all benefits-eligible employees in the executive branch of Utah state government. USOR has additional retirement benefits not currently offered by any other executive branch agency, which includes a bonus retirement stipend and health/dental insurance



coverage. These additional benefits present a challenge because there are no funds dedicated to cover the costs.

After a thorough budget and financial review by the USOR Transition Committee, DWS has decided to continue the additional retirement benefits for employees that retire on or before December 31, 2017. After that date, USOR employees will continue to be eligible for the same generous URS retirement benefits package standard to executive branch employees.

Compensatory and Excess Leave

[DHRM Rule R477-7-1](#) governing conditions of leave for state employees states the following regarding employee transfers: "(7) An employee transferring from one agency to another is entitled to transfer all accrued annual, sick, and converted sick leave to the new agency."

Because a transferring employee is not entitled to transfer accrued excess or compensatory leave balances, any excess leave balance remaining will be paid out to employees transferring to DWS. Compensatory leave balances will be automatically paid out for Fair Labor Standards Act (FLSA) non-exempt employees and eliminated for FLSA exempt employees that transfer to DWS on October 1, 2016. The following pay period, DHRM payroll staff will restore compensatory leave balances to those FLSA exempt employees whose balances were eliminated as a result of the transfer.

DWS and DHRM made additional arrangements to help FLSA exempt USOR employees avoid losing compensatory time balances with this transition. DWS employees have an annual deadline to use any comp balances by pay period #20 (mid-October) or lose that leave balance. USOR employees' annual deadline is pay period #26 (the last part of December). DWS requested and received a DHRM rule exception, which will allow USOR employees to keep their comp balances as newly transferred DWS employees until pay period #26 before the balance is deleted. In calendar year 2017, the deadline to use or lose compensatory balances will change to pay period #26 for all DWS employees.

Responsible Parties: DHRM Managers for USOR and DWS



EMPLOYEES

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Employee Culture and Onboarding: <ul style="list-style-type: none"> Visit USOR and DWS offices statewide with representation from USOR and DWS Executive Management, DWS Communications and DWS HR Deliver training to USOR staff about culture and work environment Integrate USOR staff into the DWS annual training cycle 	<p>October 1, 2016</p> <p>October 1, 2016</p> <p>July 1, 2017</p>	<p>Completed</p> <p>Completed</p> <p>In Progress</p>	<p>Oct. 1 update: No additional monitoring needs to occur with the training cycle. USOR employees will be among all the DWS staff that need to complete annual mandatory training.</p>
Organizational Structure: <ul style="list-style-type: none"> List the employees, by job title and classification, who will transition to USOR under DWS Identify retention positions for staff at USOR whose positions are being eliminated 	<p>June 1, 2016</p> <p>September 30, 2016</p>	<p>Completed</p> <p>Completed</p>	<p>Oct. 1 update: Data was refreshed on the Transition Plan page biweekly throughout the transition. All USOR staff whose positions were being eliminated found another place to land either internal or external to USOR.</p> <p>A list of employees with job titles and schedule code classifications is available here.</p>
Compensation and Classification: <ul style="list-style-type: none"> Complete a job title change for the Executive Director, USOR and Deputy Director, USOR to Division Director, DWS, and Assistant Director, DWS Educate USOR and DWS staff on compensation practices 	<p>September 30, 2016</p> <p>September 30, 2016</p>	<p>Completed</p> <p>Completed</p>	



EMPLOYEES (cont.)

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
<p>Human Resource Support:</p> <ul style="list-style-type: none"> Determine existing capacity and needed resources in HR to support USOR through transition and beyond Relocation of HR staff from USOR Field Office to DWS Field Office Determine and educate HR and USOR staff as applicable on processes 	<p>July 1, 2016</p> <p>August 1, 2016</p> <p>September 30, 2016</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>	<p>Human Resource Analyst Lisa Smith, currently assigned to USOR, transition to the DWS HR Field Office in July.</p> <p>Education to HR and USOR staff could include recruitment and hiring, HR transactions, discipline, performance management, performance improvement, ADA accommodations, FMLA, and other employee relations and personnel functions.</p> <p>Oct. 1 update: In-person education went from the DWS Field Office to USOR staff mid-September regarding HR items including changes in processes, benefits, etc.</p>
<p>Benefits:</p> <ul style="list-style-type: none"> Determine feasibility of extra USOR retirement benefits continuance Communicate decision re: extra USOR retirement benefits continuance to USOR staff Educate USOR staff on standard state employee benefits package 	<p>June 1, 2016</p> <p>July 1, 2016</p> <p>September 30, 2016</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>	<p>For more information, read "Decision on USOR retirement benefits" section on pg. 15-16.</p>



BUDGET & FINANCE

BUDGET & FINANCE OVERVIEW

The Department of Workforce Services (DWS) supports the plan undertaken by the Utah State Office of Rehabilitation (USOR), as communicated to the Legislature during the 2016 General Session, to aggressively correct the budget and oversight shortcomings that led to the problems in its Vocational Rehabilitation (VR) program. USOR's plan includes four primary activities:

- Develop and utilize a comprehensive budget and accounting management system, including the critical task of developing and testing the caseload and cost modeling system
- Build an integrated management information system that tracks performance across all activities
- Create a centralized compliance and quality-assurance structure to ensure regulatory compliance, organizational consistency and continuous improvement
- Configure the agency internally to support its key business functions

As part of these efforts, USOR will, over the next two years, adjust down to a right-sized base budget. To do so, USOR has adopted three guiding principles for VR as it develops its State Fiscal Year (SFY) 2017 budget:

- Avoid increasing the state maintenance of effort (MOE) obligation without ongoing appropriations
- Gradually eliminate dependence on one-time federal VR reallocation funding
- Avoid incurring future MOE penalties. The current pending MOE penalty is approximately \$5.3 million and will be deducted from future VR federal funding, not from state funding

The work of reforming USOR continues. The transition to DWS may delay some efforts because of the extraordinary work required to move USOR. Nonetheless, USOR management remains galvanized on the goal of making USOR one of the best managed agencies in state government.

GOAL

To integrate budget, accounting operations and grants management for USOR into DWS to ensure continuity of fiscal services.

TRANSITION TASKS

The Utah State Office of Education (USOE) currently provides day-to-day operational accounting and fiscal grant management services on behalf of USOR. To ensure the successful transition of these services from USOE to DWS, we will evaluate staffing needs, identify and transition essential accounting functions, establish budgets, transfer grants authority, transition grants management functions, integrate USOR into the DWS cost-allocation plan and reassign contractual agreements, among other key tasks.

DWS anticipates entering into a memorandum of understanding with USOE to address transition and integration responsibilities and costs. Expenses associated with the transition will be managed in the same manner as other expenses incurred by DWS and USOR to ensure the expenses are necessary and reasonable and are incurred in accordance with applicable laws, rules, codes, orders and regulations.

Responsible Parties: USOR and DWS Finance Directors



BUDGET & FINANCE

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Determine organizational structure <ul style="list-style-type: none"> Finalize organizational structure Identify transitioning employees and work site locations 	August 15, 2016 June 1, 2016	Completed Completed	The organizational chart has been drafted and is contingent upon workload requirements. Workload assessments are being conducted and adjustments to the structure will be made accordingly. A proposed list of transitioning personnel has been developed and space requirements (offices and cubicles) have been identified at proposed work site locations.
Transition operational accounting services from USOE to DWS <ul style="list-style-type: none"> Develop payment processing procedures Develop cash receipting/accounts receivable processing procedures Train staff on new procedures and systems 	July 1, 2016 through October 1, 2016	Completed	Transaction processing to convert client payments, invoices and travel reimbursements from BASE to FINET is in development as well as allowances for processing old year payments during the wrap-up period. Transition training will be provided to USOR staff for payment entry into FINET. BASE is the expenditure and budget tracking system at USOE. FINET is the accounting system for the State of Utah.
Establish budgets at DWS for USOR <ul style="list-style-type: none"> Develop financial coding Establish the FY 2017 DWS-USOR budget in the state accounting system (FINET) Incorporate USOR into the submission of FY 2018 budget documents for DWS to GOMB 	July 1, 2016 October 1, 2016 October 14, 2016	Completed Completed In Progress	. Oct. 1 update: GOMB deadlines for SFY18 budget submission is Oct. 14, 2016. (GOMB—Governor's Office of Management & Budget)



BUDGET & FINANCE (cont.)

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Grants Management <ul style="list-style-type: none"> Reassign USOR federal grants to Workforce Services Obtain access to federal systems to draw USOR funds Create federal grant reports 	October 1, 2016 October 1, 2016 October 1, 2016	In Progress Completed In Progress	Oct. 1 update: Waiting to receive final approval from various federal agencies indicating that the grant transfers are complete. Once approved, all transfers should be effective Oct. 1, 2016.
Incorporate USOR into the DWS Cost Allocation Plan (CAP) <ul style="list-style-type: none"> Determine appropriate allocation methodologies Modify and submit CAP to the federal cognizant agency Modify cost allocation spreadsheet to align with CAP 	September 1, 2016 October 1, 2016 November 15, 2016	Completed Completed On Hold	Oct. 1 update: Cost allocation training has been conducted with USOR financial staff. RMTS training has also been conducted with all applicable USOR RMTS pool participants and their supervisors.
Ensure continuity of procurement activities <ul style="list-style-type: none"> Identify and transition/reassign contacts, grants, and other agreements Develop memorandum of understanding with USOE to address transition and integration requirements Develop purchasing process and procedures 	October 1, 2016 October 15, 2016 October 1, 2016	Completed In Progress Completed	Collaboration has been initiated to identify USOR contracts, grants, and other agreements. A total of 168 agreements have been identified at this point. A transition process is being discussed to reassign USOR contracts, grants, and agreements to DWS effective October 1, 2016. Oct. 1 update: Final draft MOU with USBE to address transition and integration requirements was not approved by the USBE board. Working with USBE to address concerns.
Asset Management <ul style="list-style-type: none"> Transfer USOR's capital assets from USOE to DWS Inventory DTS devices 	November 1, 2016 June 30, 2017	In Progress In Progress	Oct. 1 update: State Finance is planning to assist with this transfer, but won't be able to work on it until late October. DTS devices will be inventoried over a period of time as resources allow.



FACILITIES

FACILITIES OVERVIEW

The Department of Workforce Services (DWS) has 40 locations, 22 of which are leased. Utah State Office of Rehabilitation (USOR) has 32 locations, 23 of which are leased. DWS is currently co-located with USOR staff in the following locations: Provo, Ogden, Price and Blanding. These current co-locations have separate DWS and USOR offices within the same building and occur via separate and distinct lease arrangements with building owners.

Opportunities will be explored to unify leases as they come up for renewal as part of a comprehensive facility review that will occur after October 1, 2016, for all locations other than those identified as an immediate facility need based on upcoming lease expiration dates.

As DWS evaluates opportunities for relocation or combining lease agreements, factors such as budget and space will be considered. DWS also understands the need for privacy and confidentiality for client interactions as well as supporting the professional work by USOR and DWS staff alike. As office leases expire in the future, DWS will do its best to accommodate space for employees while maintaining the quality of services for clients.

GOAL

To create a facilities transition plan identifying immediate and long-term facility needs based on a cost/benefit analysis of existing DWS and USOR facilities by cost, geographic location, customer utilization, condition, and current and future business requirements.

TRANSITION TASKS

Immediate facility needs have been identified:

- Relocate 25 staff from the Utah State Office of Education (USOE) Building to DWS Administration North and the Judy Ann Buffmire Building
- One-year lease extensions for a DWS facility and USOR facility located in St. George
- Submit a Request for Proposal (RFP) to consolidate the USOR Bountiful and Layton location into one facility
- Relocate file storage to alternate location as Ogden storage site lease expires June 30, 2016

Based on the information available at this time, there are no plans to change office hours for DWS and USOR locations after October 1, 2016.

Responsible Parties: DWS Facilities Director and USOR Facilities Coordinator



FACILITIES

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Post RFP to public to consolidate Layton and Bountiful locations into one facility	April 18, 2016	Completed	The USOR Bountiful and Layton leases expire December 2016. Department of Facilities and Construction Management (DFCM) posted a RFP on April 18, 2016, seeking one location to replace Bountiful and Layton locations. The RFP will close to the public on June 1, 2016.
Relocate 11 USOR staff from the USOE location to the Buffmire Building	June 30, 2016	Completed	Create a relocation project plan for each site which includes tasks identified for staff, communications, floor plans, furniture, technology, etc.
Relocate 14 USOR staff from the USOE location to DWS Admin North	August 10, 2016	Completed	Four staff members are still in the process of moving to the DWS Admin North building. The deadline was changed to August 15, 2016, to reflect this movement.
Relocate file storage to alternate location as the Ogden storage space lease expires	June 30, 2016	Completed	The USOR storage space will be vacated on June 30, 2016. All storage unit contents such as files and cabinets will be re-located to the Ogden VR office.
Review submitted proposals for Layton/Bountiful consolidation	August 11, 2016	Completed	The next phase of the process is for DFCM and the business to review the submitted proposals, which can take up to six weeks from June 1, 2016, depending on the amount of proposals received.
One-year lease extension for the St. George employment center	November 30, 2016	Completed	A one-year lease extension has been requested for the St. George employment center in order to allow time to review space needs and determine if the DWS and USOR building can be consolidated into one location.
One-year lease extension for the USOR Southern Utah St. George location	November 30, 2016	Completed	A one-year lease extension has been requested for the DRS Southern Utah St. George location in order to allow time to review space needs and determine if the DWS and USOR building can be consolidated into one location.



TECHNICAL SUPPORT

TECHNICAL SUPPORT OVERVIEW

The Department of Technology Services (DTS) has established four pillars that represent the main areas of focus for the department in order to support partner agencies with world-class technology and excellent customer service.

- **Innovative Technology**—Provide the best technology available to partner agencies at a competitive rate to help them achieve their goals and serve the residents of the state
- **Exceptional Customer Service**—Enable our customers to meet their business objectives by providing exceptional customer service
- **Employee Success**—Provide an environment that allows for professional growth and individual fulfillment
- **Information Security**—Protect the information assets of the state and provide a safe digital environment

GOAL

To transition the use of DTS information technology services to the Utah State Office of Rehabilitation (USOR).

TRANSITION TASKS

DTS is a service organization that provides technical product support for executive branch agencies. During the transition, the following areas will be addressed:

Human Resources

A small group of current USOR employees has been identified as technical resources that will be moved to DTS on October 1, 2016.

Financial

Starting October 1, 2016, procurement and purchase of all technology hardware, software, maintenance contracts and technical contractors will follow DTS standards, which includes entering purchase requests using ServiceNow. All new contracts with technology components will be processed through DTS by October 1, 2016.

All existing USOR contracts and MOUs will be evaluated to determine which IT contracts will become DTS contracts immediately or at the next amendment or renewal. Not all DTS rates will be applicable on October 1, 2016, as some charges will be administered through special billing agreements.



Desktop

All new computers and any computers used in a DTS-supported location will use DTS standards for desktop (including acquisition standards), security, hosting, networking and application development. Although USOR will maintain ownership of purchased technical equipment, all computers will become part of the DTS asset-tracking systems and have asset tags applied.

Security and Hosting

All hardware devices and software will comply with current state and federal regulatory requirements. All servers will be evaluated and a plan developed to relocate, consolidate or eliminate.

Network and Telecommunication

USOR is currently under contract with UEN to provide network and phone service to USOR offices. DTS will determine when to transition the service provider, depending on the contract terms.

Application Support

All application software will be reviewed and assessed before October 1, 2016. Systems will be supported and prioritized within the current DWS prioritization structure.

Responsible Parties: DTS Management and USOR Information Technology/Tech Support Unit



TECHNICAL SUPPORT

Task List, Timeline and Status Report

TASK	DEADLINE	STATUS	ADDITIONAL DETAILS
Provide technical assistance during the relocation of 14 USOR / USOE staff to DWS Admin North	August 15, 2016	Completed	Provide access to needed DWS and USOR files and applications. Review USOR equipment to assure it can be plugged into DWS ports, printers, wireless, etc. Provide VPN access if needed.
Gather all asset information to be entered in the DTS asset tracking system	September 1, 2016	In Progress	Identify all USOR computers. Scan and put inventory tags on all computers.
Risk assessment	September 1, 2016	In Progress	Complete a risk assessment on ASPIRE, AWARE, Q90, etc.
Security assessment (524)	September 1, 2016	In Progress	Complete a security assessment on AWARE and ASPIRE. Identify any other applications that would require an assessment.
Review and document all websites and applications. Review any contracts with 3rd party or other vendors	September 1, 2016	In Progress	
Review all current USOR offices locations to evaluate technology infrastructure	June 30, 2017	In Progress	



CONCLUSION

The Department of Workforce Services and the Utah State Office of Rehabilitation are committed to work together to ensure a successful transition with little to no disruption of services. This transition plan will be updated every two weeks until the transition is completed on October 1, 2016.

Any questions regarding the transition, or feedback concerning any information contained in this plan, may be submitted online at usortransition@utah.gov.



ATTACHMENT A

UTAH STATE OFFICE OF REHABILITATION (USOR) SUMMARY OF PROGRAMS

The Vocational Rehabilitation (VR) program provides rehabilitation counseling and related services to individuals whose disability is a substantial impediment to employment. The VR program is designed to assist these individuals to achieve employment outcomes. Services are available according to individuals' needs, abilities and choices. The program serves individuals with all types of disabilities including physical, psychological and intellectual disabilities.

The Independent Living (IL) program provides services to individuals with disabilities who need opportunities to maintain or increase their independence. Services are provided through a cooperative effort of the Utah State Office of Rehabilitation, the Utah Statewide Independent Living Council and nonprofit Centers for Independent Living. A variety of services are provided to assist individuals to maintain or increase their independence and community integration.

Utah Work Incentives and Benefits Planning Services (UWIPS) is a program that provides specialized counseling to beneficiaries of the Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) programs, with information regarding work incentives available through the Social Security Administration to enable individuals to make informed choices about returning to employment.

Choose to Work (CTW) is a cooperative service provided through a partnership between the State Office of Rehabilitation and the Department of Workforce Services. Choose to Work provides individualized specialty job development and job placement for individuals with more significant disabilities.

Business Relations (BR) is a program that provides information and supports businesses hiring and retaining individuals with disabilities in their organizations. This includes making business-to-business connections through local and national partnerships between employers, community resources and government entities. These networks establish contacts designed to coordinate services and support for the purpose of meeting the needs both of employers and their potential employees with disabilities.

The Utah Center for Assistive Technology (UCAT) is a program that provides information and technical services to individuals with disabilities who need assistance to pursue, attain and maintain employment. UCAT services are available to people with disabilities, parents and other family caregivers, rehabilitation counselors, independent living specialists, special educators, occupational therapists, physical therapists, allied medical professionals, and others who are concerned with and advocate for people with disabilities. UCAT offers free evaluations to anyone within the state of Utah.

The Disability Determination Program makes accurate and timely decisions on whether applicants meet the requirements for Social Security Benefits. This program is entirely federally funded through the Social Security Administration.

The Achieving Success by Promoting Readiness for Education and Employment (ASPIRE) Program is a five-year, \$32.5 million grant award project targeting youth with disabilities ages 14 to 16 who receive Supplemental Security Income (SSI) and their families. The goal of this research study is to compare



youth and families who access current services with youth who receive enhanced services. Expected outcomes include increased education and household income for the families and reduced dependency on public benefits.

Specific Programs for the Deaf and Hard of Hearing: The USOR's Services for the Deaf and Hard of Hearing Division (DSDHH) has three programs specifically for individuals who are deaf or hard of hearing:

- (1) Consumer & Community Services: This program provides services to individuals and groups including case management services, mental health consultations and counseling, information and referral services, communication assessments, employment services, an assistive technology demonstration and loan program, advocacy training, and statewide hard of hearing adjustment training.
- (2) Community Center programs: Services include the provision of lifelong learning classes and workshops, family social/recreational activities, walk-in use of videophones and computers, and cultural richness events.
- (3) Utah Interpreter Program: This program provides the state certification program for American Sign Language (ASL) interpreting plus interpreter training and mentoring programs. This program also provides interpreting services for the USOR.

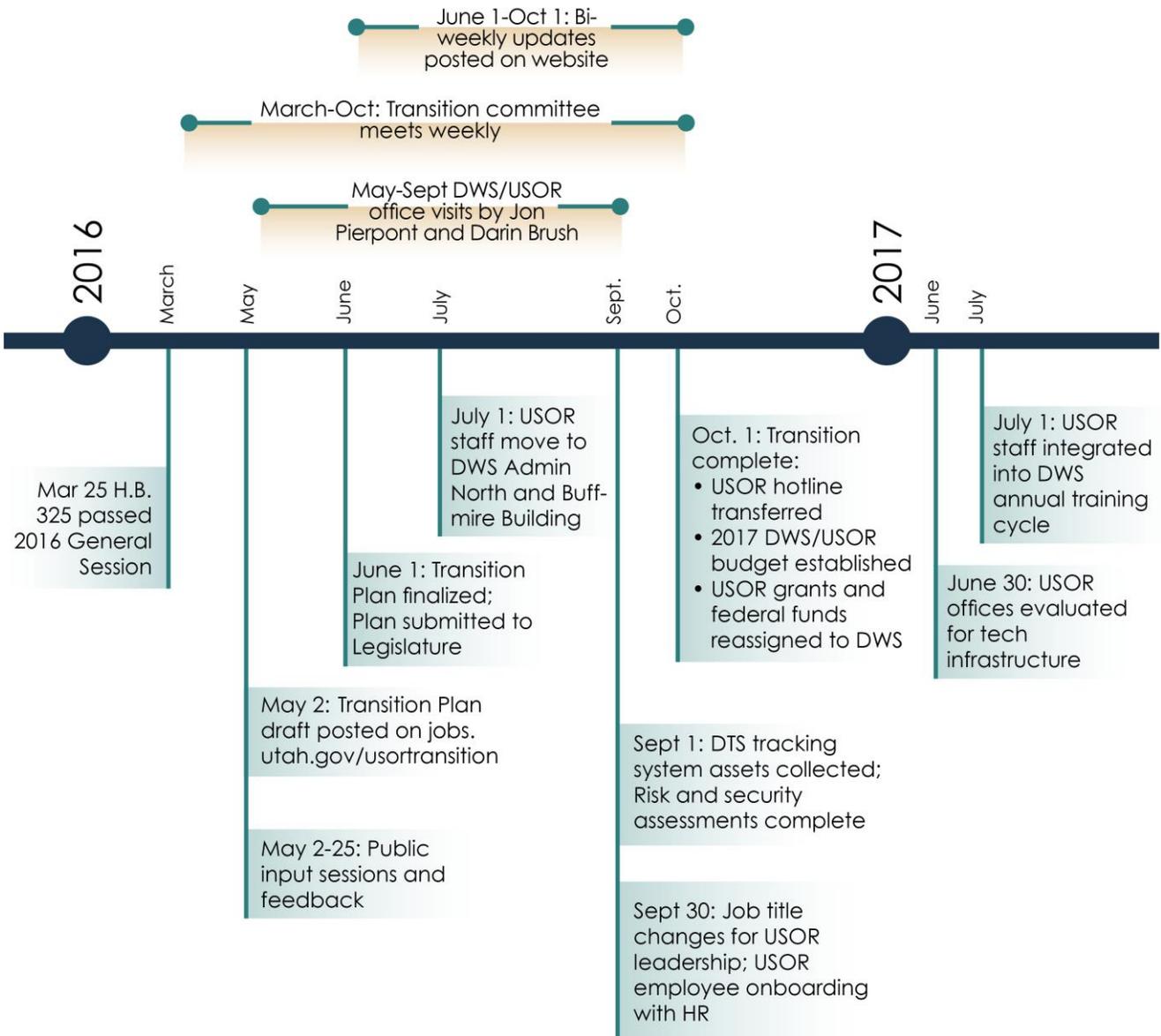
Specific Programs for the Blind and Visually Impaired: The USOR's Division of Services for the Blind and Visually Impaired (DSDHH) has five programs specifically for individuals who are blind or visually impaired:

- (1) Training and Adjustment Services (TAS): This program includes a complete center-based orientation and training program for individuals who are blind.
- (2) Low Vision Services (LVS) Program: This program assists individuals with visual impairments by providing devices, resources and services to help them learn to use their remaining vision effectively.
- (3) Business Enterprise Program (BEP): This program provides an opportunity to train and license blind and visually impaired individuals to operate their own businesses, including food service and vending routes in government facilities.
- (4) Deaf-Blind (DB) Program: This program provides services for blind and visually impaired individuals who also have a hearing loss.
- (5) Vision Screening Program: This program provides vision screening for Utah children to detect, prior to a child entering school, either poor vision or other risk factors that could interfere with normal visual development.



ATTACHMENT B

TRANSITION TIMELINE





TRANSITION UPDATES

SEPT. 8, 2016 – SEPT. 21, 2016

COMMUNICATION

A bi-weekly summary update was posted on jobs.utah.gov/usortransition on Sept. 21. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period.

Planning is underway for a USOR welcome event with Governor Herbert scheduled for Monday, Oct. 3 from 10 a.m. to 11 a.m. at the Division of Services for the Blind and Visually Impaired on 250 N. 1950 W. #B, Salt Lake City. The governor will tour the facility and address staff and kick off National Disability Employment Awareness Month. USOR staff and community partners are invited to attend in person. Workforce Services staff and USOR staff that can't attend in person may participate via live stream at jobs.utah.gov/usortransition. The governor's address will begin at approximately 10:30 a.m.

PROGRAMS & CLIENTS

USOR conducted a follow-up conference call with the Rehabilitation Services Administration (RSA) to discuss the submitted amendment to the Vocational Rehabilitation section of the Unified State Plan. USOR expects final approval from RSA prior to Oct. 1, 2016. USOR and RSA also reviewed draft transfer agreements for the Vocational Rehabilitation (VR), Supported Employment (SE) and Independent Living (IL) Older Blind grants. Finalized versions of the agreements will be submitted prior to Oct. 1, 2016. USOR and the Department of Technology Services (DTS) are completing a Memorandum of Understanding (MOU) that will formalize the transfer of Disability Determination Services (DDS) IT employees from USOR to DTS.

EMPLOYEES

Onboarding training sessions have been completed for all USOR staff. In addition, Human Resource Enterprise (HRE) job and position changes and builds have begun with coding string data vetted with the Department of Human Resource Management. There are 92 global positions and 522 individual position records that will be ready for employees to move into on Oct. 1.

BUDGET & FINANCE

A final draft of the DWS Cost Allocation Plan, which includes USOR has been completed. The Random Moment Time Sample (RMTS) training for USOR personnel began on Sept. 19. A draft of payment processing and cash receipting procedures is being developed and will be finalized by Sept. 21. The FY 2017 DWS/USOR budget has been established in FINET, the state accounting system.

FACILITIES

USOR is working with DFCM to explore additional options for space to combine Layton and Bountiful offices into one location. In addition, the Department of Administrative Services is coordinating transition items such as USOR purchasing cards, fleet and surplus under Workforce Services by Oct. 1, 2016.



TECHNICAL SUPPORT

North District (Logan and Brigham) was migrated to the Utah Active Directory (AD) structure. AWARE also successfully migrated to the DTS Salt Lake Data Center servers. Requirements for the DDS to FINET interface were finalized and will be tested on Sept. 26. With BASE, DTS worked with Finance to reduce the number of BASE users from 69 to fewer than 12, and identified a solution for BASE to work with the new Utah Active Directory structure. In addition, technology contracts were reassigned to DTS.



TRANSITION UPDATES

AUG. 24, 2016 – SEPT. 7, 2016

COMMUNICATION

A bi-weekly summary update was posted on jobs.utah.gov/usortransition on Sept. 7. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period. A monthly email for September about the transition was sent to all staff and community partners.

USOR clients are currently being scheduled for video interviews to share their success stories. These will be included in overview videos to share during the official transition month of October and to help celebrate National Disability Employment Awareness Month.

A USOR welcome event with Governor Herbert is scheduled for Monday, Oct. 3 from 10 a.m. to 11 a.m. at the Division of Services for the Blind and Visually Impaired on 250 N. 1950 W. #B, Salt Lake City. The governor will tour the facility and address staff and kick off National Disability Employment Awareness Month. USOR staff and community partners are invited to attend in person. Workforce Services staff and USOR staff that can't attend in person may participate via live stream. The link will be shared at a closer time to the event.

PROGRAMS & CLIENTS

The Independent Living Administration (ILA) reviewed and approved the State of Utah FY 2017-2019 State Plan for Independent Living (SPIL). USOR continues to coordinate with the Social Security Administration (SSA) to finalize the transfer of fiscal authority for DDS. Coordination efforts also include obtaining necessary security clearance for IT services to transfer to the Department of Technology Services (DTS). Lastly, USOR held a conference call with the Rehabilitation Services Administration (RSA) on September 2, 2016. The federal grant transfer of the VR grant is nearing approval, pending the submission and review of the grant transfer agreement.

EMPLOYEES

Transition committee members finalized training topics for onboarding. The first of several onboarding trainings was conducted at the Sanderson Center. In addition, human resource system job changes were vetted with Dept. of Human Resource Management for system transitions.

BUDGET & FINANCE

The Random Moment Time Sample (RMTS) employee pool for USOR was created. The RMTS vendor provided preliminary USOR screen shots from their system. A conference call was conducted with SSA to discuss next steps for reassignment of Federal awards from Utah State Board of Education to Workforce Services. Other required reassignment activities are underway such as direct deposit forms and grant transfer agreements. In addition, the new financial coding was finalized for the interface between DDS and FINET.



FACILITIES

No new updates.

TECHNICAL SUPPORT

Efforts continued on building the Active Directory Structure. DTS is in the process of testing the new AWARE servers, with finalized plans to move to the new servers on the weekend of Sept 9. A meeting was held with DWS Finance and DDS to finalize requirements for the interface move to FINET.



TRANSITION UPDATES

AUG. 11, 2016 – AUG. 24, 2016

COMMUNICATION

A bi-weekly summary update was posted on jobs.utah.gov/usortransition on Aug. 23. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period.

A question was added to the [FAQ sheet](#) about Master's degrees and how they correlate with classification for Vocational Rehabilitation counselors.

USOR clients are currently being scheduled for video interviews to share their success stories. These will be included in overview videos to share during the official transition month of October and to help celebrate National Disability Employment Awareness Month.

PROGRAMS & CLIENTS

USOR submitted the amendment to the VR section of the Unified State Plan to the Rehabilitation Services Administration (RSA). USOR is awaiting final review and approval of the proposed amendment.

EMPLOYEES

Onboarding training for USOR staff will begin at the end of August and continue into the middle part of September. USOR Management will ensure each staff member has an opportunity to attend a session. A list of training topics was vetted through the transition team. The next steps are to meet with smaller groups to finalize the content of onboarding topics.

HR is beginning to work on the HR system position builds for official system personnel transitions.

BUDGET & FINANCE

The Cost Allocation Plan amendment has been drafted. The next work sessions to finalize the Cost Allocation Plan are scheduled for August 24 and 25.

The Budget and Finance workgroup met with the Utah Department of Human Resource Management (DHRM) to plan the transferring of USOR personnel in the Human Resource Enterprise (HRE) system from Utah State Board of Education (USBE) to Workforce Services effective Oct. 1.

The workgroup is scheduled to meet with the USBE accounting team to learn how they are currently processing transactions. They will then develop procedures to process the transactions in a FINET environment.

A MOU is currently in process with USBE to address transition and integration requirements.



FACILITIES

The remaining USOR/USBE staff completed their relocation to Admin North.

USOR continues to work with the Division of Facilities Construction and Management (DFCM) and landlord to negotiate space and lease details for the Centerville location.

An Admin Task List has been created identifying all administrative service items that will need to transition to Workforce Services effective October 1, 2016. These items include things such as purchasing cards and fleet.

TECHNICAL SUPPORT

The Utah Department of Technology Services (DTS) continues to meet about network configuration including Active Directory structure.

They are also continuing testing on the new servers and environment for AWARE. The tentative plan is to move to the new servers on September 14.

DTS is also working with Disability Determination Services on the changes needed for an automated interface to FINET.

In addition, price quotes were provided for USOR website support with DTS/Workforce Services.



TRANSITION UPDATES

JULY 28, 2016 – AUG. 10, 2016

COMMUNICATION

A bi-weekly summary update was posted on jobs.utah.gov/usortransition on Aug. 10. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period. A monthly email for August was sent to stakeholders and staff that shared summarized updates.

In August, Jon Pierpont and Darin Brush will make 18 office visits in the following counties: Utah, Salt Lake, Carbon, Summit, Duchesne and Uintah. These visits include Disability Determination Services, Ability 1st Utah and Active Re-Entry.

Overview videos are currently being produced about USOR's programs and clients to share during the official transition month of October and to help celebrate National Disability Employment Awareness Month.

A Workforce Services booklet that provides an overview on all its divisions now includes a new spread on USOR. To view the booklet digitally, download the [Overview Booklet](#) or take a look at the [USOR Spread](#).

PROGRAMS & CLIENTS

USOR held a conference call with the Rehabilitation Services Administration (RSA) to provide an update and summary regarding all of the required steps to complete the amendment of the Unified State Plan. USOR is awaiting RSA to grant access to the online portal to submit the amendments.

USOR held a conference call with the Department of Education to coordinate the transfer of the Promise Grant, which funds the ASPIRE program.

EMPLOYEES

A Human Resources analyst that was supporting USOR has onboarded to the Workforce Services' HR Office.

HR is working on determining dates and methods of onboarding training to the remaining USOR staff through USOR's management.

Activities between Workforce Services and USOR staff are continuing throughout the state. The introductory activities provide a relationship-building experience and a cross-training opportunity for employees to learn about each other's services. Meet and greet opportunities between offices are also planned beyond the introductory activities.



BUDGET & FINANCE

Cost allocation methodologies have been developed. The next steps are to write the plan for implementing the methodologies with USOR.

Conference calls were conducted with appropriate Federal agencies to initiate the reassignment of Federal awards from USOE to Department of Workforce Services.

The budget and finance work group will be drafting a cost allocation plan amendment and developing a memorandum of understanding with USOE to address transition and integration requirements.

FACILITIES

USOR has selected a location in Centerville as a possible site to combine the USOR Layton and Bountiful offices into one. USOR is currently negotiating space and lease details with DFCM and the Centerville landlord.

The remaining USOE staff that support USOR will relocate from the USOE facility to Admin North on Aug. 10.

TECHNICAL SUPPORT

DTS is developing network options in order for the USOR building to have the same technology access as Workforce Services. They are also working to resolve any issues with AWARE server configuration and solidify requirements for Disability Determination Services and the FINET interface.



TRANSITION UPDATES

JULY 14, 2016 – JULY 27, 2016

COMMUNICATION

The fourth bi-weekly summary update was posted on jobs.utah.gov/usortransition. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period.

A monthly email was sent to stakeholders and staff on July 13 that shared summarized updates and announced the new USOR website.

A printed booklet will be available in August that provides an overview on each division of the Department of Workforce Services, including the Utah State Office of Rehabilitation, to help staff learn about each other's services. A general communication piece with info on USOR's programs is also being produced.

PROGRAMS & CLIENTS

The proposed State Plan Amendment was presented to the State Workforce Development Board (SWDB) on July 14. The SWDB voted to approve the plan amendment.

Two public input sessions were completed on July 12. The input sessions were broadcasted via the VISION system to 11 Vocational Rehabilitation offices throughout the state. The public comment period for the amendment ended on July 26.

Next steps are for the amendment to be submitted to the Rehabilitation Services Administration and the Department of Labor on July 30 for approval.

EMPLOYEES

The Workforce Services' annual training cycle was discussed in the USOR management meeting on July 21. The discussion aimed to help management understand HR policies and procedures at Workforce Services and any differences from USOR's current policies. The discussion was well received and management provided positive feedback. Most of the policies and procedures have now been finalized. Some are still in the process of being finalized, including Code of Conduct.

Activities are scheduled between Workforce Services and USOR to help build relationships between staff. Latest activities include staff from the Eligibility Division of Workforce Services who visited staff at the Division of Services of the Deaf and Hard of Hearing (DSDHH) and toured the Sanderson Center on July 12. They discussed their programs and how to better serve consumers who are deaf and hard of hearing. The group later exchanged visits and had DSDHH staff visit the Eligibility office on July 21. Similar exchange visits are taking place throughout the state.



BUDGET & FINANCE

The budget and finance workgroup met with the Department of Technology Services (DTS) regarding USOR Disability Determination Services' (DDS) vendor payment process and determined next steps and timeline for developing an interface between DDS and FINET.

They also reviewed the AWARE process flow and determined next steps and timeline for Workforce Services' coding in AWARE.

An organizational structure is in the process of being created and will be finalized by August 15.

FACILITIES

Several USOR staff who are currently located at the USOE office will move into their new workspaces at DWS Admin North at the beginning of August.

The Division of Facilities Construction and Management (DFCM) and USOR continue to review three possible locations to consolidate the USOR Layton and Bountiful offices.

TECHNICAL SUPPORT

Technical Support met with the Utah State Office of Education (USOE) to understand BASE processes for AWARE and DDS. USOE also provided the database for Utah Center for Assistive Technology (UCAT).

The USOR website transition support needs for DTS at Workforce Services was reviewed and authentication details for October 1 were finalized. DTS Networking also reviewed requirements for Jabber.

Price quotes were provided during a discussion on increasing bandwidth at the Buffmire Building.



TRANSITION UPDATES

JUNE 29, 2016 – JULY 13, 2016

COMMUNICATION

The third bi-weekly summary update was posted on jobs.utah.gov/usortransition. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period.

A communication plan was drafted for September – October 2016 to strategize communication for the official transition and to celebrate National Disability Employment Awareness Month. The next step will be for the USOR Communication Committee to review the plan and discuss any needed communication pieces.

It was determined that the USOR Hotline (currently managed by the USOE internal audit division) that takes complaints of fraud, waste and abuse will be reassigned to route through a Workforce Services' hotline number managed by the Workforce Services' internal audit division effective October 1, 2016. Communication to reflect this change will be sent to stakeholders and the hotline phone number will be revised to reflect the change on both the USOR and Workforce Services websites.

PROGRAMS & CLIENTS

The Vocational Rehabilitation State Plan Amendment was presented to the State Rehab Council. The council voted and unanimously supported the proposed amendment.

Fliers were distributed to stakeholders and posted in USOR offices about the public input sessions about the State Plan Amendment. These were broadcasted at 11 USOR offices on July 12, 2016. The public comment period is open through July 26 and comments may be submitted to usor@utah.gov.

The State Plan Amendment will be presented to the State Workforce Development Board on July 14, 2016.

EMPLOYEES

Human Resources staff is working on finalizing decisions on policies and procedures. The Workforce Services' annual training cycle is an agenda item for the USOR management meeting on July 21, 2016. This will be the first orientation to Workforce Services' policies and procedures such as tuition reimbursement, mileage reimbursement and the bi-monthly policy training cycle.

Activities between Workforce Services and USOR staff in 10 district areas will begin in July 2016 for collaborative and relationship-building efforts.



BUDGET & FINANCE

Work sessions were held to determine appropriate allocation methodologies. The initial development of the new financial coding has been completed. Additional coding revisions may be required as allocation methodologies are finalized.

Notification language was developed to send to each federal contract to initiate transfer of grants from USOR to Workforce Services.

FACILITIES

Several USOR staff who are currently located at the USOE office will move into their new workspaces at DWS Admin North at the beginning of August.

DFCM and USOR continue to review three possible locations to consolidate the USOR Layton and Bountiful offices.

TECHNICAL SUPPORT

Business and technical process flows for AWARE and Disability Determination Services were completed.

An initial meeting was held to determine network, user accounts and applications for October 1, 2016.

Technical support staff continues to test 508 on applications completion data through the end of July.



TRANSITION UPDATES

JUNE 30, 2016 – JULY 13, 2016

COMMUNICATION

The second bi-weekly summary update was posted on jobs.utah.gov/usortransition. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period.

Jon Pierpont and Darin Brush continue to visit Workforce Services and USOR offices to discuss the transition with staff. The USOR location visits included South Jordan, St. George, Cedar City, Layton and Tooele.

A booklet is being developed to help educate Workforce Services and USOR staff about each other's services. Also, communication pieces for the Vocational Rehabilitation State Plan public input sessions were created.

PROGRAMS & CLIENTS

The Vocational Rehabilitation State Plan Amendment was submitted to Rehabilitation Services Administration (RSA) for review.

Two public input sessions about the State Plan Amendment are scheduled to be broadcasted at 11 USOR offices on July 12, 2016 from 9-10:30 a.m. and from 5-6:30 p.m. View the flier of locations [here](#).

A meeting is scheduled for June 29, 2016 to present the State Plan Amendment to the State Rehab Council.

EMPLOYEES

A Human Resources representative has been attending office visits with Jon Pierpont and Darin Brush to help answer any HR-related questions from staff.

An agenda item about the Workforce Services annual training cycle was added to the USOR management meeting for July 21, 2016. This will be the first orientation to Workforce Services policies and procedures such as tuition reimbursement, mileage reimbursement and the bi-monthly policy training cycle. In preparation for the meeting, Human Resources is working on finalizing decisions on these policies and procedures.

Activities between DWS and USOR staff in local areas will begin in July 2016 for collaborative and relationship-building efforts.



BUDGET & FINANCE

The initial development of the new financial coding has been completed. Additional coding revisions may be required as allocation methodologies are determined. The next work sessions to determine appropriate allocation methodologies are scheduled for July 5-8, 2016.

Notification language was developed to send to each federal contract to initiate transfer of grants from USOR to Workforce Services.

USOR Finance staff has moved from USOE to DWS Admin North. A few training deadlines have been rescheduled due to the delay of moving over USOR Finance staff. The updated deadlines are reflected inside the plan's task list.

FACILITIES

USOR staff moved into their new workspaces at DWS Admin North on June 22, 2016.

DFCM and their realtor have identified three possible locations to consolidate the USOR Layton and Bountiful offices. The spaces are currently being reviewed.

The USOR storage space will be vacated on June 30, 2016. All storage unit contents such as files and cabinets will be re-located to the Ogden VR office.

TECHNICAL SUPPORT

Business and technical process flows for AWARE were completed. Moving the AWARE servers from USOE to the DTS data center is currently in the process, as well as working on business and technical process flows for DDS, Q90 and UCAT.

Interfaces for all systems connected to BASE are being estimated to understand how to connect them directly to FINET.

DTS Capitol launched the new USOR website: usor.utah.gov.



TRANSITION UPDATES

JUNE 16, 2016 – JUNE 29, 2016

COMMUNICATION

The first bi-weekly summary update was posted on jobs.utah.gov/usortransition. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period.

Jon Pierpont and Darin Brush continue to visit Workforce Services and USOR offices to discuss the transition with staff. The USOR location visits included South Jordan, St. George, Cedar City, Layton and Tooele.

A booklet is being developed to help educate Workforce Services and USOR staff about each other's services. Also, communication pieces for the Vocational Rehabilitation State Plan public input sessions were created.

PROGRAMS & CLIENTS

The Vocational Rehabilitation State Plan Amendment was submitted to Rehabilitation Services Administration (RSA) for review.

Two public input sessions about the State Plan Amendment are scheduled to be broadcasted at 11 USOR offices on July 12, 2016 from 9-10:30 a.m. and from 5-6:30 p.m. View the flier of locations [here](#).

A meeting is scheduled for June 29, 2016 to present the State Plan Amendment to the State Rehab Council.

EMPLOYEES

A Human Resources representative has been attending office visits with Jon Pierpont and Darin Brush to help answer any HR-related questions from staff.

An agenda item about the Workforce Services annual training cycle was added to the USOR management meeting for July 21, 2016. This will be the first orientation to Workforce Services policies and procedures such as tuition reimbursement, mileage reimbursement and the bi-monthly policy training cycle. In preparation for the meeting, Human Resources is working on finalizing decisions on these policies and procedures.

Activities between DWS and USOR staff in local areas will begin in July 2016 for collaborative and relationship-building efforts.



BUDGET & FINANCE

The initial development of the new financial coding has been completed. Additional coding revisions may be required as allocation methodologies are determined. The next work sessions to determine appropriate allocation methodologies are scheduled for July 5-8, 2016.

Notification language was developed to send to each federal contract to initiate transfer of grants from USOR to Workforce Services.

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TRANSITION UPDATES

JUNE 1, 2016 – JUNE 15, 2016

COMMUNICATION

On June 1, 2016, the final transition plan was submitted to the Utah Legislature and posted online for public viewing. An overview timeline of the major tasks was also created and included in the plan. The webpage jobs.utah.gov/usortransition was updated with the plan and a new recap video was posted documenting the planning process. Emails were sent to staff and stakeholders announcing the final transition plan. The email usortransition@utah.gov continues to be monitored for any questions or comments submitted during the transition period. Jon Pierpont and Darin Brush have completed more than 20 DWS/USOR office visits out of approximately 60 scheduled through October to discuss the transition with staff.

PROGRAMS & CLIENTS

A contact list was developed for key personnel who are liaisons for all federal grants, and meetings are being scheduled with all federal grant partners. A conference call has been completed with Rehabilitation Services Administration (RSA) and a public meeting regarding the draft of the Unified State Plan is scheduled for July 12, 2016. Currently, all state plan pre-print language is under review to identify necessary changes.

EMPLOYEES

A meeting has been scheduled for July 21, 2016 to discuss the DWS annual training cycle with USOR supervisors. Planning is also underway for activities between DWS and USOR staff in local areas to facilitate collaborative and relationship-building efforts. A conference call was held with USOR district directors and DWS managers to formulate local plans for activities, which will begin in July 2016.

BUDGET & FINANCE

A meeting occurred with State Finance to explore options and ensure continuity while developing new payment processing procedures. In addition, the team is determining how to mass move all USOR employees to DWS in the state's payroll system, effective October 1, 2016. As the transition occurs in the middle of a pay period, the work group will determine how to split charges for the pay period between USOR and DWS with State Payroll. Other current tasks include developing financial coding and determining appropriate allocation methodologies. For USOR contracts and grants, a total of 168 agreements have been identified at this point. Discussion is taking place to reassign USOR contracts, grants, and agreements to DWS effective October 1, 2016.



FACILITIES

Construction on the three work spaces continues on the fifth floor of DWS Admin North. Cubicles have been reconfigured and staff assigned to each space. The USOR/USOE staff who will be relocating to Admin North received a tour of the facility the week of June 10. It is anticipated that the majority of staff will relocate to Admin North on June 22, 2016. The USOE Admin Support staff will relocate to Admin North at the end of July 2016. The Buffmire building remodel was completed the week of June 3 and staff moved in to their new cubicles/offices at Buffmire the week of June 10.

The Request For Proposal (RFP) for the USOR Bountiful/Layton offices ended on June 1, 2016. No proposals were submitted. DFCM will now work directly with a real estate agent to look for available office space in the Farmington/Kaysville area.

The USOR St. George one-year extension and the USOR DWS one-year extension building leases have been revised and re-routed for approval.

TECHNICAL SUPPORT

USOR IT and DTS are ensuring connectivity for USOR staff to BASE and AWARE from the Admin North building. They are also working with the Budget and Finance work group to determine the interfaces needed for the FINET system. In addition, a meeting occurred with Utah Center for Assistive Technology (UCAT) to determine their database needs for asset tracking. Other current tasks include reviewing standard desktop purchases, working with AWARE servers moved from USOE to the DTS data center and testing the AWARE application on the new servers to make sure they are functioning by October 1, 2016.