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Secretary of State

State of Oregon

**DEPARTMENT OF ADMINISTRATIVE SERVICES**

**Review of Qualified Rehabilitation Facilities**



**Audits Division**

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September 27, 2000



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*Auditing for a Better Oregon*

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This report contains the results of our audit of four Oregon non-profit corporations that participate in the state's Qualified Rehabilitation Facilities (QRF) program, which is managed by the Department of Administrative Services. A QRF is a non-profit organization whose mission is to provide employment services to persons with disabilities, and that participates in the state's QRF program. The audit was performed by the accounting firm of Merina, McCoy & Co., under contract to the Audits Division. The chief objective of this audit was to determine the extent to which four of Oregon's largest QRFs were in compliance with ORS 279.835(4)(c) during state fiscal year 1998-1999. The law provides that to qualify for participation in the QRF program, persons with disabilities must perform at least 75 percent of a facility's direct labor hours. Another objective was to provide legislators and others with general information about the QRFs' staffing and revenues.

Following advice provided by the Department of Justice, for each organization the audit included labor hours for the entire legal entity incorporated in Oregon. The audit showed that three of the four QRFs were in compliance with ORS 279.835(4)(c) for the overall state fiscal year 1998-1999.

The fourth organization, Goodwill Industries of the Columbia-Willamette, was not in compliance because it does not maintain disability documentation for its 2,500-employee Retail Services Division. Neither Goodwill nor DAS has considered the Retail Services Division to be part of the QRF program. Goodwill Industries nearly would have been in compliance if the Retail Services Division had been excluded from the analysis. From February through June 1999, their direct labor hour percentage—excluding the Retail Services Division—exceeded 80 percent.

During the audit we identified a need for QRF program documentation standards. We also found that certain definitions in ORS 279.835 did not clearly establish criteria for determining QRFs' compliance with applicable laws.

We recommend that the Department of Administrative Services:

- Work with QRF representatives to develop referral documentation standards for use by non-state organizations and individuals. The documentation should show the words of ORS 279.835(2), which defines a "disabled individual." Those preparing the documentation would attest that they are qualified to make the disability determination, and that the individual in question has disabilities of such a nature that they fall under the provisions of ORS 279.835(2). The documentation should clearly identify the nature of the disabilities. In addition, the documentation should include the name and signature of the individual verifying the disability; his or her professional title or position, license or certification number, or academic credential; and the date of the determination.
- Ensure periodic, independent, reviews of labor and employee records at each non-profit organization in the QRF program to test compliance with the 75 percent direct labor requirement.
- Consider developing guidelines for QRFs to use in capturing and reporting supervisors' time spent in direct labor.

We recommend that members of the Legislative Assembly consider:

- Clarifying the meaning of the following phrases in ORS 279.835(2) used in defining a "disabled individual":
  - "...is not able to participate fully..."
  - "...competitive employment..."
  - "...specialized employment opportunities..."
- Clarifying ORS 279.835(4)(c) to state whether the 75 percent direct labor hour requirement is to be applied to a non-profit organization's entire legal entity, or only to those portions of the entity doing business in Oregon, or only to those portions of the entity participating in the QRF program, or in some other manner.
- Clarifying ORS 279.835(4)(c) to state whether the 75 percent direct labor requirement is to be applied on a daily, weekly, monthly, average monthly, or total average annual basis.
- Clarifying ORS 279.835(4)(c) to state whether "direct labor required for the manufacture or provision of" services includes service sector functions, such as those performed by Goodwill Industries's Retail Services Division, where the services themselves are not the commodity being marketed or sold to customers.

We appreciate the cooperation and assistance received from each of the QRFs included in this audit report.

OREGON AUDITS DIVISION

John N. Lattimer

Director

Fieldwork Completion Date:  
March 31, 2000

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# EXECUTIVE SUMMARY

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## QUALIFIED REHABILITATION FACILITIES

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### Background and Purpose

In February 1999 the Audits Division conducted a limited scope review of the Department of Administrative Services's (DAS) implementation of key statutes pertaining to Qualified Rehabilitation Facilities (QRFs). A QRF is a non-profit organization whose mission is to provide employment services to persons with disabilities, and that participates in the state's QRF program. The review showed that DAS relies on QRFs to self-report whether or not they comply with ORS 279.835 (4)(c), which requires that persons with disabilities perform at least 75 percent of the facility's direct labor hours during the fiscal year. DAS had not required QRFs to document their reported direct labor hours. DAS had begun conducting onsite reviews of QRF records; however, its reviews had not included tests to determine whether persons with disabilities were completing at least 75 percent of the direct labor hours. The Audits Division's report on its limited scope review is found in Appendix E of this audit report.

To follow up on the limited scope review, the Audits Division contracted with Merina, McCoy & Co. (MMC) to conduct an audit at four of Oregon's largest QRFs that were selected by the Audits Division. The primary objective was to determine and evaluate the extent to which the QRFs met the direct labor requirement of ORS 279.835(4)(c) for the state fiscal year ending June 30, 1999. Following advice from the state's Department of Justice, the analysis performed included each QRF's entire legal entity organized under Oregon laws.

Another objective was to provide information to legislators and others concerning the portion of the QRFs' employees who were persons with disabilities, the types of disabilities, the sources of the disability determinations, and the portion of the QRFs' total annual revenues that resulted from sales to Oregon public agencies.

## Results in Brief

Following advice provided by the Department of Justice for each organization, the audit included labor hours for the entire legal entity incorporated in Oregon.

Three QRFs, Garten Services, Portland Habilitation Center, and St. Vincent dePaul Rehabilitation Services, maintained sufficient documented evidence to support their assertion that persons with disabilities performed at least 75 percent of the direct labor hours for the entire state fiscal year 1998-1999.

The fourth organization, Goodwill Industries of the Columbia-Willamette, was not in compliance because it does not maintain disability documentation for employees in its Retail Services Division. Neither Goodwill Industries nor DAS has ever considered the 2,500-employee Retail Services Division to be part of the QRF program. Goodwill Industries nearly would have been in compliance with the direct labor requirement if the Retail Services Division had been excluded from the analysis.

**Table 1**  
**Average Percent of Direct Labor Hours**  
**Worked By Employees With Disabilities**  
**State Fiscal Year 1998-1999**

Source of Disability Determination	Garten Services	Goodwill Industries (Including Retail Services Division)	Goodwill Industries (Excluding Retail Services Division)	Portland Habilitation Center	St. Vincent dePaul Rehabilitation
Verified by Third Party (External) Specialists and Organizations	86.4%	8.3%	74.7%	77.5%	77.5%
Verified Internally by QRF Specialists	0.0%	0.0%	0.0%	0.2%	0.0%
<b>12-Month Average Direct Labor Percentage</b>	<b>86.4%</b>	<b>8.3%</b>	<b>74.7%</b>	<b>77.7%</b>	<b>77.5%</b>

## **Agency Response**

The Department of Administrative Services generally agreed with the conclusions and recommendations in this report.





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# Background and Introduction

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## Overview of the State's QRF Laws and Rules, and DAS's Role

***Oregon's QRF program has existed since 1977.***

***Persons with disabilities must perform at least 75 percent of a QRF's direct labor.***

A Qualified Rehabilitation Facility (QRF) is a non-profit organization whose mission is to provide employment services to persons with disabilities, and that participates in the state's QRF program.

The 1977 Legislative Assembly passed the "Products of Disabled Individuals" Act<sup>1</sup> to encourage and assist persons with disabilities in achieving personal independence through useful and productive employment. It did so by assuring QRFs a constant market for sheltered workshop and activity center products and services. The law requires all state and local governments, school districts, and other tax-supported political bodies in Oregon to purchase goods and services from QRFs when the product or service meets their requirements. The law exempts QRFs from the competitive bidding process. The Department of Administrative Services (DAS) was made responsible for administering the program. DAS annually certifies each QRF in Oregon and publishes a list of goods and services for purchase.

To qualify as a QRF, a non-profit organization must employ persons with disabilities for not less than 75 percent of the of direct labor hours required for the manufacture or provision of the products or services during the fiscal year, whether or not the products or services are procured under the QRF statutes.<sup>1</sup> Oregon law defines direct labor to include all work required for preparation, processing, and packing. It does not include work required for supervision, administration, inspection, and shipping.

### QRFs Included in This Review

The Audits Division selected the four QRFs included in this audit. They were selected because they were among the largest organizations in the QRF program.

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<sup>1</sup> Oregon Revised Statutes 279.835 to 279.855.

Garten Services, Inc. is a Salem-based QRF that employed 310 persons with disabilities during state fiscal year 1998-1999. Its major operational units are Building Maintenance, Mailing, Recycling and Confidential shredding, and Packaging and Assembly. Each of these units performs work for Oregon public agencies.

Goodwill Industries of the Columbia-Willamette is a Portland-based QRF that employed at least 337 persons with disabilities during state fiscal year 1998-1999. Its Retail Services Division is its largest operational unit with an estimated 2,500 employees. Other units include Personnel Services, Production and Contracts, and the Community Integration Project II Program. Only the Personnel Services unit performs work for Oregon public agencies.

Portland Habilitation Center, Inc. is a Portland-based QRF that employed 750 persons with disabilities during state fiscal year 1998-1999. Its major operational units are Portland Habilitation Center Industries, Janitorial, Landscaping and Nursery, Training and Placement, Clerical Services, and Portland Habilitation Center Alaska. The Alaska unit does not perform work for Oregon public agencies.

St. Vincent dePaul Rehabilitation Service, Inc. is a Portland-based QRF that employed 1,534 persons with disabilities during state fiscal year 1998-1999. Its major operational units are Industrial Subcontracting, Staffing Services, Security Services, Document Processing, and Janitorial Services. The Industrial Subcontracting and Janitorial Services units do not perform work for Oregon public agencies.

## **Objectives, Scope and Methodology**

The main objective of this audit was to determine and evaluate the extent to which the four QRFs met the 75 percent direct labor hour requirement, established by ORS 279.835(4)(c), for the entire state fiscal year ending June 30, 1999. Another objective was to provide information to legislators and others concerning the portion of the QRFs' employees who were persons with disabilities, the types of disabilities, the sources of the disability determinations, and the portion of the QRFs' total annual revenue that resulted from sales to Oregon public agencies.

The audit was performed by the accounting firm of Merina McCoy & Co. (MMC) under contract to the Audits Division. The audit was conducted in two phases. In the first phase, MMC visited the four

QRFs and assessed the sufficiency of labor, financial, and employee disability records to determine whether or not a complete audit could be conducted. All QRFs were deemed to have sufficient records.

In the second phase, MMC returned to each of the QRFs and performed the audit.

To accomplish the objectives, MMC:

- Compiled direct labor hours by month from each QRF's payroll system and tested the hours on a sample basis against other employment and time and billing records maintained by the QRF. MMC concluded that direct payroll hours used in the audit had been correctly accumulated.
- Tested payroll and personnel reports provided by QRFs for completeness to ensure that all employees were considered for inclusion in the audit.
- Verified that only direct labor hours, as defined by ORS 279.835(5), were included in the hours accumulated. Excluded were all hours reported that were hours not worked; therefore, paid absences such as holidays, vacations, or other paid time off were excluded from the calculations.
- Reviewed each QRF's method of allocating direct and indirect labor hours for employees with mixed duties. MMC read job descriptions and discussed production and shipping arrangements with management at each QRF, making adjustments to allocations as was deemed appropriate. MMC was not required to perform analyses such as time and motion studies to verify the precision of the methods used to allocate hours.
- Obtained records of work performed by in-house temporary or contract laborers in support of each QRF's administrative functions.
- Reviewed 100 percent of each QRF's employee disability records. MMC reviewed evidence of the employees' disabilities and the source of the determination. Oregon's QRF statutes do not specify criteria for documenting disabling conditions. The objective was to determine whether an apparently qualified specialist or organization from outside the QRF concluded that the employee had a disability. Referrals from public agencies, medical institutions and clinics, physicians, therapists,

counselors, nurses, and medical technicians were accepted as verification of disability. MMC rejected signatures from insurance adjusters, building managers, and others who did not appear to have reasonably valid credentials for assessing disabilities.

Lacking statutory guidance, and in agreement with the Audits Division, MMC accepted as verification of a disability written determinations prepared by apparently qualified specialists working for the QRF.

Some employees do not wish to have the nature of their disabilities disclosed. In some instances, MMC found disability documentation signed by a physician, therapist, counselor, or medical technician that did not contain a reference to a specific disability. Lacking statutory guidance, and in agreement with the Audits Division, MMC deemed such evidence to be acceptable, and recorded the person's disability as "undefined."

- Matched each employee's disability status to the hours worked during the fiscal year.
- Computed the annual percentage of direct labor hours worked by persons with disabilities. Lacking statutory guidance, and in agreement with the Audits Division, MMC computed the percentage using total direct labor hours for the entire 12-month period ending June 30, 1999.
- Identified the sources of each QRF's revenue during state fiscal year 1998-1999 and quantified the amount received from Oregon public agencies.

## **Scope Modifications**

### **Full and Part-Time Employees**

The Audits Division's initial Request for Proposal requested separate hourly summaries for full and part time employees. During the first phase of this audit, all QRF managers stated that the vast majority of the work is performed by part time workers who, due to their disabilities, are unable to consistently manage a forty-hour work week. Consequently, time is not tracked separately for fulltime and part time employees. The Audits Division subsequently removed the requirement for separate reporting.

### **Labor Hours**

Since ORS 279.835(4)(c) concerns direct labor hours, the scope of this audit was limited to an analysis of direct hours only.

### **Contracted Payroll Service**

St. Vincent dePaul Rehabilitation offers contracted payroll services whereby clients' employees are paid through St. Vincent dePaul's payroll department. To ensure that the audit included only time worked by St. Vincent dePaul's employees, all 131 client employees who received payment through the contracted service were identified and excluded from the audit.



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# Chapter 1: Direct Labor Requirement Results

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## Compliance with the Direct Labor Requirement

To determine whether each QRF was in compliance with ORS 279.835(4)(c), which requires that persons with disabilities perform at least 75 percent of the direct labor hours, MMC reviewed documentation maintained by each QRF for the state fiscal year July 1, 1998 through June 30, 1999. Following Department of Justice guidance, MMC applied the 75 percent direct labor requirement to the entire legal entity incorporated under state law.

### Audit Results

***Three of the four QRFs met the 75 percent direct labor requirement.***

The audit showed that three of the four QRFs were in compliance with the 75 percent direct labor requirement, based on the total direct labor hours for the entire 12-month period ending June 30, 1999.

Garten Services had an average annual direct labor percentage of 86.4 percent. At no time during the fiscal year did the average fall below the 75 percent requirement. For details, refer to Table 2 on page 11 of this report and Appendix A.

Portland Habilitation Center had an average annual direct labor percentage of 77.7 percent. At no time during the fiscal year did the average fall below the 75 percent requirement. For details refer to Table 5 on page 14 of this report and Appendix C.

St. Vincent de Paul Rehabilitation had an average annual direct labor percentage of 77.5 percent. During July and August 1998, its direct labor percentage was below the 75 percent requirement.<sup>2</sup> For details, refer to Table 6 on page 15 of this report and Appendix D.

Goodwill Industries of the Columbia-Willamette did not meet the 75 percent direct labor requirement at any time during the fiscal year. Their average annual direct labor percentage was 8.3 percent. For details, refer to Table 3 on page 12 of this report

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<sup>2</sup> MMC noted that a number of St. Vincent dePaul Rehabilitation employees with reported disabilities did not supply documentation of their disabilities. The QRF has a policy allowing new employees reporting disabilities to work up to 45 days before providing documentation. Management reported that those who do not support their claims within 45 days are reclassified as not disabled or are terminated.

and Appendix B. Goodwill has a low average because time worked by employees in its Retail Services Division was included in the calculations. Approximately 2,500 persons work in that division. The Department of Justice has advised that the 75 percent direct labor hour requirement applies to an entire organization, and not particular subdivisions of the entity.

Although the 75 percent direct labor requirement applies to the entire organization, we observe that the result of our assessment might be different if it were determined that the work of some or all employees in the Retail Services Division does not, in fact, constitute "direct labor required for the manufacture or provision of" products or services within the legal meaning of ORS 279.835(4)(c) and (5). It is not clear whether this requirement is intended to include service sector functions, such as those performed by Goodwill Industries's Retail Services Division, where the services themselves are not the commodity being marketed or sold to customers.

Goodwill Industries management reported that it has never considered its Retail Services Division to be a QRF and has not collected disability information on anyone working there. Even though persons with disabilities work in the division, because no documentation of disability was available, MMC, in agreement with the Audits Division, classified all non-supervisory hours in the Retail Services Division as worked by employees who were not reported to be disabled.<sup>3</sup>

For purposes of comparison, MMC also calculated Goodwill Industries's annual direct labor percentage without including the Retail Services Division. The result was 74.7 percent.

## Related Issues Needing Attention

### Compliance With ORS 279.835(2)

QRFs are to provide employment for persons with disabilities who are defined by ORS 279.835(2). The law defines a "disabled individual" as one "...who, because of the nature of disabilities, is not able to participate fully in competitive employment, and for whom specialized employment opportunities must be provided." This is the same definition of a "severely handicapped individual" found in ORS 344.511(11). It was not possible to determine a QRF's compliance in hiring persons as defined by ORS

***Certain laws affecting the QRF program need clarification.***

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<sup>3</sup> For Goodwill Industries, MMC obtained annual total hours for the Retail Services Division, excluded approximately 35 fulltime equivalent positions responsible for indirect retail activities, divided the result by 12 months, and reported the result as time worked by employees without reported disabilities. No further procedures were performed on the retail operation.

279.835(2) because the state's laws and rules do not define the meaning or means for determining "not able to participate fully," "competitive employment," or "specialized employment opportunities." To provide criteria for evaluating QRFs' compliance in hiring persons with disabilities as defined by the law, members of the Legislative Assembly should consider clarifying these statutes.

#### Intent of QRF Laws

MMC and the Audits Division concluded that certain provisions of ORS 279.835(4) should be clarified to provide criteria for testing compliance. Members of the Legislative Assembly should consider clarifying the following provisions in the law:

- Whether compliance with the 75 percent direct labor requirement is to be required on a daily, weekly, monthly, average monthly, or total average annual basis (as computed in this audit).
- Whether the 75 percent direct labor requirement applies to a non-profit organization's entire legal entity, or to those portions of the entity doing business in Oregon, or to those portions of the entity participating in the QRF program, or on some other basis. Under the current advice from the Department of Justice, the language in the law indicates that entire legal entity must be considered in determining compliance. As was shown in this audit, considering the entire legal entity may obscure compliance by QRF programs operating in Oregon.

For example, MMC was required to include direct labor hours worked by Portland Habilitation Center's Alaska unit, which provides no services in Oregon. Similarly, MMC was required to include hours worked by Goodwill Industries's Retail Services Division, which Goodwill Industries and DAS have never considered part of the state's QRF program.

- Whether "direct labor required for the manufacture or provision of" services includes service sector functions, such as those performed by Goodwill Industries's Retail Services Division, where the services themselves are not the commodity being marketed or sold to customers.

#### Documentation and Reporting Standards

Each QRF has developed its own policies and methods for documenting and reporting on direct hours worked by employees with disabilities. The QRF statutes and rules provide no guidance in this area. The differences hamper efforts to efficiently collect data for compliance testing. Also, DAS is not receiving from QRFs consistent and comparable labor hour data. To help QRFs

prepare for onsite testing, and to improve reported labor hour data, DAS should work with QRF representatives to develop reporting standards, including referral documentation standards for use by non-state individuals and organizations.

#### Allocation of Supervisor's Time

Some QRF supervisors and job coaches spend a portion of their time performing direct labor. The QRFs have developed their own policies and methods for capturing this time. Portland Habilitation Center allocates 50 percent of supervisors' and job coaches' time to direct labor. Goodwill Industries and St. Vincent dePaul Rehabilitation have determined that none of their supervisors' and job coaches' time is spent in direct labor. Garten Services reports having performed time and motion studies on its various supervisory positions, and allocates time based on the results. To encourage full and consistent reporting of direct labor hours, DAS should consider working with QRF representatives to identify reliable methods for capturing and reporting time worked by supervisors and job coaches with mixed responsibilities.

**TABLE 2**  
**Garten Services Inc. Overall Summary**  
**DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees with External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees with Verification of Disability</b>	<b>Employees with Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	21,483	0	21483	228	2,456
August	20,949	0	20949	152	2,624
September	18,419	0	18,419	108	2,103
October	20,942	0	20,942	160	2,665
November	18,361	0	18,361	137	2,979
December	19,653	0	19,653	110	3,892
January	19,056	0	19,056	43	3,485
February	17,770	0	17,770	36	3,572
March	22,516	0	22,516	135	3,274
April	20,955	0	20,955	155	3,131
May	18,165	0	18,165	188	2,902
June	20,115	0	20,115	199	2,828
<b>Total Hours</b>	<b>238,384</b>	<b>0</b>	<b>238,384</b>	<b>1,651</b>	<b>35,911</b>

**PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees with External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees with Verification of Disability</b>	<b>Employees with Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	88.9%	0.0%	88.9%	0.9%	10.2%
August	88.3%	0.0%	88.3%	0.6%	11.1%
September	89.3%	0.0%	89.3%	0.5%	10.2%
October	88.1%	0.0%	88.1%	0.7%	11.2%
November	85.5%	0.0%	85.5%	0.6%	13.9%
December	83.1%	0.0%	83.1%	0.5%	16.5%
January	84.4%	0.0%	84.4%	0.2%	15.4%
February	83.1%	0.0%	83.1%	0.2%	16.7%
March	86.9%	0.0%	86.9%	0.5%	12.6%
April	86.4%	0.0%	86.4%	0.6%	12.9%
May	85.5%	0.0%	85.5%	0.9%	13.7%
June	86.9%	0.0%	86.9%	0.9%	12.2%
<b>12-Month Average</b>	<b>86.4%</b>	<b>0.0%</b>	<b>86.4%</b>	<b>0.6%</b>	<b>13.0%</b>

**TABLE 3**  
**Goodwill Industries Overall Summary**  
**DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees with Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	10,057	0	10,057	4,144	118,957
August	8,803	0	8,803	2,477	118,570
September	10,407	0	10,407	2,430	118,798
October	10,136	0	10,136	1,677	118,384
November	8,859	0	8,859	1,315	118,234
December	8,464	0	8,464	1,147	118,147
January	12,638	0	12,638	1,204	118,575
February	10,543	0	10,543	916	117,632
March	14,114	0	14,114	1,078	118,012
April	12,089	0	12,089	924	117,590
May	11,145	0	11,145	820	117,360
June	12,644	0	12,644	1,041	117,573
<b>Total Hours</b>	<b>129,899</b>	<b>0</b>	<b>129,899</b>	<b>19,173</b>	<b>1,417,833</b>

**PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	7.6%	0.0%	7.6%	3.1%	89.3%
August	6.8%	0.0%	6.8%	1.9%	91.3%
September	7.9%	0.0%	7.9%	1.8%	90.2%
October	7.8%	0.0%	7.8%	1.3%	90.9%
November	6.9%	0.0%	6.9%	1.0%	92.1%
December	6.6%	0.0%	6.6%	0.9%	92.5%
January	9.5%	0.0%	9.5%	0.9%	89.5%
February	8.2%	0.0%	8.2%	0.7%	91.1%
March	10.6%	0.0%	10.6%	0.8%	88.6%
April	9.3%	0.0%	9.3%	0.7%	90.0%
May	8.6%	0.0%	8.6%	0.6%	90.7%
June	9.6%	0.0%	9.6%	0.8%	89.6%
<b>12-Month Average</b>	<b>8.3%</b>	<b>0.0%</b>	<b>8.3%</b>	<b>1.2%</b>	<b>90.5%</b>

**TABLE 4**  
**Goodwill Industries Overall Summary (continued)**  
**DIRECT LABOR HOUR SUMMARY (excluding Retail Services Division)**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	10,057	0	10,057	4,144	2,871
August	8,803	0	8,803	2,477	2,484
September	10,407	0	10,407	2,430	2,712
October	10,136	0	10,136	1,677	2,298
November	8,859	0	8,859	1,315	2,148
December	8,464	0	8,464	1,147	2,061
January	12,638	0	12,638	1,204	2,489
February	10,543	0	10,543	916	1,545
March	14,114	0	14,114	1,078	1,926
April	12,089	0	12,089	924	1,504
May	11,145	0	11,145	820	1,274
June	12,644	0	12,644	1,041	1,486
<b>Total Hours</b>	<b>129,899</b>	<b>0</b>	<b>129,899</b>	<b>19,173</b>	<b>24,798</b>

**PERCENT DIRECT LABOR HOURS PER MONTH**  
**(excluding Retail Services Division)**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	58.9%	0.0%	58.9%	24.3%	16.8%
August	64.0%	0.0%	64.0%	18.0%	18.0%
September	66.9%	0.0%	66.9%	15.6%	17.4%
October	71.8%	0.0%	71.8%	11.9%	16.3%
November	71.9%	0.0%	71.9%	10.7%	17.4%
December	72.5%	0.0%	72.5%	9.8%	17.7%
January	77.4%	0.0%	77.4%	7.4%	15.2%
February	81.1%	0.0%	81.1%	7.0%	11.9%
March	82.5%	0.0%	82.5%	6.3%	11.3%
April	83.3%	0.0%	83.3%	6.4%	10.4%
May	84.2%	0.0%	84.2%	6.2%	9.6%
June	83.3%	0.0%	83.3%	6.9%	9.8%
<b>12-Month Average</b>	<b>74.7%</b>	<b>0.0%</b>	<b>74.7%</b>	<b>11.0%</b>	<b>14.3%</b>

**TABLE 5**  
**Portland Habilitation Center, Inc. Overall Summary**  
**DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	57,383	50	57,433	79	18,370
August	54,059	0	54,059	84	16,715
September	55,549	8	55,557	79	16,611
October	59,440	161	59,601	0	16,962
November	53,189	148	53,337	0	15,132
December	57,606	177	57,783	0	16,102
January	52,932	156	53,088	0	14,958
February	51,651	166	51,817	0	14,343
March	62,009	175	62,184	0	17,130
April	61,349	104	61,453	7	16,593
May	55,552	145	55,697	0	15,678
June	61,710	133	61,843	0	17,655
<b>Total Hours</b>	<b>682,429</b>	<b>1,423</b>	<b>683,852</b>	<b>249</b>	<b>196,249</b>

**PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	75.6%	0.1%	75.7%	0.1%	24.2%
August	76.3%	0.0%	76.3%	0.1%	23.6%
September	76.9%	0.0%	76.9%	0.1%	23.0%
October	77.6%	0.2%	77.8%	0.0%	22.2%
November	77.7%	0.2%	77.9%	0.0%	22.1%
December	78.0%	0.2%	78.2%	0.0%	21.8%
January	77.8%	0.2%	78.0%	0.0%	22.0%
February	78.1%	0.3%	78.3%	0.0%	21.7%
March	78.2%	0.2%	78.4%	0.0%	21.6%
April	78.6%	0.1%	78.7%	0.0%	21.3%
May	77.8%	0.2%	78.0%	0.0%	22.0%
June	77.6%	0.2%	77.8%	0.0%	22.2%
<b>12-Month Average</b>	<b>77.5%</b>	<b>0.2%</b>	<b>77.7%</b>	<b>0.0%</b>	<b>22.3%</b>

**TABLE 6**  
**St. Vincent de Paul Rehabilitation Services, Inc. Overall Summary**  
**DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	59,310	0	59,310	9,532	14,509
August	51,176	0	51,176	7,728	12,518
September	54,226	0	54,226	6,234	11,461
October	63,852	0	63,852	5,911	12,168
November	49,242	0	49,242	4,269	9,160
December	66,393	0	66,393	7,513	13,866
January	47,768	0	47,768	3,581	8,191
February	51,226	0	51,226	3,829	9,006
March	55,079	0	55,079	5,378	8,938
April	69,460	0	69,460	6,032	10,293
May	54,481	0	54,481	4,702	8,546
June	55,006	0	55,006	5,048	8,290
<b>Total Hours</b>	<b>677,219</b>	<b>0</b>	<b>677,219</b>	<b>69,757</b>	<b>126,946</b>

**PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	71.2%	0.0%	71.2%	11.4%	17.4%
August	71.7%	0.0%	71.7%	10.8%	17.5%
September	75.4%	0.0%	75.4%	8.7%	15.9%
October	77.9%	0.0%	77.9%	7.2%	14.9%
November	78.6%	0.0%	78.6%	6.8%	14.6%
December	75.6%	0.0%	75.6%	8.6%	15.8%
January	80.2%	0.0%	80.2%	6.0%	13.8%
February	80.0%	0.0%	80.0%	6.0%	14.1%
March	79.4%	0.0%	79.4%	7.7%	12.9%
April	81.0%	0.0%	81.0%	7.0%	12.0%
May	80.4%	0.0%	80.4%	6.9%	12.6%
June	80.5%	0.0%	80.5%	7.4%	12.1%
<b>12-Month Average</b>	<b>77.5%</b>	<b>0.0%</b>	<b>77.5%</b>	<b>8.0%</b>	<b>14.5%</b>



## Chapter 2: Disability and Revenue Source Information

### Employee Disability Information

One of the audit objectives was to provide information to legislators and others concerning the number of employees with disabilities who were employed by the QRFs, the nature of the disabilities, and the sources of the employee disability determinations.

MMC identified 3,529 employees who were reported to have disabilities. Table 7 shows that sufficient evidence that an employee was determined to have a disability was maintained for 2,931 (83 percent) of the employees.

**TABLE 7**  
**QRF Employee Disability Determinations**  
**Fiscal Year 1998-1999**

QRF Employees Performing Direct Labor	Garten Services	Goodwill Industries	Portland Habilitation Center	St. Vincent dePaul Rehabilitation	Total
Employees with Reported and Verified Disability	310	337	750	1,534	2,931
Employees with Reported Disability--No Verification	5	87	7	499	598
Employees Without Reported Disability	45	2,506 <sup>4</sup>	171	445	3,167
<b>Total Employees</b>	<b>360</b>	<b>2,930</b>	<b>928</b>	<b>2,478</b>	<b>6,696</b>

MMC also identified the sources of the disability determinations. Table 8 shows that of the 2,931 employees with verified disabilities, 1,329 of the determinations (45.3 percent) were made by an individual such as a physician, therapist, counselor, nurse, or medical technician. Federal, state, and local government organizations making four or more of the determinations had a total of 787 determinations (26.9 percent). Private organizations that made four or more of the determinations had a total of 232 determinations (7.9 percent). Public and private organizations that made one to three determinations had a total of 583 determinations (19.9 percent).

<sup>4</sup> This figure includes an estimated 2,465 non-supervisory employees in Goodwill Industries's Retail Services Division.

**TABLE 8**  
**Sources of QRF Employee Disability Determinations**

<b>Source of Disability Determinations</b>	<b>Garten Services</b>	<b>Goodwill Industries</b>	<b>Portland Habilitation Center</b>	<b>St. Vincent dePaul Rehabilitation</b>	<b>Total</b>
<b>Individual Physicians, Nurses, Counselors, Therapists, Technicians, etc.</b>	38	146	219	926	1,329
<b>From Public Agencies</b>					
State Vocational Rehabilitation Division	127	80	75	207	489
Fairview Hospital	35	13	0	8	56
Oregon Commission for the Blind	0	0	40	0	40
Portland Public Schools	0	0	28	11	39
Federal Veterans' Administration Medical Center	0	0	11	24	35
Marion County Community Mental Health Program	15	0	0	12	27
Multnomah County ESD	0	3	11	7	21
Federal Social Security Administration	0	0	0	24	24
State Worker's Compensation Division	0	3	0	11	14
State Mental Health Division	11	0	0	0	11
Alaska Vocational Rehabilitation Division	0	0	10	0	10
Salem/Kaiser Public Schools	8	0	0	0	8
Multnomah County Health Services Division	0	0	7	0	7
Oregon State Hospital	6	0	0	0	6
<b>From Private Organizations</b>					
Kaiser Permanente	0	12	25	34	71
Oregon Health Sciences University	8	6	33	21	68
Providence Medical Center	0	4	11	7	22
Gresham Psychology Clinic	0	3	9	0	12
Ridgecrest	12	0	0	0	12
Salem Hospital	0	6	0	5	11
Network Behavioral Health Care, Inc.	0	0	8	0	8
Preferred Worker Comp.	0	0	0	8	8
Portland Psychology Clinic	0	0	6	0	6
Salem Clinic	0	0	0	6	6
Cedarwood Care Center	0	4	0	0	4
Partnership Community Living	0	4	0	0	4
<b>Public and Private Organizations With 1 to 3 Determinations</b>	50	53	257	223	583
<b>Total with Verified Disabilities</b>	310	337	750	1,534	2,931

MMC recorded each employee's primary disability as listed in the documentation maintained by the QRF. Table 9 summarizes this information.

**TABLE 9**  
**Number of QRF Employees by Primary Disability**

Primary Disability Category	Garten Services	Goodwill Industries	Portland Habilitation Center	St. Vincent dePaul Rehabilitation	Total
Physical Disability	6	105	80	621	812
Mental Health	89	53	142	299	583
Mental Retardation	167	67	187	83	504
Chemical Dependency	5	9	49	267	330
Learning Disabled	16	3	73	76	168
Physical Trauma	3	0	87	66	156
Hearing Impairment	6	3	38	39	86
Visual	1	4	51	25	81
Seizure	8	4	28	27	67
Head Injury	8	4	15	23	50
No Specific Disability Listed (Undefined)	1	85	0	8	94
<b>Total Employees with Verified Disabilities</b>	<b>310</b>	<b>337</b>	<b>750</b>	<b>1,534</b>	<b>2,931</b>

### Revenue Source Information

The final audit objective was to provide information to legislators and others concerning the portion of the QRFs' total annual revenue that resulted from sales to Oregon public agencies.

Table 10 shows that revenue from Oregon public agencies accounted for between 4.7 and 54 percent of the QRFs' total fiscal year revenues.

**TABLE 10**  
**Sources of QRF Revenue**

Revenue Summary for FY 1998-1999	Garten Services	Goodwill Industries	Portland Habilitation Center	St. Vincent dePaul Rehabilitation
<b>Revenues from Oregon Public Agencies</b> Percent of Total	\$ 1,222,659 19.6%	\$ 1,983,713 4.7%	\$ 8,810,728 53.2%	\$11,671,967 54%
<b>Other Revenues</b> Percent of Total	\$ 5,011,573 80.4%	\$40,665,419 95.3%	\$ 7,757,225 46.8%	\$ 9,938,010 46%
<b>Total Revenues</b>	<b>\$ 6,234,232</b>	<b>\$42,649,132</b>	<b>\$16,567,953</b>	<b>\$21,609,977</b>

Garten Services, with concurrence from its independent auditor, does not recognize revenue associated with its recycling contract with the State of Oregon, because it is a reimbursement contract. In the fiscal year ending June 30, 1999, Garten Services sold material collected from Oregon public agencies for approximately \$384,300, and charged the agencies \$372,700 for collecting, processing, and shipping the material. Garten rebated the remaining \$11,600 to Oregon public agencies.

## **Commendation**

The courtesies and cooperation extended by the management and staff of the four QRFs included in this audit were commendable and much appreciated.



**APPENDIX A:**  
**GARTEN SERVICES, INC.**



## Garten Services, Inc. Summary by Organizational Unit

**BUILDING MAINTENANCE  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	5,537	0	5,537	228	1,150
August	5,778	0	5,778	152	1,396
September	5,189	0	5,189	108	969
October	5,787	0	5,787	160	1,110
November	5,331	0	5,331	137	1,065
December	5,632	0	5,632	110	1,614
January	5,660	0	5,660	43	1,455
February	5,562	0	5,562	36	1,415
March	7,089	0	7,089	135	1,227
April	5,966	0	5,966	155	1,208
May	5,462	0	5,462	188	1,172
June	6,074	0	6,074	199	1,122
<b>Total Hours</b>	<b>69,067</b>	<b>0</b>	<b>69,067</b>	<b>1,651</b>	<b>14,903</b>

**BUILDING MAINTENANCE  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	80.1%	0.0%	80.1%	3.3%	16.6%
August	78.9%	0.0%	78.9%	2.1%	19.1%
September	82.8%	0.0%	82.8%	1.7%	15.5%
October	82.0%	0.0%	82.0%	2.3%	15.7%
November	81.6%	0.0%	81.6%	2.1%	16.3%
December	76.6%	0.0%	76.6%	1.5%	21.9%
January	79.1%	0.0%	79.1%	0.6%	20.3%
February	79.3%	0.0%	79.3%	0.5%	20.2%
March	83.9%	0.0%	83.9%	1.6%	14.5%
April	81.4%	0.0%	81.4%	2.1%	16.5%
May	80.1%	0.0%	80.1%	2.8%	17.2%
June	82.1%	0.0%	82.1%	2.7%	15.2%
<b>12-Month Average</b>	<b>80.7%</b>	<b>0.0%</b>	<b>80.7%</b>	<b>1.9%</b>	<b>17.4%</b>

**Garten Services, Inc. Summary by Organizational Unit (cont.)**

**MAILING  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	2,067	0	2,067	0	314
August	1,999	0	1,999	0	430
September	1,927	0	1,927	0	215
October	2,022	0	2,022	0	393
November	1,772	0	1,772	0	350
December	1,836	0	1,836	0	395
January	1,956	0	1,956	0	390
February	1,662	0	1,662	0	360
March	1,951	0	1,951	0	431
April	1,876	0	1,876	0	417
May	1,615	0	1,615	0	364
June	1,683	0	1,683	0	412
<b>Total Hours</b>	<b>22,366</b>	<b>0</b>	<b>22,366</b>	<b>0</b>	<b>4,471</b>

**MAILING  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	86.8%	0.0%	86.8%	0.0%	13.2%
August	82.3%	0.0%	82.3%	0.0%	17.7%
September	90.0%	0.0%	90.0%	0.0%	10.0%
October	83.7%	0.0%	83.7%	0.0%	16.3%
November	83.5%	0.0%	83.5%	0.0%	16.5%
December	82.3%	0.0%	82.3%	0.0%	17.7%
January	83.4%	0.0%	83.4%	0.0%	16.6%
February	82.2%	0.0%	82.2%	0.0%	17.8%
March	81.9%	0.0%	81.9%	0.0%	18.1%
April	81.8%	0.0%	81.8%	0.0%	18.2%
May	81.6%	0.0%	81.6%	0.0%	18.4%
June	80.3%	0.0%	80.3%	0.0%	19.7%
<b>12-Month Average</b>	<b>83.3%</b>	<b>0.0%</b>	<b>83.3%</b>	<b>0.0%</b>	<b>16.7%</b>

## Garten Services, Inc. Summary by Organizational Unit (cont.)

**RECYCLING & SHREDDING  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	10,671	0	10,671	0	992
August	10,775	0	10,775	0	798
September	9,537	0	9,537	0	918
October	10,958	0	10,958	0	1,163
November	9,489	0	9,489	0	1,565
December	10,067	0	10,067	0	1,883
January	9,643	0	9,643	0	1,639
February	9,081	0	9,081	0	1,797
March	11,345	0	11,345	0	1,616
April	10,836	0	10,836	0	1,507
May	9,468	0	9,468	0	1,366
June	10,587	0	10,587	0	1,294
<b>Total Hours</b>	<b>122,457</b>	<b>0</b>	<b>122,457</b>	<b>0</b>	<b>16,538</b>

**RECYCLING & SHREDDING  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	91.5%	0.0%	91.5%	0.0%	8.5%
August	93.1%	0.0%	93.1%	0.0%	6.9%
September	91.2%	0.0%	91.2%	0.0%	8.8%
October	90.4%	0.0%	90.4%	0.0%	9.6%
November	85.8%	0.0%	85.8%	0.0%	14.2%
December	84.2%	0.0%	84.2%	0.0%	15.8%
January	85.5%	0.0%	85.5%	0.0%	14.5%
February	83.5%	0.0%	83.5%	0.0%	16.5%
March	87.5%	0.0%	87.5%	0.0%	12.5%
April	87.8%	0.0%	87.8%	0.0%	12.2%
May	87.4%	0.0%	87.4%	0.0%	12.6%
June	89.1%	0.0%	89.1%	0.0%	10.9%
<b>12-Month Average</b>	<b>88.1%</b>	<b>0.0%</b>	<b>88.1%</b>	<b>0.0%</b>	<b>11.9%</b>

**Garten Services, Inc. Summary by Organizational Unit (cont.)**

**PACKAGE & ASSEMBLY  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disabilities – No Verification</b>	<b>Employees Without Reported Disability</b>
July	3,207	0	3,207	0	0
August	2,397	0	2,397	0	0
September	1,766	0	1,766	0	0
October	2,175	0	2,175	0	0
November	1,769	0	1,769	0	0
December	2,118	0	2,118	0	0
January	1,797	0	1,797	0	0
February	1,466	0	1,466	0	0
March	2,130	0	2,130	0	0
April	2,277	0	2,277	0	0
May	1,620	0	1,620	0	0
June	1,772	0	1,772	0	0
<b>Total Hours</b>	<b>24,494</b>	<b>0</b>	<b>24,494</b>	<b>0</b>	<b>0</b>

**PACKAGE & ASSEMBLY  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	100.0%	0.0%	100.0%	0.0%	0.0%
August	100.0%	0.0%	100.0%	0.0%	0.0%
September	100.0%	0.0%	100.0%	0.0%	0.0%
October	100.0%	0.0%	100.0%	0.0%	0.0%
November	100.0%	0.0%	100.0%	0.0%	0.0%
December	100.0%	0.0%	100.0%	0.0%	0.0%
January	100.0%	0.0%	100.0%	0.0%	0.0%
February	100.0%	0.0%	100.0%	0.0%	0.0%
March	100.0%	0.0%	100.0%	0.0%	0.0%
April	100.0%	0.0%	100.0%	0.0%	0.0%
May	100.0%	0.0%	100.0%	0.0%	0.0%
June	100.0%	0.0%	100.0%	0.0%	0.0%
<b>12-Month Average</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

**APPENDIX B:  
GOODWILL INDUSTRIES**



## Goodwill Industries Summary by Organizational Unit

### TEMPORARY SERVICES DIRECT LABOR HOUR SUMMARY

FY 1998-1999	Employees With External Verification of Disability	Employees With Internal Verification of Disability Only	Total: Employees With Verification of Disability	Employees With Reported Disability – No Verification	Employees Without Reported Disability
July	6,366	0	6,366	4,144	2,871
August	6,167	0	6,167	2,477	2,484
September	7,911	0	7,911	2,430	2,712
October	7,498	0	7,498	1,677	2,298
November	5,941	0	5,941	1,315	2,148
December	6,459	0	6,459	1,147	2,061
January	9,403	0	9,403	1,204	2,489
February	8,466	0	8,466	916	1,545
March	11,836	0	11,836	1,078	1,926
April	9,651	0	9,651	924	1,504
May	9,009	0	9,009	820	1,274
June	10,793	0	10,793	1,041	1,486
<b>Total Hours</b>	<b>99,500</b>	<b>0</b>	<b>99,500</b>	<b>19,173</b>	<b>24,798</b>

### TEMPORARY SERVICES PERCENT DIRECT LABOR HOURS PER MONTH

FY 1998-1999	Employees With External Verification of Disability	Employees With Internal Verification of Disability Only	Total: Employees With Verification of Disability	Employees With Reported Disability – No Verification	Employees Without Reported Disability
July	47.6%	0.0%	47.6%	31.0%	21.5%
August	55.4%	0.0%	55.4%	22.3%	22.3%
September	60.6%	0.0%	60.6%	18.6%	20.8%
October	65.4%	0.0%	65.4%	14.6%	20.0%
November	63.2%	0.0%	63.2%	14.0%	22.8%
December	66.8%	0.0%	66.8%	11.9%	21.3%
January	71.8%	0.0%	71.8%	9.2%	19.0%
February	77.5%	0.0%	77.5%	8.4%	14.1%
March	79.8%	0.0%	79.8%	7.3%	13.0%
April	79.9%	0.0%	79.9%	7.6%	12.5%
May	81.1%	0.0%	81.1%	7.4%	11.5%
June	81.0%	0.0%	81.0%	7.8%	11.2%
<b>12-Month Average</b>	<b>69.3%</b>	<b>0.0%</b>	<b>69.3%</b>	<b>13.4%</b>	<b>17.3%</b>

Note: Goodwill uses its temporary workers in its administrative functions. During the year, the temporary workers provided 4,954 hours to the administrative functions. Direct hours were deducted from the tables above to reflect this reclassification.

**Goodwill Industries Summary by Organizational Unit**

**PRODUCTION AND CONTRACTS (PAC)  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
<b>July</b>	1,624	0	1,624	0	0
<b>August</b>	1,163	0	1,163	0	0
<b>September</b>	968	0	968	0	0
<b>October</b>	1,047	0	1,047	0	0
<b>November</b>	1,471	0	1,471	0	0
<b>December</b>	847	0	847	0	0
<b>January</b>	1,059	0	1,059	0	0
<b>February</b>	709	0	709	0	0
<b>March</b>	836	0	836	0	0
<b>April</b>	945	0	945	0	0
<b>May</b>	684	0	684	0	0
<b>June</b>	505	0	505	0	0
<b>Total Hours</b>	11,858	0	11,858	0	0

**PRODUCTION AND CONTRACTS (PAC)  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
<b>July</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>August</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>September</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>October</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>November</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>December</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>January</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>February</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>March</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>April</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>May</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>June</b>	100.0%	0.0%	100.0%	0.0%	0.0%
<b>12-Month Average</b>	100.0%	0.0%	100.0%	0.0%	0.0%

**Goodwill Industries Summary by Organizational Unit (cont.)**

**COMMUNITY INTEGRATION PROGRAM (CIP II)  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	2,066	0	2,066	0	0
August	1,473	0	1,473	0	0
September	1,528	0	1,528	0	0
October	1,592	0	1,592	0	0
November	1,447	0	1,447	0	0
December	1,158	0	1,158	0	0
January	2,176	0	2,176	0	0
February	1,368	0	1,368	0	0
March	1,442	0	1,442	0	0
April	1,493	0	1,493	0	0
May	1,452	0	1,452	0	0
June	1,346	0	1,346	0	0
<b>Total Hours</b>	<b>18,541</b>	<b>0</b>	<b>18,541</b>	<b>0</b>	<b>0</b>

**COMMUNITY INTEGRATION PROGRAM (CIP II)  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	100.0%	0.0%	100.0%	0.0%	0.0%
August	100.0%	0.0%	100.0%	0.0%	0.0%
September	100.0%	0.0%	100.0%	0.0%	0.0%
October	100.0%	0.0%	100.0%	0.0%	0.0%
November	100.0%	0.0%	100.0%	0.0%	0.0%
December	100.0%	0.0%	100.0%	0.0%	0.0%
January	100.0%	0.0%	100.0%	0.0%	0.0%
February	100.0%	0.0%	100.0%	0.0%	0.0%
March	100.0%	0.0%	100.0%	0.0%	0.0%
April	100.0%	0.0%	100.0%	0.0%	0.0%
May	100.0%	0.0%	100.0%	0.0%	0.0%
June	100.0%	0.0%	100.0%	0.0%	0.0%
<b>12-Month Average</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

**Goodwill Industries Summary by Organizational Unit (cont.)**

**RETAIL SERVICES DIVISION  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
<b>July</b>	0	0	0	0	116,086
<b>August</b>	0	0	0	0	116,086
<b>September</b>	0	0	0	0	116,086
<b>October</b>	0	0	0	0	116,086
<b>November</b>	0	0	0	0	116,086
<b>December</b>	0	0	0	0	116,086
<b>January</b>	0	0	0	0	116,086
<b>February</b>	0	0	0	0	116,086
<b>March</b>	0	0	0	0	116,086
<b>April</b>	0	0	0	0	116,086
<b>May</b>	0	0	0	0	116,086
<b>June</b>	0	0	0	0	116,086
<b>Total Hours</b>	0	0	0	0	1,393,032

**RETAIL SERVICES DIVISION  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
<b>July</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>August</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>September</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>October</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>November</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>December</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>January</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>February</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>March</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>April</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>May</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>June</b>	0.0%	0.0%	0.0%	0.0%	100.0%
<b>12-Month Average</b>	0.0%	0.0%	0.0%	0.0%	100.0%

**APPENDIX C:**  
**PORTLAND HABILITATION CENTER**



**Portland Habilitation Center, Summary by Organizational Unit**

**PHC INDUSTRIES  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	3,598	0	3,598	0	0
August	3,769	0	3,769	0	0
September	4,300	0	4,300	0	0
October	4,591	0	4,591	0	0
November	3,993	0	3,993	0	7
December	3,792	0	3,792	0	73
January	3,347	0	3,347	0	71
February	3,209	0	3,209	0	59
March	3,729	0	3,729	0	67
April	4,173	0	4,173	7	56
May	3,406	0	3,406	0	28
June	3,901	0	3,901	0	203
<b>Total Hours</b>	<b>45,808</b>	<b>0</b>	<b>45,808</b>	<b>7</b>	<b>564</b>

**PHC INDUSTRIES  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	100.0%	0.0%	100.0%	0.0%	0.0%
August	100.0%	0.0%	100.0%	0.0%	0.0%
September	100.0%	0.0%	100.0%	0.0%	0.0%
October	100.0%	0.0%	100.0%	0.0%	0.0%
November	99.8%	0.0%	99.8%	0.0%	0.2%
December	98.1%	0.0%	98.1%	0.0%	1.9%
January	97.9%	0.0%	97.9%	0.0%	2.1%
February	98.2%	0.0%	98.2%	0.0%	1.8%
March	98.2%	0.0%	98.2%	0.0%	1.8%
April	98.5%	0.0%	98.5%	0.2%	1.3%
May	99.2%	0.0%	99.2%	0.0%	0.8%
June	95.1%	0.0%	95.1%	0.0%	4.9%
<b>12-Month Average</b>	<b>98.8%</b>	<b>0.0%</b>	<b>98.8%</b>	<b>0.0%</b>	<b>1.2%</b>

**Portland Habilitation Center, Summary by Organizational Unit (cont.)**

**JANITORIAL  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	32,419	0	32,419	79	16,129
August	31,285	0	31,285	84	14,669
September	32,190	8	32,198	79	14,443
October	34,656	150	34,806	0	14,745
November	31,399	142	31,541	0	13,242
December	34,924	158	35,082	0	14,114
January	31,481	142	31,623	0	13,136
February	30,623	127	30,750	0	12,804
March	36,263	175	36,438	0	15,026
April	34,676	104	34,780	0	14,245
May	31,935	145	32,080	0	13,643
June	34,981	133	35,114	0	15,272
<b>Total Hours</b>	<b>396,832</b>	<b>1,284</b>	<b>398,116</b>	<b>242</b>	<b>171,468</b>

**JANITORIAL  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	66.7%	0.0%	66.7%	0.2%	33.2%
August	68.0%	0.0%	68.0%	0.2%	31.9%
September	68.9%	0.0%	68.9%	0.2%	30.9%
October	69.9%	0.3%	70.2%	0.0%	29.8%
November	70.1%	0.3%	70.4%	0.0%	29.6%
December	71.0%	0.3%	71.3%	0.0%	28.7%
January	70.3%	0.3%	70.7%	0.0%	29.3%
February	70.3%	0.3%	70.6%	0.0%	29.4%
March	70.5%	0.3%	70.8%	0.0%	29.2%
April	70.7%	0.2%	70.9%	0.0%	29.1%
May	69.8%	0.3%	70.2%	0.0%	29.8%
June	69.4%	0.3%	69.7%	0.0%	30.3%
<b>12-Month Average</b>	<b>69.6%</b>	<b>0.2%</b>	<b>69.9%</b>	<b>0.0%</b>	<b>30.1%</b>

**Portland Habilitation Center, Summary by Organizational Unit (cont.)**

**LANDSCAPE & NURSERY  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	2,798	0	2,798	0	507
August	2,868	0	2,868	0	409
September	2,863	0	2,863	0	430
October	2,895	0	2,895	0	393
November	2,449	0	2,449	0	263
December	2,438	0	2,438	0	235
January	2,381	0	2,381	0	292
February	2,136	0	2,136	0	227
March	2,795	0	2,795	0	262
April	2,676	0	2,676	0	245
May	2,172	0	2,172	0	216
June	2,433	0	2,433	0	231
<b>Total Hours</b>	<b>30,904</b>	<b>0</b>	<b>30,904</b>	<b>0</b>	<b>3,710</b>

**LANDSCAPE & NURSERY  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	84.7%	0.0%	84.7%	0.0%	15.3%
August	87.5%	0.0%	87.5%	0.0%	12.5%
September	86.9%	0.0%	86.9%	0.0%	13.1%
October	88.0%	0.0%	88.0%	0.0%	12.0%
November	90.3%	0.0%	90.3%	0.0%	9.7%
December	91.2%	0.0%	91.2%	0.0%	8.8%
January	89.1%	0.0%	89.1%	0.0%	10.9%
February	90.4%	0.0%	90.4%	0.0%	9.6%
March	91.4%	0.0%	91.4%	0.0%	8.6%
April	91.6%	0.0%	91.6%	0.0%	8.4%
May	91.0%	0.0%	91.0%	0.0%	9.0%
June	91.3%	0.0%	91.3%	0.0%	8.7%
<b>12-Month Average</b>	<b>89.3%</b>	<b>0.0%</b>	<b>89.3%</b>	<b>0.0%</b>	<b>10.7%</b>

**Portland Habilitation Center, Summary by Organizational Unit (cont.)**

**TRAINING & PLACEMENT  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	871	0	871	0	0
August	1,231	0	1,231	0	0
September	1,261	0	1,261	0	0
October	1,275	11	1,286	0	0
November	1,215	6	1,221	0	0
December	1,352	19	1,371	0	0
January	1,338	14	1,352	0	0
February	1,460	38	1,498	0	0
March	2,012	0	2,012	0	0
April	2,675	0	2,675	0	0
May	2,449	0	2,449	0	0
June	2,958	0	2,958	0	0
<b>Total Hours</b>	<b>20,097</b>	<b>88</b>	<b>20,185</b>	<b>0</b>	<b>0</b>

**TRAINING & PLACEMENT  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	100.0%	0.0%	100.0%	0.0%	0.0%
August	100.0%	0.0%	100.0%	0.0%	0.0%
September	100.0%	0.0%	100.0%	0.0%	0.0%
October	99.1%	0.9%	100.0%	0.0%	0.0%
November	99.5%	0.5%	100.0%	0.0%	0.0%
December	98.6%	1.4%	100.0%	0.0%	0.0%
January	99.0%	1.0%	100.0%	0.0%	0.0%
February	97.5%	2.5%	100.0%	0.0%	0.0%
March	100.0%	0.0%	100.0%	0.0%	0.0%
April	100.0%	0.0%	100.0%	0.0%	0.0%
May	100.0%	0.0%	100.0%	0.0%	0.0%
June	100.0%	0.0%	100.0%	0.0%	0.0%
<b>12-Month Average</b>	<b>99.6%</b>	<b>0.4%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

**Portland Habilitation Center, Summary by Organizational Unit (cont.)**

**CLERICAL SERVICES  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	10,625	50	10,675	0	168
August	8,406	0	8,406	0	160
September	8,424	0	8,424	0	167
October	9,179	0	9,179	0	160
November	7,696	0	7,696	0	142
December	8,628	0	8,628	0	148
January	8,285	0	8,285	0	152
February	8,121	0	8,121	0	144
March	9,540	0	9,540	0	80
April	9,479	0	9,479	0	295
May	8,572	0	8,572	0	315
June	9,358	0	9,358	0	335
<b>Total Hours</b>	<b>106,313</b>	<b>50</b>	<b>106,363</b>	<b>0</b>	<b>2,266</b>

**CLERICAL SERVICES  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	98.0%	0.5%	98.5%	0.0%	1.5%
August	98.1%	0.0%	98.1%	0.0%	1.9%
September	98.1%	0.0%	98.1%	0.0%	1.9%
October	98.3%	0.0%	98.3%	0.0%	1.7%
November	98.2%	0.0%	98.2%	0.0%	1.8%
December	98.3%	0.0%	98.3%	0.0%	1.7%
January	98.2%	0.0%	98.2%	0.0%	1.8%
February	98.3%	0.0%	98.3%	0.0%	1.7%
March	99.2%	0.0%	99.2%	0.0%	0.8%
April	97.0%	0.0%	97.0%	0.0%	3.0%
May	96.5%	0.0%	96.5%	0.0%	3.5%
June	96.5%	0.0%	96.5%	0.0%	3.5%
<b>12-Month Average</b>	<b>97.9%</b>	<b>0.0%</b>	<b>97.9%</b>	<b>0.0%</b>	<b>2.1%</b>

**Portland Habilitation Center, Summary by Organizational Unit (cont.)**

**ALASKA  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	7,071	0	7,071	0	1,566
August	6,501	0	6,501	0	1,477
September	6,511	0	6,511	0	1,571
October	6,844	0	6,844	0	1,663
November	6,437	0	6,437	0	1,478
December	6,472	0	6,472	0	1,533
January	6,100	0	6,100	0	1,308
February	6,103	0	6,103	0	1,109
March	7,670	0	7,670	0	1,695
April	7,669	0	7,669	0	1,754
May	7,018	0	7,018	0	1,475
June	8,079	0	8,079	0	1,613
<b>Total Hours</b>	<b>82,475</b>	<b>0</b>	<b>82,475</b>	<b>0</b>	<b>18,242</b>

**ALASKA  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Reported Disability – No Verification</b>	<b>Employees Without Reported Disability</b>
July	81.9%	0.0%	81.9%	0.0%	18.1%
August	81.5%	0.0%	81.5%	0.0%	18.5%
September	80.6%	0.0%	80.6%	0.0%	19.4%
October	80.5%	0.0%	80.5%	0.0%	19.5%
November	81.3%	0.0%	81.3%	0.0%	18.7%
December	80.8%	0.0%	80.8%	0.0%	19.2%
January	82.3%	0.0%	82.3%	0.0%	17.7%
February	84.6%	0.0%	84.6%	0.0%	15.4%
March	81.9%	0.0%	81.9%	0.0%	18.1%
April	81.4%	0.0%	81.4%	0.0%	18.6%
May	82.6%	0.0%	82.6%	0.0%	17.4%
June	83.4%	0.0%	83.4%	0.0%	16.6%
<b>12-Month Average</b>	<b>81.9%</b>	<b>0.0%</b>	<b>81.9%</b>	<b>0.0%</b>	<b>18.1%</b>

**APPENDIX D:**  
**ST. VINCENT DEPAUL REHABILITATION SERVICES**



**St. Vincent de Paul, Summary by Organizational Unit**

**INDUSTRIAL SUBCONTRACTING  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	8,906	0	8,906	549	1,635
August	8,516	0	8,516	822	1,703
September	9,126	0	9,126	549	1,759
October	9,275	0	9,275	528	1,851
November	8,111	0	8,111	505	1,754
December	9,304	0	9,304	576	1,806
January	8,713	0	8,713	485	1,531
February	8,877	0	8,877	495	1,703
March	9,234	0	9,234	497	1,617
April	16,140	0	16,140	717	2,527
May	10,721	0	10,721	510	1,732
June	10,268	0	10,268	594	1,537
<b>Total Hours</b>	<b>117,191</b>	<b>0</b>	<b>117,191</b>	<b>6,827</b>	<b>21,155</b>

**INDUSTRIAL SUBCONTRACTING  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	80.3%	0.0%	80.3%	5.0%	14.7%
August	77.1%	0.0%	77.1%	7.4%	15.4%
September	79.8%	0.0%	79.8%	4.8%	15.4%
October	79.6%	0.0%	79.6%	4.5%	15.9%
November	78.2%	0.0%	78.2%	4.9%	16.9%
December	79.6%	0.0%	79.6%	4.9%	15.5%
January	81.2%	0.0%	81.2%	4.5%	14.3%
February	80.2%	0.0%	80.2%	4.5%	15.4%
March	81.4%	0.0%	81.4%	4.4%	14.2%
April	83.3%	0.0%	83.3%	3.7%	13.0%
May	82.7%	0.0%	82.7%	3.9%	13.4%
June	82.8%	0.0%	82.8%	4.8%	12.4%
<b>12-Month Average</b>	<b>80.7%</b>	<b>0.0%</b>	<b>80.7%</b>	<b>4.7%</b>	<b>14.6%</b>

## St. Vincent de Paul, Summary by Organizational Unit (cont.)

STAFFING SERVICES  
DIRECT LABOR HOUR SUMMARY

FY 1998-1999	Employees With External Verification of Disability	Employees With Internal Verification of Disability Only	Total: Employees With Verification of Disability	Employees With Disability Reported – No Verification	Employees Without Reported Disability
July	43,766	0	43,766	8,778	9,289
August	37,661	0	37,661	6,748	7,560
September	39,331	0	39,331	5,415	6,386
October	48,776	0	48,776	5,209	7,434
November	36,030	0	36,030	3,601	4,809
December	49,357	0	49,357	6,675	7,949
January	32,990	0	32,990	2,936	4,480
February	35,975	0	35,975	3,163	5,270
March	38,855	0	38,855	4,729	4,883
April	46,185	0	46,185	5,144	5,413
May	37,029	0	37,029	4,014	4,408
June	37,613	0	37,613	4,300	4,337
<b>Total Hours</b>	<b>483,568</b>	<b>0</b>	<b>483,568</b>	<b>60,712</b>	<b>72,217</b>

STAFFING SERVICES  
PERCENT DIRECT LABOR HOURS PER MONTH

FY 1998-1999	Employees With External Verification of Disability	Employees With Internal Verification of Disability Only	Total: Employees With Verification of Disability	Employees With Disability Reported – No Verification	Employees Without Reported Disability
July	70.8%	0.0%	70.8%	14.2%	15.0%
August	72.5%	0.0%	72.5%	13.0%	14.5%
September	76.9%	0.0%	76.9%	10.6%	12.5%
October	79.4%	0.0%	79.4%	8.5%	12.1%
November	81.1%	0.0%	81.1%	8.1%	10.8%
December	77.1%	0.0%	77.1%	10.4%	12.4%
January	81.6%	0.0%	81.6%	7.3%	11.1%
February	81.0%	0.0%	81.0%	7.1%	11.9%
March	80.2%	0.0%	80.2%	9.8%	10.1%
April	81.4%	0.0%	81.4%	9.1%	9.5%
May	81.5%	0.0%	81.5%	8.8%	9.7%
June	81.3%	0.0%	81.3%	9.3%	9.4%
<b>12-Month Average</b>	<b>78.4%</b>	<b>0.0%</b>	<b>78.4%</b>	<b>9.9%</b>	<b>11.7%</b>

Note: St. Vincent uses its temporary workers in its administrative functions. During the year, the temporary workers provided approximately 920 hours to the administrative functions. Direct hours were deducted from the tables above to reflect this reclassification.

## St. Vincent de Paul, Summary by Organizational Unit (cont.)

**SECURITY SERVICES  
DIRECT LABOR HOUR SUMMARY**

FY 1998-1999	Employees With External Verification of Disability	Employees With Internal Verification of Disability Only	Total: Employees With Verification of Disability	Employees With Disability Reported – No Verification	Employees Without Reported Disability
July	4,816	0	4,816	205	3,584
August	3,626	0	3,626	158	3,255
September	4,507	0	4,507	270	3,317
October	4,623	0	4,623	173	2,883
November	4,350	0	4,350	163	2,597
December	7,004	0	7,004	263	4,111
January	5,077	0	5,077	161	2,181
February	5,277	0	5,277	171	2,033
March	5,692	0	5,692	153	2,438
April	5,807	0	5,807	170	2,354
May	5,827	0	5,827	179	2,407
June	6,105	0	6,105	153	2,416
<b>Total Hours</b>	<b>62,711</b>	<b>0</b>	<b>62,711</b>	<b>2,219</b>	<b>33,576</b>

**SECURITY SERVICES  
PERCENT DIRECT LABOR HOURS PER MONTH**

FY 1998-1999	Employees With External Verification of Disability	Employees With Internal Verification of Disability Only	Total: Employees With Verification of Disability	Employees With Disability Reported – No Verification	Employees Without Reported Disability
July	56.0%	0.0%	56.0%	2.4%	41.7%
August	51.5%	0.0%	51.5%	2.2%	46.2%
September	55.7%	0.0%	55.7%	3.3%	41.0%
October	60.2%	0.0%	60.2%	2.3%	37.5%
November	61.2%	0.0%	61.2%	2.3%	36.5%
December	61.6%	0.0%	61.6%	2.3%	36.1%
January	68.4%	0.0%	68.4%	2.2%	29.4%
February	70.5%	0.0%	70.5%	2.3%	27.2%
March	68.7%	0.0%	68.7%	1.8%	29.4%
April	69.7%	0.0%	69.7%	2.0%	28.3%
May	69.3%	0.0%	69.3%	2.1%	28.6%
June	70.4%	0.0%	70.4%	1.8%	27.9%
<b>12-Month Average</b>	<b>63.7%</b>	<b>0.0%</b>	<b>63.7%</b>	<b>2.2%</b>	<b>34.1%</b>

Note: St. Vincent uses its temporary security services workers in its administrative functions. During the year, the security services workers provided approximately 2,080 hours to the administrative functions. Direct hours were deducted from the tables above to reflect this

reclassification.

**St. Vincent de Paul, Summary by Organizational Unit (cont.)**

**DOCUMENT PROCESSING  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	1,497	0	1,497	0	0
August	1,052	0	1,052	0	0
September	989	0	989	0	0
October	701	0	701	0	0
November	432	0	432	0	0
December	411	0	411	0	0
January	676	0	676	0	0
February	778	0	778	0	0
March	992	0	992	0	0
April	841	0	841	0	0
May	621	0	621	0	0
June	732	0	732	0	0
<b>Total Hours</b>	<b>9,722</b>	<b>0</b>	<b>9,722</b>	<b>0</b>	<b>0</b>

**DOCUMENT PROCESSING  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	100.0%	0.0%	100.0%	0.0%	0.0%
August	100.0%	0.0%	100.0%	0.0%	0.0%
September	100.0%	0.0%	100.0%	0.0%	0.0%
October	100.0%	0.0%	100.0%	0.0%	0.0%
November	100.0%	0.0%	100.0%	0.0%	0.0%
December	100.0%	0.0%	100.0%	0.0%	0.0%
January	100.0%	0.0%	100.0%	0.0%	0.0%
February	100.0%	0.0%	100.0%	0.0%	0.0%
March	100.0%	0.0%	100.0%	0.0%	0.0%
April	100.0%	0.0%	100.0%	0.0%	0.0%
May	100.0%	0.0%	100.0%	0.0%	0.0%
June	100.0%	0.0%	100.0%	0.0%	0.0%
<b>12-Month Average</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

**St. Vincent de Paul, Summary by Organizational Unit (cont.)**

**JANITORIAL  
DIRECT LABOR HOUR SUMMARY**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	326	0	326	0	0
August	320	0	320	0	0
September	274	0	274	0	0
October	477	0	477	0	0
November	320	0	320	0	0
December	318	0	318	0	0
January	314	0	314	0	0
February	319	0	319	0	0
March	308	0	308	0	0
April	487	0	487	0	0
May	283	0	283	0	0
June	288	0	288	0	0
<b>Total Hours</b>	<b>4,034</b>	<b>0</b>	<b>4,034</b>	<b>0</b>	<b>0</b>

**JANITORIAL  
PERCENT DIRECT LABOR HOURS PER MONTH**

<b>FY 1998-1999</b>	<b>Employees With External Verification of Disability</b>	<b>Employees With Internal Verification of Disability Only</b>	<b>Total: Employees With Verification of Disability</b>	<b>Employees With Disability Reported – No Verification</b>	<b>Employees Without Reported Disability</b>
July	100.0%	0.0%	100.0%	0.0%	0.0%
August	100.0%	0.0%	100.0%	0.0%	0.0%
September	100.0%	0.0%	100.0%	0.0%	0.0%
October	100.0%	0.0%	100.0%	0.0%	0.0%
November	100.0%	0.0%	100.0%	0.0%	0.0%
December	100.0%	0.0%	100.0%	0.0%	0.0%
January	100.0%	0.0%	100.0%	0.0%	0.0%
February	100.0%	0.0%	100.0%	0.0%	0.0%
March	100.0%	0.0%	100.0%	0.0%	0.0%
April	100.0%	0.0%	100.0%	0.0%	0.0%
May	100.0%	0.0%	100.0%	0.0%	0.0%
June	100.0%	0.0%	100.0%	0.0%	0.0%
<b>12-Month Average</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>



**APPENDIX E:**  
**AUDITS DIVISION LIMITED-SCOPE REVIEW OF**  
**QRF PROGRAM OVERSIGHT**





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*Auditing for a Better Oregon*

April 15, 1999

Jon Yunker, Director  
Department of Administrative Services  
155 Cottage Street NE  
Salem, Oregon 97310

Dear Mr. Yunker:

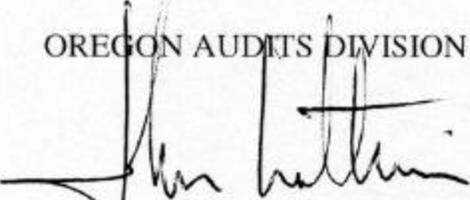
This letter and attachment summarizes the results of our limited scope review of the Department of Administrative Services' (DAS) implementation of key statutes and administrative rules pertaining to qualified rehabilitation facilities (QRFs). This review was performed at your request.

Our review showed that DAS has complied with some of the key statutes and rules. In particular, it has complied with ORS 279.845 (2) which requires DAS to publish a directory of QRFs. It has not fully complied with ORS 279.845 (1) which assigns to DAS the work of determining fair market prices for all goods and services that QRFs offer for sale to Oregon public agencies. To better carry out the requirements, we ask that you consider the following recommendations.

1. Maintain an up-to-date, online directory of rehabilitation facilities that have met all state requirements for the QRF designation.
2. Provide assurance that each rehabilitation facility listed in the QRF directory has met the labor hour requirement of ORS 279.835 (4)(c).
3. Develop and follow a plan for implementing ORS 279.845 (1) and OAR 125-030-0015. Work with members of the Legislative Assembly in obtaining the resources necessary to comply with the requirements. As part of this effort, consider the benefits and risks of amending the statutes to allow local public agencies to establish fair market prices for the QRF goods and services they purchase.

Management Letter No. 107-1999-04-01

Our review showed a need for an independent verification of labor hour data reported by QRFs. We propose to contract out onsite audit work at a sample of Oregon's largest QRFs to determine their compliance with ORS 279.835 (4)(c), which requires that people with disabilities perform at least 75 percent of the direct labor hours in providing products and services. The audit will review payroll, production, and employee records.



OREGON AUDITS DIVISION  
John N. Lattimer  
Director

bk  
enclosure

**Department of Administrative Services  
Limited Scope Review of Implementation of Statutes  
Pertaining to Qualified Rehabilitation Facilities  
April 1999**

Qualified Rehabilitation Facilities (QRFs) are non-profit organizations whose mission is to provide employment services to people with disabilities. In 1977 the Legislative Assembly passed the "Products of Disabled Individuals" law to encourage and assist people with disabilities in achieving gainful employment. This law exempts QRFs from the competitive bidding requirements for public contracts. The law requires the Department of Administrative Services (DAS) to administer the statutes.

The main objectives of our limited review were to:

- (1) Determine how DAS assures compliance with Oregon Revised Statute (ORS) ORS 279.835 (4)(c) which requires that people with disabilities perform at least 75 percent of a QRF's direct labor hours, and
- (2) Determine how DAS assures compliance with ORS 279.845 (1), which requires DAS to determine the fair market price of QRF products and services offered for sale to public agencies.

To accomplish these objectives, we reviewed applicable laws, rules, and Attorney General opinions. We interviewed DAS officials and reviewed their records related to QRFs.

Our review showed that DAS has not completely implemented systems to assure full compliance with 279.835 (4)(c) and 279.845 (1), and related Oregon Administrative Rules (OARs).

**Statutory and Rule Requirements**

According to OAR 125-030-000 (42), a QRF is a non-profit community rehabilitation program or vocational service provider that:

- (a) meets the requirements of ORS 279.835 (4)(c);
- (b) is certified through the state's Vocational Rehabilitation Division or Mental Health and Developmental Disability Services Division;
- (c) meets the definition given in ORS 279.835 (4); and
- (d) has been, or is capable of being, certified by DAS as a QRF by filing an application request.

According to ORS 279.835 (4)(c), during the fiscal year, a QRF is required to employ people with disabilities for not less than 75 percent of the person-hours of direct labor required for the manufacture or provision of the entity's products or services. Direct labor is defined to include all work required for preparation, processing and packing, but not supervision, administration, inspection, and shipping.

ORS 279.015 (1)(b) exempts QRFs from the competitive bidding process for public contracts, and ORS 279.850 requires all state and local governments, school districts, and other tax-supported political bodies in Oregon (public agencies) to purchase goods and services from QRFs when the goods or services meet their requirements.

ORS 279.845 (2) requires DAS to publish a directory of QRFs, and OAR 125-030-0015 (4) requires the directory to be published annually.

According to ORS 279.845 (1), DAS is responsible for determining the price of all products and services that QRFs offer for sale to Oregon public agencies. The price is to recover the cost of raw materials, labor, overhead, delivery costs, and a margin held in reserve.

### **Standardize Reporting**

DAS's annual QRF application requires rehabilitation facilities to report direct labor hours for the most recent fiscal year. The application, however, does not indicate which fiscal year to use, state or federal. Rehabilitation facilities report using different fiscal years. As a result, DAS may accept an application based on older information that may not reflect recent operations. One example is a facility that submitted an application in August 1998. Instead of reporting direct labor hours for the most recent completed state fiscal year which ended June 30, 1998, the facility used the most recent completed federal fiscal year which ended September 30, 1997. A rehabilitation facility that has maintained adequate time and billing records should be able to report direct labor hours for either prior fiscal year, state or federal. DAS could gather more current data by defining the fiscal year to be used in reporting, and by setting an annual application deadline that closely follows the ending date of the defined fiscal year.

### **Shorten the Time Gap Between the Application Deadline and Publication of the QRF Directory. Publish and Maintain the Directory On-Line**

OAR 125-030-0015 (4) requires DAS to annually publish a directory of QRFs. The most recent directory, still in use in March 1999, was printed and published in June 1998. At the time of our review a copy of the 1998 directory was available on DAS's Internet web site. The 1998 directory was based on QRF applications received in January 1997. We were told that the 1999 directory will be based on applications submitted in August 1998.

The current (1998) directory lists some rehabilitation facilities that do not wish to participate in the QRF program, and some that may not qualify for certification as a QRF. In February 1999 we compared the listing of QRFs shown in DAS's current directory to QRFs' applications for listing in DAS's 1999 directory. The applications were due in August 1998. Although still listed as QRFs in DAS's current directory, three rehabilitation facilities had informed DAS during 1998 that they wished to withdraw from the QRF program. Another three facilities did not submit an application. Two others reported disabled employee direct labor hours that were less than 75 percent.

DAS should attempt to publish its directory more promptly, and then maintain it to supply more current information about QRFs. To do so, DAS could publish the directory as an on-line document. It could update the directory's listing of QRFs within a few weeks of the annual application deadline, based on the results of its initial review of applications. DAS could then maintain the on-line directory by revising it throughout the year, as necessary, to reflect the results of onsite testing of labor hour data, follow up on applications, and additional information submitted by rehabilitation facilities.

### **Test Labor Hour Data**

Oregon public agencies have not been provided with independent assurance that rehabilitation facilities shown in DAS's directory actually qualify for listing as a QRF. DAS has relied on QRFs to accurately self-report whether they do, or do not, meet the 75 percent direct labor requirement. It has not required rehabilitation facilities to submit with their annual applications documentation supporting the reported labor hours. DAS has conducted on site reviews at some QRFs, but these do not appear to have included in-depth testing to verify compliance with the labor hour requirement.

In March 1998, DAS began conducting onsite reviews at rehabilitation facilities. As of February 1999 it had completed six reviews. DAS's files indicate that a review involves a general assessment of a rehabilitation facility's process for tracking the 75 percent direct labor requirement. DAS also reviews a sample of employee files to determine if they include a signed certified disability document. We noted that DAS did not have written procedures for conducting and documenting these reviews, or reporting the results.

To adequately test a QRF's compliance ORS 279.835 (4)(c), the following work should be performed. A reviewer must obtain valid evidence of disability for every rehabilitation facility employee with a disability who provided goods and services during the fiscal year. Using reliable and complete data, a reviewer must independently calculate the portion of all hours worked in providing goods and services that were direct hours, and the portion of the direct hours that were worked by persons with disabilities. This is done by analyzing all labor hours worked by all rehabilitation facility employees, for all goods and services, during the entire fiscal year.

### **Determine Fair Market Prices**

According to ORS 279.845 (1), DAS is responsible for determining the fair market price of all goods and services that QRFs offer for sale to Oregon public agencies. OAR 125-030-0015 defines procedures DAS must follow in establishing prices. The price should recover the cost of raw materials, labor, overhead, delivery costs, and a margin held in reserve. Under OAR 125-030-0015 the price established is valid for one year, unless otherwise determined by a contract, and public agencies are prohibited from paying QRFs any price other than the one DAS has established.

DAS does not adequately comply with the statute and the rules. We were told that DAS determines fair market prices only when it becomes involved in state contracts of more than \$75,000, or when a public agency requests assistance.

For DAS to fully comply with the requirements, it would need to significantly increase staff resources assigned to its QRF unit. QRFs are located throughout the state. They offer an array of goods and services, many of which are customized to the needs of the client. We asked DAS officials to estimate the number of additional positions that would be needed to enable DAS to establish fair market prices for QRF goods and services in all Oregon markets. They estimated three or four full time positions. It is likely that the state would be required to fund these positions, even though the employees would spend a portion of their time setting prices for goods and services consumed only by local governments. DAS is funded primarily with service reimbursements from state agencies and lacks the authority to bill local governments for this QRF-related work.

Instead of hiring additional staff, DAS officials have contemplated having local agencies establish fair market prices for the goods and services they purchase from QRFs. This

option would require the Legislative Assembly to amend in the statutes, and DAS would need to propose amendments to the administrative rules.

### **Recommendations**

To better ensure compliance with laws and rules concerning QRFs, we recommend that DAS do the following:

1. Maintain an up-to-date, on-line, directory of rehabilitation facilities that have met all state requirements for the QRF designation, by:
  - (a) Continuing to require rehabilitation facilities to apply annually for listing in the directory of QRFs.
  - (b) Defining the fiscal year, federal or state, that rehabilitation facilities must use for reporting their direct labor hours.
  - (c) Setting a deadline for receiving annual QRF applications that closely follows the ending date of the fiscal year reporting period.
  - (d) Maintaining the existing on-line directory of QRFs. The on-line directory should be updated shortly after the annual QRF application deadline, reflecting DAS's initial review and acceptance of applications. The directory should be revised throughout the year, as necessary, reflecting the results of onsite testing of labor hour data, follow up on applications, and additional information submitted by rehabilitation facilities.
  - (e) Requiring rehabilitation facilities to submit with their annual applications summary documentation supporting the reported direct labor hours. For example, the summary could provide a monthly breakdown for the full fiscal year showing: (1) the total number of hours worked by all employees, (2) the total number of hours worked by people with disabilities, (3) the total number of direct labor hours worked by all employees in the provision of all goods and services, and (4) the total number of direct labor hours worked by people with disabilities in the provision of all goods and services.
  - (f) Establishing procedures to promptly disqualify rehabilitation facilities from the QRF program whenever DAS learns that they no longer wish to participate in the program, have not met the statutory and rule requirements, or have not complied with reporting requirements.
  - (g) Establishing procedures to promptly re-qualify previously disqualified rehabilitation facilities that demonstrate attainment of the statutory and rule requirements, or that comply with reporting requirements, or both.
  - (h) Establishing procedures to promptly revise the on-line directory whenever rehabilitation facilities are found to be qualified, disqualified, or re-qualified as QRFs.

2. Provide assurance that each rehabilitation facility listed in the QRF directory has met the labor hour requirement of ORS 279.835 (4)(c), by:
  - (a) Requiring periodic, onsite, review of all hours worked by all rehabilitation facility employees in the provision of goods and services during the entire fiscal year. DAS could perform these reviews itself, or ensure that qualified persons who are independent of the rehabilitation facility perform them.
  - (b) Developing procedures for conducting onsite reviews of rehabilitation facility data. DAS should establish a maximum time interval between onsite reviews. It should also define procedures for data collection, data testing, documentation of the work performed, and reporting the results.
  - (c) Promoting efficient onsite reviews by establishing reasonable requirements for rehabilitation facilities to follow in retaining labor hour data and employee disability records. For example, DAS could require QRF applicants to retain for three years certain records supporting the application. These records would include for every employee for the full fiscal year: (1) evidence of disability status; (2) position titles and job descriptions; (3) payroll records showing hours paid, sick leave hours, vacation hours, etc.; and (4) time and billing records showing hours worked in the provision of goods and services.
3. Develop and follow a plan for implementing ORS 279.845 (1) and OAR 125-030-0015. Work with members of the Legislative Assembly in obtaining the resources necessary to comply with the requirements. As part of this effort, consider the benefits and risks of amending the statutes to allow local public agencies to establish fair market prices for the QRF goods and services they purchase.



## **AGENCIES' RESPONSES TO THE AUDIT REPORT**





# Oregon

John A. Kitzhaber, M.D., Governor

## Department of Administrative Services

Office of the Director  
155 Cottage Street NE  
Salem, OR 97310-0310  
(503) 378-3104  
FAX (503) 373-7643

August 4, 2000

John N. Lattimer, Director  
Secretary of State Audits Division  
255 Capitol Street NE, Suite 500  
Salem OR 97310

Dear Mr. Lattimer:

The Department of Administrative Services (DAS) is pleased to respond to recommendations contained within the draft audit report entitled, "Department of Administrative Services, Review of Qualified Rehabilitation Facilities" received on July 7, 2000.

**1. Develop referral documentation standards for non-state organizations**

DAS agrees with the recommendation. DAS is developing a standard form, which includes the definition of disability used in ORS 279.835(2). We will work with the DAS QRF Advisory Council to refine the document. A qualified person must sign this document attesting that the individual meets the requirements of the definition. QRF programs will be required to document their employee files with form if a similar document from the Blind Commission, the Vocational Rehabilitation Division, or the Mental Health Division is not on file.

**2. Require periodic, independent, reviews of labor and employee records at each non-profit organization in the QRF program to test compliance with the 75 percent direct labor requirement.**

DAS agrees. In December 1999 a task group convened by Representative Jane Lokan to review QRF record keeping and monitoring procedures recommended that all state agency QRF contracts include a requirement that QRFs with public contracts exceeding \$20,000 per year have a Certified Public Accountant review their labor records for compliance with the 75 percent disability requirement during their annual financial audit. On April 21, 2000, the Department of Administrative Services adopted Administrative Rule 125-030-0015 (12) to implement this recommendation. Contract clauses will be included in QRF contracts requiring this periodic review as set out in the rule. Funding of the DAS policy option package for additional purchasing staff will contribute to our ability to monitor this portion of the program.

**3. Develop guidelines for consistently capturing and reporting QRF supervisors' time spent in direct labor.**

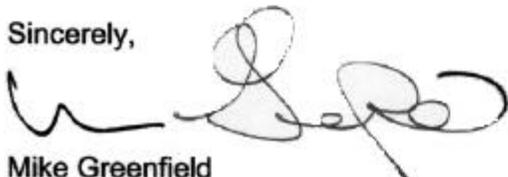
DAS agrees. DAS will work with the QRF Advisory Council to develop reporting guidelines for supervisor time spent in performing direct labor. Funding of the DAS policy option package for additional purchasing staff will contribute to our ability to monitor this portion of the program.

The remaining three recommendations pertain to the Legislative Assembly and involve clarification to existing statute. We are prepared to assist the Legislature in any way needed to clarify provisions of statute.

In June 1998, DAS asked the Department of Justice whether the 75 percent requirement for disabled individuals applied on a contract-by-contract basis or to the facility or service being provided. In its opinion DOJ wrote, "There is no indication in this section, or anywhere else in the statute, that the 75 percent requirement applies on a per-contract basis. Rather, the provision specifies only that this level of disabled employment be maintained through the fiscal year and that this requirement applies only to direct labor." The Secretary of State believes the intent of law is still unclear regarding the period of time in which the 75 percent requirement must be maintained. DAS will request additional clarification from the Department of Justice.

Thank you for the opportunity to comment on this draft audit report.

Sincerely,



Mike Greenfield  
Director

c: Cam Birnie

Administration (503) 581-4472  
Senior Services (503) 364-9086  
Packaging Services (503) 371-0853  
Employment Services (503) 581-4472  
Recycling Services (503) 581-4472  
Mail Services (503) 581-1984  
Facsimile (503) 581-4497

July 24, 2000

Mr. John Lattimer  
Director, Audits Division  
Office of the Secretary of State Office  
255 Capitol Street N.E. Suite 500  
Salem, OR 97310

Dear Mr. Lattimer:

I am responding in writing to the findings and recommendations in the draft audit of the four Qualified Rehabilitation Facilities' compliance with the direct labor requirements of ORS 279.835(4)(c).

First, I have signed on to and support the response submitted to your office by my fellow members of the Oregon Rehabilitation Association; Portland Habilitation Center and St. Vincent dePaul Rehabilitation Services. We crafted this response together and I am in full agreement with it.

My comments are more specific to Garten Services, Inc. precisely because Garten has been the primary target of numerous accusations regarding abuse of The Products of Disabled Individuals Law. There are two points that I would like to submit into the final document.

1. We value the privilege that ORS 279.835-855 affords our organization in accomplishing our mission of finding steady ongoing work for people with disabilities. As such, our Board of Directors tracks monthly, as a performance measurement, Garten's direct labor ratio. In addition to this monthly tracking our Board has our financial auditors report on that information during their audit presentation in August of each year. The point I want you to be aware of is, that the average percent of direct labor hours given to our Board of Directors, at their August 1999 Board meeting by our auditors was 87%. Your 100% compliance audit revealed an 86.4% average of direct labor hours for that same period. Over 270,000 worker hours reviewed, with only a .6% difference. It's obvious that we know what is required of us, and track this information closely. You may also want to note that we are substantially above the requirement.



A United Way Agency

Member: Oregon Rehabilitation Association / An Equal Opportunity/Affirmative Action Employer 3334 Industrial Way NE, P.O. Box 17485 Salem, Oregon 97305-7485

RECYCLED PAPER

2. At the request of the Department of Administrative Services Facilities Division, Garten Services contracted with an outside auditing firm to review the recycling contract between Garten and the State of Oregon, and to determine Garten's adherence to the terms of the contract. Additionally, they reviewed the procedures and record keeping system Garten uses to assure compliance with the State's direct labor requirements as specified in ORS 279.835 (4) and (5). Their findings were submitted to DAS Facilities sometime around September 1999. I want to quote from their findings regarding direct labor testing.

*" We reviewed the process Garten Services, Inc. uses to produce the various reports that track the percentage of direct labor in order to ensure they are meeting the 75% direct labor requirements, including the DAS administrative rules and Products of Disabled Individuals Law ORS 279.835-855 (4) (c) (5). Garten tracks the time for all employees through the Kronos timekeeping system. ADP uses this information for producing payroll reports. ADP generates several reports for Garten, which allow them to produce monthly hours by differing staff classification. These are used to generate the NISH quarterly employment reports (QER01) and the NISH Annual report. The process for determining the appropriate allocation of staff time is based on the NISH requirements, which are the same as those used, by the State. It excludes from direct labor time spent performing supervision, administration, material handling, shipping, and quality control. NISH performs an audit of Garten's classification of staff time, every three years. The monthly reports are also used to create the direct labor report Garten uses to track direct labor percentage by department and in total on a monthly basis.*

*During the course of our financial statement audit, we tested the process for recording payroll. This would likely be done for all facilities, as payroll is a significant expense in this industry. As part of this procedure, we agree the time per Kronos or other timecard system to the payroll report. This is performed, to obtain assurance that hours are accurately recorded in the payroll reports. Next, we would agree the hours recorded in the payroll reporting system to the NISH reports to verify the hours used for direct labor. We would review the employment documentation for the disabled staff and consumers on a test basis to determine that a certificate of disability existed. For*

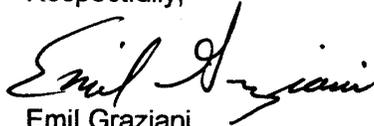
*employees who did not have 100% of their time included as direct labor, we would review the information in the Kronos system to verify that the direct labor activity for that employee accurately reflected the percent used in the NISH report, based on the criteria noted above. Finally, we would agree the amounts per the monthly NISH report to the direct labor reports. For organizations that are not subject to the NISH reporting requirements; the direct labor percentages could be determined directly from the payroll information. The same methodology for determining who should be included as direct labor would need to be applied".*

Aldrich Kilbride & Tatone LLP August 31, 1999

I share this with you because Garten Services, Inc. has been under a microscope for the last four years and as yet, not one of the accusations or suspicions brought against this organization, have been substantiated. When is enough, enough?

Again, we value the Products of Disabled Individuals law and abide by the letter and intent of this wonderful piece of legislation that has enabled thousands of Oregonians with disabilities to find fulfilling employment.

Respectfully,



Emil Graziani  
Executive Director  
Garten Services, Inc.

c. Dick Horner, President, Garten Services, Inc. Board of Directors

August 25, 2000

Mr. John Lattimer, Director  
State of Oregon, Audits Division  
255 Capitol St., NE. Ste. 500  
Salem, OR 97310

Via Facsimile and Regular U.S. Mail

Re: DAS QRF Audit

Dear John:

I certainly appreciated the opportunity to meet with you, Jim Pitts, and Steve Wolf so soon after our meeting in Senator Derfler's office.

I understand that your agency is charged with gathering all facts and reporting to DAS. We appreciate your willingness to revisit the draft of the audit to ensure it accurately sets forth the "whole story" concerning GICW's participation as a QRF.

We discussed several issues. First, GICW has always complied with Oregon revised statutes and administrative rules under the guidance and direction of DAS. The statute itself is unclear in some respects and in need of clarification.

Second, during the recent audit, GICW could only be considered even technically out of compliance during the period of the audit during which we changed from a self-disclosure system to the third-party disclosure system. After the change, our compliance percentage exceeded 80%.

Third, if our retail operation will be included in the audit, since it is part of our legal entity, there may be opportunities to ensure compliance through such alternative means as rulemaking, incorporation of our GPS Service, further clarification of the Oregon statute (ORS 279.835 to 279.855) or even legislative amendment.

I believe we are all in agreement that including GICW's retail operation, which serves the indigent, offenders, chronically poor, and hungry, among others, makes no logical sense. The statute does not clearly address this situation and probably never contemplated this situation.

Letter to John Lattimer, Director  
State of Oregon, Audits Division  
August 25, 2000  
Page Two

I will look forward to reviewing your redraft of the audit. In the meantime, if you have any further questions for anyone here at GICW, please do not hesitate to call me at 503-239-1770.

Very truly yours,

A handwritten signature in cursive script that reads "Robert Barsocchini".

Robert Barsocchini  
Director, Human Resources

RB/lah

cc: Michael Miller  
Jim Pitts

John Lattimer  
Director, Audits Division  
Office of the Secretary of State  
255 Capitol St NE, Suite 500  
Salem OR 97310

July 24,2000

Dear Mr. Lattimer:

We are pleased that the Secretary of State has found each of our organizations to be in full compliance with Oregon's Products of the Disabled Law. We have always been confident that this would be the result, and we believe the final audit report should put to rest the unfounded allegations made about Qualified Rehabilitation Facility members of the Oregon Rehabilitation Association made by the Fair Competition Alliance. It should be noted that the audit was extraordinary in its scope, in that it involved a complete assessment of every client file at our organizations (over 3,000 files) for disability determination and an exhaustive review of our fiscal records. Even though the audit scope was intrusive and unusual, the firm of Merina, McCoy performed their task in a professional manner.

We do have two concerns about draft recommendations made by the auditor for action by the Department of Administrative Services.

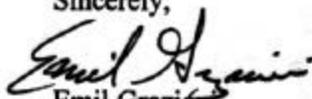
First, the auditor calls upon DAS to work with the Legislature to clarify some of the criteria used to administer the Products for the Disabled Law. This implies a need for statutory change, and yet, not a single recommendation in the report requires a change in the law. We believe that issues such as standardizing documentation of disabilities, setting criteria for determining who is disabled, and defining compliance with the 75% direct labor requirement are more appropriately addressed in administrative rule. These recommendations should be directed to DAS and not the Legislature.

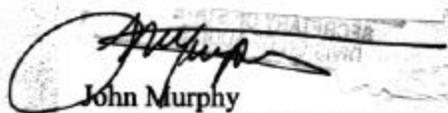
Second, we believe the statement in the report that the Legislature has been unclear whether the 75% direct labor requirement is to apply to all or only a portion of an organization's workforce, is incorrect. In fact, the law is very clear on this point: the 75% direct labor requirement applies to the entire legal entity. Oregon's Attorney General has issued an opinion to this effect. And, last session, when presented with a proposal to modify the 75% requirement, the Legislature declined to change the law.

We believe a more effective way of addressing all the issues in the audit report would be to form an advisory task force made up of persons with expertise in the employment of people disabilities. The charge of the task force would be to make recommendations to DAS about any changes that are needed in the administrative rules implementing the Products of the Disabled Law. The task force should include representatives from the Vocational Rehabilitation Division, Mental Health and Developmental Disabilities Division (both agencies are experts on disability determination) and Developmental Disabilities Council of the Department of Human Services, as well as members of the Legislature, QRFs, persons with disabilities and the public.

We look forward to working with DAS to strengthen opportunities for the employment of people with disabilities. Thousands of working-age Oregonians with disabilities are still without jobs. The Products of the Disabled Law is not the entire answer, but it is one valuable tool we have to address this problem.

Sincerely,

  
Emil Grazianni  
Garten Services, Inc.  
3334 Industrial Way  
Salem, Or 97303

  
John Murphy  
Portland Habilitation Center  
5312 NE 148<sup>th</sup> Avenue  
Portland, Or 97230

  
Roy Soards  
St. Vincent dePaul Rehabilitation Service  
4950 MLK Jr. Blvd  
Portland, Or 97211

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<i>Deputy Director</i>	Catherine E. Pollino, CGFM
<i>Deputy Director</i>	Sharron E. Walker, CPA, CFE

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