

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, D.C. 20202

INFORMATION MEMORANDUM

RSA-IM-91-17

RSM-1050 1/

DATE: April 17, 1991

TO : STATE VOCATIONAL REHABILITATION AGENCIES (GENERAL)
STATE VOCATIONAL REHABILITATION AGENCIES (BLIND)
RSA SENIOR MANAGEMENT TEAM

SUBJECT : SUBMISSION OF FINANCIAL STATUS REPORTS (SF-269) AND
CALCULATION OF MAINTENANCE OF EFFORT (MOE)

CONTENT : This information outlines the procedures that will be followed by the Rehabilitation Services Administration (RSA) in calculating the MOE levels in the Title I Vocational Rehabilitation (VR) Services Program. It also revises the procedures for submission of SF-269s. All references to the submission of the SF-269 are consistent with the procedures outlined in Program Policy Directives (PPDs) 89-1, 90-6 (initially issued as PPD 90-10), and 90-5 (initially issued as PPD 90-6), except that submission of all SF-269 reports will be made to the RSA Regional Offices, as outlined in Section A of this Information Memorandum.

Section 111(a)(2)(B) of the Rehabilitation Act of 1973, as amended, stipulates that state expenditures from non-Federal sources in any fiscal year must be at least equal to the average of the prior three fiscal years' expenditures from non-Federal sources. RSA uses the non-Federal expenditures, as reported on the SF-269, to calculate the State's MOE level. Expenditures under the Title I VR Program are defined as outlays plus unliquidated obligations.

1/ Under Development

A state's MOE level is the average of the three prior years' non-Federal expenditures, as reported on the year-end, final, or fifth quarter SF-269 (for those states which are reporting reallocation funds that were obligated between October 1 and November 15 of the following fiscal year). In the absence of final SF-269s, RSA must use the most current information available to determine the MOE levels.

Beginning with FY 1990, a state's failure to meet the previous year's MOE level results in the reduction of the current year's allotment by the amount of the shortfall calculated from the previous year. This mandatory withholding is required by an amendment to the Rehabilitation Act made by the Handicapped Program Technical Amendments Act of 1988 [Section 111(a)(2)(B)].

A. Reporting Cycle--As a condition of grant award, financial reports must be submitted by the grantees according to the following schedule:

1. Quarterly SF-269s--Submitted by the grantee within thirty days of the end of each grant quarter, for the first three quarters of the grant period. These reports are submitted to the RSA Regional Offices (RO). The ROs use these reports to monitor the spending patterns of the grantees. Reports for the first three quarters are never used in the calculation of MOE. Also, grantees will continue to submit to the RO quarterly reports after the year-end, until all obligations are liquidated and a final SF-269 can then be submitted. These quarterly reports are also due thirty days after the end of the quarter [34 CFR 80.41(b)(3) and (4)].
2. Year-end SF-269--Submitted by the grantee to the RSA RO within ninety days of the end of the grant period. Since the grant period ends on September 30, the report is due December 31. [34 CFR 80.41(b)(4)] These reports must be final unless (1) the grantee requests and receives a waiver to the 90-day liquidation require-

ment [34 CFR 80.23(b)] or (2) the grantee received reallocated funds, which were not obligated by September 30.

3. Fifth Quarter SF-269 Report--Submitted to the RSA RO by January 31 by any grantee that received reallocation funds, which were not obligated until the beginning of the following fiscal year. These re- allotment funds must be obligated by November 15 and be reported on the fifth quarter report [34 CFR 80.41(b)(4)]. The report must be final, unless a waiver of the 90-day liquidation rule has been granted [34 CFR 80.23(b)].
4. Final SF-269s--Submitted by the grantee to the RSA RO when all obligations have been liquidated. Final reports must be (1) submitted by December 31 by those grantees that either did not receive reallocation funds or obligated all re- allotment funds by September 30 or (2) submitted by January 31 by those grantees that received reallocation funds which were obligated between September 30 and November 15. A grantee may submit a final report after these two deadline dates (December 31 or January 31, as appropriate) only if a waiver has been granted to the 90-day liquidation requirement. If a waiver is granted, the waiver specifies a new deadline date by which all obligations must be liquidated and a final SF-269 must be submitted. A final report, which shows an increase or decrease in the unobligated balance from that reported on the year-end report, will require an explanation, as outlined in A.5.
5. Explanation of Changes--Some states may submit revised reports. Revised reports should be sent to the RSA RO. For any revised or final SF-269s, a written explanation of increases or decreases to previously reported unobligated balances or non-Federal expenditures must be submitted by the state agency. RSA will review the explanation of the changes and seek additional information, if necessary. RSA will accept revisions which correct errors in previous reports, adjust for disallowed costs, or liquidate obligations. RSA will notify the grantee when a revised SF-269 has not been accepted.

B. The Computation of the MOE Level for the Current Year--To compute the MOE level, RSA will use the SF-269, either the year-end, fifth quarter, or final report received for each of the three prior fiscal years (base

years). The final report will always be used, when available. If not available, the year-end or fifth quarter will be used. The calculation of the current year's MOE level will be based upon the average of the non-Federal share of expenditures reported for the three base years. RSA will report to the grantees what the MOE level will be for the current year.

RSA will continue to use those same reported non-Federal expenditures in the MOE calculations for future years, until the final SF-269 is received for any of the three base years. Upon submission of a final SF-269 that is approved, RSA will then make any necessary adjustments in the calculation of a State's current or future MOE level.

C. Determination of Compliance with MOE levels for the Previous Year--RSA will compare reported expenditures to determine if the previous year's MOE has been met.

1. Meeting MOE--If RSA has not received and approved a State's final SF-269, a determination of MOE compliance will be made using either the year-end or fifth quarter report. Subsequently submitted and approved SF-269s may alter a previous determination of compliance. RSA may also change its determination that a State has complied with MOE in any year if (1) RSA concludes that its original determination was made in error, or (2) if through audit, including on-site monitoring, or other means, it is found that the expenditure reports, upon which RSA relied in making its determination, were inaccurate, or if expenditures are otherwise disallowed. If an audit or other monitoring finding results in a disallowance decision, which subsequently reduces expenditure levels below those required, funds will be recovered in accordance with the procedures set forth in 34 CFR Part 81.
2. Not Meeting MOE--If a state fails to meet its previously-computed MOE level and has submitted a final SF-269 report for one or more of the previous years that has been accepted by RSA, RSA will make any necessary readjustments in the computation of the MOE level. If the recomputed MOE level shows that a state still fails to meet its previous year's MOE level, RSA will notify the state of its shortfall by letter and will provide the state an opportunity to respond. The state may present evidence that it has, in fact, met the MOE requirement and that the penalty action, reduction of the current year's allotment, should not be assessed. This

evidence must clearly explain the reasons why the state believes it has met its MOE. RSA will review any information submitted and make a determination on a case-by-case basis. The MOE requirement applies to the state. If there are two state agencies in a state, the expenditures are combined and if the state fails to meet its MOE, any penalty will be assessed against a state agency in proportion to its share of the shortfall [34 CFR 361.86(b)(3)].

If a state has a pending request for waiver of its MOE (see RSA Program Policy Directive 90-5, originally issued as PPD 90-6), RSA will postpone any penalty action of reduction of the current year's allocation until action on the waiver request has been completed. All waiver requests must be submitted as soon as the state has knowledge of its need and believes it is eligible for a waiver, but no later than March 31 in the year following the grant, as outlined in Program Policy Directive 90-5.

If it is determined that a penalty must be assessed, the state's current allocation will be reduced by the amount of its previous year's MOE shortfall. Funds reduced through the penalty provision become available for reallocation. A state which has been penalized is still eligible to participate in the regular reallocation of funds given up by other States, but will not be eligible to receive a portion of the funds withheld from that state. Because all funds available under the Program must be awarded by RSA by September 30, no adjustment to restore funds can be made after that date.

D. Failure by the State to Submit the Required SF-269--If a State fails to submit a SF-269, needed for the computation of the current MOE level or to determine that the prior year MOE level has been met, RSA may initiate one or more of the enforcement actions outlined in 34 CFR 80.43. These actions include: (1) temporarily withholding cash payments; (2) suspension or termination under the current award; (3) withholding further awards for the program to include third or fourth quarter allotment or reallocations; or (4) other legal remedies.

INQUIRIES : Director of Management Services--(202) 732-1358.

Nell C. Carney
Commissioner