

**FISCAL YEAR 2010
MONITORING REPORT ON THE
VOCATIONAL REHABILITATION AND
INDEPENDENT LIVING PROGRAMS
IN THE STATE OF
SOUTH CAROLINA**



**U.S. DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION**

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INTRODUCTION AND RSA REVIEW PROCESS

Introduction

Section 107 of the Rehabilitation Act of 1973, as amended (Act), requires the commissioner of the Rehabilitation Services Administration (RSA) to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state vocational rehabilitation (VR) agency is complying substantially with the provisions of its State Plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the state plan Supplement for Supported Employment (SE) Services under Title VI, Part B, of the Act and the independent living (IL) programs offered under Title VII of the Act are substantially complying with their respective state plan assurances and program requirements.

To fulfill its monitoring responsibilities, RSA:

- reviews the state agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment and independent living outcomes;
- identifies strengths and challenges related to the agency's performance, areas of consistently high or improved performance and those areas of performance in need of improvement;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides technical assistance to the state agency to enable it to enhance its performance, meet its goals and fulfill its state plan assurances.

Review Process

Pursuant to the Act, RSA reviewed the performance of the following programs administered by the South Carolina Vocational Rehabilitation Department (SCVRD) and the South Carolina Commission for the Blind (SCCB):

- the VR program, established under Title I;
- the SE program, established under Title VI, Part B;
- the IL program authorized under Title VII, Part B; and
- the Independent Living Services for Older Individuals Who Are Blind Programs (OIB), established under Title VII, Chapter 2.

In addition, RSA also reviewed the progress of SCCB on the assurances that SCCB provided to RSA in conjunction with its FY 2010 state plan.

Information Gathering and Review Process Activities

During FY 2010, RSA began its review of SCVRD and SCCB by analyzing information from a variety of sources, including but not limited to, RSA's various data collections and the VR and IL state plans. After completing its internal review, the RSA review team:

- engaged in numerous teleconferences and other information gathering activities with representatives of SCVRD and SCCB, the Independent Commissions, the Statewide Independent Living Council (SILC), the Client Assistance Program (CAP), and other stakeholders to gain a greater understanding of the agencies' strengths and challenges related to the administration and performance of the VR, SE, IL and OIB programs; and
- conducted an on-site monitoring visit from January 11 through January 15, 2010, during which it met with representatives of the SCVRD, the Independent Commission, the SILC, and other stakeholders; and conducted a second on-site visit from February 22 through February 26, 2010, during which it met with representatives of the SCCB, its Independent Commission and other stakeholders.

Through the on-site visits, the review team further gathered and analyzed information and provided technical assistance in areas already identified by the review team and the agencies.

Data Used During the Review

RSA's review of SCVRD and SCCB began in the fall of 2009 and ended in the summer of 2010. For the purpose of this review, RSA notes that its data collections are finalized and available at different times throughout the year. Consequently, the data collections for the fiscal year that ended immediately preceding that in which the review began (i.e., FY 2009) were not yet available when the review process began. Therefore, this report relies primarily on those data collections available for a completed fiscal year prior to the beginning of the review (i.e., FY 2008) as the sources of data describing the performance of SCVRD and SCCB. However, when FY 2009 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five-year trend, RSA included the FY 2009 data in the report.

Results of Review Activities

At the conclusion of all monitoring activities, the RSA review team:

- identified performance areas for improvement and recommended that SCVRD and SCCB undertake specific actions to improve their performance;
- identified compliance findings and required that SCVRD and SCCB take corrective action; and
- in collaboration with the agencies, determined whether RSA would provide technical assistance to improve their performance or correct compliance findings.

Review Team Participants

Members of RSA's South Carolina review team included representatives from each of the five functional units within the State Monitoring and Program Improvement Division. The team included the following individuals: Joseph Doney (state liaison/Technical Assistance Unit); Edward West, Sandy DeRobertis and Jeffery Clopein (Vocational Rehabilitation Unit); Joan Ward (Data Collection and Analysis Unit); Pamela Hodge (Independent Living Unit); and William Bethel (Fiscal Unit).

PART I: REVIEW OF SOUTH CAROLINA VOCATIONAL REHABILITATION DEPARTMENT (SCVRD)

EXECUTIVE SUMMARY

During fiscal year (FY) 2010, the Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the *Rehabilitation Act of 1973*, as amended (the Act) in the state of South Carolina (SC):

- the VR program, established under Title I; and
- the SE program, established under Title VI, Part B.

SCVRD Administration of the VR and SE Programs

SCVRD is one of two designated state agencies (DSAs) responsible for administering the VR, SE and IL programs in SC. SCVRD operates under the auspices of an independent commission. This state agency provides services to individuals with all disabilities except individuals who are blind.

SCVRD Performance over the Past Five Years

Based on data provided by SCVRD through various RSA reporting instruments, the agency's employment rate decreased from 64.17 percent to 53.45 percent during the period beginning in FY 2004 and ending in FY 2008. Over this same period, the number of applicants for VR services increased from 18,641 to 21,099, the number of individuals who received services under an individualized plan for employment increased from 13,931 to 16,209, and the number of individuals the agency assisted to achieve employment decreased from 8,940 to 8,663. From FY 2004 through FY 2008, the average hourly earnings of those individuals who achieved employment outcomes increased from \$9.40 to \$10.22 and the average hours worked per week remained constant at 36.

Additionally during the period, of those individuals who achieved an employment outcome, the number who achieved a SE outcome decreased from 327 to 271. The average hourly earnings for these individuals increased from \$6.36 to \$7.58.

Observations of the Agency and Stakeholders

Through the course of the review, agency personnel and representatives of stakeholders, such as the independent commission and the Client Assistance Program, shared information concerning the administration and performance of the SCVRD VR and SE programs.

During the review, they observed:

- SCVRD has a strong commitment to serve individuals with mental health disabilities;
- SCVRD has supported specialty programming for individuals with brain injuries and certification for staff by the American Academy on Certification of Brain Injury Specialists;

- SCVRD provides appropriate levels of assistive technology to eligible consumers attending college;
- SCVRD provides consumers with appropriate identification of employment barriers;
- SCVRD staff are professional and knowledgeable but do not respond to customers' inquiries in a timely manner;
- SCVRD does not use available external VR vendors;
- The agency has experienced difficulty assisting individuals to find jobs in the community due to the economic downturn and despite its efforts to educate employers;
- SCVRD delivers inconsistent information and VR services across catchment areas throughout the state;
- SCVRD has difficulty clarifying specific industry hiring requirements for consumers seeking employment in non-service industry jobs;
- SCVRD has a "one-size fits all" approach to VR service delivery, offering little in the way of individualized services to consumers;
- SCVRD does not properly provide diagnostic assessments to consumers with the potential to attend college;
- SCVRD does not collaborate with SCCB to co-serve eligible individuals with multiple disabilities, including those who are blind and visually impaired; and
- SCVRD does not produce timely and accurate vouchers for payment to vendors.

Strengths and Challenges:

Based on the observations from the agency and its stakeholders and other information gathered through the review process, RSA concluded that SCVRD exhibited a variety of strengths that enhanced, and experienced a number of challenges that inhibited its ability to improve, the performance of its VR and SE programs.

Strengths

SCVRD is a stand-alone agency that is governed by an independent commission and operates 20 strategically located VR offices and 26 work training centers (WTCs) statewide. The agency provides a significant number of vocational rehabilitation services through an internal model of specialized services combined with a well-developed network of strategic business partnerships. Those services are vocational counseling and guidance, vocational assessment services, occupational and physical therapy assessments, rehabilitation engineering assessments and services, computer training, job readiness training, job coaching, job search, and job placement services. SCVRD also purchases a variety of services including vocational, miscellaneous and post-secondary training, diagnosis and treatment, interpreter services, maintenance, transportation, and personal attendant services. The agency has a history of developing creative service delivery approaches to serve specialized populations as evidenced by its cardiac rehabilitation, deaf and hard of hearing, pain management, muscular development, information technology training, rehabilitation technology and barrier-free model home programs. Thus, SCVRD has a unique ability to monitor its service delivery system and an opportunity to effect change in the model when necessary.

In FY 2007, SCVRD commenced the Skilled Workforce Apprenticeship Training (SWAT) pilot program as a method to place individuals in skilled or semi-skilled competitive employment settings. The SWAT program provides apprenticeship training designed to produce skilled workers who are competent in all aspects of a job. Since the SWAT program's inception, SCVRD has enrolled 98 consumers into 26 different apprenticeship job categories with 31 separate businesses throughout the state. Fifty consumers completed their apprenticeship training programs, all of whom were hired by the businesses where they apprenticed. The average wages of SWAT participants who exited this program with an employment outcome was \$11.31 per hour.

Challenges

SCVRD operates 26 WTCs that focus on production of products for a reported 450 business partners statewide. The agency's goal is to balance the WTCs' financial impact with the need to provide the variety of rehabilitation services that would be of the most benefit to all consumers, including service delivery to underserved and unserved consumers with the most significant disabilities. However, the array of VR services offered at the WTCs is narrow in scope and does not provide a process for the consumer to obtain a high quality employment outcome. The low quality of employment outcomes is due, in part, to a lack of vocational evaluations and assessments that can be used to identify potential quality employment goals consistent with an individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice, so that they may prepare for and engage in gainful employment. Furthermore, the abilities, capabilities, and capacity of individuals to achieve vocational goals are not reflected in their individualized plans for employment (IPE). The job readiness training

(JRT) services delivered to consumers attending the WTCs focus on the production of products for business partners and does not fully operate as a behavioral modification program that seeks to teach and adjust work behaviors. Thus, the employment outcomes for consumers attending the WTCs are significantly lower in wages and hours worked than that attained on average by all other general agencies.

SCVRD's referral development efforts target three primary referral sources that result in increased numbers of applicants from mental health, corrections/probation and substance abuse populations. Of those served in FY 2008, 56 percent had mental/psychological impairments, representing the highest percentage of any of the 24 general VR agencies nationally. SCVRD's targeted referral efforts results in two service delivery challenges. First, SCVRD underserves individuals with cognitive impairments, communicative disorders, physical impairments and visual impairments. Secondly, SCVRD over-serves a higher percentage of individuals at the lower end of the economic scale with low education levels and a lack of substantive work history.

SCVRD lacks a comprehensive VR service delivery system to address the needs of the populations it currently serves. This narrow VR service delivery system has as its foundation production at WTCs and does not cater to individuals with less significant disabilities. SCVRD should reconfigure its VR service delivery system to include underserved populations and a full array of VR services.

SCVRD's fiscal management processes require strengthening to adhere to specific financial requirements, including match, maintenance of effort, carryover, reallocation, program income, liquidation of outstanding obligations and grant closeout. SCVRD should strengthen contract development and monitoring processes, as well as the reporting of program income to ensure funds received after September 30th are reported in the appropriate Federal Fiscal Year. The agency has experienced difficulty in identifying and using funds to meet its non-federal match requirements.

Acknowledgement

RSA wishes to express appreciation to the representatives of the SCVRD, the independent commission and the stakeholders who assisted the RSA monitoring team in the review of SCVRD.

CHAPTER 1: VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS OF THE SCVRD

VR and SE Program Systems

The following sections of this chapter describe the manner in which SCVRD administers and operates the VR and SE programs through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Service Delivery

The SCVRD is the designated state agency (DSA) responsible for the provision of VR and SE services. An independent commission comprised of seven board members appointed by the governor and approved by the state senate for seven-year terms oversees SCVRD. The agency is a stand-alone agency that operates a central office in Columbia, 20 area offices, 11 satellite offices, 26 work training centers (WTCs), four comprehensive service facilities and two residential substance abuse treatment centers. There are 40 one-stop centers in the state and SCVRD counselors use these locations as itinerant sites to meet new referrals and provide services to existing clients. SCVRD provides many services through its own staff and purchases services based on client needs. The agency is not on an order of selection and has resources available to serve all eligible applicants for VR and SE services.

Many eligible applicants for the VR and SE programs are referred to the agency through partnerships developed with the Department of Mental Health, the Department of Disabilities and Special Needs, the Department of Education, the Department of Corrections, the Department of Juvenile Justice, the Department of Probation, Parole and Pardon Services, the Department of Social Services, the Department of Alcohol and Other Drug Abuse Services, the Workers' Compensation Commission, and the Behavioral Health Services. The majority of individuals served in FY 2008 experienced mental health and psychosocial impairments. The average age of all applicants in FY 2008 was 36 and transition-age youths comprised 24.42 percent of the total served. The majority of individuals served were male and the primary ethnicity was Black/African American.

SCVRD has an active memorandum of understanding with each of the 85 school districts in the state, to provide transition services to eligible youths with disabilities. The agency assigns a VR counselor to every high school in the state, who is responsible for identifying and recruiting transition-age youths. Throughout most of the state, the agency has a transition employment coach to focus on SE for those eligible for these services. In four school districts, an additional agreement is in place that provides funding to the school district for a transition employability specialist, whose role is to assist in the identification, referral and service provision of transition-age youths.

SCVRD has implemented the High School High Tech program, a program designed to promote technology-based careers and education for youths with disabilities. Additionally, SCVRD received a five-year demonstration grant from the U.S. Department of Education in FY 2007, to develop and implement the Youth Employment Services program. This program is designed to integrate and leverage all available services in South Carolina to increase youth employment outcomes.

Personnel

In FY 2009, SCVRD employed 665 staff as detailed in Table 1.1. At that time, the agency reported 17 vacancies and projected that by FY 2014, 341 staff would leave SCVRD.

Table 1.1
SCVRD Personnel Data Demonstrating Job Categories and
Number of Staff in Each Category as of 9/30/2009

Position	Number of Staff
Counselors	192
Area Client Services Managers	18
Career Planning and Employment Specialists	40
Production Coordinators/Associates	83
Area Supervisors	19
Training Center Managers	24
Employment Coaches/Specialists	58
Client Service Coordinators	72
Addiction Counselors	7
Administrative Staff	152
Total	665

SCVRD uses state standards to manage its Comprehensive System of Personnel Development (CSPD), which are consistent with the Act and regulations. In 2006, the SC General Assembly passed a bill that established a state standard for the minimum educational and training requirements that a counselor of the public VR agency must meet. Under this SC law, SCVRD hires individuals with rehabilitation related master's degrees while mandating that they complete master's level rehabilitation courses commensurate with their degree.

Of the 191 VR counselors employed by SCVRD in FY 2008, 125 had master's degrees in rehabilitation counseling or counseling and met the state's CSPD standards for a qualified VR counselor. Thirty-eight VR counselors with related master's degrees completed the educational requirements of the state's CSPD, 27 VR counselors had master's degrees in a related field and were under a plan to complete requirements, and one VR counselor only had a baccalaureate degree. All counselors must meet the CSPD requirement within 30 months of hire.

Senior managers promote and personally participate in succession planning and the development of future organizational leaders through a formal professional development and leadership program. It identifies potential leaders and managers through individual and team performance measures and leadership opportunities are made available by staff participation in senior manager-led initiatives and mentoring.

Data and Case Management

Pursuant to the anticipated computer programming issues associated with the year 2000, SCVRD switched from a mainframe-based case management system (CMS) to an in-house Windows-based system. The decision was made to redesign the CMS with greater functionality. The development began in 2006 and consists of daily meetings between IT and field services staff, and in some cases, VR counselors. The strategy is to develop the system in phases based on the various statuses within the VR process. The group determines the functional requirements for the phase or module. The functional requirements document is signed off by management and a prototype is developed. The prototype is then disseminated to field representatives or through field office demonstrations to determine if the prototype will meet the needs of the users. Users can submit their suggestions for improvements or enhancements. Any recommendations that are approved are passed on to the development team. Testing and implementation phases follow application development. The agency uses this process to track trends in user issues. Currently the CMS is developed through the eligibility process. The old system is used for statuses past eligibility. There is a link between the two systems. The agency hopes to have the new CMS completed by the end of 2011.

Security for the CMS is maintained by access levels assigned by job category and organization code for each office. Host servers for the CMS are very reliable and are backed up periodically throughout the day.

Every VR counselor has a laptop that can be used offline and then synchronized to the CMS via a virtual private network. When in the field, VR counselors can use air cards or other state agency networks to access the internet. All the data entered and stored on the laptops are encrypted.

Monthly CMS training is offered through webinars and conference calls. This training encompasses the CMS as well as the rehabilitation process and consists of sixteen instruction hours and homework. Every office also has a training representative, and SCVRD maintains a bulletin board for questions or comments.

SCVRD's compliance unit electronically reviews every eligibility recommendation to ensure accurate data within the CMS and that it meets all compliance requirements. The VR counselor is assigned a score for each eligibility determination as well as an overall score. Within the CMS, anyone can look at a report to see how a VR counselor, office, or area is performing concerning eligibility determinations. This system has been very useful in that service records can be corrected at eligibility rather than at the end of the VR process. Supervisors can use these reports to identify training opportunities for their staff. One office can see how another office is doing its eligibility determinations in order to share best practices. As other modules are added to the system, the same compliance process will be developed.

The agency can use the CMS to generate many real time reports, including the Standards and Indicators that are available across the agency. Many of the reports have a drilldown capability. Users can build customized reports using a customized statistical and reporting tool and any specialized reports can be produced by the IT department. Ad hoc reports are generated within 24 hours. Report requests that are made on a regular basis are incorporated into the CMS.

Reports produced for RSA are prepared using various methods. The RSA-113 is generated by consumer services directly from the CMS. There are edit checks built into the system. The RSA-911 data are also generated by consumer services directly from the CMS. The data are checked for reasonableness, anomalies, and errors that are contained in the RSA-ERA software program written by the agency and incorporated into the CMS. When VR counselors enter consumer information into the CMS, the system automatically checks the data against the edit program and alerts the VR counselor to any reasonableness checks, anomalies, and errors. The VR counselor can then correct the information at the point of data entry. The agency also runs the RSA-ERA program monthly against the RSA-911 to ensure that there are no reasonableness checks, anomalies, and/or errors that are unaddressed or corrected. Any findings from the reasonableness checks, anomalies, and/or errors identified through this process are checked manually. RSA uses this same software program to check all agency RSA-911 data submitted annually.

Recently SC consolidated its accounting into one statewide system. It is being implemented in phases and the automated generation process of the RSA-2 data is scheduled to be completed at a later time. The finance department previously generated RSA-2 data using canned queries developed by IT. With the implementation of the new statewide financial system, this process is no longer in place.

Quality Assurance

SCVRD's quality assurance (QA) system is based on the vision and mission of the organization and involves staff at all levels of the organization. Five full time equivalent positions are devoted primarily to QA activities. QA activities include: service record documentation compliance; evaluation of individual VR counselor, local office and regional performance; identification of staff training needs; policy review; specialized services; and vendor performance evaluation.

SCVRD has an electronic service system that incorporates centralized compliance verification prior to status change approval. Prior to submission to the centralized compliance unit, the local office manager, the area manager and the supervising VR counselor review services locally. VR counselor budgets are reviewed for accuracy and effectiveness during the status change compliance review. Additionally, all caseloads are reviewed quarterly for the purpose of training and/or procedure adjustments by the area supervisor as part of the program integrity compliance assurance review. Finally, an annual topical service review focusing on a specific compliance assurance matter is completed for a sampling of cases.

SCVRD's QA system incorporates customer satisfaction survey results from vendors, employers, referring partner agencies and VR staff. The independent commission reviews the quarterly conducted surveys. The independent commission suggests areas for further evaluation, analyzes survey results and disseminates these results to the legislature, advocacy groups and the public.

SCVRD requires vendors to submit detailed descriptions of services to be provided, procedures used for fiscal and administrative activities, referral, intake and orientation procedures, and staffing requirements. However, the agency does not use performance-based contracts for vendors nor does the agency develop performance reports or ratings for individual vendors.

Planning

SCVRD completed its initial strategic plan in the mid-1990s that created the framework for current strategic planning initiatives. Strategies are adapted to economic changes, both in operating budget allocation and in work training center outsource agreements with business and industry. SCVRD has the ability to execute its strategic plan and the agility to adapt as needed because of its consistency in reviewing data and results and taking follow-up actions. Objectives are carried out with regularly scheduled reviews and adjustments or corrective actions. Strategic planning addresses strengths and weaknesses through a systematic approach to analyzing current operations throughout the agency. The framework for guiding the strategic plan is the “Nine Standards of Excellence” that include:

- program integrity;
- integrated service delivery;
- balance in WTCs;
- professional appearance of staff, buildings and grounds;
- ongoing positive relationships with local agency/entity directors;
- ongoing positive relationships and education of local legislators on VR program benefits;
- twenty percent of closures by direct placement;
- annual “26” closure goals will be achieved; and
- staff members understand and embrace the standards and are held accountable.

The strategic planning process begins with the completion of the CSNA, last completed by SCVRD in the FY 2009 State Plan. The CSNA outlines the unserved and underserved populations that SCVRD then addresses in its State Plan and strategic plan. Each local office creates a local performance plan based on the CSNA and the “Nine Standards of Excellence.” The Committee on Rehabilitation Excellence (CORE) reviews the plan for compliance and accuracy. CORE is a group of senior leaders charged with analyzing, formulating and assessing action plans; applying fiscal resources; and evaluating the agency’s key performance measures. These local plans are combined into one centralized agency strategic plan that becomes the operational goals that guide SCVRD in its daily operational objectives. Area scorecards track performance by all area offices in each of the “Nine Standards of Excellence.”

VR and SE Program Performance

The following table provides data on the performance of the VR and SE programs administered by SCVRD in key areas from FY 2004 through FY 2008.

Table 1.2
SCVRD Program Highlights for VR and SE Programs for FY 2004 through FY 2008

Program Highlights	2004	2005	2006	2007	2008
Total funds expended on VR and SE	\$66,924,213	\$68,768,440	\$67,745,698	\$75,755,545	\$84,283,066
Individuals whose cases were closed with employment outcomes	8,940	8,563	8,022	8,765	8,663

Program Highlights	2004	2005	2006	2007	2008
Individuals whose cases were closed without employment outcomes	4,991	4,140	4,957	4,812	7,546
Total number of individuals whose cases were closed after receiving services	13,931	12,703	12,979	13,577	16,209
Employment rate	64.17%	67.41%	61.81%	64.56%	53.45%
Individuals whose cases were closed with supported employment outcomes	327	278	330	316	271
New applicants per million state population	4,440	4,347	4,075	4,507	4,710
Average cost per employment outcome	\$1,304	\$1,365	\$1,496	\$1,366	\$1,260
Average cost per unsuccessful employment outcome	\$1,338	\$1,353	\$1,388	\$1,207	\$1,230
Average hourly earnings for competitive employment outcomes	\$9.40	\$9.68	\$9.75	\$10.22	\$10.22
Average state hourly earnings	\$15.12	\$15.77	\$16.35	\$16.83	\$17.34
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	62%	61%	60%	61%	59%
Average hours worked per week for competitive employment outcomes	36.1	36.3	36.4	36.3	36
Percent of transition age served to total served	21.25%	21.99%	23.14%	23.61%	24.42%
Employment rate for transition population served	58.51%	60.34%	57.68%	58.53%	45.35%
Average time between application and closure (in months) for individuals with competitive employment outcomes	14.7	15.5	16.6	16.7	15.7
Performance on Standard 1	MET	MET	MET	MET	MET
Performance on Standard 2	MET	MET	MET	MET	MET

VR/SE Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that SCVRD take specific steps to improve the agency's performance associated with each of the observations.

1. Performance Outcomes

Observation: SCVRD's performance has declined, as reflected in the agency's FY 2008 performance on Indicators 1.1 and 1.2. In addition, the quality of the outcomes that SCVRD obtains for its consumers indicates a need for the agency to analyze and evaluate the effectiveness of its current service delivery system. Further, although 97.43 percent of all consumers whose cases were closed in FY 2008

and who had a significant disability obtained a competitive employment outcome, SCVRD underutilizes SE services for consumers indicating a need for the agency to develop service delivery strategies that incorporate quality outcomes for their most significantly disabled consumers.

- SCVRD’s performance on Indicator 1.1 has generally trended downward since FY 2004 and the agency failed indicator 1.2 in FY 2008.

Table 1.3
Performance on Indicators 1.1 and 1.2 of the Standards and Indicators
For FY 2004 through FY 2008

Indicators	2004	2005	2006	2007	2008
Indicator 1.1: Difference in the number of individuals with employment outcomes from prior year					
Current year employment outcomes	8,940	8,563	8,022	8,765	8,663
Prior year employment outcomes	9,126	8,940	8,563	8,022	8,765
RSA Minimum Performance Level: Equal or exceed	-186	-377	-541	743	-102
Indicator 1.2: Percent with employment outcomes after services					
Employment outcomes	8,940	8,563	8,022	8,765	8,663
Individuals served	13,931	12,703	12,979	13,577	16,209
RSA Minimum Performance Level: 55.8%	64.17%	67.41%	61.81%	64.56%	53.45%

- SCVRD’s 26 WTCs delivered job readiness training (JRT) to 37 percent of all consumers who received services under an IPE and whose cases were closed in FY 2008, over three times the general agency average of 11.5 percent. The employment rate of 39.47 percent for consumers who received JRT at the WTCs, however, was 35.9 percent less than the rate of 61.66 percent for those consumers who did not receive JRT at the WTCs. The overall employment rate for SCVRD was 53.45 percent resulting in the agency’s failure to meet the minimum performance level of 55.8 percent for indicator 1.2 of the standards and indicators in FY 2008.
- The overall employment rate for transition-age consumers was 45.35 percent, approximately ten percentage points below the minimum performance level required (55 percent) to pass indicator 1.2. Of all transition-age consumers whose cases were closed in FY 2008, 53.18 percent received JRT services through SCVRD’s 26 WTCs. The average transition-age consumer who received JRT at a WTC worked 2.5 hours per week less than the average transition-age consumers who did not receive JRT at a WTC (36.2 – 33.7), and earned \$1.54 per hour less (\$9.17 - \$7.63). The average transition-age consumer who received JRT at a WTC, likewise, achieved an employment rate 45 percent below¹ that of those who didn’t receive JRT at a WTC.
- The average hourly wage at closure for individuals with an employment outcome with earnings who received JRT services provided directly by SCVRD was \$8.11 (\$7.63 for transition-age consumers) compared to \$10.98 (\$9.17 for transition-age consumers) for those individuals not receiving JRT services provided directly by SCVRD in FY 2008.
- The average hours worked in a week at closure for individuals with an employment outcome with earnings who received JRT services provided directly by SCVRD was 34.0 hours per week

¹ Calculation from table 1.4: 787 + 1318 = 2105 total outcomes. 787/2105 = 37.39 percent with JRT. 1008/1853 = 54.4 percent without JRT. 54.4 - 37.39 = 17.01. 17.01/37.39 = 45 percent.

(33.7 hours per week for transition-age consumers) compared to 36.7 hours per week (36.2 hours per week for transition-age consumers) for those individuals not receiving JRT services provided directly by SCVRD in FY 2008.

**Table 1.4
SCVRD FY 2008 Performance Measures: Comparison of Individuals Who Received and Who Did Not Receive Job Readiness Training Provided Directly by SCVRD**

Performance Measures	Received JRT Provided Directly by SCVRD	Did Not Receive JRT Provided Directly by SCVRD	All
All Ages			
Employment Outcomes	2,369	6,294	8,663
No Employment Outcomes	3,633	3,913	7,546
Number of Individuals Served	6,002	10,207	16,209
Percentage of Total Individuals Served	37.03%	62.97%	100.00%
Employment Rate	39.47%	61.66%	53.45%
Average Hourly Wage at Closure for Individuals with an Employment Outcome with Earnings	\$8.11	\$10.98	\$10.20
Average Hours Worked in a Week at Closure for Individuals with an Employment Outcome with Earnings	34.0	36.7	36.0
Transition Aged Individuals			
Employment Outcomes	787	1,008	1,795
No Employment Outcomes	1,318	845	2,163
Number of Individuals Served	2,105	1,853	3,958
Percentage of Total Individuals Served	53.18%	46.82%	100.00%
Employment Rate	37.39%	54.40%	45.35%
Average Hourly Wage at Closure for Individuals with an Employment Outcome with Earnings	\$7.63	\$9.17	\$8.49
Average Hours Worked in a Week at Closure for Individuals with an Employment Outcome with Earnings	33.7	36.2	35.1

- SCVRD reported that 8,663 consumers whose cases were closed in FY 2008 received an employment outcome. Of these consumers, 6,522 (75.3 percent) obtained employment in seven primary job categories. The average hourly wage for consumers in these job categories was \$9.32 or 53.7 percent of the state average hourly wage of \$17.34. Additionally, 23.2 percent (1,513 consumers) of the consumers in these job categories had earnings at application.
- Of the 2,369 consumers who achieved an employment outcome in FY 2008 and who received JRT provided directly by SCVRD at the WTCs, 2,027 (85.6 percent) were in the seven primary job categories and received an average hourly wage of \$7.98, or less than half (46.0 percent) of the state's average hourly wage of \$17.34. Only 4.3 percent (88 of the 2,027) had earnings at application. Of the 6,294 consumers who achieved an employment outcome in FY 2008 and who did not receive JRT provided directly by SCVRD at the WTCs, 4,495 (71.4 percent) were in the seven primary job categories and received an average hourly wage of \$9.92, or 57 percent of the state's average hourly wage of \$17.34. Of these consumers, 31.7 percent (1,425 out of 4,495) had earnings at application.

Table 1.5
SCVRD Individuals Whose Cases Were Closed in FY 2008 and
Who Received an Employment Outcome: Comparison of Individuals Who Received and
Who Did Not Receive Job Readiness Training Provided Directly by SCVRD

Job Categories	Received JRT Provided Directly by SCVRD			Did Not Receive JRT Provided Directly by SCVRD			All		
	Empl Out	Hourly Wage at Closure	Percent	Empl Out	Hourly Wage at Closure	Percent	Empl Out	Hourly Wage at Closure	Percent
Food Preparation and Serving Related Occupations	455	6.91	19.2%	735	7.70	11.7%	1,190	7.40	13.7%
Production Occupations	285	8.81	12.0%	726	10.91	11.5%	1,011	10.32	11.7%
Office and Administrative Support Occupations	204	8.39	8.6%	720	10.31	11.4%	924	9.88	10.7%
Transportation and Material Moving Occupations	394	8.42	16.6%	719	10.40	11.4%	1,113	9.70	12.8%
Constructive and Extraction Occupations	150	9.76	6.3%	668	11.28	10.6%	818	11.00	9.4%
Building and Grounds Cleaning and Maintenance Occupations	335	7.51	14.1%	467	8.84	7.4%	802	8.28	9.3%
Sales and Related Occupations	204	7.40	8.6%	460	9.69	7.3%	664	8.98	7.7%
Subtotal	2,027	7.98	85.6%	4,495	9.92	71.4%	6,522	9.32	75.3%
All Others	342	8.67	14.4%	1799	13.56	28.6%	2,141	12.78	24.7%
Total	2,369	8.08	100.0%	6,294	10.96	100.0%	8,663	10.17	100.0%

- SCVRD consistently served a much smaller percentage of individuals with SE outcomes than the GAA between FY 2004 and FY 2008.
- SE service levels trended downward from 3.7 percent in FY 2004 to 3.1 percent in FY 2008 while the GAA level trended upward from 9.3 percent to 10.9 percent during the same period.

Table 1.6
Percentage of Supported Employment Outcomes Compared to
General Agency Average for FY 2004 through FY 2008

Agencies	2004	2005	2006	2007	2008
SCVRD	3.7%	3.2%	4.1%	3.6%	3.1%
All General Agencies	9.3%	9.7%	10.5%	11.3%	10.9%

Recommendation 1: RSA recommends that SCVRD:

- 1.1 analyze the purpose and use of the WTC model based on performance outcomes and recent trends in performance on federal standards and indicators;
- 1.2 revise the VR service delivery system to incorporate analysis of performance outcomes;
- 1.3 develop service delivery strategies that incorporate a SE model that addresses the quality outcomes of the most significantly disabled individuals; and
- 1.4 improve the quality of employment outcomes via this revised service delivery system, establishing measurable goals and strategies to achieve these goals.

2. Vocational Preparation

Observation: SCVRD offers assessment services to a low percentage of adults and youths. The agency uses WorkKeys to assess functional literacy and math skills, and CareerScope to assess job interests in most field offices. SCVRD uses WorkKeys and CareerScope as alternatives to traditional vocational assessment/evaluation. SCVRD provides few services in many key VR service delivery areas compared to the GAA. Those without successful employment outcomes stay in the system longer than the GAA. Performance data coupled with supporting fiscal data substantiates that SCVRD is not providing those served with the requisite VR services to obtain and retain long-term employment.

- Of those whose service records were closed in FY 2008 by SCVRD, 16,209 received services. Of the 16,209 individuals who received services, 37.1 percent (6,018) received job readiness training. Of the 6,018 individuals who received job readiness training, 0.6 percent (35) received assessment services. Compared to the other eight general agencies that were not on an order of selection in FY 2008, 71.6 percent (56,633 out of 79,146) of those receiving services received assessment services.
- Assessment services delivered by the agency were 0.7 percent versus 54 percent for the GAA. The provision of assessment services to transition-age youths trended downward from 7.9 percent in FY 2004 to one percent in FY 2008 compared to the GAA of 56.7 percent.
- College or university training was provided to 2.9 percent of those served, compared to 13.0 percent for the GAA. Occupational skills training was provided to 4.6 percent of those served, compared to 10.9 percent for the GAA.
- For transition-age youths, college or university training was provided at a rate of 7.0 percent as compared to 20.3 percent for the GAA. For transition-age youths, occupational training was provided at a rate of 4.9 percent, compared to 12.1 percent for the GAA.

**Table 1.7
Services Provided With Transition Broken Out Compared to the GAA
From FY 2004 through FY 2008**

Services Provided	2004	2005	2006	2007	2008	General Agencies 2008
All Ages						
Assessment services	4.2%	2.3%	2.0%	0.9%	0.7%	54.0%
College or university training	2.7%	3.0%	3.3%	2.9%	2.9%	13.0%

Services Provided	2004	2005	2006	2007	2008	General Agencies 2008
Occupational/vocational training	4.2%	4.1%	4.7%	4.8%	4.6%	10.9%
Job readiness training	27.0%	31.0%	35.7%	34.3%	37.1%	11.5%
Transition Aged						
Assessment services	7.9%	5.0%	4.0%	1.8%	1.0%	56.7%
College or university training	7.4%	7.2%	7.6%	6.6%	7.0%	20.3%
Occupational/vocational training	5.1%	5.1%	5.7%	5.9%	4.9%	12.1%
Job readiness training	38.4%	45.7%	52.2%	51.1%	53.3%	13.9%

Recommendation 2: RSA recommends that SCVRD:

- 2.1 develop a comprehensive vocational evaluation process that assesses individuals’ job readiness with the requisite level of detail and diagnostics to implement an IPE;
- 2.2 define the occupational goal on the IPE based on the vocational evaluation and other pertinent information;
- 2.3 effectively promote the development of IPEs based upon a consumers’ unique strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice; and
- 2.4 expand the VR service delivery system to include the use of occupational skills training, college and university training, and related services to improve the quality of employment outcomes.

3. Underserved Populations

Observation: SCVRD recruitment efforts target three primary referral sources: mental health (MH), corrections-probation and substance abuse populations. SCVRD has a cooperative agreement with the State Department of Mental Health resulting in a strong referral relationship and a significantly elevated level of applicants with MH disabilities. This targeted referral effort results in underserving consumers with communicative disorders, cognitive impairments, physical impairments, and visual impairments. SCVRD served Caucasians at 48.8 percent while the 2008 American Community Survey (ACS) reports 68.7 percent for this population in SC. SCVRD also serves a higher percentage of employed applicants than the GAA and a smaller percentage of individuals between the ages of 14 and 24 than the GAA.

- SCVRD serves a higher percentage of individuals with a mental/psychological impairment than the GAA: 56 percent versus 34.3 percent.
- In FY 2008, African Americans represented 50.5 percent of the total applicants while the ACS reports this population at 28.5 percent in SC.
- Applicants that had earnings for FY 2008 are 38 percent versus 26 percent for the GAA.
- In FY 2008, 24.1 percent of consumers between the ages of 14 and 24 received services compared to 31.9 for the GAA.

Table 1.8
Percentage of Individuals Served By Disability Type Compared to General Agency Average for FY 2004 through FY 2008

Type of Impairment	2004	2005	2006	2007	2008	General Agencies 2008
Visual	0.4%	0.4%	0.4%	0.3%	0.3%	0.5%
Communicative	5.5%	5.2%	4.8%	5.0%	4.0%	10.5%
Physical	29.9%	31.3%	28.4%	27.9%	25.1%	28.4%
Cognitive	10.8%	10.6%	11.7%	14.0%	14.6%	26.3%
Mental/Psychosocial	53.4%	52.5%	54.7%	52.9%	56.0%	34.3%

Table 1.9
Percentage of Individuals Served By American Community Survey Compared to General Agency Average for FY 2004 through FY 2008

Race/Ethnicity**	2004	2005	2006	2007	2008	ACS* 2008
White	50.3%	49.7%	49.3%	49.8%	48.8%	68.7%
Black/African American	49.4%	49.9%	50.1%	49.5%	50.5%	28.5%
Asian	0.2%	0.3%	0.3%	0.3%	0.2%	1.2%
Native Hawaiian or other Pacific Islander	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
American Indian or Alaska Native	0.3%	0.3%	0.4%	0.6%	0.6%	0.4%
Hispanic or Latino	0.8%	0.8%	1.1%	1.5%	1.7%	4.1%

*American Community Survey - <http://www.census.gov/popest/states/asrh/SC-EST2008-04.html>

**Individuals can be more than one Race/Ethnicity

Recommendation 3: RSA recommends that SCVRD:

- 3.1 analyze referral development activities to incorporate all individuals with disabilities in the state consistent with the agency's CSNA and strategic plan; and
- 3.2 revise and implement referral development activities targeting underserved populations consistent with the agency's CSNA and strategic plan.

4. Coordination with the South Carolina Commission for the Blind (SCCB) to Serve Individuals with Multiple Disabilities

Observation: Some consumers served exclusively by SCVRD whose primary disability is other than blindness or visual impairments could benefit from SCCB's expertise in blindness and visual impairments via dual enrollment. Though the agency has a memorandum of agreement with SCCB dated September 2008 to promote cooperation and communication between both agencies in order to serve South Carolinians with disabilities more effectively, the memorandum does not address the

possibility of dual enrollment. There is no federal requirement that prohibits both agencies from serving the same individual simultaneously.

- SCVRD’s VR counselors do not collaborate with SCCB to effectively serve people with multiple disabilities, including blindness and visual-impairments, thereby limiting consumer choice and access to services.
- During the on-site visit, RSA staff provided technical assistance to SCVRD management on the joint provision of services by general and blind agencies to individuals with multiple disabilities, informing the agency management that the Rehabilitation Act and its implementing regulations do not prohibit general and blind agencies from each opening a case and serving the same individual simultaneously, so long as services are not duplicated. RSA further advised SCVRD that if both the general and blind agency provide substantial services to the same individual, both are required to report the subsequent employment outcome.
- RSA was apprised of the memorandum of agreement noted above on July 23, 2010. Neither SCVRD management nor counselors acknowledged the memorandum of agreement with SCCB noted above during the on-site visit.

Recommendation 4: RSA recommends that SCVRD:

- 4.1 develop and implement a policy that permits both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 4.2 review and revise the current interagency agreement with SCCB, pursuant to 34 CFR 361.24(d), permitting both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 4.3 collaborate with SCCB to conduct joint staff training on service provision to individuals with multiple disabilities; and
- 4.4 communicate with referral sources to effectively market the combined capability of serving eligible individuals with multiple disabilities.

Technical Assistance and Continuing Education

This section of the chapter describes the technical assistance (TA) and continuing education provided by RSA to SCVRD during the course of the review and the continuing education needs of the agency identified by its personnel and stakeholders. The TA requested by the agency to enable it to carry out the recommendations set forth above is included in Appendix A of this report titled “Agency Response.”

TA Provided

During the review of the VR and SE programs, RSA provided TA to SCVRD regarding:

- the employee/employer relationship as it relates to paying sub-minimum wages to workers with disabilities;
- serving eligible individuals with multiple disabilities in conjunction with SCCB;
- clarifications of the definitions of staff categories on the RSA-2 and RSA-113; and
- data tables to include comparisons to general agencies not on an order of selection.

Continuing Education

During the course of the review, SCVRD and stakeholder representatives, including the independent commission, requested that agency personnel receive continuing education in the areas of:

- services to veterans with disabilities; and
- services to individuals with blindness and visual-impairments.

CHAPTER 2: FISCAL MANAGEMENT OF THE SCVRD VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

RSA reviewed SCVRD’s fiscal management of the vocational rehabilitation (VR) and Supported Employment (SE) programs. During the review process, RSA provided technical assistance to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency’s cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

Fiscal Management

At the time of the RSA review, SCVRD was using an older financial management system which made it difficult for the agency to properly track and report grant funds. The SCVRD will complete the transition to the S.C. Enterprise Information System (SCEIS) in June 2010, when the agency switches its payroll and human resources functions to the web-based software. SCEIS replaced the outdated systems that have been used to manage essential functions such as purchasing, payroll, human resources, travel approvals and financial management, which were aging rapidly and at risk for failure.

SCVRD Fiscal Performance

The data in the following table are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of the agency’s fiscal management practices. Data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year’s SF-269 report. The data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). Fiscal data related to VR program administration, total expenditures, and administrative cost percentages are taken from the RSA-2.

**Table 2.1
Fiscal Data for SCVRD for FY 2004 through FY 2008**

South Carolina (G)					
Grant Amount	Fiscal Year				
	2004	2005	2006	2007	2008
Federal Expenditures	\$39,142,095	\$39,017,747	\$41,834,211	\$44,147,385	\$44,245,007
Required Match	\$39,142,095	\$39,017,747	\$41,834,211	\$44,147,385	\$44,245,008
Actual Match	\$10,593,731	\$10,560,076	\$11,322,347	\$11,948,403	\$11,974,824
Over (Under) Match	\$11,300,215	\$11,903,058	\$14,045,583	\$14,219,528	\$14,113,497
Carryover at 9/30 (year one)	\$706,484	\$1,342,982	\$2,723,236	\$2,271,125	\$2,138,673
Program Income	\$11,521,117	\$14,222,556	\$19,730,883	\$19,510,454	\$14,712,564
Maintenance of Effort (MOE)	\$14,817,617	\$17,521,529	\$17,566,078	\$18,156,856	\$19,357,174
	\$15,165,609	\$10,998,013	\$11,300,215	\$11,903,058	\$14,045,583

South Carolina (G)					
Grant Amount	Fiscal Year				
	2004	2005	2006	2007	2008
Administrative Costs					
*Total Expenditures	\$6,128,760	\$6,185,993	\$5,732,789	\$5,225,688	\$5,660,002
Percent Admin Costs to Total Expenditures	\$66,924,213	\$68,768,440	\$67,745,698	\$75,755,545	\$84,283,066
*Includes Supported Employment Program Expenditures.	9.16%	9.00%	8.46%	6.90%	6.72%

Fiscal Management Observations and Recommendations

As a result of its review activities, RSA identified the following performance observations related to the fiscal management of the programs under review and recommended that SCVRD take specific steps to improve the agency's performance associated with each of the observations.

1. Planning Match and MOE Requirements

Observation: SCVRD has historically overmatched its non-federal contribution but it has been without a financial plan for meeting its match and resulting maintenance of effort (MOE) requirements.

- When the economic downturn occurred in South Carolina, the agency discovered that it was unable to meet its FY 2009 match requirements with the level of non-federal contributions for the subject year. In response to this problem, SCVRD reduced its non-federal match expenditures levels in FY 2008, and increased the FY 2009 contribution to ensure match requirements were met.
- SCVRD met the match in FY 2009 and, due to over match, met its match for FY 2008. When the match for FY 2008 (\$12,588,243) was compared to SCVRD's non-federal match level for FY 2006 (\$13,810,106) there was a MOE deficit for SCVRD of \$1,221,863.
- At the writing of this report, SCVRD's sister agency, South Carolina Commission for the Blind (SCCB) was over matched in FY 2008 by \$196,297. This resulted in a net MOE penalty for SCVRD of \$1,025,566.

Recommendation 1: For future years, SCVRD would be better served in meeting their match and MOE requirements if when planning the budget it:

- 1.1 determines the match requirement of the federal funds expected in the year for which planning is being conducted;
- 1.2 reviews the match levels from two years prior to the year for which planning is being conducted; and
- 1.3 based on this analysis, identifies as its target for non-federal expenditures, the highest level of expenditures (actual or planned) in either of these years. This will ensure that the agency meets its match and MOE requirements.

Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that SCVRD is required to undertake. SCVRD must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those

steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and RSA is available to provide technical assistance to assist SCVRD to develop the plan and undertake the corrective actions. RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

1. Maintenance of Effort

Legal Requirement:

34 CFR 361.62 states:

(a) *General requirements.*

- (1) The Secretary reduces the amount otherwise payable to a State for a fiscal year by the amount by which the total expenditures from non-Federal sources under the State plan for the previous fiscal year were less than the total of those expenditures for the fiscal year 2 years prior to the previous fiscal year.

Example: For fiscal year 2001, a State's maintenance of effort level is based on the amount of its expenditures from non-Federal sources for fiscal year 1999. Thus, if the State's non-Federal expenditures in 2001 are less than they were in 1999, the State has a maintenance of effort deficit, and the Secretary reduces the State's allotment in 2002 by the amount of that deficit.

- (2) If, at the time the Secretary makes a determination that a State has failed to meet its maintenance of effort requirements, it is too late for the Secretary to make a reduction in accordance with paragraph (a)(1) of this section, then the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance.
- (b) *Specific requirements for construction of facilities.* If the State provides for the construction of a facility for community rehabilitation program purposes, the amount of the State's share of expenditures for vocational rehabilitation services under the plan, other than for the construction of a facility for community rehabilitation program purposes or the establishment of a facility for community rehabilitation purposes, must be at least equal to the expenditures for those services for the second prior fiscal year. If a State fails to meet the requirements of this paragraph, the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance.
- (c) *Separate State agency for vocational rehabilitation services for individuals who are blind.* If there is a separate part of the State plan administered by a separate State agency to provide vocational rehabilitation services for individuals who are blind--
- (1) Satisfaction of the maintenance of effort requirements under paragraphs (a) and (b) of this section are determined based on the total amount of a State's non-Federal expenditures under both parts of the State plan; and
 - (2) If a State fails to meet any maintenance of effort requirement, the Secretary reduces the amount otherwise payable to the State for that fiscal year under each part of the plan in direct relation to the amount by which expenditures from non-Federal sources under each part of the plan in the previous fiscal year were less than they were for that part of the plan for the fiscal year 2 years prior to the previous fiscal year.
- (d) *Waiver or modification.*

- (1) The Secretary may waive or modify the maintenance of effort requirement in paragraph (a)(1) of this section if the Secretary determines that a waiver or modification is necessary to permit the State to respond to exceptional or uncontrollable circumstances, such as a major natural disaster or a serious economic downturn, that--
 - (i) Cause significant unanticipated expenditures or reductions in revenue that result in a general reduction of programs within the State; or
 - (ii) Require the State to make substantial expenditures in the vocational rehabilitation program for long-term purposes due to the one-time costs associated with the construction of a facility for community rehabilitation program purposes, the establishment of a facility for community rehabilitation program purposes, or the acquisition of equipment.
- (2) The Secretary may waive or modify the maintenance of effort requirement in paragraph (b) of this section or the 10 percent allotment limitation in Sec. 361.61 if the Secretary determines that a waiver or modification is necessary to permit the State to respond to exceptional or uncontrollable circumstances, such as a major natural disaster, that result in significant destruction of existing facilities and require the State to make substantial expenditures for the construction of a facility for community rehabilitation program purposes or the establishment of a facility for community rehabilitation program purposes in order to provide vocational rehabilitation services.
- (3) A written request for waiver or modification, including supporting justification, must be submitted to the Secretary as soon as the State determines that an exceptional or uncontrollable circumstance will prevent it from making its required expenditures from non-Federal sources.

Finding: SCVRD is not in compliance with the Maintenance of Effort (MOE) requirement in 34 CFR 361.62 for FY 2008 because the agency's non-federal expenditures under the VR program that year failed to equal or exceed the agency's non-Federal expenditures under the VR program in FY 2006.

As a recipient of VR funds, SCVRD must maintain its level of effort in terms of non-Federal expenditures under the VR program. Pursuant to 34 CFR 361.62(a)(1), SCVRD's non-Federal expenditures under the VR program in one fiscal year must equal or exceed the amount of non-Federal expenditures incurred two years prior to that year. In this case, SCVRD's non-Federal expenditures in FY 2008 must equal or exceed the agency's non-Federal expenditures under the VR program in FY 2006. A State's MOE determination for a particular year is generally determined during the following fiscal year (*Id.*). RSA typically determines whether a State has met its MOE obligation by reviewing the VR agency's 4th quarter SF-269 for the affected fiscal year (ending date September 30) that was due on December 30 of that year.

In this case, in FY 2009, RSA reviewed SCVRD's 4th quarter report for FY 2008 to determine whether the agency had met its MOE obligation for FY 2008, as compared with FY 2006. At that time, SCVRD reported it had incurred non-Federal expenditures totaling \$14,113,497 in FY 2008. In comparison, SCVRD's final SF-269 for FY 2006 reported that the agency had incurred \$13,810,106 in non-Federal expenditures. Therefore, at the time of RSA's review of SCVRD's 4th quarter SF-269 for FY 2008 (the most recent report available at the time of RSA's review of SCVRD's MOE compliance for FY 2008), SCVRD had a MOE excess in FY 2008, as compared to FY 2006, of \$303,391. Therefore, when RSA assessed MOE penalties in FY 2009 for MOE deficits in FY 2008, as it was required to do by 34 CFR 361.62(a)(1), SCVRD was not assessed a penalty.

However, in a subsequent SF-269 for FY 2008, SCVRD reported that it had made an accounting adjustment in which non-Federal expenditures previously reported for FY 2008 were reduced by \$1,525,254. As a result of this accounting adjustment, SCVRD's final SF-269 for FY 2008, dated 01/31/11, reported non-Federal expenditures of \$12,739,234. This figure was less than the non-Federal expenditures of \$13,810,106 reported in FY 2006. As a result of this difference in non-Federal expenditures, SCVRD had a MOE deficit of \$1,070,872 in FY 2008.

Pursuant to 34 CFR 361.62, MOE is determined on a statewide basis. Given that there are two VR agencies in SC, RSA also reviewed SC Commission for the Blind's (SCCB) Final SF-269s for those same years as part of this analysis. SCCB's Final SF-269 for FY 2008 reported non-Federal expenditures of \$1,894,142 under the VR program that year; its Final SF-269 for FY 2006 reported non-Federal expenditures of \$1,692,845 under the VR program. These figures demonstrate that SCCB exceeded its expenditure of non-Federal funds in FY 2008, as compared to those expenditures in FY 2006, by \$196,297. Because the MOE is based on the State's total non-Federal expenditures that year, SCCB's excess in non-Federal expenditures that year reduces the amount of SCVRD's MOE deficit (34 CFR 361.62(c)(1)). As a result, SCVRD's net MOE penalty for FY 2008 was \$874,575 (\$1,070,872 SCVRD deficit - \$196,297 SCCB excess). This net penalty is assessed against SCVRD in accordance with 34 CFR 361.62(c)(2)). Because the time has passed in which RSA can assess the MOE penalty by reducing the agency's VR grant, the MOE deficit must be recovered through audit disallowance (34 CFR 361.62(a)(2)).

Corrective Action 1: SCVRD must:

- 1.1 submit a written assurance within 10 days of the issuance of the final monitoring report that SCVRD will comply with MOE requirements for the VR program, as required by 34 CFR 361.62;
- 1.2 review final non-federal contributions for FY 2008 to affirm the final dollar amount of this finding. If there are any discrepancies, SCVRD must inform RSA immediately by submitting amended reports; and
- 1.3 notify RSA if SCVRD wishes to submit a request for MOE waiver in accordance with 34 CFR 361.62(d).

2. Assigning Personnel Costs—Staff Working on Multiple Programs

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix A, paragraph C.3, in pertinent part, states:

C. Basic Guidelines

3. Allocable costs.
 - a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
 - b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.
 - c. Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix B, in pertinent part, states:

8.h.4 Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) ... Such documentary support will be required where employees work on: (a) more than one federal award; and (b) A federal award and a non-federal award.

8.h.5 Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be signed by the employee; and (d) budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes.

Finding: SCVRD is not in compliance with 34 CFR 361.12, 34 CFR 80.20(a), 2 CFR part 225, Appendix A, paragraph C, and 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5, because personnel costs for administering the IL Part B program are borne by the VR program.

While on-site, RSA staff discussed with SCVRD the requirement to track the time, and associated personnel costs per activity, for those staff working on multiple programs. As discussed in Finding 3 above, SCVRD does not have procedures in place that require staff to record and keep track of the time they spend working on various programs. Staff are not required to complete personnel activity reports, as required by 2 CFR part 225, Appendix B, paragraph 8.h.4. Instead, staff who work on multiple programs simply record their time without attributing the hours to specific programs. Although the funding for the VR program represents the greatest share of SCVRD's funding, the continuing practice of assigning all personnel costs to the VR program because of limited funding in other programs is not in accordance with cost principles outlined at 2 CFR part 225. In reviewing this matter further, RSA

questioned SCVRD fiscal staff as to whether the agency's financial management system would permit the allocation of personnel costs to each grant award. SCVRD reported that their system does not permit an allocation of costs by grant award.

To the extent SCVRD has staff that work on multiple programs, SCVRD must maintain personnel activity reports to account for the time staff work on each program (2 CFR part 225, Appendix B, paragraph 8). SCVRD's failure to account for personnel activities accurately in accordance with the time spent on each program results in non-compliance with 2 CFR part 225, Appendix B, paragraph 8. Furthermore, SCVRD has failed to comply with 34 CFR 361.12 and 34 CFR 80.20, which requires the proper and efficient administration of the VR program, which ensures proper accounting of expenditures and record-keeping. By using VR funds to pay for costs that should have been borne by the IL part B and other programs, SCVRD has not ensured proper administration and fiscal accountability under the VR program.

Corrective Action 2: SCVRD must:

- 2.1 cease using Title I funds for personnel costs that do not arise under the administration of the VR program and that are not supported by documentation, such as personnel activity reports, as required by 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5;
- 2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5 by requiring staff who work on multiple programs to submit personnel activity reports to support the time spent on each program; and
- 2.3 submit a plan, including timelines, describing the corrective actions that will be taken to ensure:
 - a. personnel activity reports are maintained that reflect actual time spent on each program in order to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and,
 - b. personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by NHVR in accordance with program requirements.

Technical Assistance

This section of the chapter describes the technical assistance (TA) provided by RSA to SCVRD during the course of the review. The TA requested by the agency to enable it to carry out the recommendations and corrective actions set forth above is included in Appendix A of this report titled "Agency Response."

Technical Assistance Provided

To enable the agency to improve its fiscal management processes, RSA provided technical assistance to SCVRD during the review process regarding:

- the requirements for a VR agency to identify and use funds to meet non-federal match;
- the requirements for the reporting of program income to ensure funds received after September 30th are reported in the appropriate Federal Fiscal Year;
- ways to strengthen contract development and monitoring processes;

- RSA's assessment of the agency's compliance with specific financial requirements, including match, MOE, carryover, reallocation, program income, liquidation of outstanding obligations and grant closeout;
- cost containment strategies and the applicability of OMB Circular A-87 cost principles to purchased services (necessary services, reasonable costs);
- OMB Circular A-87 time distribution documentation requirements applicable to staff working on more than one program (federal and/or state);
- OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their time to one federal grant program;
- OMB Circular A-87 definition of reasonable costs and the agency's responsibility for ensuring that all program costs meet this standard;
- allotment and reallocation process and the responsibility to identify and release (in a timely manner) federal formula grant funds that cannot be used and/or matched each year;
- requirements to monitor contracts and expenditures;
- timing and documentation of matching funds to meet program carryover requirements;
- financial staff responsibilities for the review of administrative and consumer expenditures;
- the definition of program income and the requirements to apply it to only allowable VR services;
- requirement for the submission of timely and accurate financial and statistical reports (SF-269 and RSA-2); and
- the proper application of OMB A-87, EDGAR, and the applicable federal regulations.

PART II: REVIEW OF SOUTH CAROLINA COMMISSION FOR THE BLIND (SCCB)

EXECUTIVE SUMMARY

During fiscal year (FY) 2010, the Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the *Rehabilitation Act of 1973*, as amended (the Act) in the state of South Carolina:

- the VR program, established under Title I;
- the SE) program, established under Title VI, Part B; and
- the OIB, established under Title VII, Chapter 2.

Administration of the VR, SE, and OIB Programs

SCCB is one of two designated state agencies (DSAs) responsible for administering the VR, SE and IL programs in South Carolina. SCCB operates under the auspices of an independent commission. This state agency provides VR and SE services to individuals who are blind or visually impaired and administers the OIB program.

SCCB Performance over the Past Five Years

Based on data provided by SCCB through various RSA reporting instruments, the agency's employment rate decreased from 71.04 percent to 68.85 percent during the period beginning in FY 2004 and ending in FY 2008. Over this same period, the number of applicants for VR services decreased from 529 to 498, the number of individuals who received services under an individualized plan for employment decreased from 438 to 424, and the number of individuals the agency assisted to achieve employment increased from 287 to 316. From FY 2004 through FY 2008, the average hourly earnings of those individuals who achieved employment increased from \$7.52 to \$8.44.

Additionally during the period, of those individuals who achieved an employment outcome, the number who achieved a SE outcome was unchanged at zero percent.

Either directly, or through grants or contracts with centers for independent living (CILs) and other service providers, the number of individuals served through the SCCB IL Program decreased from 89 to 63 during the period beginning in FY 2006 and ending in FY 2008. During FY 2008, the number of individuals served through the agency's OIB program was 1,280.

Observations of the Agency and Stakeholders

Through the course of the review, agency personnel and representatives of stakeholders, such as the independent commission and the Client Assistance Program, shared information concerning the administration and performance of the SCCB VR, SE and OIB programs. During the review, they observed:

- SCCB focuses on serving those individuals that are employed at application;
- SCCB's QA system focuses on penalizing VR counselors for documentation deficiencies;
- SCCB's in-house assessments are not shared with SCCB vocational training programs;
- SCCB's assistive technology unit is innovative;
- SCCB's evaluation unit lacks the capacity to serve all individuals. Therefore, VR counselors do not refer all individuals needing assessment services;
- SCCB staff do not understand the scope of support services involved in SE;
- SCCB is highly responsive to the ongoing job retention and follow-up needs of consumers who achieve employment outcomes and employer concerns regarding work adjustment;
- SCCB employment consultants often lack prior job development training or experience and have no prior experience with individuals who are blind or have other disabilities;
- agency staff are discouraged from purchasing services due to limited funds;
- SCCB provides limited college, occupational training, or competitive placement services;
- SCCB's outreach programs and regionalized van transportation should be reinstated; and
- the joint provision of services by SCCB staff and SCVRD would benefit individuals with multiple disabilities.

Strengths and Challenges:

Based on the observations from the agency and its stakeholders and other information gathered through the review process, RSA concluded that SCCB exhibited a variety of strengths that enhanced, and experienced a number of challenges that inhibited its ability to improve, the performance of its VR, SE and OIB programs.

Strengths

SCCB functions under the auspices of an independent commission. During the on-site monitoring, RSA met with members of the commission who were enthusiastic and committed to fostering change. In May 2010, with the appointment of three new members to the Commission, it is now fully constituted and consumer controlled. These new members bring to the agency specialized skills that will aid SCCB in redefining its mission, clarifying its vision and refocusing its commitment in serving individuals with blindness and visual impairments.

The agency provides services through an internal service delivery system utilizing its own staff and internal resources and purchases few services outside the agency. This system allows the agency to have control over access to low vision, adjustment to blindness, vocational assessment, and placement services, while containing costs. SCCB is not on an order of selection and has resources available to serve all eligible applicants.

SCCB's strategic plan document is a comprehensive operational tool to manage the agency that includes goals for the VR service delivery system, independence in home and community, prevention of blindness services, human resource leadership, administrative leadership, and information technology systems. The objectives derived from the goals are operational in scope and effectively assess the agency's current operational status.

SCCB has a comprehensive quality assurance system that includes service record reviews, consumer satisfaction surveys, productivity data, program services data, state unemployment data and RSA-911 report data.

Challenges

Performance Outcomes: SCCB does not focus on the quality of the employment outcomes it achieves for its consumers. In addition, the agency serves few individuals who have a competitive employment objective and who are not already employed at application. As reported by SCCB in FY 2008, the majority of consumers who achieved an employment outcome had been employed at the time of application working in excess of 20 hours per week. SCCB also reported for that year, 24.4 percent of the individuals who achieved employment attained a homemaker outcome. Individuals who were not employed at the time of application or not seeking a homemaker outcome accounted for 18.4 percent of successful closures in FY 2008. SCCB has not passed performance indicator 1.6 for the five-year review period and did not pass 1.2 in FY 2009.

Supported Employment: SCCB has a longstanding history of not delivering SE services. The agency reported only two SE outcomes during the five-year review period. SCCB does not employ job coaches and does not contract for these services with community rehabilitation providers. Therefore, individuals who could benefit from long term support services do not have access to these services.

Service Delivery: SCCB does not provide an array of VR services that meet the needs of all blind and visually impaired consumers and is ineffective in delivering the services it does provide. SCCB offers services to support individuals who are already employed, offering counseling, low vision services, and assistive technology. However, for those individuals who were not employed at the time of application, vocational assessment services have been constrained due to insufficient staffing. Moreover, these internal services, when available, are offered only in Columbia and may necessitate extensive travel by consumers from other areas of the state. Furthermore, the agency purchases few training services from outside sources. Placement services are focused on job retention services of individuals with employment and not on the job placement of individuals needing direct placement services to become employed.

Planning: SCCB has been ineffective in outreach efforts and aligning services in conjunction with the results of the CSNA completed in FY 2006 and census disability information. Likewise, the agency does not integrate administrative, fiscal, and programmatic planning and is presently serving consumers who do not require extensive VR funding.

Data and Case Management Deficiencies: Due to the inflexibility of SCCB's case management system, information critical to the management of the consumer is not maintained within one comprehensive system. Furthermore, there is no means to share information among programs. Access to real time reports is very limited.

Coordination with SCVRD to Serve Individuals with Multiple Disabilities: Despite the existence of an interagency agreement between SCCB and SCVRD that allows both agencies to collaborate on behalf of consumers, RSA found no evidence of collaboration between the agencies in serving individuals with multiple disabilities. Counselors clearly stated, however, that those consumers served exclusively by

SCCB whose primary disability is blindness or visual impairments could benefit from SCVRD's expertise in other disability areas via dual enrollment.

Fiscal Management: SCCB's fiscal management processes lack the necessary planning to ensure that grant funds are used for VR program purposes to benefit applicants or consumers of services. The agency's draw down practices do not permit the proper administration of the VR program. SCCB has challenges reporting program income to ensure funds received after September 30th are reported in the appropriate Federal Fiscal Year and thus is unable to identify and use funds to meet its non-federal match requirements.

Acknowledgement

RSA wishes to express appreciation to the representatives of the SCCB, the independent commission and the stakeholders who assisted the RSA monitoring team in the review of SCCB.

CHAPTER 1: VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS OF THE SCCB

VR and SE Program Systems

The following sections of this chapter describe the manner in which SCCB administers and operates the VR and SE programs through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Service Delivery

SCCB is the designated state agency that is responsible for the provision of VR and SE services for individuals who are blind and visually impaired in South Carolina. SCCB operates under the auspices of an independent commission comprised of seven board members appointed by the SC governor and approved by the state senate for a seven-year term. The board was fully constituted and consumer controlled in May, 2010, when three new members were appointed.

SCCB is a standalone agency headquartered in Columbia on a campus that houses its central office administration, program support services and an array of specialized programs. Two regional offices and ten field offices are co-located in one-stops or share space with SCVRD. There is one VR Counselor in each field office.

SCCB provides the majority of its services through its own staff and purchases few services outside the agency. The agency is not on an order of selection and has resources available to serve all eligible applicants for VR and SE services. SCCB has continued to increase its level of unexpended cash from 71 percent of its total grant in FY 2004, to 100 percent of its grant in FY 2008 and FY 2009.

SCCB offers specialized services via multiple programs located at its Columbia campus. Programs include the Ellen Beach Mack Rehabilitation Center (EBMRC), the Business Enterprise Program (BEP) and the Training & Employment (T&E) division. Services include vocational assessment, assistive technology, low vision technology, adjustment to blindness, job retention assistance, telecommunication training, and van transportation. Currently SCCB does not provide SE services through its Columbia campus or elsewhere.

The EBMRC is a comprehensive rehabilitation center that provides adjustment to blindness training and assessment services. Services include orientation and mobility training, GED preparation, Braille literacy, home and personal management, vocational evaluation, communications, and woodworking. A low vision center is located onsite to screen for vision loss and accommodations. Following completion of a five day per week residential training program lasting from eight to sixteen weeks, consumers are redirected to their VR Counselor for further services such as on-the-job training (OJT) or job development services. A summer teen program for transition-age youths is offered, serving 12-15 youths and providing adjustment to blindness services. If consumers are unable to attend the residential training at the EBMRC, a less comprehensive array of services can be provided in the field through three field outreach teams. On average, from FY 2006 through 2008, the EBMRC served 35 consumers, with 22 successfully completing the training. Of those who completed training, eight achieved successful

employment outcomes, two of which were competitive and the remaining six were homemaker outcomes.

SCCB administers the BEP in the state with 123 BEP vendors, the largest of which is at the Ft. Jackson military base. BEP establishes and oversees contracts to operate canteens and cafeterias, and provides new vendor training and ongoing support.

T&E serves as the primary point of contact for job evaluations and assistive technology devices for work accommodations. T&E primarily serves individuals requiring support to maintain their current job and those with a homemaker goal. In addition, it serves some individuals seeking competitive employment. Its central function is to provide training on advanced computer technology. Assistive technology includes Braille terminals, speech and magnification software, closed circuit television, scanners and reading software. Individuals whose cases are closed after obtaining homemaker outcomes are referred to IL centers and are provided training in communication assistive technology.

SCCB does not contract with community rehabilitation programs for job placement. Services are coordinated from SCCB's main campus. SCCB establishes teams to work with consumers on placement. The team members include the consumer, the VR counselor, an employment specialist and an AT specialist. SCCB employs four employment consultants (ECs) who receive referrals from VR counselors when the consumer is determined to be "job ready." The written referral specifies services that may include resume writing, mock interviews, job seeking skills, completing job applications, job development, and/or cold-calling companies. The ECs maintain five to six networking partnership agreements with companies such as Time Warner, Verizon and Wells Fargo. ECs maintain the long-term relationships with employers. Two ECs are located in Columbia and the other two are located in Charleston and Greer. They work out of satellite offices run by the Association for the Blind-Charleston, National Foundation for the Blind-Columbia (NFB), and Goodwill Industries in both Florence and Greenville. ECs maintain marketing material packets that include information on targeted job tax credit, OJT, testimonials, and brochures.

Referrals of individuals interested in job retention services (JRS) are often made to the training and employment services by ophthalmologists or optometrists, employers, or through self-referral. There is a range of assistive technology available to assist individuals with visual-impairments and with progressive impairments. When employers initiate contact with SCCB, it is often after having heard a presentation at a Chamber event or from an employer forum. In these instances, the initial follow up is with the employer and the service provided is comparable to an employee assistance program. There are, however, more resources in Columbia for job readiness. There is also a one to two week internship training program in Columbia.

Transition services are offered statewide through two transition VR counselors located in Columbia and Aiken. Caseloads are divided statewide and alphabetically, and the average caseload size is 40-50 consumers per counselor. An estimated 300 students statewide are eligible for transition services.

The agency collaborates with the workforce investment system's one-stop centers. VR counselors schedule service time at local one-stops and their daily attendance at the centers is monitored. VR counselors work closely with disability navigators. VR counselors provide training at one-stops on computer accessible software, and VR counselors have access to job matching services.

Personnel

RSA data indicates that SCCB has had no FTE staffing allocation changes from FY 2004 through FY 2008. Table 1.1 below presents the breakdown of number of total staff, EBMRC staff, and vacancies for each position. As of September 30, 2009, SCCB reported 109 staff in full time equivalent positions in the provision of VR and SE services, 15 of which are located at the EBMRC. This included 13 VR counselors or 11.9 percent.

SCCB's allotted staff of 174 included 46 EBMRC personnel or 26.4 percent. SCCB's overall vacancy rate was 20.4 percent for FTEs and 45.9 percent for temporary positions. EBMRC's vacancy rate was 28.5 percent for FTEs and 44 percent for temporary positions.

Table 1.1
SCCB Personnel Data Demonstrating Job Categories and
Number of Staff in Each Category as of 9/30/2009

Job Categories	Administrative Staff		Counselor Staff		Staff Supporting Counselor Activities		Other Staff		Total	
	Total	EBMRC	Total	EBMRC	Total	EBMRC	Total	EBMRC	Total	EBMRC
Filled FTE	9	0	56	10	20	3	24	2	109	15
Vacant FTE	0	0	18	5	7	1	3	0	28	6
Filled Temp & Temp/Grant	0	0	1	0	17	14	2	0	20	14
Vacant Temp & Temp/Grant	0	0	4	2	12	9	1	0	17	11

To ensure a high standard of competency and credentials for its qualified rehabilitation professionals under the CSPD, SCCB requires its VR counselors to possess a master's degree in rehabilitation counseling or a related field. SC has two institutions of higher education that provide training at the master's level in rehabilitation counseling: SC State University and the University of SC.

The policy of SCCB is to hire and retain employees who meet the national CSPD standard and are eligible to take the Commission on Rehabilitation Counselor Certification (CRC) examination. However, SCCB finds it is not always possible to hire or retain staff who meet the standard. In such cases, positions are filled with individuals that meet the following standard:

1. current enrollment in an accredited master's degree program in rehabilitation counseling, successful completion of 40 graduate program hours, and eligibility to obtain CRC within two years of hiring date; or
2. master's degree from an accredited college or university in a related field and eligibility to hold a CRC within three years of the hiring date.

As of September 30, 2009, of the 13 VR counselors on staff, eight held a master's degree in rehabilitation counseling and three of the eight VR counselors possessed a CRC. Of those who did not meet the highest standard, four held a master's degree in a related field, and two held a baccalaureate

degree in a related field. The two VR counselors with baccalaureate degrees are enrolled in graduate programs to meet the CSPD requirements.

Data and Case Management

SCCB's case management system is referred to as its client information system (CIS). The CIS has been in use since January 2000 and was developed in-house using a DOS-based mainframe computer housed and maintained at the state level. Data for five programs are contained within the CIS: VR, OIB, IL, the Children's Program, and Prevention of Blindness. Access to the CIS is obtained by use of passwords maintained at the state level while security access is determined and set by SCCB.

Administrative staff, mid-level supervisors, counselors, and their assistants have access to the CIS. Not all of the data necessary for managing the consumer's case are contained within the CIS due to SCCB's inability to make changes to the underlying database. The CIS contains demographic information and approximately 80 percent of the information required to produce the RSA-911. Other databases are maintained for the additional information required for RSA-911 production such as race, ethnicity, educational level, etc. Additionally, information for consumers referred to the training and employment program and the EBMRC are not tracked within the CIS. Information for the training and employment program is tracked manually. The EBMRC maintains their own system and produces an enrollment form with week-to-week enrollment information for each consumer. At the completion of the program, a status report is sent via email to the VR counselor.

Data accuracy is ensured by use of a limited number of edit checks that are built into the CIS. SCCB runs the RSA-ERA program on a quarterly basis for RSA-911 data. In addition, SCCB has a service review process where the paper case record is compared with the information contained in the CIS to make sure that it agrees. Approximately 15-20 percent of each counselor's records are reviewed. Information obtained during the service record review process is used to identify possible training needs and to identify functional requirements for a new case management system when funds become available.

In order to produce reports, data from the CIS are transferred nightly to a SCCB server containing its CIS reporting system. There are several standardized reports produced from the CIS reporting system that include a master list, a report that shows the movement of consumers through the system using statuses, and an edit report. From these reports, SCCB generates other reports by downloading the reports and manipulating the data. Although SCCB has an IT department, any ad hoc reports that cannot be obtained from the information contained in the standardized reports must be obtained using a contractor due to a lack of programming capabilities within the IT department. SCCB staff felt that the agency is able to function adequately with the information obtained from the standardized reports; however, the process is cumbersome and time consuming. Additionally, counselors and supervisors must print these standardized reports to identify where they may have inaccuracies in their consumer data and then correct any errors within CIS.

Reports produced for RSA are prepared using various methods. The RSA-113 is generated from the CIS automatically. The process for preparing the RSA-2 includes obtaining the consumer counts from the CIS. The financial data is retrieved from the state's financial management system.

Quality Assurance

SCCB has a comprehensive quality assurance (QA) system that includes service record reviews, consumer satisfaction surveys, productivity data, program services data, state unemployment data and RSA-911 report data. The SCCB QA system is not linked to the agency's strategic plan, the comprehensive statewide need assessment (CSNA) or the State Plan.

The SCCB QA system is based on service record reviews that are derived from the federal requirements for case documentation. Tools are in place to adequately measure VR counselor compliance with service record documentation procedures. Service record reviews are conducted monthly and feedback is provided to supervisors and VR counselors on the results. Areas of deficiency are analyzed and where trends are evident, training for staff is recommended.

SCCB has one senior management position devoted to QA and uses program and management personnel to oversee the QA system. This senior manager oversees the data collection and produces quarterly reports to the senior management team, the commissioner and the independent commissioners. However, the reports are separate reports generated at different times and are not coordinated into one comprehensive report that is shared agency wide or with stakeholders.

Planning

SCCB's strategic plan is a comprehensive operational tool to manage the agency that includes goals for the VR service delivery system, independence in home and community, prevention of blindness services, human resource leadership, administrative leadership, and information technology systems. The objectives derived from the goals are operational in scope and effectively assess the agency's current operational status.

The planning processes are completed by one senior staff manager and shared with other members of the senior management team and the commissioner. Plan updates are completed quarterly through a report writing process and the management team does not discuss the plan or quarterly updates as a group. The strategic plan is not communicated to the full staff, independent commissioners or the Client Assistance Program (CAP), and these entities do not have input into the planning process. Additionally, the fiscal staff does not participate in the planning processes of the agency.

SCCB completed its CSNA during the FY 2010 monitoring year after not having completed a CSNA since FY 2006. SCCB's FY 2010 State Plan contained an assurance related to the CSNA. The lack of a recent CSNA resulted in the status of the strategic plan being operational in scope.

The SCCB State Plan goals and priorities are not linked to the recently completed CSNA or the current strategic plan. They were the result of the FY 2006 CSNA that was ineffective in identifying strategies to address unserved and underserved populations. The state plan goals and priorities require a full review and revision based on the results of the FY 2010 CSNA.

VR and SE Program Performance

The following table provides data on the performance of the VR and SE programs administered by SCCB in key areas from FY 2004 through FY 2008.

**Table 1.2
SCCB Program Highlights for VR and SE Program for FY 2004 through FY 2008**

Program Highlights	2004	2005	2006	2007	2008
Total funds expended on VR and SE	\$5,473,678	\$5,512,307	\$6,104,867	\$7,806,135	\$7,395,234
Individuals whose cases were closed with employment outcomes	287	282	264	301	316
Individuals whose cases were closed without employment outcomes	117	156	79	102	143
Total number of individuals whose cases were closed after receiving services	404	438	343	403	459
Employment rate	71.04%	64.38%	76.97%	74.69%	68.85%
Individuals whose cases were closed with supported employment outcomes	—	2	—	—	—
New applicants per million state population	126	99	124	116	112
Average cost per employment outcome	\$2,595	\$2,424	\$2,381	\$1,975	\$2,483
Average cost per unsuccessful employment outcome	\$3,718	\$1,510	\$1,675	\$1,051	\$1,256
Average hourly earnings for competitive employment outcomes	\$9.67	\$9.29	\$10.49	\$10.14	\$11.20
Average state hourly earnings	\$15.12	\$15.77	\$16.35	\$16.83	\$17.34
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	64%	59%	64%	60%	65%
Average hours worked per week for competitive employment outcomes	32.5	34	34.2	34.2	35
Percent of transition age served to total served	10.64%	16.44%	11.95%	9.68%	13.29%
Employment rate for transition population served	55.81%	27.78%	41.46%	38.46%	29.51%
Average time between application and closure (in months) for individuals with competitive employment outcomes	15.7	15.6	18	13.9	17.6
Performance on Standard 1	MET	NOT MET	MET	MET	MET
Performance on Standard 2	MET	MET	MET	MET	MET

VR/SE Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that SCCB take specific steps to improve the agency's performance associated with each of the observations.

1. Performance Outcomes

Observation: As demonstrated by the data presented below, SCCB is serving a majority of individuals who are employed at the time of application and assisting a significant number of individuals to obtain unpaid employment at closure. As a result, the agency is not focusing on the quality of the employment outcomes it achieves for its consumers and is not serving individuals with a paid employment objective.

- In FY 2008, SCCB closed the cases of 316 individuals with employment outcomes, including 77 (24.4 percent) who obtained homemaker outcomes. Of the 316 individuals whose cases were closed with an employment outcome, 186 or 58.9 percent had earnings at the time they applied for services. Of the 186, five individuals attained homemaker outcomes. Therefore, SCCB found paid employment for 58 or 18.4 percent individuals during the VR process.

Table 1.3
Number and Percent of Individuals Whose Cases Were Closed in FY 2008 and Who Achieved an Employment Outcome and Who Were Placed in Employment By Agencies That Serve the Blind and Visually Impaired

Agencies That Serve the Blind and Visually Impaired	Total Number of Employment Outcomes	Total Number of Homemaker Closures	Total Number of Unpaid Family Worker Closures	Total Number of Individuals Whose Had Earnings at Application and Who Were Not Closed as a Homemaker or Unpaid Family Worker	Total Number of Individuals Who Were Placed in Paid Employment Who Had No Earnings at Application	
					Number	Percent
Washington	132			20	112	84.8%
Delaware	20		1	4	15	75.0%
Minnesota	93	3		33	57	61.3%
New Mexico	45			19	26	57.8%
Oregon	115	25		28	62	53.9%
Idaho	79	5		35	39	49.4%
Nebraska	52	2		26	24	46.2%
Virginia	183	5		97	81	44.3%
New Jersey	292	9		160	123	42.1%
Florida	729			437	292	40.1%
Michigan	228	52		85	91	39.9%
Texas	1,359	93	4	726	536	39.4%

Agencies That Serve the Blind and Visually Impaired	Total Number of Employment Outcomes	Total Number of Homemaker Closures	Total Number of Unpaid Family Worker Closures	Total Number of Individuals Whose Had Earnings at Application and Who Were Not Closed as a Homemaker or Unpaid Family Worker	Total Number of Individuals Who Were Placed in Paid Employment Who Had No Earnings at Application	
					Number	Percent
Missouri	265	39		124	102	38.5%
Iowa	124	9		69	46	37.1%
South Dakota	102	1		66	35	34.3%
North Carolina	668	5	2	434	227	34.0%
Kentucky	394	39	5	223	127	32.2%
Vermont	73	20	1	29	23	31.5%
New York	643	241	1	212	189	29.4%
Connecticut	130	17		76	37	28.5%
Massachusetts	200	79		71	50	25.0%
Arkansas	347	61	7	195	84	24.2%
Maine	82	53		10	19	23.2%
South Carolina	316	77		181	58	18.4%
Total	6,671	835	21	3,360	2,455	36.8%

- In FY 2008, SCCB found jobs for only 58 of the 316 (18.4 percent) individuals whose cases were closed with an employment outcome. This percentage is the lowest among all of the agencies that serve the blind and visually impaired and approximately 18 percent below the average for these agencies.

Table 1.4
SCCB's Percentage of Homemaker Closures Compared to All Agencies That Serve the Blind and Visually Impaired for FY 2004 through FY 2008 All Ages Versus Transition Age

Year	SCCB		Agencies That Serve the Blind and Visually Impaired	
	All Ages	Transition Age	All Ages	Transition Age
2004	18.5%	8.3%	25.7%	4.4%
2005	20.2%	0.0%	21.2%	4.1%
2006	20.1%	17.6%	16.3%	5.2%
2007	20.3%	20.0%	15.0%	3.8%
2008	24.4%	16.7%	12.5%	4.3%

- In FY 2008, 24.4 percent of SCCB's employment outcomes were homemakers, approximately twice the percentage for all agencies that serve the blind and visually impaired. In FY 2008, 16.7 percent of SCCB's employment outcomes for transition-age youths were homemakers, which is nearly four times the percentage for all agencies that serve the blind and visually impaired.

Table 1.5
Comparison of Individuals With Paid Employment Versus Those Without Earnings at Application Compared to All Agencies That Serve the Blind and Visually Impaired From FY 2004 to FY 2009

	2004	2005	2006	2007	2008	2009
SCCB						
Total Number With Paid Employment at Application	200	200	177	184	208	257
Total Number Without Earnings at Application	204	238	166	219	251	237
Total Number Served	404	438	343	403	459	494
Percent With Paid Employment at Application	49.5%	45.7%	51.6%	48.9%	49.0%	54.9%
Agencies that serve the blind and visually impaired						
Total Number With Paid Employment at Application	4,041	4,176	3,913	3,776	3,901	3,915
Total Number Without Earnings at Application	6,533	6,078	5,911	5,974	5,787	5,350
Total Number Served	10,574	10,254	9,824	9,750	9,688	9,265
Percent With Paid Employment at Application	38.2%	40.7%	39.8%	38.7%	40.3%	42.3%

- Of the individuals whose service records were closed in FY 2008 and who received services, 49 percent reported paid employment at application compared to 40.3 percent for agencies that serve the blind and visually impaired. In FY 2009, the percentage increased to 54.9 percent versus 42.3 percent for agencies that serve the blind and visually impaired.

Table 1.6
SCCB's Employment Rate for FY 2004 through FY 2009

Year	Total Served	Employment Outcomes	Employment Rate
2004	404	287	71.04%
2005	438	282	64.38%
2006	343	264	76.97%
2007	403	301	74.69%
2008	459	316	68.85%
2009	494	319	64.57%

- Although the number of individuals served by SCCB has been increasing from FY 2006 through FY 2009, the number of employment outcomes has been increasing at a lesser rate despite SCCB's procedure that allows for 25 percent of all employment outcomes to be homemakers. Consequently, the employment rate has been decreasing resulting in SCCB failing indicator 1.2 in FY 2009, with an employment rate of 66.63 percent for the two-year period used to calculate the standards and indicators for agencies that serve the blind and visually impaired.

Table 1.7
Individuals Who Achieved a Competitive Employment Outcome
Who Were Working 20 Hours or More at Application

Agencies That Serve the Blind and Visually Impaired	Individuals Who Achieved a Competitive Employment Outcome Who Were Working 20 Hours or More at Application		
	Number at Application	Number at Closure	Percent at Closure
South Carolina	177	238	74.37%
Arkansas	177	266	66.54%
South Dakota	57	100	57.00%
Kentucky	192	337	56.97%
Connecticut	62	109	56.88%
Massachusetts	67	119	56.30%
North Carolina	361	661	54.61%
Florida	380	710	53.52%
Iowa	60	115	52.17%
Virginia	87	176	49.43%
New Jersey	138	281	49.11%
Texas	592	1220	48.52%
New York	189	399	47.37%
Missouri	104	226	46.02%
Michigan	76	176	43.18%
Vermont	21	52	40.38%
New Mexico	17	45	37.78%
Idaho	27	72	37.50%
Nebraska	18	49	36.73%
Minnesota	29	90	32.22%
Maine	9	29	31.03%
Oregon	22	89	24.72%
Delaware	3	19	15.79%
Washington	12	132	9.09%
Total	2,877	5,710	50.39%

- SCCB has not met indicator 1.6² since FY 2003 in part because the agency’s consumers include a high proportion of individuals with paid employment at application. Of the 238 individuals who achieved a competitive employment outcome in FY 2008, 177 (74.4 percent) of them worked 20 hours or more per week at application. This percentage is the highest among agencies that serve the blind and visually impaired by approximately 24 percent.

² Indicator 1.6 of the standards and indicators is a measure of the difference in the percentage of individuals who at program entry reported their income as the largest single source of support, and the percentage that reported their personal income as the largest single source of support at program exit for individuals who have been placed in competitive employment.

Table 1.8
SCCB's Number, Percentage and Average Hourly Wage of
Employment Outcomes in FY 2008 per Job Category

Job Category	Number of Employment Outcomes	Percent of Employment Outcomes	Average Hourly Wage at Closure
Homemakers	77	24.37%	\$0.00
Office & admin support	42	13.29%	\$10.23
Sales & related	27	8.54%	\$10.81
Transportation & material moving	19	6.01%	\$12.15
Building & grounds cleaning & maintenance	18	5.70%	\$8.40
Production	17	5.38%	\$9.67
Food preparation & serving related	16	5.06%	\$8.44
Other	100	31.65%	\$12.65
Total	316	100.00%	\$12.48

- Of the consumers whose service records were closed in FY 2008, 316 received an employment outcome. As noted previously, 77 consumers (24.4 percent) were closed as homemakers and had no earnings. Forty-two consumers (13.3 percent) were placed in office and administrative support positions with an average hourly wage of \$10.23 or 59.0 percent of the state average hourly wage of \$17.34. Twenty-seven consumers (8.5 percent) were placed in sales and related positions with an average hourly wage of \$10.81 or 62.3 percent of the state average hourly wage of \$17.34.
- Of the 316 consumers who achieved an employment outcome in FY 2008, 216 (68.4 percent) were in seven primary job categories and received an average hourly wage of \$6.49, or 37.4 percent of the state's average hourly wage of \$17.34. If the 77 homemakers who had an hourly wage of \$0.00 at closure are removed from the table data above, out of the 216 individuals in the top seven primary job categories, there are 139 individuals (44.0 percent) who had an average wage of \$10.09 per hour at closure or 58.2 percent of the state's average hourly wage of \$17.34.

Recommendation 1: RSA recommends that SCCB:

- 1.1 establish goals and priorities that emphasize the quality and quantity of employment outcomes as measured by the federal standards and indicators and other performance data;
- 1.2 increase referrals in accordance with the FY 2010 CSNA for unserved and underserved consumers;
- 1.3 develop outreach strategies to serve those blind or visually impaired consumers who are unemployed and underemployed at application;
- 1.4 reduce its homemaker standard from 25 percent; and
- 1.5 suspend the hourly requirement of an individual needing to work 20 hours per week to be closed in competitive employment.

2. Supported Employment

Observation: SCCB has a history of not delivering SE services. The FY 2006 CSNA identified the need to expand the availability of SE services, and SCCB identified this need as a top priority in its FY 2007 State Plan. Despite SCCB's stated SE priority, the data and information presented below clearly demonstrate that the agency does not have the capacity to provide SE services through its internal service delivery system or with the assistance of community rehabilitation providers at this time.

- During the period of FY 2004 to FY 2008, only two consumers achieved SE outcomes, both of which were reported in FY 2005 (See Table 1.2).
- During the on-site review, SCCB staff was unable to demonstrate both a fundamental understanding of SE and the types of consumers that might benefit from these services. SCCB staff was also largely unaware of the existence of an SE funding stream, and in fact, the agency utilized only a small amount of SE federal funding during the review period. Likewise, while SCCB requested state funding from its legislature to hire additional job coaches, SCCB staff not only reported that there were no job coaches on staff, but also that the agency had no relationships with community rehabilitation programs for SE services.

Recommendation 2: RSA recommends that SCCB:

- 2.1 conduct training for all staff on SE service delivery; and
- 2.2 develop strategic vendor relations in areas of employment services to support the development or expansion of SE services.

3. Improvements in Service Delivery

Observation: SCCB uses an internal system to deliver services that is insufficiently staffed in critical areas to administer the program and to provide its services, does not provide an array of services to serve all blind and visually impaired consumers with an employment objective, and is inefficient in providing access to offered services. The agency has a small number of administrative staff to manage the program, and staff is called upon to serve in multiple roles despite not having the necessary skill sets, prerequisite knowledge and expertise to fulfill their responsibilities. SCCB offers a limited range of VR services internally and does not expend its VR funds to provide assessment, vocational training, or job placement services to the majority of its consumers. In addition, SCCB has not developed external partnerships to ensure that consumers requiring services not offered by SCCB are available. Likewise, individuals outside of Columbia have limited access to services because many internal programs are located only at SCCB headquarters. As a result, SCCB does not deliver an array of VR services that meet the needs of all blind and visually impaired consumers and is ineffective in delivering the services it does provide.

Staffing Allocations

- In many instances, RSA observed a lack of adequate staffing to administer or effectively provide a service or program of the agency. For example, there is one part-time vocational evaluator statewide; two full-time equivalent staff serving transition students responsible for serving 300 transition-age youths in 52 counties; and one OIB staff person statewide.

Services Provided

- SCCB provides centralized services in an internal service delivery system and expends a small amount of resources on purchased services, yet has carried over increasingly higher amounts of VR funds from 71 percent of its total grant in FY 2004, to 100 percent of its grant in FY 2008 and FY 2009.

**Table 1.9
Percentage of Services Provided to Individuals
Whose Cases Were Closed in FY 2008**

Service Provided	SCCB	Agencies that serve the blind and visually impaired
All Ages		
<i>Higher than agencies that serve the blind and visually impaired</i>		
Assessment services	100.0%	75.7%
On-the-job supports	29.8%	10.0%
<i>Lower than agencies that serve the blind and visually impaired</i>		
College or university training	5.7%	10.7%
Occupational/ vocational training	1.5%	12.8%
Job search assistance	8.9%	17.2%
Job placement assistance	8.5%	15.5%
Job readiness training	5.2%	9.5%
On-the-job training	1.7%	4.9%
Transition Age		
<i>Higher than agencies that serve the blind and visually impaired</i>		
Assessment services	100.0%	77.2%
<i>Lower than agencies that serve the blind and visually impaired</i>		
College or university training	29.5%	38.8%
Occupational/ vocational training	3.3%	21.8%
Job readiness training	6.6%	20.2%
On-the-job training	3.3%	9.6%

- Though assessment services are reported as provided to all consumers, RSA learned that assessment services are not available to all consumers due to the lack of agency staffing. This results in counselors not referring consumers for assessments to avoid time on the waiting list that would delay service provision. In addition, assessment results are not shared between programs of SCCB. Consequently, the employment goal identified in the IPE may be inconsistent with the consumers' strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- Occupational skills training to prepare consumers for competitive employment in the past was limited to training in the telecommunications industry. This skills training program was non-functional during the review period and plans to reinstate the training were uncertain and undeveloped.

- SCCB maintains a partnership relationship with Goodwill Industries in SC and RSA observed a communication lab and assistive technology program serving blind and visually impaired consumers in Greenville. This is an example of a relationship that could be expanded to provide an array of services such as assessment, training, job placement and supported employment.

Centralized Services

- SCCB maintains a van transportation program that operates from its main campus in Columbia yet serves its consumers statewide, providing transportation services by appointment through its ten vans dispatched from headquarters. VR counselors indicated that services had been regionalized in the past and were much more available and easier to schedule with minimal notice. Drivers had been familiar with regularly traveled routes and geographic areas. In addition, the drive to and from pick up and drop off points is unproductive and costly.
- Vocational assessment services are offered only in Columbia and on a limited basis. Therefore, consumers in need of vocational assessment must travel to Columbia to receive it. A half time vocational evaluator provides this service and there is a wait list for consumers in need of it. VR counselors indicated they are not referring consumers for the service because of the wait and coordination involved in transporting consumers. SCCB does not provide comprehensive assessment service at field locations. Pursuant to the lack of internal assessment services, RSA's inquiry of one-stop partners revealed that on-line assessment services could easily be made available to SCCB at all one-stop locations via an interagency agreement.

Recommendation 3: RSA recommends that SCCB:

- 3.1 analyze the benefits to consumers of decentralizing its internal service delivery system to identify those services provided locally or regionally based on demographics, the CSNA, and service capacity;
- 3.2 expand the array of services to address the service needs of all eligible consumers particularly for transition-age youths, those seeking occupational or college training, and those seeking employment;
- 3.3 evaluate its staffing needs in conjunction with its services and specialized programs, program intent, and waiting lists for all services;
- 3.4 evaluate the skills sets necessary to perform the required management tasks of administering the VR program and realign staff and responsibilities accordingly; and
- 3.5 add key positions to supplement the current staffing levels based on further cost benefit analysis, and strategic planning.

4. Planning

Observation: SCCB's CSNA completed in FY 2006 identified African-Americans and Hispanics, deaf/blind consumers, transition-age students, and rural populations as being unserved or underserved. In addition, the CSNA identified the need to expand the availability of SE services and employer outreach to increase job opportunities (including home-based businesses) for individuals with significant disabilities. However, SCCB has not been effective in aligning services in conjunction with the results of the CSNA and census disability information. Likewise, the agency does not integrate administrative,

fiscal and programmatic planning that leads to a common service delivery focus of the agency. As a result, the agency is presently serving consumers who do not require extensive VR support.

- SCCB is administered under the auspices of an independent commission. The commissioners expressed a willingness to become actively involved but are not fully aware of their role in administration of the program and are not involved in planning of the organization.
- The agency does not have a strategic planning document or process that details long-term goals and priorities that are incorporated into the annual State Plan.

**Table 1.10
Percentage of Expenditures and Expenditures for Services for FY 2008**

	SCCB	All Agencies that Serve the Blind and Visually Impaired
Expenditures		
Administration	38.7%	17.0%
Assessment, counseling, guidance, and placement	6.2%	28.6%
Other services	3.8%	11.2%
Purchased services	33.1%	35.0%
Services to groups	18.3%	8.1%
Expenditures for Services		
Assessment (purchased only)	3.3%	4.3%
Diagnosis and treatment of physical and mental impairments	19.0%	12.6%
Training	15.2%	52.2%
Maintenance	1.4%	4.4%
Transportation	0.2%	2.6%
Personal assistance services	0.0%	0.7%
Placement (purchased only)	0.0%	3.6%
All other services	60.8%	19.5%

- SCCB has continued to increase its level of unexpended Title I VR funds from 71 percent of its total grant in FY 2004 to 100 percent of its grant in FY 2008 and FY 2009. The agency has returned SE funds that it was unable to spend. The current centralized service model with specialized programs and services emanating from the Columbia campus is costly to maintain. Personnel expenditures and administrative costs are substantially higher than the BAA. SCCB has spent minimal resources for occupational and college training and does not effectively partner with training facilities to better prepare its consumers for employment that is based on the unique qualities, interests, skills and abilities of the individual.
- While SCCB has operated as an internal service delivery system, it maintains interagency agreements and relationships with many stakeholder organizations. These partners include the School for the Blind, the Helen Keller School of the Deaf Blind, education agencies, CRPs, occupational training facilities, placement providers, and SCVRD. It has not developed or utilized these agreements to address key concerns. As an internal service delivery system, SCCB has not

developed outreach partnerships to ensure that all eligible consumers are referred for services or provided a comprehensive array of services.

Recommendation 4: RSA recommends that SCCB:

- 4.1 develop the role and duties of the commissioners in administration of the agency and engage them in the agency's planning activities;
- 4.2 develop a strategic planning process incorporating administrative, fiscal and programmatic components that identify long-term goals and priorities that align with the CSNA and the state plan;
- 4.3 identify gaps in the array of VR services, identify their impact on competitive employment outcomes from a cost benefit analysis approach and shift agency resources from programs or services that show low impact or inefficiencies to high yield impact activities that address service gaps; and
- 4.4 identify other service providers in SC that are providing comparable services and present opportunities to partner and share VR services through interagency agreements.

5. Data and Case Management Deficiencies

Observation: Due to the lack of flexibility of SCCB's case management system, information critical to the management of the consumer is not maintained within one comprehensive system. Because information is not contained centrally, it is not easily shared among the various programs resulting in cumbersome and inefficient case management. Agency management is also affected due to the lack of shared information as well as a limited reporting system. Data is critical to the agency's performance and should play an integral part in short and long-term decisions regarding all aspects of the organization.

- The CIS contains demographic information and approximately 80 percent of the information required to produce the RSA-911. Other databases are maintained outside of the CIS for the additional information required for RSA-911 production because of the inability of SCCB to make changes to the database underlying the CIS. For example, the CIS contains only one data element to hold race/ethnicity information. However, because there is more than one option for this data element, the information must be maintained separately from the CIS and added to the consumer's file when the case is closed. Consequently, counselors must manage their consumer data entry process so as not to wait until an audit is due and/or the end of the federal fiscal year to enter information for all of their service records at once. Additionally, service record notes are not maintained within CIS.
- Because the training and employment program and the EBMRC program house information separately, there is no means of sharing information among the various programs. While information can be requested from these two programs, there is no real time capability to track a consumer through the various programs. For example, the CIS contains only the information that the consumer was referred to the EBMRC and does not contain how many classes the consumer has completed, how many classes the consumer still needs to complete, or the anticipated completion date. Therefore, VR counselors do not know the status of their consumers at the center unless it is specifically requested from the center. This process is inefficient because the VR counselor must take time to request the information and the center

staff must take time to process the request and return the requested information to the VR counselor.

- Additionally, reports obtained from the CIS reporting system are limited in the information they contain and are downloaded and manipulated in a spreadsheet. There are several standardized reports produced from the CIS reporting system that include a master list, a report that shows the movement of consumers through the system using statuses, and an edit report. From these reports, the agency generates other reports by downloading the reports and manipulating the data using a spreadsheet. Because consumer information is not centrally located and accessible in real time, reports are limited to information contained in the standard reports or obtained from requests.
- Due to a lack of programming capabilities within the IT department, all consumer information is not readily available to counselors or management within the agency. In addition, VR counselors and supervisors must print these standardized reports to identify where they may have inaccuracies in their consumer data and then correct any errors within CIS. This process is inefficient because counselors must take time to review the printed information and determine if changes are necessary.

Recommendation 5: RSA recommends that SCCB:

- 5.1 conduct a needs assessment to determine the appropriate data and case management system that integrates program and fiscal data before purchasing an off-the-shelf system or developing one in house;
- 5.2 replace the current data and case management system with one that integrates all program and fiscal data; and
- 5.3 provide access to information agency-wide to allow staff to make decisions that ultimately influence their ability to effectively serve their consumers.

6. Coordination with the SCVRD to Serve Individuals with Multiple Disabilities.

Observation: Some consumers served exclusively by SCCB whose primary disability is blindness or visual impairments could benefit from SCVRD’s expertise in other disability areas via dual enrollment. Though the agency has a memorandum of agreement with SCVRD, dated September 2008, to promote cooperation and communication between both agencies in order to serve South Carolinians with disabilities more effectively, the memorandum does not address the possibility of dual enrollment. There is no federal requirement that prohibits both agencies from serving the same individual simultaneously.

- SCCB’s VR counselors do not collaborate with SCVRD to effectively serve individuals with multiple disabilities, thereby limiting consumer choice and access to services.
- During the on-site visit, RSA staff provided technical assistance to SCCB management on the joint provision of services by general and blind agencies to individuals with multiple disabilities. RSA informed the agency management that the Act and its implementing regulations do not prohibit general and blind agencies from jointly serving an individual simultaneously so long as services are not duplicated. RSA further advised SCCB that if both the general and blind agency provide substantial services to the same individual, both are required to report the subsequent employment outcome.

- RSA was apprised of the memorandum of agreement noted above on July 23, 2010. Neither SCCB management nor counselors acknowledged the memorandum of agreement with SCVRD noted above during the on-site visit.

Recommendation 6: RSA recommends that SCCB:

- 6.1 develop and implement a policy that permits both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 6.2 review and revise the current interagency agreement with SCVRD, pursuant to 34 CFR 361.24(d), permitting both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 6.3 collaborate with SCVRD to conduct joint staff training on service provision to individuals with multiple disabilities; and
- 6.4 communicate with referral sources to effectively market the combined capability of serving eligible individuals with multiple disabilities.

Technical Assistance and Continuing Education

This section of the chapter describes the technical assistance (TA) and continuing education provided by RSA to SCCB during the course of the review and the continuing education needs of the agency identified by its personnel and stakeholders. The TA requested by the agency to enable it to carry out the recommendations set forth above is included in Appendix B of this report titled “Agency Response.”

TA Provided

During the review of the VR and SE programs, RSA provided TA to SCCB regarding:

- SE programming;
- The incorporation of information obtained through quality assurance system activities into strategic planning;
- comprehensive statewide needs assessment (CSNA) requirements, including the CSNA model plan and supporting instructions;
- State Plan compliance; and
- Collaboration with SCVRD to serve individuals with blindness, visual-impairments and multiple disabilities.

Continuing Education

During the course of the review, SCCB and stakeholder representatives, including the independent commission, requested that agency personnel receive continuing education in the areas of:

- awareness of and research in services to individuals with multiple disabilities;
- training for VR counselors on specialty disability populations;

- training on self-employment and small business ownership;
- training on job development techniques for VR counselors;
- SE services; and
- training in oversight and responsibilities for the independent commission.

CHAPTER 2: INDEPENDENT LIVING SERVICES PROGRAM FOR OLDER INDIVIDUALS WHO ARE BLIND

Program Systems

The following sections of this chapter describe the manner in which SCCB administers and operates the independent living services program for older individuals who are blind (OIB), authorized pursuant to Title VII, Chapter 2, of the *Rehabilitation Act*, through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Program Administration and Service Delivery

In FY 2008, SCCB received \$455,243 in Chapter 2 funds and \$62,874 in state match funds. All OIB services are provided internally by SCCB.

Pursuant to SCCB policy, to be eligible for the OIB program, an individual must be 55 years and older and must have a visual acuity of 20/200 or less. A clinical screening determines diagnosis and treatment for all eligible consumers.

Personnel

According to the FY 2008 7-OB report, SCCB staffing for the OIB program included three support/administrative FTEs and six direct service staff for a total of nine FTEs. The six counselors are located statewide providing OIB services including low-tech equipment and daily living skills such as budgeting, cooking and grocery shopping.

Data Management

OIB Program staff utilizes the SCCB case management system for entering data and case notes. Data collection is compiled and reported on the annual RSA-7-OB report.

Quality Assurance

OIB program components that are subject for QA review include:

- OIB policies and procedures;
- contracts;
- review of performance-based measures;
- semi-annual consumer service record reviews;
- verification of consumers served;
- services requested and provided;
- goals met and achieved; and
- consumer satisfaction surveys.

Planning

Long range planning does not occur within the OIB program. Staff are assigned goals at the beginning of each year and encouraged to meet or exceed them.

OIB Program Performance

The following table provides data on SCCB OIB program performance in key areas in FY 2008.

Table 2.1
OIB Program Performance for FY 2008

Expenditures, Performance, and FTEs	2008
Title VII, Chapter 2 expenditures	455,243
Total expenditures (including Chapter 2)	518,117
Total served older individuals who are blind	1,280
Total FTEs	9
Total FTEs with disabilities	1

Technical Assistance Provided

During the review of the OIB program, RSA provided technical assistance to SCCB regarding:

- completion of the RSA-7-OB report; and
- OIB policies and procedures.

CHAPTER 3: FISCAL MANAGEMENT OF SCCB VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT AND THE INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS

RSA reviewed SCCB's fiscal management of the vocational rehabilitation (VR), Supported Employment (SE) and Independent Living Services for Older Individuals Who are Blind (OIB) programs. During the review process, RSA provided technical assistance to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

Fiscal Management

At the time of the RSA review, SCCB was using an older financial management system which made it difficult for SCCB to properly track and report grant funds. The SCCB will complete the transition to the S.C. Enterprise Information System (SCEIS) in June 2011, when the agency switches its payroll and human resources functions to the web-based software. SCEIS replaced the outdated systems that have been used to manage essential functions such as purchasing, payroll, human resources, travel approvals and financial management, which were aging rapidly and at risk for failure.

SCCB Fiscal Performance

The data in the following tables are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of the agency's fiscal management practices. Data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). Fiscal data related to VR program administration, total expenditures, and administrative cost percentage is taken from the RSA-2. OIB program fiscal data, including the sources and amount of funding, match and carryover, are extracted from the programs' SF-269s and the RSA-7OB report.

**Table 3.1
Vocational Rehabilitation**

South Carolina (B)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$5,892,706	\$5,848,784	\$6,102,463	\$6,447,310	\$6,595,512
Federal Expenditures	\$5,428,500	\$5,280,654	\$6,102,463	\$6,447,310	\$6,595,512
Required Match	\$1,469,213	\$1,429,199	\$1,651,620	\$1,744,952	\$1,785,062
Actual Match	\$1,609,303	\$1,429,366	\$1,697,845	\$1,916,023	\$1,894,142
Over (Under) Match	\$140,090	\$167	\$46,225	\$171,071	\$109,080
Carryover at 9/30 (year one)	\$4,157,359	\$3,809,473	\$4,842,415	\$5,461,359	\$6,595,512
Program Income	\$0	\$0	\$0	\$0	\$0
Maintenance of Effort (MOE)	\$1,772,976	\$1,964,366	\$1,609,303	\$1,429,366	\$1,697,845
Administrative Costs					
	\$1,880,708	\$2,083,450	\$1,948,926	\$2,343,872	\$2,862,422
*Total Expenditures	\$5,473,678	\$5,512,307	\$6,104,867	\$7,806,135	\$7,395,234
Percent Admin Costs to Total Expenditures	34.36%	37.80%	31.92%	30.03%	38.71%

*Includes Supported Employment Program Expenditures.

**Table 3.2
Independent Living—OIB**

South Carolina (B)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$428,889	\$451,364	\$449,147	\$453,627	\$455,243
Federal Expenditures	\$437,310	\$451,364	\$449,147	\$453,627	\$455,243
Required Match	\$48,590	\$50,152	\$49,905	\$50,403	\$50,583
Actual Match	\$109,261	\$60,014	\$68,169	\$55,089	\$62,874
Over (Under) Match	\$60,671	\$9,862	\$18,264	\$4,686	\$12,291

Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that SCCB is required to undertake. SCCB must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and RSA is available to provide technical assistance to assist SCCB to develop the plan and undertake the corrective actions. RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

1. Improper Application of Approved Indirect Cost Rate

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

(a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix A, in pertinent part, states:

B. Definitions

1. **"Approval or authorization of the awarding or cognizant Federal agency" means documentation evidencing consent *prior* to incurring a specific cost.** If such costs are specifically identified in a Federal award document, approval of the document constitutes approval of the costs. If the costs are covered by a State/local-wide cost allocation plan or an indirect cost proposal, approval of the plan constitutes the approval. (emphasis added)
2. "Indirect cost rate proposal" means the documentation prepared by a governmental unit or component thereof to substantiate its request for the establishment of an indirect cost rate as described in Attachment E of this Circular.

F. Indirect Costs

1. General. Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

H. Required Certifications.

Each cost allocation plan or indirect cost rate proposal required by Attachments C and E must comply with the following:

- 1. No proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit, shall be acceptable unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Attachments C and E.** The certificate must be signed on behalf of the governmental unit by an individual at a level no lower than chief financial officer of the governmental unit that submits the proposal or component covered by the proposal.
- 2. No cost allocation plan or indirect cost rate shall be approved by the Federal Government unless the plan or rate proposal has been certified. Where it is necessary to establish a cost allocation plan or an indirect cost rate and the governmental unit has not submitted a certified proposal for establishing such a plan or rate in accordance with the requirements, the Federal Government may either disallow all indirect costs or unilaterally establish such a plan or rate.** Such a plan or rate may be based upon audited historical data or such other data that have been furnished to the cognizant Federal agency and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal Government because of failure of the governmental unit to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed. (emphasis added)

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix E, in pertinent part, states:

D. Submission and Documentation of Proposals.

- Submission of indirect cost rate proposals.
 - a. **All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs.** The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule. (emphasis added)
 - a. Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant Federal agency. If the proposed central service cost allocation plan for the same period has not been approved by that time, the indirect cost proposal may be prepared including an amount for central services that is based on the latest federally-approved central service cost allocation plan. The difference between these central service amounts and the amounts ultimately approved will be compensated for by an adjustment in a subsequent period.

F. Other Policies.

5. Collection of unallowable costs and erroneous payments. **Costs specifically identified as unallowable and charged to Federal awards either directly or indirectly will be refunded**

(including interest chargeable in accordance with applicable Federal agency regulations).
(emphasis added)

Finding: SCCB is not in compliance with 2 CFR part 225 because the agency incurred more indirect costs under the VR program in FYs 2007 through 2009 than was allowable under its approved indirect cost rate. By charging an excess of indirect costs to the VR program, SCCB has failed to administer the VR program in an effective and efficient manner that ensures the proper expenditure and accounting of VR funds, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

During the aforementioned three fiscal years, SCCB had an approved Indirect Cost Rate of 1 percent, meaning that SCCB could charge the VR program for 1 percent of the approved base of expenditures. The approval letter, from the U.S. Department of Education (Agreement 2007-222), approved a 1 percent rate from 07/01/07 to 06/30/11. However, the agency reported on its SF-269s for each of those years that it incurred indirect costs under the VR program totaling 31 percent—not the allowed 1 percent—of the approved base. From FY 2007 through FY 2009, SCCB reported that it incurred a total of \$2,238,282 in indirect costs with Federal VR funds (\$1,761,528) and non-Federal funds (\$476,754). One percent of the approved base (\$7,220,266) for that three-year period was \$72,203, meaning that the VR program was overcharged a cumulative amount of \$2,166,079 (\$2,238,282 total incurred - \$72,203 allowed = \$2,166,079 overpaid) for that three-year period, as detailed in the following chart. During the on-site monitoring process, SCCB fiscal management did not provide RSA any supporting documentation to justify or explain why the agency applied a 31 percent indirect cost rate when only a 1 percent rate had been approved for that period by the U.S. Department of Education, the Federal cognizant agency for that determination.

SCCB Annual Indirect Cost Expenditures

Grant	Fiscal Year	Approved Base	Federal Share of reported indirect costs	State Share of reported indirect costs	Total Indirect Cost Charged to VR program	Approved IDCRC (1%) Amount Allowed	Indirect Cost Overpayment by VR program
VR-Title I	2007	\$2,981,401	\$727,372	\$196,862	\$924,234	\$29,814	\$894,420
VR-Title I	2008	\$3,386,170	\$826,124	\$223,589	\$1,049,713	\$33,862	\$1,015,851
VR-Title I	2009	\$852,695	\$208,032	\$56,303	\$264,335	\$8,527	\$255,808
Totals		\$7,220,266	\$1,761,528	\$476,754	\$2,238,282	\$72,203	\$2,166,079

While RSA staff was on site, the state was conducting an audit of SCCB, which resulted in the same finding as discussed herein, namely that SCCB had charged the VR program indirect costs that exceeded the approved 1 percent indirect cost rate.

As a recipient of Federal funds, SCCB must maintain procedures to ensure that it administers the VR program in an efficient and effective manner (34 CFR 361.12 and 34 CFR 80.20(a)). Federal regulations require that all Federal grant recipients must properly expend and account for program funds (*Id.*). As such, VR funds may be spent only on allowable expenditures – the provision of VR services and the administration of the VR program (34 CFR 361.3). Furthermore, the Federal cost principles make it clear that a cost is allowable if it is allocable to the Federal award (2 CFR part 225, Appendix A, paragraph C.1.b). All activities which benefit from the agency’s indirect costs must receive an

appropriate allocation of indirect costs (*Id.* at C.3.b). Indirect costs are those that benefit more than one program and are not easily assignable to any one specific program (*Id.* at F.1). Indirect costs are charged to programs in accordance with an approved indirect cost rate (2 CFR part 225, Appendix E, paragraph A.3).

In this case, SCCB submitted an indirect cost rate proposal, as it was required to do pursuant to the Federal cost principles, to the U.S. Department of Education. Upon reviewing all of the information submitted, the U.S. Department of Education approved an indirect cost rate of 1 percent. The approved rate was effective for the period of 07/01/07 to 06/30/11. As the SF-269s for FYs 2007 through 2009 demonstrate, SCCB charged 31 percent of the approved base of expenditures to the VR program when it was permitted, in accordance with the approved indirect cost rate, to charge only 1 percent of the expenditures against the VR program. As such, SCCB failed to comply with Federal cost principles governing the equitable distribution of indirect costs among Federal programs, including the VR program. By failing to comply with these requirements, the VR program paid for 30 percent more of the indirect costs than it should have. As such, VR funds were not expended and accounted for properly, as required by 34 CFR 361.12 and 34 CFR 80.20(a). Hence, SCCB failed to properly administer the VR program (*Id.*).

Corrective Action 1: SCCB must:

- 1.1 cease charging indirect costs to any Department grant, including the VR grant, that exceeds the indirect cost rate percentage approved by the U.S. Department of Education;
- 1.2 if there is a need for a new indirect cost rate, submit a proposal for a new Indirect Cost Rate or a Cost Allocation plan to the Department for review and approval in accordance with the Federal cost principles and requirements set forth at 2 CFR part 225. Any new approved indirect cost rate would be applicable for the current fiscal year or future years, as appropriate. Any new approved indirect cost rate would not be applied retroactively to prior years;
- 1.3 submit a written assurance to RSA within 10 days after the final report is issued that SCCB will submit timely indirect cost rate proposals and/or cost allocation plans for review and approval, and that only the approved rate or cost allocation plan shall be used in charging the grant, as required by the Federal cost principles at 2 CFR part 225. In addition, SCCB must assure that it will administer the program in a proper and efficient manner that ensures the proper expenditure and accounting of funds, as required by 34 CFR 361.12 and 34 CFR 80.12(a); and
- 1.4 submit revised SF-269s reports to reflect indirect costs of only the approved 1 percent authorized by the approved Indirect Cost Rate.

2. Drawdown and Cash Management

Legal Requirements:

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.21(b) and (i) state:

- (b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.
- (i) Interest earned on advances. Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

34 CFR 80.50(d)(2) states:

The grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

34 CFR part 205, subpart B (since SCCB is not party to the State's Treasury Act Agreement) applies. In particular, 31 CFR 205.33 states:

How are funds transfers processed?

- (a) A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102 (For availability, see 5 CFR 1310.3.).
- (b) Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B.

Finding: SSCB is not in compliance with 34 CFR 80.21(b) and 31 CFR 205.33, because it neither minimized the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes nor limited the transfer of funds to what was required to meet the State's actual and immediate cash needs. Furthermore, SSCB is not in compliance with 34 CFR 80.50(d)(2), because it did not immediately refund unobligated SE and IL-part B funds, that it had drawn down, to the Department at the closeout of the grant period. In failing to satisfy with these requirements, SSCB also failed to comply with 34 CFR 80.20(a), which requires the State to have fiscal controls and accounting procedures in place to ensure the proper expenditure and accounting of Federal funds.

The financial reports of SSCB show that, both under the IL-B program and the SE program, SSCB drew down more grant funds than it expended. Furthermore, the Department's Drawdown Reports do not indicate that SSCB returned any of the unused funds to the U.S. Treasury.

In four of the last six years (FYs 2004, 2007, 2008, and 2009), SSCB drew down more IL-part B funds than it reported expending on the program. In FY 2005, SSCB expended \$2,759 more than they drew

down and in FY 2006 the agency expended the same amount of funds that they drew down. , The chart below shows the IL-part B funds drawn down from the U.S. Treasury and reported as expended for each of those years. According to the information reported by SCCB, the agency drew down a total of \$204,247 in IL-part B funds during that period, but only reported expending \$102,879, meaning that SCCB had drawn down an excess of \$101,368.

SCCB—IL-B Drawdown of Funds & Federal Expenditures

Fiscal Year	Grant Award	Program	Grant Funds Drawn Down Per GAPs	Federal Share of Outlays From Latest Financial Report	Difference Between Funds Drawn Down and Reported as Expended
2004	H169A040060	IL-Part B	\$30,340	\$14,489	(\$15,851)
2005	H169A050060	IL-Part B	\$28,275	\$31,034	\$2,759
2006	H169A060060	IL-Part B	\$27,244	\$27,244	\$0
2007	H169A070060	IL-Part B	\$39,192	\$0	(\$39,192)
2008	H169A080060	IL-Part B	\$38,508	\$30,112	(\$8,396)
2009	H169A090060	IL-Part B	\$40,688	\$0	(\$40,688)
Total			204,247	\$102,879	\$101,368

In all but one year, from FY 2004 to FY 2009, SCCB drew down more SE funds than it reported expending on the program. The only exception to this pattern was FY 2008, in which SCCB neither drew down SE funds nor reported any as expended that year. For all other years, the chart below shows the SE funds drawn down from the U.S. Treasury and reported as expended for each of those years. According to the information reported by SCCB, the agency drew down a total of \$209,518 in SE funds during that period, but only reported expending \$40,127, meaning that SCCB had drawn down an excess of \$169,391.

SCCB—Supported Employment Drawdown of Funds & Federal Expenditures

Fiscal Year	Grant Award	Program	Grant Funds Drawn Down Per GAPs	Federal Share of Outlays From Latest Financial Report	Difference Between Funds Drawn Down and Reported Outlays
2004	H1878A040062	Supported Employment	\$23,192	\$3,643	\$19,549
2005	H1878A040062	Supported Employment	\$62,065	\$6,484	\$55,581
2006	H1878A040062	Supported Employment	\$46,803	\$0	\$46,803
2007	H1878A040062	Supported Employment	\$30,701	\$30,000	\$701
2008	H1878A040062	Supported Employment	\$0	\$0	\$0
2009	H1878A040062	Supported Employment	\$46,757	\$0	\$46,757
Total			\$209,518	\$40,127	\$169,391

As recipients of Federal SE and IL-part B funds, SCCB is required to have in place accounting procedures that ensure the proper expenditure and accounting of SE and IL-part B funds, as well as the proper reporting of those expenditures (34 CFR 80.20(a)). In addition, SCCB must ensure that its methods of payments minimize the time elapsing between the agency's drawdown of Federal funds and the disbursement of those funds (34 CFR 80.21(b) and 31 CFR 205.33). Because SCCB is not party to its State-Treasury Agreement, the provisions of 31 CFR part 205, subpart B are applicable to SCCB and the funds at issue here. As the information in the charts demonstrate, SCCB has drawn down substantially more funds during FYs 2004 through 2009 in both the SE and IL-part B programs than it expended in the appropriate program. In so doing, SCCB failed to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds, as required by 34 CFR 80.21(b) and 31 CFR 205.33. By the time of closeout for each of those grant years, at the latest, SCCB was required by 34 CFR 80.50(d)(2) to refund the unobligated funds to the U.S. Treasury. The Department's Drawdown Reports for each of those years demonstrate that SCCB did not return the unobligated SE or IL-part B funds that it had drawn down. By not returning the funds, SCCB failed to comply with 34 CFR 80.50(d)(2). For these reasons, SCCB was unable to ensure the proper expenditure and accounting of Federal funds, as it is required to do by 34 CFR 80.20(a).

Corrective Action 2: SCCB must:

- 2.1 cease drawing down funds that are not equal to immediate cash needs;
- 2.2 submit final SF-269s for the aforementioned grants, if not previously submitted, to determine actual funds drawn down and not spent on program costs or returned to the U.S. Treasury;
- 2.3 submit revised final SF-269s for the aforementioned grants, if applicable, if the reports submitted to RSA to date are not accurate with regard to the amounts reported as drawn down and expended;
- 2.4 submit an assurance to RSA within 10 days after the final report is issued that SCCB will: a) submit timely fiscal reports to reflect accurate information regarding drawdowns and expenditures, as required by 34 CFR 80.20(a); b) develop methods and procedures for payments to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds, as required by 34 CFR 80.21(b) and 31 CFR 205.31; c) only draw down funds required to meet immediate cash needs, as required by 34 CFR 80.21(b) and 31 CFR 205.33; and d) return any fund balance of unobligated (unencumbered) cash advanced, as required by 34 CFR 80.50(d)(2);
- 2.5 develop methods and procedures for payments to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds; and
- 2.6 submit a copy of the methods and procedures developed to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds to demonstrate compliance with this corrective action.

3. Periodic Certification—Personnel Working Solely on VR Program

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under

the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix B, paragraph 8.h.3 states:

- 8.h.3 Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Finding: SCCB is not in compliance with 2 CFR part 225, Appendix B, paragraph 8.h.3, because the agency does not conduct periodic certifications for employees working solely on one federal grant program. In failing to comply with this requirement, SCCB is not able to ensure that the VR program is administered properly and efficiently and that all VR funds are accounted for properly, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

As a recipient of VR funds, SCCB is required to administer the program properly and efficiently (34 CFR 361.12 and 34 CFR 80.20(a)). It must ensure that VR funds are properly accounted for and that accurate data are collected and reported (*Id.*). In ensuring the proper administration of the VR program and accountability of VR funds, SCCB must be able to document the time its staff spend on the VR program. Federal cost principles set forth requirements for ensuring the proper accounting of staff time, both for staff working full-time on one program and for staff splitting their time on multiple programs. In particular, 2 CFR part 225, Appendix B, paragraph 8.h.3, requires SCCB employees or their supervisors to certify, at least semi-annually, that the employee worked solely on one grant program during the period covered by the certification.

While onsite, RSA found that SCCB does not conduct semi-annual certifications for staff who work solely on one program, as required by 2 CFR part 225, Appendix B, paragraph 8.h.3. Furthermore, SCCB does not require its staff to track their time to specific programs. Instead, the personnel documentation that RSA reviewed on-site indicated that SCCB staff report their hours worked, but do not attribute those hours to any benefiting grant, regardless of whether the hours worked were attributed to one single grant or multiple grants, which made it impossible for RSA to determine which staff worked on a single grant. Given this failure to ensure that the staff's time is certified at least twice a year, SCCB has failed to comply with 2 CFR part 225, Appendix B, paragraph 8.h.3. In failing to comply with this certification requirement, as well as SCCB's failure to require its staff to track their time in accordance with the program worked, SCCB also has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a), because SCCB cannot ensure that the VR program has been administered properly and efficiently or that VR funds have been expended solely on VR allowable personnel costs.

Corrective Action 3: SCCB must:

- 3.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3, as well as administrative requirements set forth at 34 CFR 361.12 and 34 CFR 80.20(a); and
- 3.2 develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program or cost objective.

4. Failure to Spend Program Income Properly

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 361.63, in pertinent part, states:

- (a) *Definition.* For purposes of this section, program income means gross income received by the State that is directly generated by an activity supported under this part.
- (c) *Use of program income.* (1) ...Program income is considered earned when it is received.

34 CFR 361.64 states:

- (a) Except as provided in paragraph (b) of this section, any Federal funds, including reallocated funds, that are appropriated for a fiscal year to carry out a program under this part that are not obligated by the State by the beginning of the succeeding fiscal year and any program income received during a fiscal year that is not obligated by the State by the beginning of the succeeding fiscal year remain available for obligation by the State during that succeeding fiscal year.
- (b) Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the State met the matching requirement for those Federal funds by obligating, in accordance with 34 CFR 76.707, the non-Federal share in the fiscal year for which the funds were appropriated.

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.21(f) states:

- (f) *Effect of program income, refunds, and audit recoveries on payment.* (1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving funds before requesting additional cash payments for the same activity.
- (2) Except as provided in paragraph (f)(1) of this section, grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such before requesting additional payments.

Finding: While monitoring on-site, RSA identified areas of concern with the financial and statistical reports submitted by SCCB. In particular, RSA identified areas of non-compliance with regard to the reporting of program income.

In reviewing SF-269s as part of the monitoring process, RSA noted several instances in which SCCB reported program income as being earned in one fiscal year but, in fact, the income was earned in the subsequent fiscal year. For example, RSA noted that SCCB reported earning program income in the 5th quarter report (e.g., beginning 10/1 and ending 12/31) of the prior fiscal year rather than in the 1st quarter report (10/1 through 12/31) of the current fiscal year. While on-site, RSA learned that SCCB staff responsible for preparing the SF-269s and RSA-2s had recently assumed these duties and had not received training on the financial requirements of the VR program, including those related to program income. Furthermore, the agency's financial officer informed RSA during these on-site discussions the staff were not familiar with applicable financial and reporting requirements for the VR program, as set forth in the VR regulations, EDGAR, or the Federal cost principles of 2 CFR part 225

As a recipient of Federal funds, SCCB must maintain procedures to ensure that it administers the VR program in an efficient and effective manner (34 CFR 361.12 and 34 CFR 80.20(a)). Federal regulations require that all recipients of Federal funds must accurately account for and report the results of all Federally-assisted activities (*Id.*). The requirement that SCCB must properly expend and account for funds applies to program income, as well as the Federal grant. For purposes of the VR program, program income is considered earned when received (34 CFR 361.63(c)(1)). As with the Federal VR funds, States may only carry over unobligated program income for one additional year, beyond the year in which it is earned (section 19 of the Rehabilitation Act and 34 CFR 361.64). Despite this authority to carry over program income, 34 CFR 80.21(f) makes it clear that SCCB must obligate all available program income prior to requesting drawdowns on the Federal VR grant. In addition to the proper accounting and expenditure of funds, SCCB also is required to submit accurate reports in accordance with the requirements of 34 CFR 80.41(b). The SF-269s are used to report the receipt and expenditure of funds, both Federal awards and program income, for a particular funding period (e.g., a fiscal year that coincides with the grant year). Once that funding period ends (e.g., at the end of a grant year), a grantee cannot add funds to that funding period. Any additional funds received would be reported for the current funding period. For example, if SCCB were to earn program income on October 1, 2010, the program income would be reported on the agency's FY 2011 SF-269, since the funds were received in FY 2011. While we recognize that the agency may still be submitting reports for FY 2010 in FY 2011, the FY 2010 reports submitted during that time period cover only those receipts and expenditures realized as part of the FY 2010 grant period. In this example, the income received on October 1, 2010 would coincide with the FY 2011 grant year. As demonstrated above, SCCB failed to comply with 34 CFR 361.12, 34 CFR 361.63, 34 CFR 361.64, 34 CFR 80.20(a) and 34 CFR 80.21(f).

Corrective Action 4: SCCB must:

- 4.1 cease reporting program income in the incorrect fiscal year; program income must be reported for the fiscal year in which it was received;
- 4.2 submit a written assurance within 10 days of the final monitoring report that SCCB will report receipt of program income for the fiscal year in which it is received and that SCCB will not drawdown VR funds when program income is available for use; and
- 4.3 submit a plan, including a timeline, describing the training that will be provided to staff responsible for preparing the SF-269s, SF-425s and RSA-2s, as well as other internal controls that will be implemented to ensure sufficient supporting documentation is maintained to enable SCCB to submit accurate financial and statistical reports;

5. Failure to Submit Timely or Complete Financial Reports

Legal Requirements:

34 CFR 364.34 states:

In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.41(b), in pertinent part, states:

- (b) Financial Status Report—(1) Form. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with §80.41(e)(2)(iii).
- (3) Frequency. The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.
- (4) Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

Finding: SCCB is not in compliance with 34 CFR 80.41(b) because SCCB has failed to submit required accurate and complete financial and statistical reports in a timely manner for the SE, IL-part B, and OIB programs. In failing to submit these reports as required, SCCB has failed to comply with 34

CFR 364.34 and 34 CFR 80.20(a), which require the agency to administer the program in a manner necessary to ensure the proper disbursement of and accounting for Federal funds in accordance with Federal requirements, including those for reporting.

Federal regulations require that all recipients of Federal funds must accurately report the results of all Federally-assisted activities (34 CFR 80.20(a)). Financial reporting requirements are set forth at 34 CFR 80.41(b). SCCB, as a recipient of Federal Title VI SE and Title VII IL and OIB funds, must comply with the requirements of 34 CFR part 80, including the reporting requirements (34 CFR 363.5(a)(4), 34 CFR 364.3(a)(6), and 34 CFR 367.4(a)(6)). RSA requires that agencies submit SE, IL-part B, and OIB program "Financial Status Reports," SF-269s, on an annual basis (34 CFR 80.41(b)(3)). The SF-269 is due 90 days after the end of the grant year (e.g., 12/30) (34 CFR 80.41(b)(4)).

During the review, RSA informed SCCB about the following:

- the SF-269s for the IL-part B program were missing for FYs 2004 (8th Quarter) and 2005 (4th Quarter) and they were submitted incomplete for FYs 2008 (8th Quarter) 2009 (4th Quarter);
- the OIB SF-269 reports were incomplete for FYs 2008 and 2009; and
- the SE program's SF-269 reports were not submitted for FYs 2006, 2008, and 2009.

While onsite, RSA discussed the reporting errors with SCCB management and fiscal staff members. During those discussions, RSA learned that SCCB staff responsible for preparing the SF-269s and RSA-2s had recently assumed these duties and had not yet received training on the financial requirements of the VR and IL programs. As a result, SCCB's financial officer informed RSA that, at the time of the monitoring visit, the staff responsible for preparing the reports was not familiar with applicable fiscal and reporting requirements of the SE, IL-B and OIB regulations and EDGAR, or the Federal cost principles set forth at 2 CFR part 225, thus explaining the reporting errors. RSA utilizes financial reports, such as the SF-269, as the basis for establishing national data trends and norms from which to compare agencies. Therefore, SCCB's incomplete reporting, or failure to submit reports at all, impacts RSA's ability to develop accurate databases from which to conduct program analyses and develop reports, as required by sections 12 and 13 of the Rehabilitation Act. By failing to submit reports for certain years or submitting incomplete reports, SCCB has failed to comply with the requirements of 34 CFR 364.34, 34 CFR 80.20(a), and 34 CFR 80.41.

Corrective Action 5: SCCB must:

- 5.1 cease submitting untimely or incomplete financial and statistical reports, e.g., the SF-269s which have been replaced by the SF-425;
- 5.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will ensure the timeliness and completeness of future financial and statistical reports submitted on behalf of the SE, IL-part B, and OIB programs, as required by 34 CFR 364.34, 34 CFR 80.20(a) and 34 CFR 80.41(b);
- 5.3 submit all incomplete or missing SF-269s, as described above, including final reports for the respective years; and,
- 5.4 submit a plan, including timeline, describing the steps SCCB will take to ensure timeliness and completeness of the financial and statistical reports, as required by 34 CFR 364.34, 34 CFR 80.20(a) and 34 CFR 80.41.

6. Assigning Personnel Costs – Staff Working on Multiple Programs

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 364.34 states:

In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 80.20(a) states:

(a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix B, paragraph 8, in pertinent part, states:

8.h.4 Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) ... Such documentary support will be required where employees work on: (a) more than one federal award; and (b) A federal award and a non-federal award.

8.h.5 Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be signed by the employee; and (d) budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes.

Finding: SCCB is not in compliance with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20, and 2 CFR part 225, Appendix B, paragraphs 8.h.4 and 8.h.5, because personnel costs for administering the IL Part B program and the VR program are not allocated appropriately using personnel activity reports to each program. Certain costs of the IL-B program are borne by the VR program.

While onsite, RSA reviewed SCCB's time distribution methodologies for personnel who work on more than one federal grant program or cost objective. RSA's review indicates that SCCB has developed a "time budget" for personnel costs that account for the percentages of time spent on the IL part B and VR programs. RSA saw no evidence, nor did SCCB provide documentation to show, that SCCB reconciles the "time budgeted" personnel costs for each program to reflect the time that staff actually spend working on both the VR and IL-part B programs. For example, RSA noted that SCCB did not apply consistent methods of determining the charges that benefitted each grant. Personnel Activity Reports are not maintained by the staff of either program, as required by 2 CFR part 225, nor was there any other "after the fact" time allocation process present in SCCB. The SCCB financial officer stated he was not aware of the cost principles in 2 CFR 225 and was given a copy for use by SCCB.

Regulations at 34 CFR 361.3 require that VR funds must be used solely for the provision of VR services or for the administration of the VR program. To constitute an administrative cost under the VR program, the expenditure must be incurred in the performance of administrative functions of the VR program (34 CFR 361.5(b)(2)). Administrative salaries, including those for clerical and other support staff who work under the VR program, constitute a VR-related administrative cost (34 CFR 361.5(b)(2)(xi)). Personnel costs arising under the IL-part B or OIB programs, or other programs, do not constitute VR administrative costs because they do not arise from the performance of administrative functions for the VR program. Therefore, administrative expenditures for other programs are not allowable under the VR program, pursuant to 34 CFR 361.3, and may not be paid for with VR funds. Likewise, the allowable costs incurred to administer the IL-B program should be charged to that program. Given that SCCB does not require its employees who work on multiple programs to submit personnel activity reports that accurately reflect the actual time spent on each program but, rather, allows those reports to reflect time estimates based on program budgets, SCCB has failed to comply with 2 CFR part 225, Appendix B, paragraphs 8.h.4 and 8.h.5. As a result, SCCB has failed to ensure that it administers the VR and IL-B programs in a proper and efficient manner and accounts for all funds accurately or has the controls in place necessary to ensure the proper disbursement of and accounting for those funds, as required by 34 CFR 361.12, 34 CFR 364.34, and 34 CFR 80.20(a).

Corrective Action 6: SCCB must:

- 6.1 cease using Title I funds for personnel costs that do not arise under the administration of the VR program as supported by documentation (e.g., IL-part B personnel costs), pursuant to 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5;
- 6.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20(a), and 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5; and,
- 6.3 submit a plan, including timelines, describing the corrective actions that will be taken to ensure:
 - a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs to the appropriate program for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and,
 - b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by SCCB (excluding the SE program under Title VI-B, which can legally be charged to the VR program).

7. Failure to Monitor Contractors

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 364.34 requires that:

In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 80.20(a) states:

(a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.40(a) states:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program function and activity.

Finding: SCCB is not in compliance with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20(a), and 34 CFR 80.40(a), because the agency has neither written procedures nor established practices for monitoring grant-supported activities performed by its contractors. Therefore, SCCB cannot verify that VR and IL-B funds have been spent on allowable costs, in accordance with Federal requirements.

SCCB uses VR funds to maintain contracts with vendors and provides IL-B funds to recipients through contracts. While onsite, RSA noted:

- the SCCB fiscal officer and related staff were not familiar with the Federal requirement at 34 CFR 80.40(a) that Federal grantees, such as SCCB, must monitor all grant-supported activities, including those activities performed by contractors;
- no written procedures were in place to conduct monitoring of grant-supported activities required by 34 CFR 80.40(a); and,
- no monitoring activities were currently being conducted to provide oversight to contractors.

This lack of monitoring policies, procedures and established practices keeps SCCB from the properly monitoring and/or tracking contractual fiscal transactions to: 1) ensure the proper disbursement of and accounting of contractual funds; and 2) trace the funds to a level of expenditures adequate to establish that such funds have not been used, through contractual arrangements, in violation of the restrictions and prohibitions of applicable statutes. For example, the agency has agreements with subcontractors in which it provides equipment as well as cash assistance, without the proper monitoring to ensure that the implementation of the contract is consistent with federal requirements.

SCCB must maintain procedures to ensure that it administers the VR and IL-part B program in an efficient and effective manner (34 CFR 361.12, 34 CFR 364.34, and 34 CFR 80.20(a)). These administrative procedures must ensure that SCCB accounts for the proper expenditure of VR and IL-part B funds. SCCB must ensure that VR funds are spent solely on the provision of VR services and administration and that IL-part B funds are spent in a manner consistent with the IL-Part B program (34 CFR 361.3, 34 CFR 365.1). The Federal cost principles require that Federal funds be spent on allowable and allocable costs (2 CFR part 225, Appendix A, paragraph C). As the recipient of Federal funds, SCCB also is required to monitor and manage the day-to-day operations of all grant-supported activities to ensure that the contractors performing those activities are in compliance with Federal requirements, (34 CFR 80.40(a)). The activities described above constitute grant-supported activities and must be monitored by SCCB to ensure they comply with all applicable Federal requirements.

RSA noted, in reviewing the contracts while onsite, that the contracts did not specify the monitoring and evaluation procedures that SCCB would use to monitor the services provided under the contracts. SCCB also did not have its own monitoring procedures in place that it could have used to monitor the activities under the contracts to ensure that funds expended were for allowable services for eligible consumers of the VR and IL part B programs, as appropriate. Furthermore, the SCCB fiscal officer informed RSA that the fiscal management staff was not aware that SCCB was required to monitor contractors. As a result of SCCB's failure to monitor the activities under the contracts, as required by 34 CFR 80.40(a), SCCB was unable to ensure the proper administration of the VR and IL-part B programs and the proper expenditure of VR and IL funds. Therefore, SCCB has failed to comply with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20(a), and 34 CFR 80.40, because it has not monitored contractors to ensure that grant-supported activities comply with applicable Federal requirements and that performance goals are achieved.

Corrective Action 7: SCCB must:

- 7.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that future contracts with all entities, will comply with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20(a) and 80.40(a); and,
- 7.2 develop and implement a protocol for monitoring contractors to ensure compliance, as required by 34 CFR 80.40(a).

Technical Assistance

This section of the report describes the technical assistance provided to SCCB during the course of the review. The technical assistance requested by the agency to enable it to carry out the corrective actions set forth above is contained in Appendix B of this report titled "Agency Response."

Technical Assistance Provided

To enable the agency to improve its fiscal management processes, RSA provided technical assistance to SCCB during the review process regarding:

- the requirements for a VR agency to identify and use funds to meet non-federal match;
- the requirements for the reporting of program income to ensure funds received after September 30th are reported in the appropriate Federal Fiscal Year;
- draw down procedures and the requirement to return funds drawn down and not spent;
- ways to strengthen contract development and monitoring processes;
- RSA's assessment of the agency's compliance with specific financial requirements, including match, MOE, carryover, reallotment, program income, liquidation of outstanding obligations and grant closeout;
- developing plans for the effective and efficient use of excessive carryover balances;
- cost containment strategies and the applicability of OMB Circular A-87 cost principles to purchased services (necessary services, reasonable costs);
- OMB Circular A-87 time distribution documentation requirements applicable to staff working on more than one program (federal and/or state);
- OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their time to one federal grant program;
- OMB Circular A-87 definition of reasonable costs and the agency's responsibility for ensuring that all program costs meet this standard;
- allotment and reallotment process and the responsibility to identify and release (in a timely manner) federal formula grant funds that cannot be used and/or matched each year;
- timing and documentation of matching funds to meet program carryover requirements;
- financial staff responsibilities for the review of administrative and consumer expenditures;
- how to compute match required for a federal grant amount, when only the grant amount is known;
- how to compute how much federal funds would be accessible if additional match was available;
- requirement for the submission of timely and accurate financial and statistical reports (SF-269 and RSA-2); and
- the proper application of OMB A-87, EDGAR, and the applicable federal regulations.

PART III: REVIEW OF THE SOUTH CAROLINA INDEPENDENT LIVING PROGRAM

EXECUTIVE SUMMARY

South Carolina Administration of the IL Program

During fiscal year (FY) 2010, the Rehabilitation Services Administration (RSA) reviewed the performance of the independent living (IL) program, authorized under Title VII, Part B, of the *Rehabilitation Act of 1973*, as amended (the Act) in the State of South Carolina.

SCVRD and SCCB administer the distribution of Part B funds. SCVRD distributes its Part B funds via contracts with the Statewide Independent Living Council (SILC) and the Part B funded-center for independent living (CIL). Part B funds are used to fund the SILC resource plan (\$158,199) and for general CIL operations (\$87,000). SCCB utilizes its Part B funds to provide IL services to consumers with visual disabilities (\$39,000).

Observations of the Agency and Stakeholders

Through the course of the review, agency personnel and representatives of stakeholders, such as the SILC shared information concerning the administration and performance of the IL program. During the review, they made the observations below.

- SCVRD and SCCB are attempting to improve the partnerships with the SILC and CILs through more frequent interaction to understand each others' roles in the IL program.
- SCVRD and SCCB are increasing their knowledge about IL and their fiscal responsibilities.
- The SCVRD finance department has improved its working relationship with the SILC during FY 2008.
- There is lack of representation on the SILC of individuals from the midlands (Florence and surrounding counties) and low country (Charleston, Aiken and surrounding counties) sections of the state.
- SCVRD has developed a new process for requesting proposals statewide for the distribution of IL Part B funds.
- SCVRD's IL services have not been effective in meeting the needs of individuals with traumatic brain injuries.
- The SILC has had difficulty in recent years maintaining a fully constituted council due to member resignations.

Challenges

Based on the observations from the agencies and the stakeholders and other information gathered through the review process, RSA concluded that the agencies and the SILC experienced challenges that

inhibited their ability to improve the performance of the IL program, including meeting the SILC composition requirements and understanding DSU and SILC roles and responsibilities.

- The SC SILC has had difficulties in recent years maintaining a fully constituted council that is responsive to the IL needs of South Carolinians with disabilities. The SILC had four different chairpersons during FY 2008 and has not had an executive director to manage the day-to-day operations of the board since 2008. Due to the turnover in the chairperson role and the lack of a SILC director, the SILC was not able to fulfill its mandated duties. SILC meetings were scheduled and then cancelled or there was not a quorum to conduct business. As a result, some SILC members resigned.
- There is a lack of knowledge of the duties, roles and responsibilities of the SCVRD, SCCB, the SILC, CILs, and disability organizations. These organizations do not work together to develop or implement the SPIL because these organizations do not communicate with one another. Because of this lack of partnership, there is an uncoordinated IL service delivery system.
- SCVRD has not had a systematic process in place by which to monitor the expenditure of IL Part B funds.

Acknowledgement

RSA wishes to express appreciation to the representatives of the SC, SILC and the stakeholders who assisted the RSA monitoring team in the review of SCVRD and SCCB.

CHAPTER 1: INDEPENDENT LIVING (IL) PROGRAM

IL Program Systems

The following sections of this chapter describe the manner in which SCVRD and SCCB administer and operate the IL program, authorized pursuant to Title VII, Part B, of the *Rehabilitation Act*, through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Program Administration and Service Delivery

SCVRD and SCCB administer the IL Part B funds in SC. In FY 2008, SCVRD distributed \$158,199 to the SILC for its resource plan. Other Part B funds were distributed to the Disability Solutions, a Part B center for independent living (CIL). Disability Solutions also received \$20,000 in Part B funds to coordinate an IL conference. SCVRD's Part B funds were distributed via contracts. SCCB received \$39,000 in Part B funds to provide IL services to consumers with visual disabilities in FY 2008.

Personnel

In FY 2008, the SILC received administrative support from SCVRD's budget and finance department. SCCB provides its own staffing and administration for its IL program. Staff for the IL Part B program included six individuals in the following categories: five SCVRD program staff and one SCCB IL Statewide Coordinator.

Data Management

SCVRD completes the 704 Part I Annual Performance Report for submission to RSA. The IL Part B center provides data from its own system to SCVRD and SCCB provides data from its system to SCVRD.

Quality Assurance

SCVRD has not conducted programmatic reviews of the Part B CIL. Currently, SCVRD accepts quarterly invoices and activity reports. SCCB conducts consumer service record reviews with the IL coordinator.

Planning

The SILC, DSUs and CILs do not have a strategic plan. The FY 2011 State Plan for Independent Living outlines a new planning process that addresses public hearings and the conduct of a statewide needs assessment.

IL Program Performance

The following table provides data on the SCVRD IL program performance in key areas from FY 2006 through FY 2008.

**Table 1.1
South Carolina Program Highlights for IL Program for
FY 2006 through FY 2008**

Program Highlights	2006	2007	2008
Title VII, chapter 1, Part B funds	326,600	301,477	296,704
Total resources (including Part B funds)	358,399	337,539	329,638
Total served	89	74	63
Total consumer service records closed	57	39	37
Cases closed, completed all goals	34	26	22
Total goals set	79	77	77
Total goals met	61	43	55
Total individuals accessing previously unavailable transportation, health care, and assistive technology	0	5	26
Total FTEs	14	13	6
Total FTEs with disabilities	4	3	3

IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that SCVRD and the SILC is required to undertake. SCVRD and the SILC must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and RSA is available to provide technical assistance to assist SCVRD and the SILC to develop the plan and undertake the corrective actions.

1. SILC Appointments

Legal Requirements:

Section 705 of the Rehabilitation Act -- Statewide Independent Living Council -- states:

(a) Establishment

To be eligible to receive financial assistance under this chapter, each State shall establish a Statewide Independent Living Council (referred to in this section as the "Council"). The Council shall not be established as an entity within a State agency.

(b) Composition and Appointment

(1) Appointment

Members of the Council shall be appointed by the Governor or, in the case of a State that, under State law, vests authority for the administration of the activities carried out under this Act in an entity other than the Governor (such as one or more houses of the State legislature or an independent board), the chief officer of that entity. The appointing authority shall select members after soliciting

recommendations from representatives of organizations representing a broad range of individuals with disabilities and organizations interested in individuals with disabilities.

(2) Composition

The Council shall include--

(A) at least one director of a center for independent living chosen by the directors of centers for independent living within the State;

(B) as ex officio, nonvoting members--

(i) a representative from the designated State unit; and

(ii) representatives from other State agencies that provide services for individuals with disabilities; and

(C) in a State in which 1 or more projects are carried out under section 121, at least 1 representative of the directors of the projects.

(3) Additional members

The Council may include--

(A) other representatives from centers for independent living;

(B) parents and guardians of individuals with disabilities;

(C) advocates of and for individuals with disabilities;

(D) representatives from private businesses;

(E) representatives from organizations that provide services for individuals with disabilities; and

(F) other appropriate individuals.

(4) Qualifications

(A) In general

The Council shall be composed of members--

(i) who provide statewide representation;

(ii) who represent a broad range of individuals with disabilities from diverse backgrounds;

(iii) who are knowledgeable about centers for independent living and independent living services; and

(iv) a majority of whom are persons who are--

(I) individuals with disabilities described in section 7(20)(B); and

(II) not employed by any State agency or center for independent living.

(B) Voting members

A majority of the voting members of the Council shall be--

(i) individuals with disabilities described in section 7(20)(B); and

(ii) not employed by any State agency or center for independent living.

(6) Terms of appointment

(A) Length of term

Each member of the Council shall serve for a term of 3 years, except that--

(i) a member appointed to fill a vacancy occurring prior to the expiration of the term for which a predecessor was appointed, shall be appointed for the remainder of such term; and

(ii) the terms of service of the members initially appointed shall be (as specified by the appointing authority described in paragraph (1)) for such fewer number of years as will provide for the expiration of terms on a staggered basis.

(B) Number of terms

No member of the Council may serve more than two consecutive full terms.

(7) Vacancies

(A) In general

Except as provided in subparagraph (B), any vacancy occurring in the membership of the Council shall be filled in the same manner as the original appointment. The vacancy shall not affect the power of the remaining members to execute the duties of the Council.

(B) Delegation

The appointing authority described in paragraph (1) may delegate the authority to fill such a vacancy to the remaining voting members of the Council after making the original appointment.

Finding 1: The SC SILC is not in compliance with section 705 of the Act because it does not have a legally constituted SILC meeting the composition, qualification and terms of appointment requirements outlined in section 705 of the Act. The SC SILC by-laws call for a 21-member SILC board. Currently, there are seven SILC members. The depletion of the membership has occurred since FY 2008 as a result of member resignations and lack of recruitment to identify qualified individuals to refer to the Governor to fill the vacancies. In FY 2008 alone, the SILC had four different chairs as a result of resignations. The SILC did not hold regularly scheduled meetings and in some instances cancelled meetings or did not have a quorum to conduct business. The SILC held three meetings in 2008, two meetings in 2009 and 3 meetings in 2010. Seven meetings were scheduled and then canceled in 2009. Six meetings were held in 2008; however, a quorum to conduct business was not present. Fourteen SILC members resigned their positions due to the overall dysfunction of the SILC as stated by former SILC members between 2007 – 2010. In addition, in FY 2008, the SILC terminated its executive director due to mismanagement of IL Part B funds from the SILC’s resource plan and have not filled the position due to the inability of the membership to conduct its regular business. The SC SILC has not hired an executive director as of this writing.

While it is expected that the SILC may not have the required composition or number of members for short periods of time while members are recruited and appointed by the Governor, a SILC that has so few members that it cannot adequately perform its duties for a significant amount of time is out of compliance with Federal requirements. It is particularly problematic when the SILC is not consumer-controlled, as when a majority of the SILC and its voting members are not individuals with a disability who are not employed by a center or the State as required by section 705(b)(4). The SC FY 2011 SPIL was approved based on an assurance that SC would have a fully constituted SILC by September 30, 2011.

Corrective Action 1: SCVRD and SCCB must take the necessary steps to ensure that the Governor appoints a full slate of SILC members who meet the composition, qualification and terms of appointment requirements in section 705(b)(1)-(7) of the Act by September 30, 2011.

Technical Assistance: To assist SC SCVRD and SCCB in responding to the finding, it would be beneficial to:

- maintain a current SILC Board roster from the Governor’s office to evaluate the number of vacancies and expiration dates of terms;
- develop and implement effective strategies for recruitment to the SILC Board;
- maintain the number of applications waiting appointment to the SILC and determine how to move the applications forward; and

- work with ILRU, RSA’s independent living technical assistance provider, to access training on SILC duties, roles and responsibilities so that new members will serve out their terms.

2. SILC Duties, Roles and Responsibilities

Legal Requirements:

Section 705(c) and 34 CFR 364.21(g)—Duties. The SILC shall—

- (1) Jointly develop and sign (in conjunction with the DSU) the State plan required by section Sec. 364.20;
- (2) Monitor, review, and evaluate the implementation of the State plan;
- (3) Coordinate activities with the State Rehabilitation Advisory Council established under section 105 of the Act and councils that address the needs of specific disability populations and issues under other Federal law;
- (4) Ensure that all regularly scheduled meetings of the SILC are open to the public and sufficient advance notice is provided; and
- (5) Submit to the Secretary all periodic reports as the Secretary may reasonably request and keep all records, and afford access to all records, as the Secretary finds necessary to verify the periodic reports.

Finding: The SC SILC is not in compliance with Section 705(c) and 34 CFR 364.21(g) because it was not able to conduct its mandated duties. In FY 2008, the SILC had four different chairs as a result of resignations. In addition, in FY 2008, the SILC terminated its executive director due to mismanagement of IL Part B funds for the SILC’s resource plan and did not fill the position due to the inability of the membership to conduct its regular business. The SILC did not hold regularly scheduled meetings and in some instances cancelled meetings or did not have a quorum to conduct business. Some SILC members resigned their positions due to the overall dysfunction of the SILC. The SILC held three meetings in 2008, two meetings in 2009 and 3 meetings in 2010. Seven meetings were scheduled and then canceled. Six meetings were held; however, a quorum to conduct business was not present. Fourteen SILC members resigned their positions due to the overall dysfunction of the SILC.

Corrective Action 2: The SILC must take the necessary steps to ensure that its membership fulfills its mandated duties in 34 CFR 364.21(g).

Technical Assistance

This section of the chapter describes the technical assistance (TA) provided by RSA to SCCB and SCVRD during the course of the review. The TA requested by the agency to enable it to carry out the corrective actions set forth above is included in Appendix C of this report titled “SC IL Response.”

Technical Assistance Provided

During the review of the IL program, RSA provided technical assistance to SCVRD and SCCB regarding:

- program monitoring and evaluation; and
- completion of the RSA-704 Part I.

CHAPTER 2: FISCAL MANAGEMENT OF THE INDEPENDENT LIVING PROGRAM

RSA reviewed the fiscal management of the Independent Living (IL) program by SCVRD and the SCCB. During the review process, RSA provided technical assistance to the state agencies to improve their fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agencies' cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

Fiscal Management

At the time of the RSA review SCVRD and SCCB was using an older financial management system which made it difficult for the two agencies to properly track and report grant funds. The SCVRD and SCCB will complete the transition to the S.C. Enterprise Information System (SCEIS) in June 2011, when the agency switches its payroll and human resources functions to the web-based software. SCEIS replaced the outdated systems that have been used to manage essential functions such as purchasing, payroll, human resources, travel approvals and financial management, which were aging rapidly and at risk for failure.

Fiscal Performance

The data in the following table are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of their fiscal management practices. Specifically, IL program fiscal data, including the sources and amount of funding, match and carryover, are extracted from the program's SF-269s and the RSA-704 report.

**Table 2.1
IL Fiscal Data for SCVRD**

South Carolina (G)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$255,695	\$264,934	\$262,285	\$262,285	\$257,704
Federal Expenditures	\$255,695	\$264,934	\$262,285	\$262,285	\$257,704
Required Match	\$28,411	\$29,437	\$29,143	\$29,143	\$28,634
Actual Match	\$28,410	\$29,437	\$29,143	\$29,143	\$29,143
Over (Under) Match	-\$1	\$0	\$0	\$0	\$509

Table 2.2
IL Fiscal Data for SCCB

South Carolina (B)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$38,207	\$39,588	\$39,192	\$39,192	\$38,508
Federal Expenditures	\$14,489	\$31,034	\$27,244	\$0	\$30,112
Required Match	\$1,610	\$3,448	\$3,027	\$0	\$3,346
Actual Match	\$1,764	\$3,919	\$3,386	\$5,545	\$5,228
Over (Under) Match	\$154	\$471	\$359	\$5,545	\$1,882

APPENDIX A: SCVRD RESPONSE

Part I: Review of the South Carolina Vocational Rehabilitation Department Executive Summary

Observations of the Agency and Stakeholders

Agency Response:

The overall theme of these observations is in stark contrast to the feedback received by the agency in its ongoing systematic surveys and other communications with stakeholders. The agency has emphasized outreach and relationship building with stakeholder groups at the state and local levels. We seek feedback through regularly scheduled counterpart meetings with other agencies/entities and through customer service surveys of clients, partner organizations, and employers. We provide an opportunity for surveys to be completed anonymously for those who are not comfortable revealing their identities. Clients are surveyed during and after the rehabilitation process, including segmented client groups. The agency website also has a contact portal that frequently provides input and suggestions. While we certainly receive negative comments and expression of dissatisfaction, overall feedback is very positive and does not at all reflect the deficiencies in responsiveness and service provision cited in the report's stakeholder observations.

Most importantly, we value feedback and encourage frank identification and discussion of areas of concern so that any problem areas can be addressed. We see this information as being critical to our ongoing strategic planning and continuous improvement initiatives. Customer satisfaction and quality, responsive service provision are top priorities for our organization and we will continue to seek and utilize constructive feedback to enhance service delivery.

RSA Clarification Regarding Observations of the Agency and Stakeholders:

SCVRD stakeholder communication and feedback was critical to the RSA monitoring review process conducted during FY 2010. RSA utilized the methodologies presented in the FY 2010 Monitoring Protocol for Reviews of State Vocational Rehabilitation and Independent Living Programs to obtain input from both SCVRD and its stakeholders. Stakeholders communicated with RSA throughout the monitoring process via standard postal mail, electronic mail, telephone interviews, group interviews and one-on-one interviews. Stakeholder communication was conducted with VR and IL consumers, advocates, centers for independent living staff and consumers, client assistance program staff, independent commission members, state education officials, statewide independent living council members, VR and IL service providers, VR counselors, supervisors, and other agency personnel. RSA combined the information and feedback derived throughout the monitoring process with SCVRD's performance information and presented the most common themes in this section of the FY 2010 Monitoring Report on the Vocational Rehabilitation and Independent Living Programs.

Chapter 1: Vocational Rehabilitation and Supported Employment Programs of the SCVRD

VR/SE Program Performance Observations and Recommendations

1. Performance Outcomes

Recommendation 1: RSA recommends that SCVRD:

- 1.1 analyze the purpose and use of the WTC model based on performance outcomes and recent trends in performance on federal standards and indicators;
- 1.2 revise the VR service delivery system to incorporate analysis of performance outcomes;
- 1.3 develop service delivery strategies that incorporate a SE model that addresses the quality outcomes of the most significantly disabled individuals; and
- 1.4 improve the quality of employment outcomes via this revised service delivery system, establishing measurable goals and strategies to achieve these goals.

Agency Response: SCVRD has a history of strong commitment to performance measures leading to program improvement. The Program Integrity model incorporates selected measures for compliance, quality, customer service, and productivity. This model is under continuous scrutiny and results are analyzed to ensure areas of needed improvement are identified.

The agency has in place new performance measures for ensuring quality outcomes for individuals for whom job-readiness training is needed. These measures assess the quality and effectiveness of job preparedness classes/ individual sessions, pre-vocational training, and behavior modification experiences as a component of job-readiness training. The achievement of a “Job Readiness Certificate” for individuals who have successfully completed job preparedness instruction and job-readiness training is a strong indicator of program performance. SCVRD continues to assess the range of services provided in its work training centers to ensure those services better prepare individuals with a wide range of disabilities for competitive employment consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice, including those individuals requiring supported employment services. The success rate of individuals participating in these services will help shape new initiatives for job preparation.

Technical Assistance: SCVRD does not request technical assistance.

2. Vocational Preparation

Recommendation 2: RSA recommends that SCVRD:

- 2.1 develop a comprehensive vocational evaluation process that assesses individuals’ job readiness with the requisite level of detail and diagnostics to implement an IPE;
- 2.2 define the occupational goal on the IPE based on the vocational evaluation and other pertinent information;
- 2.3 effectively promote the development of IPEs based upon a consumers’ unique strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice; and

- 2.4 expand the VR service delivery system to include the use of occupational skills training, college and university training, and related services to improve the quality of employment outcomes.

Agency Response: SCVRD offers assessment services to a low percentage of adults and youths. The agency uses WorkKeys to assess functional literacy and math skills, and CareerScope to assess job interests. Although SCVRD relies heavily on these assessment tools, other more traditional vocational assessment tools, though available, were not reported to the RSA team. SCVRD purchases few services in many key VR service delivery areas compared to the GAA. Those without successful employment outcomes stay in the system longer than the GAA. Performance data substantiates that SCVRD is not providing those served with the requisite VR services to obtain and retain long-term employment.

A data reporting error has been identified as a result of this monitoring report. This error led to significant underreporting of assessment services. SCVRD has 40 vocational evaluators conducting vocational assessments statewide. In addition, comprehensive vocational assessments services including occupational and physical therapy assessments are available in West Columbia at the Evaluation Center and in the upstate at the Bryant Center in Lyman, South Carolina.

The agency has strengthened its vocational assessment program by providing intensive training to its assessments specialists through the Rehabilitation Counseling Programs at the University of South Carolina and through the Department of Rehabilitation Studies at East Carolina University.

In addition, the case management system (CMS) will assist in determining the level of assessment needed and will be monitored by quality assurance. The quality assurance review will assess the level and quality of the assessment, vocational objective, service and placement needs which will lead to quality employment outcomes consistent with the consumers' unique strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice. SCVRD is currently deploying this phase of CMS to the field staff.

SCVRD recognizes and fully supports the importance of vocational assessment, including the identification of training, as being the foundation of the IPE and service delivery.

Technical Assistance: SCVRD requests training in the area of vocational assessment.

3. Underserved Populations

Recommendation 3: RSA recommends that SCVRD:

- 3.1 analyze referral development activities to incorporate all individuals with disabilities in the state consistent with the agency's CSNA and strategic plan; and
- 3.2 revise and implement referral development activities targeting underserved populations consistent with the agency's CSNA and strategic plan.

Agency Response: SCVRD remains committed to serving individuals with diverse disabilities including those identified as being unserved and underserved in its Comprehensive Statewide Needs Assessment. Counterpart meetings at the local level with autism, spinal cord injury, and brain injury support groups are a part of these outreach efforts. A concerted effort to strengthen relationships with

school districts and improve access and service provision to transition-age individuals is underway. The establishment of clearly defined goals to the field staff will also improve SCVRD's outreach efforts to this population.

SCVRD considers this a priority and will work with its independent commission to develop additional strategies.

Technical Assistance: SCVRD requests assistance with the identification of promising practices in the area of outreach to unserved and underserved populations.

4. Coordination with the South Carolina Commission for the Blind (SCCB) to Serve Individuals with Multiple Disabilities

Recommendation 4: RSA recommends that SCVRD:

- 4.1 develop and implement a policy that permits both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 4.2 review and revise the current interagency agreement with SCCB, pursuant to 34 CFR 361.24(d), permitting both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 4.3 collaborate with SCCB to conduct joint staff training on service provision to individuals with multiple disabilities; and
- 4.4 communicate with referral sources to effectively market the combined capability of serving eligible individuals with multiple disabilities.

Agency Response: South Carolina created separate agencies, the South Carolina Commission for the Blind, pursuant to South Carolina Code of Law, Section 43-25-10, et seq., and the South Carolina Vocational Rehabilitation Department, pursuant to South Carolina Code of Law, Section 43-31-10, et seq. The South Carolina Code of Laws, Sections 43-31-30 (10) & (12) states that SCVRD serves individuals with physical and mental disabilities, except for those persons who qualify for services from SCCB, in which case they shall be referred to SCCB. The South Carolina Code of Laws, Section 43-25-20, defines who qualifies for SCCB services as they relate to individuals with blindness and severe visual disability.

SCVRD and SCCB collaborate to provide reciprocal referral services as outlined in the cooperative agreement between the two agencies to ensure better access for individuals with multiple disabilities the expertise and services unique to each. The staffing of cases occurs on a regular basis in a true collaborative manner with ideas, experience, and knowledge explored to best serve the consumer.

SCVRD and SCCB share training opportunities and materials including CSPD courses and online disability modules. Both agencies provide office space in each other's facilities creating greater interaction among staff and the opportunity to exchange knowledge and expertise about all disabilities and appropriate service delivery.

Both agencies feel it is in the best interest of the individual with physical or mental disabilities as well as visual impairments to have a primary serving agency and have that agency coordinate services. This prevents the duplication of services and provides a more streamlined experience for the consumer.

SCVRD and SCCB believe this complies with the requirements outlined in 34 CFR 361.24(d).

Technical Assistance: SCVRD does not request technical assistance.

Chapter 2: Fiscal Management of the SCVRD Vocational Rehabilitation and Supported Employment Programs

Fiscal Management Observations and Recommendations

Table 2.1 Fiscal Data for SCVRD for FY 2004 through FY 2008

We understand that data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. In reviewing the data, we noticed that FY 2004 actual match amount came from the ninth quarter SF-269.

Also, our understanding is the data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). We noticed that Maintenance of Effort amounts came from fourth quarter SF-269 reports (two years prior to the fiscal year to which they are compared) rather than the final SF-269 reports for FY 2005, FY 2007 and FY 2008. It appears that both match and MOE in table 2.1 are being pulled from fourth quarter SF-269 reports as well as from final SF-269 reports. We are requesting clarification on table 2.1.

RSA Clarification Regarding Fiscal Chart Based On SF-269 Reports:

The amount of match or maintenance of effort is determined at the 4th Quarter, by combining the expenditures and unliquidated obligations to determine compliance with these two areas. If the level of unliquidated obligations does not change, then the 4th Quarter determination is correct; however, if it all or part of the unliquidated obligations does not result in expenditures, then the levels originally used to determine match and resulting MOE levels are reduced. Therefore, when determining final match and MOE compliance, RSA reviews the 4th Quarter levels and final report levels, the lower of which is used. The final non-federal contributions may never increase because VR agencies have until 09/30 of the year of appropriation to expend or obligate non-federal funds. After 09/30, no further non-federal funds may be applied for the determinations of match or MOE compliance.

Planning Match and MOE Requirements

Recommendation 1: For future years, SCVRD would be better served in meeting their match and MOE requirements if when planning the budget it:

- 1.1 determines the match requirement of the federal funds expected in the year for which planning is being conducted;
- 1.2 reviews the match levels from two years prior to the year for which planning is being conducted; and
- 1.3 based on this analysis, identifies as its target for non-federal expenditures, the highest level of expenditures (actual or planned) in either of these years. This will ensure that the agency meets its match and MOE requirements.

Agency Response: We appreciate the recommendation and would like to point out that planning and budgeting forecasts over the last ten years have been hampered by erratic state funding. During this time

period there have been six years with mid-year reductions and some of those years there were multiple mid-year reductions in funding. Since 2001 there has been an overall base reduction in state funding of 48% and as a result of this negative trend there will be years it is not possible to ensure that MOE or Match requirements will be met. We will continue to budget and plan in an attempt to meet federal match and MOE requirements and seek out new sources of non-federal expenditure dollars.

Technical Assistance: We request technical assistance regarding approved sources of match and examples from other states. Also, SCVRD requests technical assistance in regards to fiscal reporting to include the RSA-2 and 425 reports. Due to the recent implementation of S.C. Enterprise Information System (SCEIS) financial platform and our unique internal model of specialized services, we want to ensure compliance with all required financial reports.

Fiscal Management Compliance Findings and Corrective Actions

1. Maintenance of Effort

Corrective Action 1: SCVRD must:

- 1.1 submit a written assurance within 10 days of the issuance of the final monitoring report that SCVRD will comply with MOE requirements for the VR program, as required by 34 CFR 361.62;
- 1.2 review final non-federal contributions for FY 2008 to affirm the final dollar amount of this finding. If there are any discrepancies, SCVRD must inform RSA immediately by submitting amended reports; and
- 1.3 notify RSA if SCVRD wishes to submit a request for MOE waiver in accordance with 34 CFR 361.62(d).

Agency Response:

Corrective Action 1.1 and 1.2:

SCVRD agrees with this finding and will comply with MOE requirements. However, SCVRD has reviewed the final non-federal expenditures for FY 2008 and we ask for further clarification of the penalty amount.

Based on our review of the monitoring report, an inconsistency was found relating to the MOE penalty:

- On page 25 of the report, it states: “SCVRD met the match in FY 2009 and, due to over match, met its match for FY 2008. When the match for FY 2008 (\$12,588,243) was compared to SCVRD’s non-federal match level for FY 2006 (\$13,810,106) there was a MOE deficit for SCVRD of \$1,221,863. At the writing of this report, SCVRD’s sister agency, South Carolina Commission for the Blind (SCCB) was over matched in FY 2008 by \$196,297. This resulted in a net MOE penalty for SCVRD of \$1,025,566.”
- On page 27 and 28, it is stated: “As a result, SCVRD’s net MOE penalty for FY 2008 was \$874,575 (\$1,070,872 SCVRD deficit - \$196,297 SCCB excess).”

Corrective Action 1.3: At this time, we intend to submit a request for MOE waiver for FY 2008 in accordance with 34 CFR 361.62(d). However, we are seeking clarification to determine how RSA is calculating the MOE penalty.

RSA Response: Per the aforementioned finding, the final (submitted 1/31/11) SCVRD non-federal contributions for FY 2008 were \$12,588,243 and this was compared to SCVRD's non-federal match level for FY 2006 of \$13,810,106. According to the stated regulations FY 2008 non-federal contributions must at least equal the non-federal contributions of FY 2006. This comparison resulted in a MOE deficit (FY 2008 – FY 2006) for SCVRD of \$1,070,872. At the writing of this report, SCVRD's sister agency, South Carolina Commission for the Blind (SCCB), had exceeded its MOE requirement (FY 2008 – FY 2006) by \$196,297. Since MOE is determined on a statewide basis, this amount (\$196,297) was deducted from the original MOE determination of \$1,070,872, with a net MOE penalty of \$874,575.

Technical Assistance: SCVRD requests technical assistance to determine how RSA calculates the MOE penalty.

2. Assigning Personnel Costs – Staff Working on Multiple Programs

Corrective Action 2: SCVRD must:

- 2.1 cease using Title I funds for personnel costs that do not arise under the administration of the VR program and that are not supported by documentation, such as personnel activity reports, as required by 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5;
- 2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5 by requiring staff who work on multiple programs to submit personnel activity reports to support the time spent on each program; and
- 2.3 submit a plan, including timelines, describing the corrective actions that will be taken to ensure:
 - a. personnel activity reports are maintained that reflect actual time spent on each program in order to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and,
 - b. personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by SCVRD in accordance with program requirements.

Agency Response:

Corrective Actions 2.1–2.3:

SCVRD has already taken corrective action to remedy this finding. During the 107 review process, RSA provided technical assistance on how to set up a personnel activity reporting process. This process has been implemented, and all staff who work on multiple programs are required to submit personnel activity reports to support the time spent on each grant program. These personnel activity reports reflect actual time spent by employee on multiple programs, rather than estimated time spent. Personnel activity reports are submitted each pay period to the Grants and Funds Management office for preparation of journal entries to assign those costs to the appropriate grant program and cost objective. The SCEIS

financial accounting system does not currently provide a direct mechanism to enter personnel activity information that would override established costing data.

RSA Response: RSA appreciates the steps SCVRD has taken to resolve this finding and required corrective actions, which will be further documented in its corrective action plan developed as a result of this final report.

Technical Assistance: SCVRD requests technical assistance to ensure full compliance with 2 CFR Part 225. We also request technical assistance in managing sub-awards to sub-recipient entities as is the case with Independent Living funds.

APPENDIX B: SCCB RESPONSE

Chapter 1: Vocational Rehabilitation and Supported Employment Programs of the SCCB

VR/SE Program Performance Observations and Recommendations

1. Performance Outcomes

Recommendation 1: RSA recommends that SCCB:

- 1.1 establish goals and priorities that emphasize the quality and quantity of employment outcomes as measured by the federal standards and indicators and other performance data;
- 1.2 increase referrals in accordance with the FY 2010 CSNA for unserved and underserved consumers;
- 1.3 develop outreach strategies to serve those blind or visually impaired consumers who are unemployed and underemployed at application;
- 1.4 reduce its homemaker standard from 25 percent; and
- 1.5 suspend the hourly requirement of an individual needing to work 20 hours per week to be closed in competitive employment.

Agency Response:

- 1.2 Strategies that have been implemented thus far to increase referrals and public awareness of vocational rehabilitation services include the following:
 - a. Conducting vision screenings in unserved and underserved counties statewide
 - b. Distributing SCCB informational packets regarding the Vocational Rehabilitation Program in all Doctor's offices and public and private entities
- 1.4 The Homemaker Closure performance standards have been reduced from 25% to 15%. Within the next 2 years, SCCB has set a goal of reducing the Homemaker Closure performance standard to 10% for each VR Counselor.
- 1.5 The hourly requirement of an individual needing to work 20 hours per week to be closed in competitive employment has been suspended. The SCCB VR Policy Manual pertaining to this has also been revised.

Technical Assistance: SCCB does not request technical assistance.

2. Supported Employment

- 2.1 Conduct training for all staff on SE service delivery; and
- 2.2 Develop strategic vendor relations in areas of employment services to support the development or expansion of SE services

Agency Response:

- 2.1 SCCB has received consultation from TACE and began introductory training in Supported Employment in March of 2011. Advanced Supported Employment Training for VR Staff is also scheduled for May of 2011.

Technical Assistance: SCCB does not request technical assistance.

Recommendation 3: RSA recommends that SCCB:

- 3.1 analyze the benefits to consumers of decentralizing its internal service delivery system to identify those services provided locally or regionally based on demographics, the CSNA, and service capacity;
- 3.2 expand the array of services to address the service needs of all eligible consumers particularly for transition-age youths, those seeking occupational or college training, and those seeking employment;
- 3.3 evaluate its staffing needs in conjunction with its services and specialized programs, program intent, and waiting lists for all services;
- 3.4 evaluate the skills sets necessary to perform the required management tasks of administering the VR program and realign staff and responsibilities accordingly; and
- 3.5 add key positions to supplement the current staffing levels based on further cost benefit analysis, and strategic planning.

Agency Response:

- 3.1 SCCB has begun decentralizing its internal service delivery system by setting up two additional adjustments to blindness facilities in Charleston and Columbia. Additionally, the developmental stage of securing another adjustment to blindness facility in Greenville has begun.
- 3.2 The service needs of eligible consumers have been expanded to include technological needs for transition-aged youths, revamping the SCCB College Student Policy to expand occupational and college training procedures and expanding work experience opportunities through paid internships through the SCCB Training and Employment Division.
- 3.4 SCCB has developed a comprehensive array of VR training opportunities for VR Staff for the purpose of improving training needs and skill sets. This is being accomplished through the use of a federal training grant.

Technical Assistance: SCCB does not request technical assistance.

4. Planning

Recommendation 4: RSA recommends that SCCB:

- 4.1 develop the role and duties of the commissioners in administration of the agency and engage them in the agency's planning activities;

- 4.2 develop a strategic planning process incorporating administrative, fiscal and programmatic components that identify long-term goals and priorities that align with the CSNA and the state plan;
- 4.3 identify gaps in the array of VR services, identify their impact on competitive employment outcomes from a cost benefit analysis approach and shift agency resources from programs or services that show low impact or inefficiencies to high yield impact activities that address service gaps; and
- 4.4 identify other service providers in SC that are providing comparable services and present opportunities to partner and share VR services through interagency agreements.

Agency Response: SCCB concurs with the recommendations. Strategies and action plans to comply with the recommendations are still pending.

Technical Assistance: SCCB does not request technical assistance.

5. Data and Case Management Deficiencies

Recommendation 5: RSA recommends that SCCB:

- 5.1 conduct a needs assessment to determine the appropriate data and case management system that integrates program and fiscal data before purchasing an off-the-shelf system or developing one in house;
- 5.2 replace the current data and case management system with one that integrates all program and fiscal data; and
- 5.3 provide access to information agency-wide to allow staff to make decisions that ultimately influence their ability to effectively serve their consumers.

Agency Response: SCCB has conducted a workflow analysis of the service delivery components to determine the internal and external data needs of each consumer service program. Research of the availability of case management systems is currently underway. Agency wide access for service delivery staff, accessibility for the Blind and visually impaired staff and the inclusion of fiscal data (to the extent possible) are top priorities with regards to the selection of a new case management system.

Technical Assistance: SCCB does not request technical assistance.

6. Coordination with the SCVRD to Serve Individuals with Multiple Disabilities

Recommendation 6: RSA recommends that SCCB:

- 6.1 develop and implement a policy that permits both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 6.2 review and revise the current interagency agreement with SCVRD, pursuant to 34 CFR 361.24(d), permitting both agencies to simultaneously serve eligible individuals with multiple disabilities;
- 6.3 collaborate with SCVRD to conduct joint staff training on service provision to individuals with multiple disabilities; and

- 6.4 communicate with referral sources to effectively market the combined capability of serving eligible individuals with multiple disabilities.

Agency Response: Recommendations 6.1, 6.2 and 6.3: The SCCB's Vocational Rehabilitation Program collaborates with SCDVR to provide referral services in a recently updated cooperative agreement between the two agencies. This is to ensure better service provision for individuals with significant disabilities with expertise and services unique to each agency. Cases are staffed on a regular basis and share ideas and knowledge in order to best serve consumers. The SCCB and the SCVRD share VR training opportunities in CSPD VR courses and online disability training webinars.

The two agencies also share office space in some locations around the state which fosters interaction among professional staff and also provides unique opportunities to exchange VR expertise regarding various disabilities and how best to provide service delivery. Both agencies feel consumers with visual impairments or physical and/or mental disabilities should be served by their primary serving agency and that both agencies coordinate services when the need arises. This will prevent the duplication of services and provide a more meaningful and streamlined experience for consumers.

The SCCB's Vocational Rehabilitation Program is committed to the delivery of high quality VR Services that result in meaningful employment outcomes for our consumers. Many of the recommendations made by RSA were also identified in our Comprehensive Needs Assessment that was completed in 2010. Where necessary, strategies will be incorporated in order to implement the recommendations into the SCCB Strategic Plan as well as the State Plan goals and priorities as appropriate.

Technical Assistance: SCCB does not request technical assistance.

Chapter 3: Fiscal Management of SCCB Vocational Rehabilitation, Supported Employment and the Independent Living Services for Older Individuals Who Are Blind Programs

Fiscal Management Compliance Findings and Corrective Actions

Corrective Action 1: SCCB must:

- 1.1 cease charging indirect costs to any Department grant, including the VR grant, that exceeds the indirect cost rate percentage approved by the U.S. Department of Education;
- 1.2 if there is a need for a new indirect cost rate, submit a proposal for a new Indirect Cost Rate or a Cost Allocation plan to the Department for review and approval in accordance with the Federal cost principles and requirements set forth at 2 CFR part 225. Any new approved indirect cost rate would be applicable for the current fiscal year or future years, as appropriate. Any new approved indirect cost rate would not be applied retroactively to prior years;
- 1.3 submit a written assurance to RSA within 10 days after the final report is issued that SCCB will submit timely indirect cost rate proposals and/or cost allocation plans for review and approval, and that only the approved rate or cost allocation plan shall be used in charging the grant, as required by the Federal cost principles at 2 CFR part 225. In addition, SCCB must assure that it will administer the program in a proper and efficient manner that ensures the proper expenditure and accounting of funds, as required by 34 CFR 361.12 and 34 CFR 80.12(a); and
- 1.4 submit revised SF-269s reports to reflect indirect costs of only the approved 1 percent authorized by the approved Indirect Cost Rate.

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements.

In 2007, SCCB submitted a draft indirect cost proposal to the US Department of Education for approval of an indirect cost rate that is required to charge indirect (overhead) costs to applicable federal programs. Although the documentation submitted by SCCB to obtain approval of the required indirect cost rate supported the approval of a 31 percent rate that would be applied to direct salaries and wages (including fringe benefits) to recover and charge indirect costs to federal programs, the SCCB, in following the past financial practices of the agency, specifically requested that the rate agreement show 1 percent as the approved indirect cost rate.

In doing so, financial staff erroneously believed that the approved 1 percent rate would: (1) allow the agency to draw sufficient federal funds to reimburse the State of South Carolina for statewide costs (central services costs) incurred in administering SCCB's federal grant programs, and (2) also allow the agency to maintain most of the state funds appropriated to the agency that were necessary to meet program matching requirements (non-federal share of program costs). These actions were taken to respond to a South Carolina Directive requiring State agencies to return recovered indirect costs to the State of South Carolina. SCCB knew that returning more than the statewide costs would result in losing most of the matching funds appropriated by the State of South Carolina for the non-federal share of the State VR Services Program.

To avoid losing the statutorily required State VR Services Program match, SCCB staff believed that the 31 percent rate, which would have been approved had SCCB not requested the 1 percent rate, could be used for federal reporting purposes, since this represented the actual cost of the State of South Carolina's non-federal share of the State VR Services Program. The documented 31 percent rate reflects each program's actual share of SCCB's indirect, or overhead costs that benefit each program. Reporting using this rate meets the federal requirement to submit accurate reports. More importantly, to report less than the 31 percent is a violation of the State VR Services Program's maintenance of effort requirement. All allowable and allocable expenditures made by the state that benefit the State VR Services Program must be reported on reports submitted to RSA.

SCCB has had several discussions with the U.S. Department of Education's Indirect Cost Group and is submitting the documentation required to obtain final or provisional rates for FYs 2009 through 2012. Upon approval, financial reports will be revised to reflect program expenditures based only on approved rates. After discussions with RSA, any further actions that will be required to resolve this finding will be addressed in SCCB's corrective action plan.

Technical Assistance: Upon completion of negotiations with the U.S. Department of Education, Indirect Cost Group, to obtain approved final or provisional rates for FYs 2008 through 2010, SCCB may request technical assistance from RSA to develop an acceptable methodology to charge administrative costs to federal grant programs for any fiscal year for which an approved rate is not obtained. Failure to include these costs, either through the application of an approved indirect cost rate or negotiated cost allocation methodology, will result in SCCB not complying with the State VR Services Program's maintenance of effort requirement.

2. Drawdown and Cash Management

Corrective Action 2: SCCB must:

- 2.1 cease drawing down funds that are not equal to immediate cash needs;
- 2.2 submit final SF-269s for the aforementioned grants, if not previously submitted, to determine actual funds drawn down and not spent on program costs or returned to the U.S. Treasury;
- 2.3 submit revised final SF-269s for the aforementioned grants, if applicable, if the reports submitted to RSA to date are not accurate with regard to the amounts reported as drawn down and expended;
- 2.4 submit an assurance to RSA within 10 days after the final report is issued that SCCB will:
 - a) submit timely fiscal reports to reflect accurate information regarding drawdowns and expenditures, as required by 34 CFR 80.20(a);
 - b) develop methods and procedures for payments to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds, as required by 34 CFR 80.21(b) and 31 CFR 205.31;
 - c) only draw down funds required to meet immediate cash needs, as required by 34 CFR 80.21(b) and 31 CFR 205.33; and
 - d) return any fund balance of unobligated (unencumbered) cash advanced, as required by 34 CFR 80.50(d)(2);
- 2.5 develop methods and procedures for payments to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds; and
- 2.6 submit a copy of the methods and procedures developed to minimize the time elapsing between the drawdown of Federal funds and the disbursement of those funds to demonstrate compliance with this corrective action.

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements.

After the onsite monitoring review, SCCB began a thorough review of financial records and has determined that the agency actually spent considerably more than the federal grant funds and required match in the Independent Living Services – Part B program in each of the fiscal years questioned in this monitoring report. Revised financial reports will be submitted to reflect actual expenditures in FYs 2004 through 2010.

SCCB is continuing to reconstruct expenditures for the Supported Employment Program and will take the appropriate action to resolve this finding upon completion of the financial records review.

Technical Assistance: SCCB does not request technical assistance.

3. Periodic Certification – Personnel Working Solely on VR Program

Corrective Action 3: SCCB must:

- 3.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3, as well as administrative requirements set forth at 34 CFR 361.12 and 34 CFR 80.20(a); and
- 3.2 develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program or cost objective.

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements. Written procedures to ensure on-going compliance with federal requirements are being developed and implemented and semi-annual certifications covering the latter part of calendar year 2010 have been completed.

Technical Assistance: SCCB does not request technical assistance.

4. Failure to Spend Program Income Properly

Corrective Action 4: SCCB must:

- 4.1 cease reporting program income in the incorrect fiscal year; program income must be reported for the fiscal year in which it was received;
- 4.2 submit a written assurance within 10 days of the final monitoring report that SCCB will report receipt of program income for the fiscal year in which it is received and that SCCB will not drawdown VR funds when program income is available for use; and
- 4.3 submit a plan, including a timeline, describing the training that will be provided to staff responsible for preparing the SF-269s, SF-425s and RSA-2s, as well as other internal controls that will be implemented to ensure sufficient supporting documentation is maintained to enable SCCB to submit accurate financial and statistical reports;

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements.

Technical Assistance: The Rehabilitation Act allows State VR agencies to obligate/expend program income (Social Security reimbursements) in Independent Living programs (II-Part B and Chapter 2-OIB) in the fiscal year after the receipt of these funds. Since SCCB expends considerably more in each of these programs than the federal grant funds and required match, program income will be used in the year after receipt of these funds to supplement the expenditures in both programs. SCCB is requesting technical assistance from RSA to clarify how cash received in year one of the grant period (and expended for the State VR Services Program before drawing additional funds for this program) can be obligated/expended in the second year of the grant period for Independent Living programs as permitted under the provisions in the Rehabilitation Act. Complying with the administrative requirement in 34 CFR 80.21(f) will place SCCB in the position of drawing federal funds that are identified at the time of the draw as a State VR Services Program expenditure, and actually utilizing the funds in IL programs.

5. Failure to Submit Timely or Complete Financial Reports

Corrective Action 5: SCCB must:

- 5.1 cease submitting untimely or incomplete financial and statistical reports, e.g., the SF-269s which have been replaced by the SF-425;
- 5.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will ensure the timeliness and completeness of future financial and statistical reports submitted on behalf of the SE, IL-part B, and OIB programs, as required by 34 CFR 364.34, 34 CFR 80.20(a) and 34 CFR 80.41(b);
- 5.3 submit all incomplete or missing SF-269s, as described above, including final reports for the respective years; and,
- 5.4 submit a plan, including timeline, describing the steps SCCB will take to ensure timeliness and completeness of the financial and statistical reports, as required by 34 CFR 364.34, 34 CFR 80.20(a) and 34 CFR 80.41.

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements. Actions are being taken to train financial staff in federal reporting requirements to ensure the accurate and timely submission of required financial reports.

Technical Assistance: SCCB does not request technical assistance.

6. Assigning Personnel Costs – Staff Working on Multiple Programs

Corrective Action 6: SCCB must:

- 6.1 cease using Title I funds for personnel costs that do not arise under the administration of the VR program as supported by documentation (e.g., IL-part B personnel costs), pursuant to 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5;

- 6.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20(a), and 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5; and,
- 6.3 submit a plan, including timelines, describing the corrective actions that will be taken to ensure:
 - a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs to the appropriate program for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and,
 - b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by SCCB (excluding the SE program under Title VI-B, which can legally be charged to the VR program).

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements.

Technical Assistance: SCCB does not request technical assistance.

7. Failure to Monitor Contractors

Corrective Action 7: SCCB must:

- 7.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that future contracts with all entities, will comply with 34 CFR 361.12, 34 CFR 364.34, 34 CFR 80.20(a) and 80.40(a); and,
- 7.2 develop and implement a protocol for monitoring contractors to ensure compliance, as required by 34 CFR 80.40(a).

Agency Response: SCCB concurs with the finding and will submit the written assurance and a corrective action plan to implement the corrective actions required by RSA to comply with federal requirements.

Technical Assistance: SCCB does not request technical assistance.

APPENDIX C: SC IL RESPONSE

Chapter 1: Independent Living (IL) Program

IL Program Compliance Findings and Corrective Actions

1. SILC Appointments

Corrective Action 1: SCVRD and SCCB must take the necessary steps to ensure that the Governor appoints a full slate of SILC members who meet the composition, qualification and terms of appointment requirements in section 705(b)(1)-(7) of the Act by September 30, 2011.

Agency Response coordinated with SCCB and SILC Executive Committee: There are currently seven voting members on the SILC, four of which are persons with disabilities. There are three ex-officio members on the SILC. Eight new applications have been forwarded to the Governor's office and all of those are persons with disabilities. There are six pending applications. The SILC Chairperson has contacted the Governor's office requesting a meeting to discuss the establishment of a roster of SILC members and vacancies and develop a plan for maintaining applications awaiting appointments and moving the applications forward. A date is pending for this meeting. The DSU representative will also participate in this meeting.

A membership recruitment committee was established on November 11, 2010. A strategic plan is being discussed with input from all council members, the governor's office, and various state agencies including SCVRD and SCCB. This plan will address recruitment, maintaining a full council, maintaining a pool of applicants, and moving applications as needed.

ILRU rapid course information has been shared with SILC members for training purposes regarding the history of IL and roles and responsibilities of SILC members.

Technical Assistance: Continued technical assistance through the RSA Independent Living Unit is requested as well as continuing education from the TACE and other sources.

2. SILC Duties, Roles and Responsibilities

Corrective Action 2: The SILC must take the necessary steps to ensure that its membership fulfills its mandated duties in 34 CFR 364.21(g).

Agency Response coordinated with SCCB and SILC Executive Committee: A new Executive Committee has been elected and is committed to moving the SILC forward. The SPIL is discussed at each meeting and objectives listed with accomplishments, upcoming events regarding completing objectives, and planning for future endeavors.

Cross-training efforts have been initiated between IL and SCVRD. These trainings will illustrate the way both entities can serve individuals who have significant disabilities and are interested in competitive employment. In addition, a reciprocal referral process will be developed.

A new fiscal monitoring policy has been established where all expenditures are pre-authorized by the DSU. This provides closer monitoring than in previous years.

The DSU, in conjunction with the SILC, compiles the data for the 704 report. The report is entered in the MIS by the DSU. The SILC Chairperson and the DSU communicate regularly regarding the progress of the SILC.

Technical Assistance: Training and technical assistance is requested to ensure compliance with fiscal and program monitoring requirements.

APPENDIX D: EXPLANATIONS OF DATA TABLES

VR and SE Program Highlights

- Total funds expended on VR and SE—RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes—RSA-113 line D1
- Individuals whose cases were closed without employment outcomes—RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services—RSA-113 line D1+D2
- Employment rate—RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes—Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population—RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website: <http://www.census.gov/popest/states/NST-ann-est.html>
- Average cost per employment outcome—Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who achieved an employment outcome (record position 198 = 3) divided by the total number of these individuals
- Average cost per unsuccessful employment outcome—Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who did not achieve an employment outcome (record position 198 = 4) divided by the total number of these individuals
- Average hourly earnings for competitive employment outcomes—Sum of individuals' weekly earnings at closure (record position 163-166) divided by the total hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure > 0, where the type of closure (record position 198) = 3, and where competitive employment (record position 162) = 1
- Average state hourly earnings—Using the most relevant available data from the Bureau of Labor Statistics Report (<http://www.bls.gov>), state average annual earnings divided by 2,080 hours
- Percent average hourly earnings for competitive employment outcomes to state average hourly earnings—Average hourly earnings for competitive employment outcomes (above) divided by the Average state hourly earnings (above) multiplied by 100

- Average hours worked per week for competitive employment outcomes—Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Percent of transition age served to total served—Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4
- Employment rate for transition population served—Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100
- Average time between application and closure (in months) for individuals with competitive employment outcomes—Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Standard 1—To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).
- Standard 2—To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU's performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

IL Program Highlights (From RSA 704 report)

- Title VII, Chapter 1, Part B Funds—Subpart I, Administrative Data, Section A, Item 1(A)
- Total Resources (including Part B funds) —Subpart I, Administrative Data, Section A, Item 4
- Total Served—Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)
- Total Consumer Service Records Closed—Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(6)
- Cases Closed - Completed All Goals—Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(4)
- Total Goals Set—Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)

- Total Goals Met—Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total individuals accessing previously unavailable transportation, health care, and assistive technology—Subpart III, Section B, Item 2, sum of (A) + (B) + (C)
- Total FTEs—Subpart I, Section F, sum of Item 2 for the column
- Total FTEs with Disabilities—Subpart I, Section F, sum of Item 2 for the column

OIB Program Highlights (From RSA 7-OB Form)

- Title VII, Chapter 2, Expenditures—Part I-Sources and Amounts of Funding, (A)(1)
- Total Expenditures (including Chapter 2)—Part I-Sources and Amounts of Funding, (A)(6)
- Total Served Older Individuals who are Blind—Part III-Data on Individuals Served During This Fiscal Year, (B)-Gender, sum of (1) + (2)
- Total FTEs—Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column
- Total FTEs with Disabilities—Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column

APPENDIX E: EXPLANATIONS APPLICABLE TO FISCAL PROFILE TABLES

Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallotment process, or additional grant funds received through the reallotment process.

Match (Non-Federal Expenditures):

The non-federal share of expenditures in the Basic Support Program, other than for the construction of a facility related to a community rehabilitation program, was established in the 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR Program. (34 CFR 361.60(a) and (b); 34 CFR 80.24)

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. RSA also reviewed the accuracy of expenditure information previously reported in financial and program reports submitted to RSA.

Carryover:

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the fiscal year for which the funds were appropriated.

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated community rehabilitation program. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal

grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

Maintenance of Effort (MOE):

The 1992 amendments revised the requirements in section 111(a)(2)(B)(ii) of the Act with respect to maintenance of effort provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the maintenance of effort level is based on state expenditures under the title I State plan from non-federal sources for the federal fiscal year two years earlier. States must meet this prior year expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and maintenance of effort requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-federal expenditures previously reported for each grant year.

Administrative Costs:

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring and evaluation. Details related to expenditures that should be classified as administrative costs are found in VR Program regulations at 34 CFR 361.5(b)(2).