Vocational Rehabilitation Program Federal FY 2012 Monitoring and Technical Assistance Guide

U.S. Department of Education

Office of Special Education and Rehabilitative Services

Rehabilitation Services Administration

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I. The Federal Mandate and Scope of the Review

A. The Federal Mandate

Section 107 of the Rehabilitation Act of 1973, as amended (Rehabilitation 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 Rehabilitation Act to determine whether a vocational rehabilitation (VR) agency is complying substantially with the provisions of its State Plan under Section 101 of the Rehabilitation Act and with the Evaluation Standards and Performance Indicators established under Section 106. To fulfill this requirement, RSA has developed this Monitoring and Technical Assistance Guide (MTAG) through which it will assess the performance of the VR agencies in the operation of the program and their compliance with pertinent federal programmatic and fiscal requirements.

B. Scope of the Review

1. General

Beginning in federal fiscal year (FY) 2012 and ending in federal FY 2016, the State Monitoring and Program Improvement Division (SMPID), within RSA, will implement the MTAG described herein to review the administration and operation of the 70 VR programs not reviewed during the pilot of the process conducted during federal FY 2011. Consequently, SMPID will review 14 state VR agencies in federal FY 2012.

The specific programs covered by this MTAG include:

- The VR program, established under Title I of the Rehabilitation Act; and
- The supported employment (SE) program, authorized pursuant to Title VI, Part B, of the Rehabilitation Act.

Beginning in federal FY 2012, staff of the SMPID Independent Living (IL) Unit will monitor the two formula grant programs authorized under Title VII of the Rehabilitation Act, including the state IL services (SILS/IL Part B) program and the IL services for older individuals who are blind (OIB) program, separately from the review of the VR and SE programs using a distinct protocol and process. In each federal fiscal year, the RSA will select one to two states in which to monitor the SILS and OIB formula grant programs. These states may or may not be selected from among those in which monitoring of the VR and SE programs will occur.

2. Focus Areas

To align its monitoring activities with the priorities established by the RSA Commissioner, SMPID will include in its monitoring of the VR and SE programs three focus areas to be used when reviewing the performance and compliance of each agency. These focus areas cover:

- organizational structure requirements of the designated state agency (DSA) and designated state unit (DSU);

- transition services and employment outcomes for youth with disabilities; and
- the fiscal integrity of the VR program.

The nature and scope, along with the activities to be conducted under each focus area, is contained in Sections III, IV and V, respectively, of this MTAG. As a result of the activities related to each of the focus areas, review teams may identify:

- emerging practices;
- areas of performance in need of, and recommendations for, improvement;
- compliance findings and corrective actions to resolve the findings; and
- the need for technical assistance and continuing education that will enable the agency to improve performance or carry out corrective actions.

3. Activities Related to Prior Reviews

RSA review teams will conduct activities designed to gather information regarding the progress of VR agencies toward addressing observations and resolving findings identified in prior monitoring cycles. Although teams will review an agency's progress toward the implementation of all corrective actions identified through prior monitoring activities, follow-up review activities will focus only on those recommendations that the agencies agreed to implement. For example, if an agency agreed to make revisions to its policies and to provide training on those policy revisions as recommended in a prior monitoring report, teams will review whether the policy has been revised and if the training has been provided. These follow-up activities will not necessitate further analysis of the data associated with an observation or finding from prior reviews, except as it may appear in the analysis of the uniform programmatic and fiscal data (see subsection 4 below).

In preparation for this area of monitoring, teams will review issued reports from prior monitoring cycles, corrective action plans (CAP) developed as a result of those reports and reports of progress from the VR agencies related to the plans. Through the review process, teams will determine, in consultation with the VR agencies, whether they require additional technical assistance and/or continuing education to carry out those recommendations they accepted or the corrective actions.

4. Use of Data

For each VR agency under review in federal FY 2012, review teams will analyze the performance of the VR and SE programs using a set of uniform programmatic and fiscal data covering the most recently completed five-year period for which these data are available. For those agencies reviewed in federal FY 2012 prior to the publication of federal FY 2011 data, the review teams will analyze program data covering the period beginning in federal FY 2006 and ending in federal FY 2010. However, the teams will review an agency's federal FY 2011 data as well when it becomes available later during FY 2012. The programmatic data describe the number of individuals involved in the VR process from application to case closure, including those who exit the program during the various stages of the process, in addition to the number and quality of the employment outcomes achieved. Because federal FY 2011 fiscal data will be

available at the time of the reviews, the review teams will analyze fiscal data covering the period beginning in federal FY 2007 and ending in federal FY 2011. The fiscal data to be analyzed include, but are not limited to, the federal and non-federal share, federal program income, and maintenance of effort. Appendix E and F of this MTAG contains examples of these uniform programmatic and fiscal data tables (see Appendix E, Table 1 and Appendix F, Table 1).

Review teams will share these data with the VR agencies prior to the on-site visits and solicit, throughout the review process, information from VR agency officials and personnel explaining the performance trends demonstrated by the data. An analysis of these programmatic and fiscal data, along with the explanation of performance trends, will be included in the monitoring report. Through this analysis, teams may identify potential areas of risk to the performance of the VR and SE programs. However, they will not develop observations and recommendations for program improvement as a result of this analysis, except as may be warranted by the activities conducted under the identified focus areas of the review.

Review teams will also use programmatic and fiscal data in the review of the focus areas referenced above, particularly with respect to the provision of transition services and the employment outcomes achieved by youth with disabilities, and the fiscal integrity of the VR and SE programs. The specific data to be analyzed in connection with each of these areas is described in more detail in Sections IV and V of this MTAG. Examples of the data tables relevant to the review of transition services and outcomes can be found in Appendix E (Tables 2 through 8). Review teams may use the assessment of an agency's performance related to the data associated with the focus areas to develop observations or findings if appropriate.

5. Emerging Practices

While conducting the monitoring of the VR and SE programs, review teams will collaborate with the VR agencies, the State Rehabilitation Councils (SRC), and key stakeholders to identify emerging practices in the following areas:

- strategic planning;
- program evaluation and quality assurance practices;
- human resource development;
- transition;
- the partnership between the VR agency and SRC;
- the improvement of employment outcomes, including supported employment and self-employment;
- VR agency organizational structure; and
- outreach to unserved and underserved individuals.

RSA considers emerging practices to be operational activities or initiatives that contribute to successful outcomes or enhance VR agency performance capabilities. Emerging practices are those that have been successfully implemented and demonstrate the potential for replication by other VR agencies. Typically, emerging practices have not been evaluated as rigorously as "promising," "effective," "evidence-based," or "best" practices, but still offer ideas that work in specific situations.

The monitoring reports will include a summary of the emerging practices identified during the course of the review and the link to the complete description of the practices on the RSA website at (http://rsa.ed.gov/emerging-practices.cfm). In addition, complete descriptions of the emerging practices will be transmitted to the VR agencies as a separate document at the time of the issuance of the draft reports, so that the VR agencies can review the descriptions for factual inaccuracies before their posting on RSA's website.

6. Other Areas of Review

In general, review teams will conduct monitoring activities related only to those areas of review described in subsections 2 through 5 above. However, teams may, after consultation with the VR agency and SMPID management, engage in monitoring activities directed toward the review of areas not covered through the application of this MTAG, if such areas are of significant concern and the VR agency would benefit from the provision of technical assistance through the monitoring process.

C. RSA Internal Collaboration

To enhance efficiency within RSA with respect to the monitoring of formula and discretionary grant programs, staff of the SMPID and the Training and Service Programs Division (TSPD) will coordinate the identification of programs and agencies to be reviewed. TSPD may select, from among those states where VR programs are being reviewed in federal FY 2012 and future years, discretionary grant programs to be reviewed in the same states, e.g., In-Service Training grants under Title III of the Rehabilitation Act, the American Indian VR Services program under Section 121, and the State Grant for Assistive Technology program under the Assistive Technology Act of 1998, as amended. However, TSPD will not conduct their respective reviews simultaneously or coordinate monitoring activities with SMPID.

In addition, staff of SMPID and TSPD will share, when appropriate, the results of monitoring activities conducted by either division, for the purpose of enhancing and improving the delivery of technical assistance and support to state VR agencies and discretionary grantees. For example, SMPID staff may share, when appropriate, information related to the technical assistance and continuing education needs of the VR agencies obtained through the conduct of each review with TSPD staff responsible for the oversight of the In-Service Training grants. TSPD will use this information in the management of the In-Service Training program generally, and to inform the activities of specific grantees.

SMPID and TSPD staff also will work together with the VR agency and the Technical Assistance and Continuing Education (TACE) centers following the publication of the final monitoring report to develop the Technical Assistance Plan (TAP) designed to enable the VR agency to carry out the recommendations and findings in the monitoring report (see Section II.G below for more information on the TAP).

Through these collaborative efforts, RSA anticipates improved communication among the rehabilitation programs in each state.

II. Overview of the Review Process

A. Selection of VR Agencies for Review

From federal FY 2012 through federal FY 2016, SMPID will select the VR agencies to be monitored in each year from among the 70 agencies remaining after the conduct of the federal FY 2011 pilot, representing, as much as possible, a balanced number of VR agencies serving individuals who are blind and visually impaired, individuals with all other disabilities, and individuals with all types of disabilities (blind, general and combined agencies, respectively) from across the geographic regions of the United States. Approximately fourteen VR agencies will be monitored during each year. If a state has established two VR agencies for the provision of VR services, one serving individuals who are blind and visually impaired, and the other for individuals with all other disabilities, both VR agencies will be reviewed in the same year. In such instances, a separate report will be issued for each VR agency.

Circumstances may require SMPID to conduct a review of a particular VR agency more than once during the monitoring cycle. These circumstances include, but are not limited to, requests from VR agencies for more immediate assistance pertaining to specific issues, the identification of issues requiring prompt attention from SMPID or the adverse impact on a VR agency's operations resulting from catastrophic natural disasters. SMPID is less likely to conduct a full monitoring review under such circumstances than it is to provide substantial technical assistance to meet specific and pressing VR agency needs.

B. Duration of the Monitoring Process

The monitoring process for the VR agencies under review will begin and conclude within each fiscal year of the monitoring cycle, but is not intended to last the length of the entire fiscal year. Review teams and the state VR agencies will discuss and agree as to when to begin the monitoring process at a time in the year that is most convenient to both the teams and the VR agencies. The process includes all preparation and planning, the conduct of an on-site visit, and the development of draft and final monitoring reports.

C. Stages of the Monitoring Process

1. Planning and Preparation

Each state VR agency selected for a monitoring review in any of the federal fiscal years 2012 to 2016 will be contacted, when appropriate, by their review teams to begin planning monitoring activities. At this time, the review teams will:

- introduce the RSA team member who will lead the review, and the other members of the team who will participate in the on-site review;
- jointly with the VR agencies, select dates for the on-site visits;
- identify stakeholders who may participate in the review as appropriate, including SRC members, the Client Assistance Program and community rehabilitation programs; and
- contact representatives of the TACE centers to notify them of on-site review dates.

In preparation for the on-site visits, the review teams will conduct a limited number of teleconferences or video conferences, as determined by the review teams and VR agencies, to:

- discuss the monitoring process and the substance of the focus areas set forth in this MTAG with VR agency management;
- describe significant trends in performance related to the uniform programmatic and fiscal data, as well as those pertaining to transition services and outcomes, and solicit input from the VR agencies explaining the trends;
- gather information pertinent to the focus areas of the review from representatives of the SRC and Client Assistance Program;
- obtain input concerning the technical assistance and continuing education needs of the VR agencies from TACE center representatives; and
- develop the agenda with VR agency management and personnel.

Additionally, the teams will review documents requested from the VR agencies related to each of the focus areas prior to the on-site visits. These documents may include:

- organizational charts and diagrams of the DSA and DSU;
- memoranda of understanding (MOUs) with local workforce investment boards (LWIBs);
- agreements with the state educational agencies;
- policies and procedures related to the provision of transition services;
- sample monitoring reports of VR agency contractors; and
- written third-party cooperative arrangements (TPCAs) if used by the VR agency to obtain matching funds.

RSA review teams will use the information obtained through the review of these documents, the analysis of performance trends and through the teleconferences/video conferences described above to identify, in collaboration with the VR agencies, on-site activities and develop the agendas.

2. On-site Activities

RSA review teams will schedule the on-site visits with each VR agency, accommodating as much as possible the schedules of VR agency management and personnel. The review teams, consisting of two or more members from the Vocational Rehabilitation Program, the Technical Assistance and the Fiscal Units within SMPID, will engage in a variety of on-site activities, including, but not limited to:

- a brief entrance meeting to introduce review team participants and VR agency management and personnel, and to review the on-site agenda;
- additional discussions of the programmatic and fiscal data to explore the reasons underlying performance trends;
- a review of the CAP resulting from prior monitoring reports, when appropriate, and recommendations adopted by the VR agency from prior monitoring reviews for the purpose of obtaining current information regarding the progress toward the completion

of corrective actions and recommendations, and to identify any ongoing technical assistance needs;
- the identification by the VR agency of emerging practices, which may involve site visits or meetings with key personnel related to these activities;
- other activities related to the three focus areas covered by this MTAG;
- an optional, brief wrap-up meeting to discuss the next steps in the process, schedule the date and time of the follow-up teleconference/video conference (see below) and solicit input from VR agency management and personnel and other participants in the review concerning the conduct of preparation and on-site activities.

On-site activities may include, as noted above, site visits to schools, community rehabilitation programs, or other area offices necessitated by the review of the focus areas. These visits will generally occur within the surrounding geographic area of the state capitol, or the city in which the VR agency's primary administrative offices are located.

The review team or the DSU director may invite VR agency management and personnel, the leadership of the designated state agency and the chairperson of the SRC to participate in both the entrance, and if one is scheduled, the wrap-up meeting. TACE center representatives also may participate in the entrance and wrap-up meetings conducted during the course of the on-site visits. It should be noted that the wrap-up meeting is optional, and that any staff from the DSA, DSU, or TACE are not required to attend, but may upon invitation as deemed appropriate by the VR agency director. To make effective and efficient use of TACE grant funds, SMPID staff and the TACE representatives should explore the feasibility of participation in these meetings through means such as teleconference or video conference. TACE representatives may participate in other on-site monitoring sessions as observers as requested by the VR agencies.

Sections III through V of this MTAG specify other individuals, in addition to those identified in this paragraph, with whom the review teams may engage in discussions germane to the focus areas during the on-site visit, including:

- VR agency supervisors and counselors;
- state and local school district staff responsible for the provision of VR services to transition-age youths;
- the DSA director;
- other staff from the DSA responsible for fiscal or administrative oversight;
- commissioners of agencies for the blind or other stand-alone VR agencies;
- representatives of community rehabilitation programs (CRPs) and consumer advocacy groups; and
- state auditors.

In some rare cases, an on-site visit to the VR agency may not be possible. RSA review teams will conduct the monitoring review using all other methods described in this MTAG, including the expanded use of teleconferencing, and document requests. Review teams will discuss with VR agencies how best to maximize resources under these circumstances in order to conduct the monitoring in accordance with Section 107 of the Rehabilitation Act and this MTAG, including the provision of technical assistance.

3. Follow-up Activities

Subsequent to the on-site visits, the review teams may require further documentation from the VR agencies to supplement information obtained prior to or during the visits. Additional teleconferences may also be necessary to clarify any outstanding questions or concerns the teams may have, or to gather further detail about a particular issue.

Within ten to fifteen business days following the on-site visits, the review teams will conduct follow-up teleconferences or video conferences with the VR agencies, other appropriate stakeholders, and the TACE center representatives to discuss preliminary program and fiscal findings and recommendations. Some findings may require review by the Department of Education's Office of General Council, and hence may not be fully developed or available to share at this time. Teams may also discuss any emerging practices, technical assistance needs, and performance trends identified during the on-site visit during this teleconference.

D. The Draft Report

The review teams will develop draft reports that contain:

- a concise analysis of the uniform programmatic and fiscal VR and SE program data, along with explanations of performance trends provided by the VR agencies;
- a brief description of any emerging practices identified during the review;
- a review of the progress achieved toward the implementation of any outstanding corrective actions and/or recommendations adopted by the VR agency from prior monitoring reviews, and the identification of any related ongoing technical assistance needs;
- observations and recommendations to improve performance pertaining to each of the focus areas;
- programmatic and fiscal compliance findings resulting from the reviews and corrective actions to resolve the findings; and
- a description of the technical assistance provided during the reviews and the continuing education needs of VR agency management and personnel identified by the agencies and their stakeholders.

SMPID expects that review teams will complete and provide the draft monitoring reports to the VR agencies within 45 calendar days from the conclusion of the on-site visits. The VR agencies will then have 21 calendar days to submit written responses to the draft reports directly to the teams responsible for the development of the reports. VR agencies may request an extension of this period by submitting a written justification to the review teams, which then will notify the VR agencies if, and for how long, the requests are approved. The VR agency responses should include:

- the identification of factual errors;
- responses to any programmatic or fiscal observations, recommendations, compliance findings and corrective actions;
- supporting documentation or data as needed to substantiate VR agency responses; and

- requests for technical assistance to assist the agency to carry out the recommendations and corrective actions identified in the draft reports.

The review teams may engage in discussions with the VR agency management and personnel to assist the agencies with the development of the responses to the draft reports. In addition, the review teams may conduct teleconferences with the VR agencies to clarify information included in the VR agency responses and request additional documentation to support statements made in the responses.

The review teams also will provide the draft reports to the SRCs for their information only. The SRCs should not submit responses to the drafts and, if received, the responses will not be included in the final reports. The SRCs are not to further distribute the draft reports to persons outside the Councils.

E. The Final Monitoring Report

Based on the information provided by the VR agencies in response to the draft reports, the review teams will develop the final monitoring reports, making any corrections as needed. The review teams may also modify or eliminate an observation, recommendation, compliance finding or corrective action after consultation with SMPID management and the Office of General Counsel as warranted.

In addition to the information included in the draft reports, the final reports will contain the VR agency responses to the drafts and the requests for technical assistance that will enable the agencies to carry out the recommendations and corrective actions. Supporting documentation or exhibits submitted by the VR agency in support of responses to the draft report will be included in the final report at RSA's discretion. Review teams may request additional assurances or documentation from the VR agencies in connection with programmatic or fiscal findings. The final reports will indicate when such material is required.

Once completed, the review teams will provide electronic copies of the final reports to the VR agencies and the SRCs. SMPID will then publish the reports on the RSA Web site and the teams will notify the VR agencies, SRCs, TACE center representatives and other stakeholders involved in the review process of the location of the reports on the website.

F. Corrective Action Plans

Within 45 calendar days from the issuance of the final reports, VR agencies, jointly with the review teams, will develop the corrective action plan (CAP) to address any compliance findings identified through the monitoring process. To enable the VR agencies to more easily develop the plans and to promote consistency in the information they contain, all CAPs for the federal FY 2012-2016 review cycle will be developed, approved, and tracked through RSA's Web site. The content of the CAPs will include:

- the programmatic or fiscal findings as stated in the final report;
- the corrective actions required to resolve the findings contained in the final reports;

- the specific steps the agencies will take to complete the corrective actions;
- timelines within which the agencies expect to complete each step of the corrective actions; and
- target dates for resolution of the findings.

Review teams will transmit to VR agencies instructions as to how to submit their CAPs via the RSA Web site. Once the CAPs are approved and implemented, VR agencies will utilize the RSA Web site to provide quarterly progress reports on the implementation of the CAPs. VR agencies should plan to submit the first CAP progress report no later than 30 calendar days after the end of the first full quarter following the approval of the CAP, and then 30 calendar days after each subsequent quarter until all corrective actions are completed and the CAP is retired.

G. Technical Assistance Plans

Within 60 calendar days following the publication of the final monitoring reports, the review teams will facilitate teleconferences or video conferences with the VR agencies and TACE center representatives to develop technical assistance plans (TAPs) addressing the technical assistance needs identified by the VR agencies that can be addressed by RSA and/or the TACEs. The review teams will also invite the TSPD staff project officer for the TACE centers to participate in these discussions as available. During the teleconferences, the participants will discuss the details of the identified technical assistance needs, identify and assign specific responsibilities for implementing technical assistance and establish initial timeframes for the provision of the assistance. The review teams will distribute draft TAPs to the participants for review, making necessary revisions based on their input prior to the approval of the plans.

The review teams will convene teleconferences with the VR agencies and TACE center representatives, at least semi-annually, to review progress on the TAPs and discuss any further technical assistance needs that may have emerged. The TSPD project officer will participate in these teleconferences as available.

H. Involvement of Consultants in the Review Process

It is within the discretion of the VR agencies to involve contracted consultants, not associated with the TACE centers, in any or all stages of the review process, including the exchange of information and conduct of teleconferences/video conferences in preparation for the on-site visit, meetings held on-site, follow-up teleconferences, the development of draft reports and responses to those reports, as well as the development of CAPs and TAPs. Nonetheless, the review teams will direct all communication to VR agency management and staff, as well as to the TACE center representatives and other stakeholders when appropriate, and not to the consultants. It is the responsibility of the VR agencies to share information with the consultants throughout the course of the review as they deem necessary and consistent with their involvement.

I. Evaluation of the Review Process

All participants in the federal FY 2012 monitoring process, including VR agency management and personnel, SRC members, the Client Assistance Programs, TACE centers and other

stakeholders, will have an opportunity to provide comments and suggestions for improvement of the monitoring process following the conclusion of the review activities and issuance of the final reports. All participants may provide written comment at any point during the process. SMPID will obtain additional input through teleconferences scheduled with the VR agencies reviewed during the year and the TACE centers.

III. Focus Area - Organizational Structure of the Designated State Agency and Designated State Unit

A. Nature and Scope

The purpose of this focus area is to assess the compliance of the VR agency, or DSU, with the federal requirements related to the organization of the DSU within the DSA and the ability of the DSU to perform its non-delegable functions, including the determination of eligibility, the provision of VR services, the development of policies, and the expenditure of funds. Specifically, review teams will engage in a review of:

- the progress toward the implementation of recommendations accepted by the VR agency and the resolution of findings related to these requirements identified in prior monitoring reports;
- compliance with statutory and regulatory provisions governing the organization of the DSA and DSU, including requirements related to the percentage of staff performing the vocational or other rehabilitation work of the DSU and the location of the DSU at a level comparable to other major components of the DSA;
- processes and practices related to the promulgation of VR program policies and procedures;
- the manner in which the DSU exercises responsibility over the expenditure and allocation of VR program funds, including procurement processes related to the development of contracts and agreements;
- procedures and practices related to the management of personnel, including the hiring, supervision and evaluation of staff; and
- the manner in which the DSU participates in the state's workforce investment system.

The materials to be used and the activities to be engaged in by the review team with respect to each area of the review are further detailed in subsequent sections of this module. Review teams may use the below questions as a guide in discussion with:

- DSA and DSU directors and senior managers;
- DSA and DSU staff members responsible for the fiscal management of the VR program;
- SRC Chairpersons and members;
- Client Assistance Program staff members; and
- TACE center representatives.

Section II.C.1 of the MTAG contains examples of documents and materials that the review team may request in connection with this focus area. In addition, Appendix B includes redacted

examples of findings from published monitoring reports illustrating how RSA interprets the federal requirements governing the organization of the DSA and DSU, as well as those related to the non-delegable functions of the DSU. This information may be particularly helpful to both the review teams and the VR agencies in determining the extent of compliance with relevant provisions of the Rehabilitation Act and VR program implementing regulations.

B. Review of Progress Toward Implementation of accepted Recommendations and Compliance Findings Regarding Organizational Structure of the DSA and DSU Identified during Prior Reviews

Resources: The most recently published Monitoring Report, Program Improvement Plan, CAP and reports of progress on the plans

The review teams will review the progress of the VR agencies on those recommendations they accepted and implemented, and compliance findings documented in the previous monitoring cycle to determine if they have been addressed, or if additional technical assistance is needed. In addition to following up on findings and recommendations, the review teams will identify if changes have occurred subsequent to the prior review related to the organizational configuration of the DSU.

1. Were organizational structure-related recommendations accepted by the VR agency, and/or compliance findings made in the report resulting from the prior Monitoring review?

   ____YES ____NO

   If "YES," briefly describe the issues and their current status.

2. Have changes in how the state is implementing the DSU organizational requirements occurred since the last monitoring review? For example, changes may have been made in the organizational configuration of the DSA, the responsibility to allocate and expend VR funds, the process for promulgating policies and procedures or the processes for the development of contracts and agreements.

   ____YES ____NO

   If "YES," briefly describe the changes and the results of those changes.

3. Does the VR agency need technical assistance to resolve any outstanding corrective actions related to the organizational structure of the DSA and DSU?

   ____YES ____NO

   If "YES," please describe.

C. Federal Requirements Pertaining to the Organization of the DSA and DSU

Statutory requirements governing the organization of the DSA and DSU are found in Section 101(a)(2)(B) of the Rehabilitation Act. The DSA must include a separate DSU when the DSA responsible for the administration of the VR program is not primarily concerned with VR or vocational and other rehabilitation of individuals with disabilities (Section 101(a)(2)(B)(ii)).

When a DSA is required to establish a DSU, these statutory provisions require that the DSU must:

- be primarily concerned with VR or vocational and other rehabilitation of individuals with disabilities, and be responsible for the VR program of the DSA (Section 101(a)(2)(B)(ii)(I));
- have a full-time director (Section 101(a)(2)(B)(ii)(II));
- have staff, all or substantially all of whom are employed full time on the rehabilitation work of the DSU (Section 101(a)(2)(B)(ii)(III)); and
- be located at an organizational level and have an organizational status within the DSA comparable to that of other major organizational units of the DSA (Section 101(a)(2)(B)(ii)(IV)).

The federal regulations implementing these statutory requirements are found at 34 CFR 361.13 (b)(1)(i) through (iv). The regulatory provisions track the statutory requirements and also specify that at least 90 percent of the DSU's staff must be employed full time on the rehabilitation work (vocational and other rehabilitation of individuals with disabilities) of the DSU (34 CFR 361.13(b)(1)(iii).

This section further explains these statutory and regulatory requirements and includes questions to be used when analyzing a VR agency's compliance.

1. Designation of State Unit

Resources: Approved VR State Plans, organizational charts of the DSA and DSU

The statutory language "primarily concerned with…" acknowledges the flexibility provided in the Rehabilitation Act with respect to the scope of programmatic responsibilities of the DSU. Although the DSU may have responsibility for activities that fall outside the parameters of "vocational rehabilitation, or vocational and other rehabilitation," such responsibilities must be subordinate and secondary to the responsibility of the DSU for its VR program, or its vocational and other rehabilitation programs. In guidance accompanying the 1997 VR program regulations, RSA stated that the term "other rehabilitation" "includes, but is not limited to, other programs that provide medical, psychological, educational, or social services to individuals with disabilities" (62 Fed. Reg. 6308, 6316). In summary, the DSU can have responsibilities that extend beyond the VR program to encompass both "other rehabilitation" activities and also programs that are neither VR nor "other rehabilitation." However, title I funds can be used only to support the work of the DSU and its staff on VR related activities.

4. Is the work of the DSU primarily concerned with the VR program or vocational and other rehabilitation of individuals with disabilities?

____YES ____NO

5. Describe any programs and activities carried out by the DSU that can be considered to be the "other rehabilitation" work of the agency.

6. Describe any programs and activities carried out by the DSU that cannot be considered to be within the VR program or vocational and other rehabilitation work of the agency.

2. Full-Time Director

Resources: Organizational charts of the DSU

The DSU director must be devoted full time to the work of the unit within the context of the scope of the unit's programmatic responsibilities. While the director is not required to devote his or her full time to the VR component of the DSU's work, title I funds can be used to support the work of the director only to the extent that the director's activities are spent on VR work.

7. Does the director of the DSU devote his or her full time to the VR program or vocational and other rehabilitation work of the unit?

____YES ____NO

8. If not, describe the other programs and activities to which the director of the DSU devotes a portion of his or her time.

3. Staff Engaged in the VR Program or Vocational and Other Rehabilitation Work

Resources: Organizational charts of the DSU

As discussed above in the introductory narrative to Question 4, the work of the DSU can encompass activities that extend beyond VR and other rehabilitation. However, the Rehabilitation Act and the VR implementing regulations prescribe that "all or substantially all staff " of the DSU must devote their full time to the rehabilitation work of the unit, i.e., VR or vocational and other rehabilitation work of the unit. The current regulations at 34 CFR 361.13(b)(1)(iii) require that at least 90 percent of the DSU's staff must be employed full time on the VR program or vocational and other rehabilitation work of the DSU, meaning that no more than 10 percent of the DSU staff can devote any portion of their time to other programs and activities carried out by the DSU. This requirement is further explained in the guidance accompanying the 1997 VR program regulations:

> The provision of the Rehabilitation Act that at least 90 percent of the designated state unit staff shall work full time on the rehabilitation work of the organizational unit means that if the organizational unit provides other rehabilitation services, in addition to vocational rehabilitation, the 90 percent staffing requirement applies to all unit staff providing rehabilitation services, not to just the vocational rehabilitation staff…The Secretary believes that this requirement is consistent with the statutory requirement in Section 101(a)(2)(A)(iii) of the Rehabilitation Act that ''substantially all'' of the DSU's staff shall work on rehabilitation and with RSA's longstanding

interpretation of ‘‘substantially all’’ to mean 90 percent (62 Fed. Reg. 6308, 6316).

9. In total, how many staff are employed by the DSU?

10. How many and what percentage of the DSU’s staff are engaged full time in the VR program or vocational and other rehabilitation work of the DSU? See subsection 1 for a description of the term “other rehabilitation.”

11. How many and what percentage of the DSU’s staff devote a portion of their time to programs and activities that cannot be considered to be within the VR program or vocational and other rehabilitation work of the DSU?

4. Location of the DSU within the DSA

Resources: Organizational charts of the DSA and DSU

The following questions focus on the statutory and regulatory provisions requiring that the DSU be located at an organizational level and have organizational status within the DSA comparable to the other major organizational units of the DSA. To assess the nature and extent of the required comparability, RSA-PD-75-31 suggests the following factors can be considered in making such a determination, stating that:

> …[i]n evaluating the comparability of the organizational level and status of the organizational unit, the Secretary will give consideration to such factors as the directness of the reporting line from the administrator of the organizational unit for vocational rehabilitation to the chief officer of the designated state agency; the title, status, and grade of the administrator of the organizational unit for VR, as compared with those of the heads of other organizational units of the state agency; the extent to which the administrator of the VR organizational unit can determine the scope and policies of the VR program; and the kind and degree of authority delegated to the administrator of the VR organizational unit for the administration of the VR program.

Although the statutory and regulatory provisions governing the organization of the DSA and DSU have changed since the inception of the Rehabilitation Act in 1973, RSA continues to maintain that the above factors can be helpful in determining compliance with the current federal requirements.

12. What are the major organizational units of the DSA?

13. Is the DSU located at an organizational “level” comparable to these other organizational units within the DSA?

____YES ____NO

If not, describe the location of the DSU in comparison to the major components of the DSA, including the line of reporting from the chief officer of the DSU to that of the DSA.

14. Does the DSU have organizational "status" comparable to the other organizational units within the DSA?

____YES ____NO

If not, describe how the status of the DSU is not comparable to the other major organizational units within the DSA by considering such factors as:

- access of the directors of the various organizational units to the DSA director;
- status (pay, grade, title) of the directors of the various major organizational units in the DSA;
- nature and scope of the authority and responsibilities invested in the directors of the various DSA organizational units to administer their programs;
- functional comparability between the DSU and the other DSA major organizational units; and
- delegation of authority from the DSA to the DSU director comparable to those of other major organizational unit directors.

D. Non-Delegable Functions of the DSU

Section 101(a)(2)(B)(ii)(I) of the Rehabilitation Act and 34 CFR 361.13(b)(1)(i) require that the DSU be responsible for the administration of the VR program. The statute does not describe the nature and scope of this responsibility or how it is to be carried out by the DSU. However, the VR program implementing regulations, found at 34 CFR 361.13(c)(1)(i) through (v), require that certain functions be reserved solely to the staff of the DSU and that these functions may not be delegated to any other agency or individual (34 CFR 361.13(c)(2)). These "non-delegable" functions relate to decisions affecting:

- eligibility, the nature and scope of services, and the provision of those services (34 CFR 361.13(c)(1)(i));
- the determination that individuals have achieved employment outcomes (34 CFR 361.13(c)(1)(ii));
- policy formulation and implementation (34 CFR 361.13(c)(1)(iii));
- allocation and expenditure of VR funds (34 CFR 361.13(c)(1)(iv)); and
- participation in the One-Stop service delivery system in accordance with Title I of the Workforce Investment Act (WIA) and the regulatory requirements specified in 20 CFR Part 662

This section further explains these federal statutory and regulatory requirements and identifies suggested factors to consider in assessing the nature and extent of the authority of the DSU in carrying out its responsibility to administer the VR program. When specific DSU functions, such as human resource development or financial management, are placed at the DSA or departmental level, it is important to assess the manner in which the DSU exercises a strong voice or provides effective input into the policy planning, operations, or similar program decisions made in these areas. In making the necessary determination, the review team, in

addition to interviewing DSA and DSU staff members in the affected areas, may examine unit descriptions and procedures and other materials to determine the extent of the decision-making capacity of the DSU director.

1. Determination of Eligibility and the Provision of VR Services

Resources: Approved VR State Plans, agency policies related to the nature and scope of VR services and the provision of those services

The questions below identify program management activities that typically are carried out by an organization that is responsible for the day-to-day operational administration of a public VR program. The questions focus on the nature and extent of the participation of the DSU in these activities when they are centralized at the DSA level. In making judgments about the nature and degree of DSU involvement in these activities, the following factors should be taken into consideration:

- The Rehabilitation Act provides considerable flexibility to the state in the administration of the VR program.
- The responsibility for the administration of the State Plan rests with the DSA according to 34 CFR 361.13(a). However, the DSU is responsible for the administration of the VR program under the State Plan (34 361.13(b)(1)(i)), and for the operation of the VR service delivery system (34 CFR 361.13(c)(1)(i)).

In assessing the nature and extent of the DSU's authority in carrying out its responsibility to administer the VR program of the DSA, the reviewer must make a judgment whether any authority exists and, if so, its extent, i.e., does it afford the DSU adequate input with respect to the administration of any centralized functions. The reviewer's judgment in this regard should be based on the degree of authority and involvement of the DSU with respect to all of the functions specified in the questions, taken together, and not with respect to one or more of the functions alone.

15. Is the DSU responsible for:

    a. the determination of eligibility?

    ____YES ____NO

    b. the nature and scope of VR services?

    ____YES ____NO

    c. the provision of VR services?

    ____YES ____NO

16. Indicate if any of the functions listed below related to these responsibilities are centralized at the DSA level and describe the input of the DSU with respect to the VR program (use “NA” when the DSA is also the DSU):

a. Legislative proposals?

____YES ____NO ____N/A

- Does the DSU have input into legislation regarding VR funding and services?

b. Regulations?

____YES ____NO ____N/A

- Does the DSU control the development and implementation of VR program regulations?

c. Program planning?

____YES ____NO ____N/A

- Is the DSU required to adopt or address components of the DSA's strategic plan?
- Does the DSU have input into the DSA's strategic plan?

d. Program evaluation?

____YES ____NO ____N/A

- What is the role of the DSA in the DSU's VR program evaluation process?

e. Personnel management?

____YES ____NO ____N/A

- Does the DSU have authority over the hiring, firing, evaluation, and furloughing of its staff?
- Does the DSU have authority over the classification of its staff positions?
- Is the DSU granted exemptions from DSA personnel-related policies and procedures regarding the hiring, replacement and qualification of VR program staff, such as the implementation of hiring freezes?

f. Management information systems (MIS)?

____YES ____NO ____N/A

- Is the DSU able to ensure confidentiality of service records?
- Is the DSU able to provide accurate and timely reports to RSA as required?
- Is the DSU able to develop or provide input into the MIS?

g. Fiscal and statistical reporting?

____YES ____NO ____N/A

- Is the DSU able to review reports prior to their submission to RSA?
- Is the DSU able to develop or generate specific reports?

2. Achievement of an Employment Outcome

Resources: Approved VR State Plans, agency policies and procedures related to the determination of the achievement of an employment outcome

17. Does the DSU have responsibility for the determination that an individual has achieved an employment outcome?

____YES ____NO ____N/A

18. Describe the involvement of the DSA, if any, in this process.

3. Policy Formulation and Implementation

Resources: Written DSA and DSU procedures concerning the development of policy

19. Describe below how the DSU develops and implements policy and the participation of the DSA in this process.

4. Allocation and Expenditure of VR Program Funds

Resources: DSA and DSU procurement processes

The questions below can be used in making a determination regarding whether the DSU has responsibility over the allocation and expenditure of VR program funds.

20. What is the DSU's approval authority for allocating and expending funds?

21. What is the role of the DSA or the department in making these decisions?

22. Is the DSA signing off on DSU allocations and expenditures?

____YES ____NO

23. Does the DSU have control over the development and implementation of its policies and procedures related to the allocation and expenditure of funds?

____YES ____NO

24. What is the DSU's approval authority for contracts and purchase orders?

25. If the DSU director is not the contract signatory, how is DSU input incorporated into the approval process?

26. Contracts may require approval at the DSA or departmental level and, in those instances, does the DSU director have control of VR funds?

____YES ____NO

27. What is the role of the DSU in the development of the VR program budget?

    - Does the DSU submit its own budget proposal?

- Does the DSU have input into budget adjustments or revisions?

28. If administrative functions are centralized at the DSA level, does the DSU receive adequate and timely support from the DSA?

____YES ____NO ____N/A

29. Is there an approved cost allocation plan or indirect cost rate plan?

____YES ____NO ____N/A

30. Describe the input the DSU provides into the cost allocation plan or indirect cost proposal.

31. Describe the process used by the agency to purchase services, including how procurement related documentation (i.e. requests for proposals) is developed, the individuals involved, how the agency tracks and verifies services provided prior to the payment being made, and how the agency monitors reimbursement.

E. DSU Participation in the Workforce Investment System

Resources: Sample memoranda of understanding between the DSU and other components of the workforce investment system

The below questions should be used to determine the extent to which the VR agency fulfills its responsibilities related to participation in the One-Stop service delivery system.

1. Representation at the State Level

Each state has established a State Workforce Investment Board (SWIB) under Section 111(b) of WIA, or an alternative entity as authorized under Section 111(e) of WIA, that is charged with overseeing the statewide workforce investment system. Because SWIBs set policies and make decisions affecting cost-sharing among all partners in the One-Stop service delivery system, it is important to assess how the DSU is represented on the SWIB and what impact the Board has on the VR program.

The DSU administering the VR program can be represented on the SWIB (or an alternative board under Section 111 (e) of WIA) through membership on the Board or, if the DSU is established within a broader DSA that is not primarily concerned with vocational or other rehabilitation (see Section 101(a)(2)(B) of the Rehabilitation Act), in an alternative manner described in the State Plan under title I of WIA (see 20 CFR 661.200).

32. Is the DSU director a member of the SWIB?

____YES ____NO

If not, describe the manner in which the DSU is represented on the SWIB, e.g., by the DSA and the methods by which the DSU provides input to the decisions of the SWIB.

2. Memorandum of Understanding

VR program regulations at 34 CFR 361.23 and Section 121(c) of WIA, along with WIA implementing regulations at 20 CFR 662.300, require that a MOU governing operations of the One-Stop service delivery system in a local area be developed and executed between the Local Workforce Investment Board (LWIB) and the One-Stop service delivery system partners. SMPID staff will review a sample of signed MOUs to determine whether the participation of the DSU in the One-Stop service delivery system reflected in the MOUs is appropriate and consistent with VR program requirements.

33. Has the DSU entered into an MOU with the LWIB in each local area?

____YES ____NO

If "NO," please identify the number of LWIBs with which the DSU does not have an MOU, and describe why that is the case.

34. Do the MOUs contain the following information:

- the services to be provided through the One-Stop service delivery system;
- the funding of the services and the operating costs of the system;
- methods of referral of individuals between the One-Stop service delivery system operator and the One-Stop service delivery system partners;
- the duration of the MOU and procedures for amending the MOU; and
- any other provisions (purpose, cross-training, universal access/accessibility, confidentiality, accountability) that are consistent with WIA and its regulations and are agreed to by the parties?

____YES ____NO

If "NO," describe the information that is not contained in the MOUs.

35. Is the DSU solely responsible for the the development of the MOU terms related to the participation of the VR program in the one-stop system?

____YES ____NO ____N/A

If, "NO," describe the manner through which the DSU provides input into the terms of the MOU.

3. Cost Allocation under the WIA

The DSU's financial participation in the One-Stop service delivery system must be consistent with VR program requirements, be proportional to the benefits that accrue to the VR program and be consistent with applicable cost principles. These conditions are specified in VR program regulations (see 34 CFR 361.23(a)), title I of WIA, regulations implementing title I of WIA, and applicable guidance materials. VR program regulations at 34 CFR 361.23(a), which restate corresponding requirements in the Department of Labor (DOL) regulations implementing WIA, specify that the DSU must participate in the One-Stop service delivery system by carrying out certain functions consistent with the Rehabilitation Act, WIA, and applicable regulations. Additionally, WIA implementing regulations at 20 CFR 662.270 state that each partner must contribute to supporting a fair share of operating costs of the One-Stop service delivery system proportionate to the use of the system by individuals attributable to the partner's program, while 20 CFR 662.280 states that "…the resources of each partner may only be used to provide

services that are authorized and provided under the partner's program to individuals who are eligible under such program."

VR program regulations at 34 CFR 361.13(c)(1) require that the DSU be responsible for, among other program functions, the allocation and expenditure of VR program funds, while according to 2 CFR part 225, Appendix A (formerly OMB Circular A-87, Attachment A) a cost must be necessary, reasonable, and allocable in accordance with relative benefits received by the program for it to be allowable under that program. DOL published a cost-sharing notice in the Federal Register on May 31, 2001, entitled Resource Sharing for Workforce Investment Act One-Stop Centers: Methodologies for Paying or Funding Each Partner Programs' Fair Share of Allocable One-Stop Cost, intended to provide guidance on resource sharing methodologies for the costs of a One-Stop service delivery system. The notice provides guidance regarding the sharing of common costs in the local One-Stop service delivery system or in an individual One-Stop career center, which may include such items as space and occupancy costs, utilities, telephone systems, common supplies and equipment, a common resource center or library, a common receptionist and centralized intake and eligibility determination staff. Shared costs, like all One-Stop service delivery system activities in which partner programs participate, must be in accordance with applicable program requirements (e.g. eligibility determinations under the VR program must be made by qualified personnel employed by the VR agency). In addition to the May 31, 2001, Federal Register DOL cost-sharing notice, further guidance is available in Part I of DOL's One-Stop Comprehensive Financial MTAG that was published in July of 2002.

Partner programs are not expected to contribute to the costs of Wagner-Peyser Act services. Co-location does not have to involve VR agency participation on a full-time basis. Many VR agencies participate on a part-time basis.

As stated in the MOU section above, a statement of the method of funding of the One-Stop career centers by the partners is a requirement of the MOU. The statement of funding may be a part of the MOU or an attachment. Typically, a budget that lists all of the common function costs of the One-Stop career centers and their allocation to each partner, as well as a breakdown of resources used to fund them, is attached to the MOU. The common or shared costs should be allocated based on benefits received. Budgets are used strictly as a computational method for sharing costs and the charges must eventually be adjusted to actual costs.

36. Describe any policies developed by the SWIB that affect the VR program regarding cost-sharing at One-Stop career centers (34 CFR 361.23(a)) and the input of the DSU into these policies.

37. Has the DSU established policies or guidelines for local areas to follow regarding a method or methods to determine its appropriate share of operating costs and its method of payment of those costs at One-Stop career centers (34 CFR 361.23(a))?

____YES ____NO

38. Describe
    (1) the process for developing the cost-sharing agreement;

(2) the titles and agency affiliations for the individuals responsible for its development; and
(3) the safeguards to ensure partner agencies only pay the proportionate share of costs for which each agency benefits.

39. Does the DSU approve, at the state level, all One-Stop cost-sharing agreements for local areas?

____YES ____NO ____N/A

Respond "NA" if the DSU does not participate in any cost-sharing agreements.
If "YES," have all outstanding issues been resolved? If "NO," explain below.

IV. Focus Area - Transition Services and Employment Outcomes for Youth with Disabilities

A. Nature and Scope

The purpose of this focus area is to assess VR agency performance related to the provision of transition services to, and the employment outcomes achieved by, youth with disabilities and to determine compliance with pertinent federal statutory and regulatory requirements. For purposes of the VR program, "transition services" are defined as:

> a coordinated set of activities for a student, designed within an outcome-oriented process, that promotes movement from school to post-school activities, including post-secondary education, vocational training, integrated employment (including supported employment), continuing and adult education, adult services, independent living, or community participation. The coordinated set of activities shall be based upon the individual student's needs, taking into account the student's preferences and interests, and shall include instruction, community experiences, the development of employment and other post-school adult living objectives, and when appropriate, acquisition of daily living skills and functional vocational evaluation. (Section 7(37) of the Rehabilitation Act)

Through this area of review, teams will identify and assess the variety of transition services provided in the states, including community-based work experiences and other in-school activities, and post-secondary education and training, as well as the strategies used to provide these services. Review teams will also assess the degree to which transition youth achieve quality employment with competitive wages. In addition, teams will gather information related to the coordination of state and local resources through required agreements developed pursuant to the Individuals with Disabilities Education Improvement Act of 2004 (IDEA) and the Rehabilitation Act, emerging practices, VR professional development activities, and communities of practice. Specifically, teams will engage in the review of:

- progress toward the implementation of recommendations accepted and adopted by the VR agency and the resolution of findings related to the provision of transition services identified in prior monitoring reports;
- formal interagency agreements between the VR agency and the state educational agency (SEA);
- transition services;
- VR agency resources and collaborative efforts with other federal, state and local entities; and
- TPCAs and other cooperative agreements.

To assess a VR agency's performance related to the provision of transition services and the outcomes achieved, teams will review data from the past five federal fiscal years describing:

- the number and percentage of transition youth exiting the VR program at various stages of the process;
- the amount of time individuals are engaged in the various stages of the VR process, including eligibility determination, development of the individualized plan for employment (IPE) and the provision of services;
- the number and percentage of transition youth receiving services, including assessment, university and vocational training, rehabilitation technology and job placement; and
- the quantity, quality and types of employment outcomes achieved by transition youth.

The review teams may also compare a VR agency's performance on these data to that achieved by combined, general and blind agencies nationally, as appropriate, and to peer agencies based on grant size.

The review teams will use a variety of resources and documents in the course of this monitoring, such as:

- previous monitoring reports issued pursuant to Section 107 of the Rehabilitation Act;
- corrective action plans and reports of progress on those plans;
- SEA agreements and a sample Local Educational Agency (LEA) agreement, if applicable;
- pertinent statutory and regulatory provisions, such as those governing formal interagency agreements between the VR agency and the SEA (Section 101(a)(11)(D)) of the Rehabilitation Act and 34 CFR 361.22(b)), coordination of the system of personnel development with activities under IDEA (Section 101(a)(7)(A)(ii) of the Rehabilitation Act), and TPCAs (34 CFR 361.28);
- eligibility determination (34 CFR 361.41(b)(1) and 34 CFR 361.42), IPE development (34 CFR 361.45(d)(8) and (e) and 361.46), services provided (Section 103(a) of the Rehabilitation Act and 34 CFR 361.48), and supported employment and extended services (Section 625(b)(6)(C) and 34 CFR 361.46(b));
- VR State Plan Attachments related to coordination with education officials (4.8(b)(2)), arrangements and cooperative agreements for the provision of SE services (4.8(b)(4)), comprehensive system of personnel development (4.10), state goals and priorities (4.11(c)(1) and (4)), and quality, scope and extent of supported employment (6.3);

- TPCAs and/or cooperative agreements; and
- VR agency policies and procedures related to the provision of transition services.

The materials to be used and the activities to be engaged in by the review teams with respect to each area of the review are further detailed below. In addition, SMPID has developed six optional questionnaires, located in Appendix A of this MTAG, to assist the review teams to further explore the manner in which transition services are provided by the VR agency. Review teams may use these questionnaires with:

- VR agency directors;
- VR agency counselors and transition staff;
- VR agency transition coordinators serving as liaisons with the SEA and other agencies;
- school personnel, including special education teachers and guidance counselors;
- transition youth; and
- families.

Finally, Appendices B through E of this MTAG contain additional information that can be used, if applicable, to complete the review of transition services.

Appendix B: Examples of Findings from Prior Reviews

Appendix C: Third-Party Cooperative Arrangements Review Instrument

Appendix D: Review of Transition Services and Employment Outcomes for Youth with Disabilities - Resource List

Appendix E: Data Tables

B. Review of Progress Made or Results Obtained from accepted Recommendations and Compliance Findings Regarding Transition Youth Identified during the Prior Monitoring Cycle

Resources: The most recently published Section 107 Monitoring Report, CAPs and reports of progress on the plans

The review teams will follow-up on the implementation of recommendations accepted by the VR agencies, and the degree to which compliance findings documented in the last monitoring review cycle have been addressed, or if additional technical assistance is needed. In addition to following up on findings and recommendations, review teams will identify areas of change in transition policy or service delivery. When appropriate, the review teams will share any changes with their colleagues in RSA and throughout the VR program to assist in the development of a national picture of transition services.

1. Were transition-related recommendations accepted by the VR agency, and/or compliance findings made in the federal FYs 2007 to 2010 Section 107 Monitoring Reports that the VR agency has not addressed?

____YES ____NO

If "YES," briefly describe the issues and their current status.

2. Were there changes in the transition area since the last monitoring review? For example, changes may have been made in policies and procedures regarding transition, the formal interagency agreement with the SEA, third-party cooperative arrangements with local school districts, training activities, staffing patterns and performance.

____YES ____NO

If "YES," briefly describe the changes and the results of those changes.

3. Does the VR agency need technical assistance to resolve outstanding corrective actions related to transition programming?

____YES ____NO

If "YES," briefly describe.

C. Review of Formal Interagency Agreements between the VR Agency and the SEA

1. State Formal Interagency Agreement

Resources: SEA and LEA agreements (LEA agreements may not be available); State Plan Attachment 4.8(b)(2). Teams will review the formal interagency agreement that the VR agency has developed with the SEA and obtain/review a sample LEA agreement, if applicable.

Statute and Regulation: Section 101(a)(11)(D) and 34 CFR 361.22(b)

4. How does the VR agency define transition youth, including age range?

5. Does the VR agency have a signed formal interagency agreement with the SEA (Section 101(a)(11)(D) and 34 CFR 361.22(b))

____YES ____NO

6. Are both parties still participating in the SEA agreement and providing agreed upon services?

____YES ____NO

If "NO," please describe.
If "YES," continue with the next question. If, "NO" explain and continue with question 12.

Does the agreement provide for:

7. Technical assistance to assist educational agencies in transition planning? (Section 101(a)(11)(D) and 34 CFR 361.22(b))

____YES ____NO

8. Transition planning by the VR agency and SEA personnel that facilitates the

completion of the student's individualized employment program (IEP)? (Section 101(a)(11)(D)(ii))

____YES ____NO

9. Description of the roles and responsibilities, including financial responsibilities, of qualified personnel in each agency responsible for transition services? (Section101(a)(11)D)(iii))

____YES ____NO

If "NO," briefly describe what information the agreement lacks.

10. Procedures for outreach to transition youth with disabilities who need transition services (including transition youth receiving services through Section 504)? (Section 101(a)(11)(D)(iv))

____YES ____NO

11. Briefly describe any additional non-required items included in the SEA agreement.

12. Is technical assistance needed to meet the requirements of Section 101(a)(11)(D) and 34 CFR 361.22?

____YES ____NO

If "YES," briefly describe the technical assistance needed.

2. Local Interagency Agreements

13. Does the VR agency have an interagency agreement with LEAs?

____YES ____NO

If "YES," continue with the next questions.
If "NO," continue with Part D.

If the VR agency has entered into agreements with any LEA:

14. Are the agreements tailored to meet the unique circumstances of each LEA?

____YES ____NO

If "NO," briefly describe the significant features or terms of the agreement(s).

15. Are there any features of the VR agency's methods of providing transition services that could serve as a model for other agencies to replicate?

____YES ____NO

If "YES," briefly describe.

D. Review of Transition Services

Note: The tables referenced in this section include trend data for the VR agency's performance over a five-year time period and a comparison to the national average for similar (blind, combined or general) VR agencies in the most recent year that data is available. If teams

determine that peer comparisons are necessary, they can choose to utilize peer comparisons with the assistance of the team's data unit representative.

1. Service Delivery System

a. Attrition

Resource: Review Appendix E, Transition Data Table 2

Data: Review RSA transition youth data elements for the most recent five years for which data is available, to include closure types for transition youth (number and percent of individuals from application to closure).

16. Identify the points in the service delivery process where the greatest number and percent of individuals are exiting, for the most recent fiscal year for which data is available.

17. What questions does this analysis generate to facilitate a discussion with the VR agency?

b. Eligibility

Resource: Review Appendix E, Transition Data Table 3

Data: Review the timeline for transition youth to be determined eligible from the date of application (review data for total transition youth served) for the most recent five years for which data is available.

Regulation: 34 CFR 361.42

18. What is the average timeframe for transition youth to move from application to eligibility in the service delivery process for the most recent fiscal year and how does it compare to the average of similar agencies over the most recent five-year period?

19. What questions does this analysis generate to facilitate a discussion with the VR agency?

20. On average, is eligibility determined for a majority of transition youth within the required 60 days from the date of application? (34 CFR 361.41(b)(1))

____YES ____NO

c. Individualized Plan for Employment

Resources: VR agency's policies and procedures; State Plan Attachment 4.8(b)(2). (Practices will be addressed through individual interviews.) Review Appendix E, Transition Data Table 4.

Data: Review the timeline for transition youth from eligibility to development of an IPE (review data for total transition youth served) for the most recent five years for which data are available.

Regulations: 34 CFR 361.45(d)(8) and (e); 34 CFR 361.46

21. Does the VR agency have a process in place to coordinate the IEP and IPE?

____YES ____NO

22. Does the VR agency have policies and procedures in place to complete the IPE, prior to the transition youth exiting from the school system?

____YES ____NO

23. What is the VR agency's time standard, as indicated in its policies and procedures manual for the development of the IPE?

Please describe.

24. Is this time standard indicated differently in the VR agency's policies and procedures manual for transition youth?

____YES ____NO

Please describe.

25. What is the average amount of time taken for the development of the IPE following the determination of eligibility and how does it compare to the average of similar VR agencies over the most recent five-year period?

26. Based on the review of the above data, has the VR agency met the state established time standard?

____YES ____NO

27. What questions does this analysis generate to facilitate a discussion with the VR agency?

d. Services Provided

Resources: Information for questions 31 and 32 may be found in the SEA or LEA agreements or in State Plan Attachment 4.8(b)(2). Review Appendix E, Transition Data Table 5.

Data: Review the RSA table of services provided for transition youth served and expenditures by service type for the most recent five years for which data is available.

Regulations: 34 CFR 361.48

28. What are the five services most often provided (by percentage) for transition youth, and is this pattern of service delivery comparable to the pattern of service delivery in similar VR agencies?

29. What are the five services least often provided (by percentage) for transition youth, and is this pattern of service delivery comparable to the pattern of service delivery in similar agencies?

30. Identify if there has been a change or shift in services provided over the last five years.

31. What are the number and percentage of transition youth who received college or university training and is that percentage comparable to the percentage receiving such services in similar VR agencies?

32. What are the number and percentage of transition youth who received rehabilitation technology and is that percentage comparable to the percentage of similar VR agencies?

33. Describe how transition services are augmented with other youth-centered programming (i.e., development of independent living skills, leadership development, self-advocacy skills).

e. Closure Performance

Resource: Review Appendix E, Transition Data Table 6.

Data: Review the RSA data of employment achieved, rehabilitation rate, percent closed with employment in an integrated setting, percent closed in supported employment, percent closed with competitive employment, average hours worked, wages earned, employer-provided medical benefits, and timeline from IPE to closure for transition youth who achieved an employment outcome for the most recent five years for which data are available.

Regulations: 34 CFR 361.56

34. What is the number and percentage of transition youth served compared to total population served for the most recent fiscal year for which data are available? Analyze how this number and percentage has changed over the five year period. How does the VR agency compare to the average of similar VR agencies for the most recent fiscal year?

35. What is the rehabilitation rate for transition youth for the most recent fiscal year? Analyze how the rehabilitation rate has changed over the five-year period. How does the VR agency's performance compare to the average of similar VR agencies for the most recent fiscal year?

36. What is the number and percentage of transition youth who achieved employment for the most recent fiscal year? Analyze how the number and percentage have changed over the five-year period. How does the VR agency's performance compare to the average of similar VR agencies for the most recent fiscal year?

37. What is the total number of transition youth who achieved competitive employment in the most recent fiscal year for which data are available? Analyze how the number has changed over the five-year period. How does the VR agency's performance compare to the average of similar agencies for the most recent fiscal year?

38. What is the number and percentage of transition youth who achieved supported employment in the most recent fiscal year? Analyze how the number and percentage have changed over the five-year period. How does the VR agency's performance compare to the average of similar VR agencies for the most recent fiscal year?

39. Review the quality of competitive employment achieved by transition youth, including average wages earned, hours worked per week and employer-provided benefits for the most recent fiscal year. How have the numbers and percentages changed over the five-year period? How does the VR agency's performance compare to the average of similar VR agencies for the most recent fiscal year?

40. What questions do these analyses generate to facilitate a discussion with the VR agency?

Resource: Review Appendix E, Transition Data Table 7

41. Which two periods in the timeline from IPE to closure have the highest percentages?

42. Identify any changes in performance and how the VR agency compares to the average of similar agencies during the last five years.

f. Standard Occupational Classification (SOC) Codes for Individuals who Achieved Employment

Resource: Review Appendix E, Transition Data Table 8.

Data: Review RSA data to determine the types of employment achieved by transition youth, the number of individuals who achieved each type of employment and the average wages earned for the most recent years for which data is available.

43. Review the occupations achieved by transition youth in the most recent fiscal year and analyze the number of individuals who achieved each job type and the average wage earned for each occupation.

44. What questions does this analysis generate to facilitate a discussion with the VR agency?

45. Are there any features of the VR agency's methods of providing transition services that could serve as a model for other VR agencies to replicate?

____YES ____NO

If "YES," briefly describe.

46. Does the VR agency need technical assistance related to the service delivery process for transition youth?

____YES ____NO

If "YES," briefly describe.

2. Transition Youth Not Receiving Special Education Services (e.g. Section 504) or Who are Otherwise Not Enrolled in School

Resources: VR agency's policies and procedures; State Plan Attachment 4.8(b)(2); SEA, LEA or other cooperative agreements

47. Does the VR agency have procedures for identifying youth with disabilities who need transition services, but are not receiving special education services from the school system or who may not be enrolled in school?

____YES ____NO

If "YES," continue with the next question.

48. Briefly describe any special initiatives to serve the following groups or populations:
    a. out-of-school youth with disabilities;
    b. transition youth with disabilities not served in special education (transition youth served under Section 504);
    c. youth with disabilities served by community rehabilitation programs;
    d. youth with disabilities referred by the state's correctional system;
    e. youth with disabilities who are institutionalized; and
    f. youth with disabilities who reside in foster care.

49. Are there any features of the VR agency's methods of providing transition services that could serve as a model for other agencies?

____YES ____NO

If "YES," briefly describe.

50. Does the VR agency need technical assistance related to the service delivery process for transition youth?

____YES ____NO

If "YES," briefly describe.

E. Review of VR Agency Resources and Collaborative Efforts with other Federal, State and Local Entities

Resources: VR State Plan Attachments 4.8(b)(1); 4.10

Requirements: Section 101(a)(7)(A)(ii)

51. The Comprehensive System of Personnel Development (CSPD) requires, where appropriate, a description of activities to coordinate the system of personnel development with activities under the Individuals with Disabilities Education Improvement Act. (Section 101(a)(7)(A)(ii) of the Rehabilitation Act) Does the VR State Plan address joint training or other CSPD activities between the SEA and the VR agency?

____YES ____NO

F. Transition Goals

Resources: VR State Plan Attachments 4.11(c)(1); 4.11(c)(4); 4.11(d); 4.11(e)(2); the VR agency's strategic plan

52. Has the VR agency established specific goals in the VR State Plan or strategic plan goals for serving transition youth?

____YES ____NO

53. How has fiscal staff been involved in developing strategic or State Plan goals regarding transition services?

54. If there are specific goals, what progress has been made toward the achievement of those goals?

55. If there are specific goals, do the objectives or strategies reflect collaboration with the SEA, LEA, and other entities providing services to transition youth?

____YES ____NO

If "YES," briefly describe.

56. Does the VR agency need technical assistance related to the service delivery process for transition youth?

____YES ____NO

If "YES," briefly describe.

57. Are there any features of the VR agency's methods of providing transition services that could serve as a model for other agencies?

____YES ____NO

If "YES," briefly describe.

G. Third-Party Cooperative Arrangements and Cooperative Agreements

Resources: TPCA, Appendices B and C

Regulations: 34 CFR 361.28

58. Does the VR agency have any TPCAs to provide transition services?

____YES ____NO

If the answer to the above question indicates that the agency is using TPCAs to provide transition services, the review tool contained in Appendix C should be used to determine the compliance of the arrangement with the provisions of 34 CFR 361.28.

H. Cooperative Agreements

Resources: Cooperative Agreements

59. Does the VR agency have any cooperative agreements to provide transition services?

____YES ____NO

60. Does the VR agency claim any non-Federal contributions originating with the cooperative agreements?

____YES ____NO

If "YES," determine whether these are under the scope of 34 CFR 361.28.

61. Are the cooperative agreements with a state agency, other public entity or private entity?

____YES ____NO

If "YES," briefly describe.

62. What types of transition services are provided through the cooperative agreement and to whom are they provided?

63. Does the VR agency need technical assistance related to the service delivery process for transition youth?

____YES ____NO

If "YES," briefly describe.

64. Are there any features of the VR agency's methods of providing transition services that could serve as a model for other agencies to replicate?

____YES ____NO

If "YES," briefly describe.

V. Focus Area – Fiscal Integrity of the Vocational Rehabilitation Program

A. Nature and Scope

For purposes of the VR program, fiscal integrity is broadly defined as the proper and legal management of VR program funds to ensure that VR agencies effectively and efficiently manage funds to maximize employment outcomes for individuals with disabilities. This focus area assesses fiscal performance related to the VR and SE programs and compliance with pertinent

federal statutory and regulatory requirements, including OMB circulars. It is comprised of four components: financial resources; match and maintenance of effort (MOE); internal controls, and fiscal planning. These components are addressed in Sections C through F below.

Review teams will utilize a variety of resources and documents from the previous five federal fiscal years in the course of this monitoring, including data maintained on RSA's MIS that is generated from reports submitted by the VR agency (e.g., Financial Report (SF-269/SF-425), Annual VR Program/Cost Report (RSA-2), and VR State Plan).
Specifically, review teams will engage in the review of the following to ensure compliance with federal requirements:

- previous monitoring reports issued pursuant to Section 107 of the Rehabilitation Act, including the progress made with required corrective action plans;
- A-133 Audit findings and corrective actions;
- state/agency allocation/budget documents and annual fiscal reports;
- agency policies, procedures, and forms (e.g., monitoring, personnel certifications, procurement and personnel activity reports, etc.), as needed;
- documentation of expenditures including contracts, purchase orders, invoices, etc.; and
- grant award, match (e.g., interagency transfers, TPCAs, establishment projects, private donations), MOE, and program income documentation.

The degree to which RSA addresses each component is dependent upon the individual circumstances of each agency. The information obtained prior to the onsite visit (e.g., review documentation request, teleconferences, RSA-MIS data, etc.) is analyzed to determine the level of review required for each component. Therefore, the level of review for each component may vary by agency.

The appendices of this protocol contain additional information that may be applicable to the fiscal review of a VR agency, including examples of redacted findings from previous monitoring reports in Appendix B, the Third-Party Cooperative Arrangements (TPCAs) review instrument in Appendix C, and the agency fiscal profile (see Appendix F).

B. Review of Progress Made or Results Obtained from Fiscal Recommendations and Compliance Findings Identified During the Prior Monitoring Cycle

Resources: The most recently published Section 107 Monitoring Report, Corrective Action Plan (CAP) and reports of progress

The review teams will follow up on fiscal observations, recommendations, and/or compliance findings documented in the last monitoring review cycle (i.e., most recently published Section 107 Monitoring Report, CAP and reports of progress) to determine whether they have been corrected, and whether additional technical assistance is needed. The review team will address only those observations or recommendations that the agency agreed to implement.

1. Describe progress made toward correcting any outstanding fiscal findings from the previous Section 107 Monitoring Report.

2. Describe any technical assistance needed to resolve outstanding corrective actions related to fiscal findings.

C. Financial Resources

This component of the fiscal review focuses on the identification of financial resources used to maximize employment outcomes for individuals with disabilities. The information reviewed with the agency will serve as a basis for analysis of the remaining fiscal components. In most instances, this component will be completed in cooperation with the agency prior to the onsite visit. The review team will provide a fiscal profile to the agency in advance of the monitoring visit. A review of these data with the agency is used to confirm the agency's agreement with the amounts included in the agency fiscal profile and form the basis for future discussions.

1. Federal Awards

Resources: Grant Award Notices, Agency Fiscal Profile

The agency fiscal profile will contain the VR federal grant award amounts for each of the FYs under review.

3. Describe any differences between the agency's records of the grant award amounts and the amounts listed on the fiscal profile.

2. State Appropriations

Resources: Agency documentation of appropriations

The agency's VR appropriations for each of the relevant federal FYs will be reviewed.

4. What is the amount of the VR agency's state appropriation for each the federal FYs being reviewed?

5. Identify any other sources and amounts, by federal FY, of non-federal funds used in the VR program.

3. Sources of Match

Resources: Agency documentation of match sources

Sources of match, other than appropriations, used to meet the agency's non-federal share will be reviewed. The method(s) used to obtain match (e.g., TPCAs, interagency transfers, establishment projects, donations) will be identified, including the amount of non-federal share obtained from each source by federal FY. The agency's status related to meeting its non-federal share will be addressed in the Match and MOE section below.

6. What are the sources of non-federal share, other than appropriations, and the amount of match obtained from each source by federal FY?

4. Federal Program Income

Resources: Federal Financial Reports, Agency Fiscal Profile, agency documentation of sources and amounts of program income, Social Security Administration Clearance Reports

Sources of federal program income, received by the agency, that is directly generated by an activity supported under the VR program (34 CFR 361.63) will be identified, including the amount of federal program income generated by each source by federal FY.

7. What are the sources of federal program income (e.g., SSA, contracted services) and the amount of income obtained from each source by federal FY?

8. List the amounts of federal program income, by federal FY and source, transferred to other eligible programs (i.e., IL, IL-OIB, Client Assistance Program).

5. Other Non-VR Resources

Resources: Agency documentation of sources and amounts of revenue

Other types of revenue administered by the DSU not included as non-Federal share for the VR program will be reviewed. The sources will be identified, including the amount of revenue received from each source by federal FY.

9. What are the agency's other sources of revenue and how much revenue is provided, by source by federal FY?

D. Match and MOE

This fiscal component will focus on the agency's ability to meet the VR program's match requirement (34 CFR 361.60 and 34 CFR 80.24) and MOE requirement (34 CFR 361.62).

1. Match

Resources: Federal Financial Reports, agency documentation of match sources and amounts

VR implementing regulations require that the state must make a portion of expenditures under the State Plan from non-federal funds to meet its cost sharing requirements (34 CFR 361.60 and 34 CFR 80.24). This section expands on the information obtained in Section C.3.

10. Identify each of the previous five federal FYs in which the agency has not had sufficient non-Federal expenditures to satisfy its match requirements for the VR allotment amount. For any years in which the non-Federal share was not met, include the amount of the deficit.

11. List any adjustments, by federal FY, that resulted in a change in the agency's required match amount (e.g., reallotment, transfers, deobligations).

2. Maintenance of Effort

Resources: Federal Financial Reports, agency documentation of non-federal expenditures

This area identifies how the VR agency meets its MOE requirement for the VR program. The Department 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 two years prior to the previous fiscal year (34 CFR 361.62).

12. Identify each of the previous five federal FYs in which the agency has not had sufficient non-Federal expenditures to satisfy its MOE requirement. For years in which the non-Federal share was not met, include the amount of the deficit.

13. List the amount of funds, by federal FY, used for construction of a facility for community rehabilitation purposes or the establishment of a facility for community rehabilitation purposes.

3. Establishment Projects

Resources: Agency documentation related to establishment projects, comprehensive statewide needs assessment, State Plan

VR agencies must evaluate the needs of VR participants in the comprehensive statewide needs assessment (34 CFR 361.29) to determine whether the VR agency can establish, develop or improve a public or non-profit community rehabilitation program (34 CFR 361.5(b)(17) and (18), and 34 CFR 361.49). The questions below address the pre-planning requirements, as well as the use of non-federal funds earmarked for establishment projects (34 CFR 361.60(b)(3)(i)). It may be helpful for agency program and fiscal staff to coordinate responses to this area.

14. Describe any agreements the agency has regarding the establishment, development or improvement of a public or non-profit community rehabilitation program (CRP).

15. If any agreements were identified above, describe where the comprehensive statewide needs assessment incorporates the need to establish, develop or improve a public or non-profit CRP.

4. Third-Party Cooperative Arrangements

Resources: Agency documentation related to third-party cooperative arrangements

If the VR agency obtains non-federal share through TPCAs, the review team will complete the TPCA review instrument in Appendix C of the protocol to determine the compliance of TPCAs with the requirements of 34 CFR 361.28. It may be helpful for agency program and fiscal staff to coordinate responses to this area.

E. Internal Controls

Resources: Agency policies and procedures, supporting documentation (e.g., receipts, invoices, monitoring reports, provider corrective actions), state or VR agency procurement rules/policies, Federal Financial Reports

Internal control represents the VR agency's plans, methods, and procedures used to meet its missions, goals, and objectives and serves to safeguard assets and prevent fraud, waste, abuse, and mismanagement. Internal control provides assurance that the VR agency's objectives are achieved through:

(1) effective and efficient fiscal operations;
(2) accurate financial reporting; and
(3) compliance with laws and regulations.

This component includes a review of contract monitoring to ensure agencies are managing the day-to-day operations of the grant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved (34 CFR 80.40(a)). Contract monitoring ensures that contractors provide quality services in accordance with the contract, current laws, rules, policies and procedures, and the agency's written standards.

1. Purchased Services

16. Describe the procedures used by the VR agency for processing purchase orders, invoices, and/or any document that is used to pay for a product or service for a consumer.

17. With regard to purchases of goods and services for consumers, describe the VR agency's procedures for monitoring the day-to-day activities to ensure:

    - invoices and purchase orders are only for allowable goods and services for VR applicants or consumers;
    - consumers receive the goods and services; and
    - payments match the invoices in terms of the services and goods authorized.

18. Describe the process for monitoring direct payments to consumers (e.g., maintenance or transportation costs).

2. Contract Administration and Monitoring

This area identifies the VR agency's contract administration and monitoring process. The following will be reviewed:

(1) Policies and procedures for contract development and monitoring; and
(2) Written policies governing the rates of payments for purchased VR services (34 CFR 361.50(c)(1)).

It may be helpful for agency program and fiscal staff to coordinate responses to this area.

19. What percentage of the agency's VR funds is expended to public or private vendors?

20. Describe how the agency determines the amounts it will pay for services, including how the VR agency ensures those fees are reasonable.

21. Describe how the VR agency reconciles the amounts paid to contractors to ensure that the total amount paid under the contract does not exceed the contract amount.

22. Describe the monitoring process used by the VR agency to ensure contractors comply with all applicable requirements. In particular, describe the procedures that the agency uses to ensure:

    a. VR services provided by the contractor are allocable, allowable, reasonable, and necessary (2 CFR 225, Appendix A, paragraph C.1);
    b. services are provided solely to applicants or eligible VR consumers;
    c. services are provided and at the level agreed to in the contract;
    d. contractors meet the performance goals as agreed to in the contract (34 CFR 80.40(a);
    e. supporting documentation is maintained to verify amounts invoiced and received under the contracts (34 CFR 80.20(a)); and
    f. corrective actions are documented and implemented when contract noncompliance is identified.

3. Indirect Costs

This area identifies whether indirect costs or cost allocation plans have been implemented within the VR agency. Indirect costs are those costs incurred for a common joint purpose benefiting more than one cost objective, and cannot be readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved (2 CFR 225, Appendix A, paragraph F.1). 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 charged to programs in accordance with an approved indirect cost rate (2 CFR 225, Appendix E, paragraph A.3).

23. Describe the agency's current process for allocating indirect costs.

24. Describe the procedures the VR agency uses to ensure that the VR program does not pay more in terms of indirect costs than is approved by the federal cognizant agency.

4. Drawing Down Award Funds

In administering the VR program in accordance with 34 CFR 361.12, the VR agency must have procedures in place that minimize the time elapsing between the grantee's receipt of federal funds and disbursement of those funds (34 CFR 80.21(b)).

25. Is the VR program covered under the provisions of a Treasury State Agreement (TSA) under the Cash Management Improvement Act (CMIA)?

26. Describe the VR agency's process for drawing down funds, including determining the amount of funds to be drawn down, the frequency of drawdowns, and responsible staff.

5. Federal Program Income

This component reviews the requirements that gross program income be reported accurately (34 CFR 76.720) and be disbursed before requesting additional federal funds from the award (34 CFR 80.21(f)).

27. Describe the process by which program income is tracked and expended, including procedures for ensuring the proper reporting of program income and that program income is disbursed prior to drawing down additional federal funds.

6. Personnel Cost Allocation

This area identifies how personnel costs are allocated for employees of the VR agency working on one or multiple cost objectives (2 CFR 225, Appendix B, paragraph 8.h.4).

28. Describe how employees required to complete personnel activity reports (PARs) track and record time worked.

29. Describe the process used by the agency to monitor the PARs to ensure accuracy.

30. Describe how the PAR data is used to allocate personnel costs.

31. Describe the process the agency uses to ensure that individuals working on one grant award complete semi-annual certifications (2 CFR part 225, Appendix B, paragraph 8.h.3).

7. Financial Reporting

Federal regulations require that all recipients of federal funds must accurately report the financial results of all federally-assisted activities (34 CFR 361.12 and 34 CFR 80.20(a)).

32. Describe the VR agency's process for developing financial reports, including the SF-269/SF-425.

33. Describe the VR agency's methods or procedures for developing and maintaining supporting documentation used to verify the accuracy of financial reports submitted to RSA.

F. Planning (Program and Fiscal)

This component reviews the agency's strategic planning process for financial and programmatic resources used in the VR program. This includes a review of the process used by the agency for fiscal forecasting purposes at the VR agency program/grant level (34 CFR 361.12 and 34 CFR 80.20(a)), and the fiscal planning involved for VR agencies currently considering implementing an Order of Selection (OOS) or maintaining its OOS (34 CFR 361.36). Most of these questions are designed to provide general information to RSA so the review team can provide technical assistance to the VR agency, as needed. It may be helpful for agency program and fiscal staff to coordinate responses to this area.

34. Describe the VR agency's fiscal planning process, including roles and responsibilities within the DSU and the DSA and coordination between the DSU and DSA.

35. Describe how program and fiscal staff of the VR agency collaborate to ensure the proper and efficient administration of the VR program. In particular describe how they collaborate to:

    A. estimate the number and costs of serving individuals with existing IPEs in the next fiscal year;
    B. project the number of individuals with disabilities who will be determined eligible in the next fiscal year and the projected costs of serving those individuals;
    C. project costs of administering the program in the next fiscal year, including but not limited to, costs of staff salaries and benefits, outreach activities, and required statewide studies; and
    D. project revenues and the number of qualified personnel for the program in the next fiscal year.

36. If the VR agency is operating on an OOS, describe how the agency is managing its resources to maximize the number of consumers being served.

APPENDIX A

VOCATIONAL REHABILITATION PROGRAM

FEDERAL FY 2012 MONITORING AND TECHNICAL ASSISTANCE GUIDE

Review of Transition Services and Employment Outcomes for Youth with Disabilities
Optional Questionnaires

During the monitoring of the vocational rehabilitation (VR) program in fiscal year (FY) 2011, the Rehabilitation Services Administration (RSA) will review the provision of transition services and the employment outcomes achieved by youth with disabilities in each state. The review teams may use the following questionnaires to gather information from VR agency and school district personnel, students and families.

A. VR Directors/Administrators

1. Describe the barriers to resolving any outstanding Corrective Action Plans (CAP).

2. How does the VR agency define transition youth, including age range?

3. Are both parties still participating in the state educational agency (SEA) agreement and providing agreed upon services?

   ____YES ____NO

   If "NO," please describe.

4. Please describe the implementation of joint training and other staff development activities for education and state VR personnel.

5. Does the interagency agreement describe the transition services, outreach procedures and financial responsibilities of the VR agency?

   ____YES ____NO

   If "YES," please describe.

6. How do your counselors identify transition youth with disabilities both receiving special education and not receiving special education?

   a. Describe how outreach is handled for students in special education.
   b. Describe how outreach is handled for students on 504 plans.

7. Describe how outreach is handled for youth currently not in school.

8. Do VR counselors provide technical assistance to schools to prepare students with disabilities for career opportunities?

____YES ____NO

9. How does the VR agency assess transition youth needs (e.g., utilization of school records, VR agency provided or purchased assessments)?

10. Please describe how the VR agency engages in the review of performance data related to its transition programming, to include the provision of services and expenditures.

11. Has the VR agency identified areas where it would like to improve performance related to its transition programming?

____YES ____NO

If "YES," please describe.

12. Does the VR agency manage case flow through its service delivery system in a timely manner (eligibility determinations)?

____YES ____NO

13. Describe the policies and procedures that have been developed to coordinate the development of the Individualized Educational Program (IEP) and individualized plan for employment (IPE), and identify the timeframe in which an IPE must be developed for a transition youth.

14. What is the VR agency's definition of a quality outcome and how does the VR agency evaluate the quality of transition youth outcomes?

15. Does the VR agency have cooperative agreements or memoranda of understanding to provide services to transition youth?

    ____YES ____NO

    If "YES," please describe.

16. Describe the collaborative partnerships through which the VR agency provides services to transition youth, including partnerships to provide work opportunities (including Centers for Independent Living (CILs), Communities of Practice (CoP) or other entities).

17. Has the VR agency entered into any third party cooperative arrangements for providing transition services?

____YES ____NO

If "YES," please describe.

18. If the VR agency has such third party cooperative arrangements, have they increased the provision of transition services and employment outcomes?

____YES ____NO

19. Describe the agency's goal(s) specific to transition programming.

20. Have such goals resulted had an impact on the order of selection (OOS) for services?

____YES ____NO

21. Is VR agency fiscal staff involved in development of the State Plan goals?

____YES ____NO

22. Describe how youth services are augmented with other youth-centered programming (e.g., Workforce Investment Act programs targeting youth).

23. Does the VR agency maintain a central registry for persons who are blind or visually impaired?

____YES ____NO

Please describe how orientation and mobility services are provided.

24. Describe significant features of this VR agency's methods of providing transition services that may serve as a model for other agencies. Also include information, if applicable, regarding the agency's experiences with using third party cooperative arrangements or cooperative agreements for providing transition services.

B. VR Agency Transition Staff

1. Describe how the VR agency defines transition youth, including age range.

2. Does the VR agency provide outreach activities for students with disabilities?

____YES ____NO

If "YES," please describe.

3. What type of technical assistance does the VR agency provide to the school to prepare students with disabilities for post-school activities and/or education?

4. Describe how the VR agency and school system assess the needs of transition youth.

5. What types of transition services are provided by the VR agency while the transition youth are in school and once they graduate?

6. Describe the relationship with your local school system. Are responsibilities shared to meet the needs of transition youth?

7. Do you participate in the development of the IEP?

____YES ____NO

If "YES," please describe.

8. Does the VR agency participate in transition planning with schools to facilitate the development of IEPs for students with disabilities?

____YES ____NO

If "YES," please describe.

9. When does your agency develop the IPE? What strategies would you suggest to ensure a high rate of completed IPEs?

10. Does the VR agency collaborate with any other entities for the purposes of providing transition services?

____YES ____NO

If "YES," please describe.

11. Does the VR agency coordinate supported employment (SE) and extended services for transition youth?

____YES ____NO

If "YES," please describe how services are reported on the IPE.

12. Does the VR agency or school collaborate with CILs?

____YES ____NO

If "YES," please describe.

13. Based on your experience, describe the most common reasons for students dropping out of the VR process.

14. How do you identify students who are not in special education but who may need transition services?

15. Do you have the necessary resources available to assist students with disabilities to achieve their employment goals?

____YES ____NO

If "YES," please describe.

16. Describe the process in which Rehabilitation Technology is provided to transition students exiting the school system.

17. Who funds the equipment?

18. How is training provided to use the equipment?

19. Does staff from the VR agency participate in joint training with the local school systems?

____YES ____NO

If "YES," please describe.

20. Are you familiar with what has been agreed upon by the VR agency with the SEA in the formal interagency agreement?

____YES ____NO

21. Have there been any agreements developed at the local level between the VR agency and the local education authority?

____YES ____NO

22. Are there any features of the VR agency's transition services that could serve as a model for other agencies?

C. State VR Transition Coordinators

1. How does your agency define transition youth, including age range?

2. Are both parties still participating in the SEA agreement and providing agreed upon services?

____YES ____NO

If "NO," please describe.

3. Describe the implementation of joint training and other staff development activities for education and state VR personnel.

4. Does the interagency agreement describe the transition services, outreach procedures and financial responsibilities of the VR agency?

____YES ____NO

If "YES," please describe.

5. Does the VR agency maintain a central registry for persons who are blind or visually impaired? Please describe how orientation and mobility services are provided.

6. How do your counselors identify transition youth with disabilities both receiving special education and not receiving special education?

7. Describe how outreach is handled for students in special education.

8. Describe how outreach is handled for students on 504 plans.

9. Describe how outreach is handled for youth currently not in school.

10. Do VR counselors provide technical assistance to schools to prepare students with disabilities for career opportunities?

____YES ____NO

11. How does the VR agency assess transition youth needs (e.g., utilization of school records, agency provided or purchased assessments)?

12. Describe how the VR agency engages in the review of performance data related to its transition programming, to include the provision of services and expenditures.

13. Has the VR agency identified areas where it would like to improve performance related to its transition programming?

____YES ____NO

If "YES," please describe.

14. Describe the agency's goal(s) specific to transition programming.

15. Have such goals resulted had an impact on the order of selection for services?

____YES ____NO

16. Describe how youth services are augmented with other youth-centered programming (e.g., workforce investment act (WIA) programs targeting youth).

17. Does the VR agency manage case flow through its service delivery system in a timely manner (eligibility determinations, IPE development)?

____YES ____NO

18. Describe the policies and procedures that have been developed to coordinate the development of the IEP and IPE, and identify the timeframe in which an IPE must be developed for a transition youth.

19. What do you see as the most common reasons for students dropping out of the VR process?

20. What programs are available to develop independent living skills among transition youth? Specifically, how are youth leadership skills and self-advocacy skills fostered?

21. What is the VR agency's definition of a quality outcome and how does the VR agency evaluate the quality of transition youth outcomes?

22. Does the VR agency have cooperative agreements or memoranda of understanding to provide services to transition youth?

    ____YES ____NO

    If "YES," please describe.

23. Describe the collaborative partnerships through which the VR agency provides services to transition youth, including partnerships to provide work opportunities (including CILS, CoPs or other entities).

24. Describe the process in which Rehabilitation Technology is provided to transition students exiting the school system. Who funds the equipment? How is training provided to use the equipment?

25. Describe how supported employment and extended services are arranged and provided to transition youth.

26. Has the VR agency entered into any third party cooperative arrangements for providing transition services?

____YES ____NO

If "YES," please describe.

27. If the VR agency has such third party cooperative arrangements, have they increased the provision of transition services and employment outcomes?

____YES ____NO

28. To what extent does the VR agency have the necessary resources available to assist students with disabilities to achieve their employment goals?

29. Are communities of practice available to staff working with transition youth?

____YES ____NO

If "YES," please describe.

30. Describe significant features of this VR agency's methods of providing transition services that may serve as a model for other agencies. Also include information, if applicable, regarding the agency's experiences with using third party cooperative arrangements or cooperative agreements for providing transition services.

D. Special Education Personnel

1. How does your school define transition youth, including age range?

2. Has your school entered into interagency agreements with the VR agency on the local level?

____YES ____NO

If "YES," please describe the types of services that are provided through these local school agreements.

3. Has a process been developed for determining the transition services and costs to be charged to the school?

____YES ____NO

If "YES," please describe what transition services and costs are charged to the school.

4. Are VR counselors providing activities / services to prepare students with disabilities for career opportunities?

____YES ____NO

a. If "YES," please describe the activities / services provided.
b. If "NO," can you identify barriers that are preventing these activities / services from occurring?

5. Please describe how outreach is handled for students in special education? For students on 504 plans?

6. Are VR counselors providing technical assistance to the school to prepare students with disabilities for career opportunities?

____YES ____NO

a. If "YES," please describe the technical assistance provided.
b. If "NO," can you identify barriers that are preventing technical assistance from occurring?

7. Please describe the specific criteria that the school uses to refer students with disabilities to the VR agency.

8. Are students with disabilities, who are not receiving special education services, referred to the VR agency?

____YES ____NO

If "YES," please describe the referral source.

9. Does the school collaborate with or make referrals to CILS?

____YES ____NO

If "YES," please describe.

10. Do VR counselors participate in transition planning with schools to facilitate the development of IEPs for students with disabilities?

____YES ____NO

a. If "YES," please describe.
b. If "NO," how could this practice be better implemented in your school / area?

11. When are IPEs signed and approved?

12. Do the VR agency and the school personnel participate in joint training activities to improve the delivery of transition services for students with disabilities?

____YES ____NO

If "NO," can you identify barriers that are preventing joint training from occurring?

13. Do transition services coordinated with the VR agency include:

    a. Career exploration?

    ____YES ____NO

    b. Assessments for vocational interests and capacities?

    ____YES ____NO

c. Job readiness training?

____YES ____NO

d. Supported Employment?

____YES ____NO

14. Please describe any areas where you believe the coordination between the schools and the VR agency could be improved.

E. Students with Disabilities

1. How did you learn about the vocational rehabilitation (VR) program?

2. How did you first meet your VR counselor?

3. Which of the following transition services did you receive prior to leaving the school:

___ Career exploration

___ Assessments

___ Transportation

___ Supported employment

___ Job seeking skills training

___ Paid work experiences

___ Post-secondary educational guidance

___ Provision of auxiliary aids and services

___ Other. Please specify _____

4. Did your VR counselor arrange for or provide these services?

____YES ____NO

5. How did you and your VR counselor determine what services you needed?

6. Do you have an Individualized Education Plan (IEP)?

____YES ____NO

7. Do you have an Individualized Plan for Employment (IPE)?

____YES ____NO

8. Was your IPE coordinated with your IEP in terms of the goals, objectives, and services identified in the IEP?

____YES ____NO

9. Was your IPE developed and approved prior to you leaving school? If not, why not?

____YES ____NO

10. What supports and services are you currently receiving from the VR services program? Please check the most appropriate response below.

___ Career exploration

___ Job seeking skills training

___ Vocational training

___ Supported employment

___ Unpaid work experience

___ Job placement

___ Post-secondary educational guidance

___ Tuition assistance

___ Transportation

___ Provision of auxiliary aids and services

___ Other. Please specify_____

11. What was the most challenging aspect of your transition from school to the VR services program? Please describe.

12. What was the most helpful support or service(s) in your transition from school to the VR services program? Please describe below.

13. Are you employed now?

____YES ____NO

F. Families with Students in VR

1. How and when did you learn about the VR program?

2. As explained to you, what is the reason that the VR program provides services to students with disabilities?

3. In what ways does the VR counselor communicate with the family?

4. How does the VR counselor involve your family when planning the services the student needs after high school?

5. How does the VR counselor or school staff facilitate the student's choice of a vocational goal?

6. Would you describe the counseling provided to your student as career-focused or job-focused? How did this focus develop?

7. What assessments were provided by the school and/or VR and how were training needs identified?

8. How does the VR counselor facilitate the student's choice in services and providers of those services?

9. How does the VR counselor work with school staff to plan, provide or coordinate services?

10. Did your student receive work experience services and, if so, by whom?

11. Does the student receive Social Security benefits, including Supplemental Security Income?

____YES ____NO

If "YES," did the family receive information about or receive the services of a work incentives planning and assistance program?

12. Is your son or daughter participating in post-secondary activities, education or vocational/technical training?

____YES ____NO

Please describe.

13. Is your son or daughter participating in supported employment or extended services?

____YES ____NO

Please describe.

14. Is your son or daughter receiving all the services on his or her plan for employment?

____YES ____NO

Please describe.

APPENDIX B

VOCATIONAL REHABILITATION PROGRAM

FEDERAL FY 2012 MONITORING AND TECHNICAL ASSISTANCE GUIDE

Examples of Findings from Prior Reviews

During the monitoring of the vocational rehabilitation (VR) program from federal fiscal year (FY) 2007 through federal FY 2010, the Rehabilitation Services Administration (RSA) made findings of non-compliance and identified the corrective actions VR agencies were required to take to resolve the findings. This appendix includes examples of findings from the monitoring reports resulting from these prior reviews as they relate to the focus areas covered during federal FY 2011 monitoring activities, including the organizational structure of the designated state agency (DSA) and state unit (DSU), the provision of transition services and employment outcomes achieved by youth with disabilities and the fiscal integrity of the VR program. These examples illustrate the manner in which RSA interprets the federal requirements pertinent to these focus areas. The review teams and VR agencies may find these examples helpful when analyzing factual information in light of relevant statutory and regulatory provisions.

Note: (1) These findings have been redacted to eliminate VR agency names, state names, and other identifiable information. (2) Any numbering that appears within the text of the findings relates to their location in the monitoring reports from which they were taken.

Program Findings

Focus Area - Organizational Structure of the DSA and DSU

Example 1: VR agency was not in compliance with organizational structure requirements because more than ten percent of its staff devoted a portion of their time to programs not considered to be within the VR program, or vocational and other rehabilitation work of the agency.

1. Non Compliance with DSU Organizational Structure Requirements

Legal Requirement: 34 CFR 361.13(b)(1)(iii); Preamble to 1997 VR program regulations at 62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)

Finding: The DSU for the VR program is housed within the Department of X, which is the DSA for the VR program. The DSU is composed of Human Service VR (HSVR) staff in the VR central office and the eight regional human service centers (HSs) across the state. The VR Director is a member of the Department of X cabinet. The VR Regional Supervisors (RSs) are supervised by four HS Directors who have personnel, fiscal, and programmatic responsibility for the HSs, including the provision of VR services.

The HSs function as a network of clinics, providing an array of community-based services either directly or through contracts with other service providers. Each serves a multi-county area, providing VR, counseling and mental health services, substance abuse treatment, services for people with disabilities, and other related social services. HS employees also provide direction and regulatory oversight of some programs provided through county social service offices and other providers.

The following 10 core programs and services are offered at the HSs, which are within the organizational structure of VR**:**

- aging services;
- developmental disabilities;
- VR;
- child welfare services;
- program supervision – regional reps and child care licensing specialists;
- children's mental health;
- serious mental illness (extended care coordination);
- acute clinical services;
- substance abuse services; and
- crisis/emergency response services.

RSA visited HS offices in three locations and met with VR field staff, RSs, and two of the four HS directors. Based on information obtained from these discussions, RSA found that RSs, VR counselors, and other field staff providing services to individuals receiving VR services were supervised by four HS directors, who reported directly to the VR Director. Given the inclusion of VR field staff within the HS system, RSA explored the functions of the other HS staff, in addition to those of VR staff, as well as the services provided at the HSs. RSA was unable to determine if at least 90 percent of the employees supervised by the VR Director are employed full-time on the rehabilitation, including vocational and other rehabilitation, work of the organizational unit as required by 34 CFR 361.13(b)(1)(iii) and as interpreted in guidance found in the preamble to the VR regulations at 62 Fed. Reg. 6308, 6316 (Feb. 11, 1997).

Based on this guidance, it appears that five of the 10 core programs listed above meet the definition of "other rehabilitation," including:

- developmental disabilities;
- VR;
- children's mental health;
- serious mental illness; and
- substance abuse services.

Four of the 10 core programs appear not to meet the definition of "other rehabilitation," including:

- aging services;
- child welfare services;
- program supervision – regional reps and child care licensing specialists; and
- crisis/emergency response services.

The remaining core program, acute clinical services, serves a variety of populations and provides a number of services which may fall within the term" other rehabilitation." As a result, RSA will need further information to determine whether staff providing those services spend 100 percent of their time on "other rehabilitation" work of the DSU.

An analysis of the staff identified in the state's Biennial Budget detail 2009-2011 indicates a total of 2223.38 full-time employees (FTEs) within the Department, the DSA for the VR program. Of those, 836.48 are allocated to HSVR, the DSU for the VR program, which includes the VR program and the HS system. According to the RSA-2 for the same time period, the VR program is staffed by 81 FTEs. RSA was not able to determine, from these facts, how many staff positions are represented by the total number of FTEs within HSVR. If the total number of staff within HSVR, including both the HSs and the VR program, equals the number of FTEs (836.48) for HSVR, this would mean that 752.832 FTEs must be employed full-time on the rehabilitation, including both VR and "other rehabilitation," work of HSVR in order to comply with 34 CFR 361.13(b)(1)(iii).

Corrective Action 1: HSVR must:

1.1 modify its organizational structure or adjust its staffing levels so that 90 percent of all staff are employed full-time on the rehabilitation work, including both VR and "other rehabilitation," of the DSU for the VR program, as required by 34 CFR 361.13(b)(1)(iii);
1.2 submit an assurance within 10 days of the issuance of the final report that it will comply with the requirements of 34 CFR 361.13(b)(1); and
1.3 develop a corrective action plan, within 45 days of the issuance of this final report, that specifies the steps it will take to resolve the finding, timelines for completion of those steps, and methods for evaluating that the steps taken have resolved the finding.

Agency Response: It is HSVR's position that the DSU only includes the VR state office staff, the regional VR staff, the HS Directors, and the state VR/HS Director. According to the organizational chart provided by HSVR, the DSU includes 87 FTE in addition to the four HS Directors and the state VR/HS Director. HSVR does not consider the other (non-VR) services provided by the HSs as part of the DSU. The organizational structure does not separate VR central office and VR field staff. VR central office staff work directly with VR field staff and with the assigned HS Directors in policy, service delivery, and quality control. VR central office staff and the HS Directors all report to the state HSVR Director, so there is clearly one point of accountability and authority for all of these. The updated HSVR organizational chart demonstrates this relationship.

State office VR staff has direct involvement with VR field staff in all of the regions for personnel, fiscal and programmatic issues. They participate, along with the HS Directors, in

hiring, staff performance evaluation, and disciplinary actions. Ultimately, all of these functions are the responsibility of the state HSVR Director. Our state has never portrayed the entire HS service continuum as part of the VR DSU, and no VR funds are used for these services. Therefore, HSVR believes that all requirements for VR staff time being devoted to VR functions are met within the HSVR structure.

RSA Response: According to the state's FY 2010 VR State Plan, the most recent plan approved by RSA, the Department is identified as the DSA for the VR program, and HSVR, housed within the Department, is identified as the DSU for the VR program. [Mr. Smith,] HSVR director is identified as the director of the DSU for the VR program. The HSVR organizational chart, submitted by HSVR, shows four subunits within its organization – the VR program, the HS system, Disability Determination Services (DDS), and the Client Assistance Program (CAP), all of which directly report to Mr. Smith, director of HSVR. While HSVR would want to believe that only the VR program constitutes the DSU, this position is not consistent with the approved State Plan which identifies the entire HSVR organizational structure – not just the VR subunit – as the DSU for the VR program.

Given that it is the identified DSU for the VR program, HSVR must comply with all of the requirements of section 101(a)(2)(B) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and 34 CFR 361.13(b)(1) of its implementing regulations. HSVR, as the umbrella agency for four subunits – VR, the HS system, DDS, and CAP – is primarily concerned with the VR and other rehabilitation of individuals with disabilities and is responsible for the administration of the VR program, as required by 34 CFR 361.13(b)(i). HSVR has a full-time director (Mr. Smith), as required by 34 CFR 361.13(b)(1)(ii), Mr. Smith is a member of the Department's Cabinet, confirming that HSVR is at a comparable organizational level within the Department to other major units within the Department's organization, as required by 34 CFR 361.13(b)(1)(iv).

In addition, 90 percent of HSVR's staff must be employed full-time on the rehabilitation work of HSVR, including both VR and other forms of rehabilitation services offered by the DSU (34 CFR 361.13(b)(iii) and 62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)). "Other rehabilitation" includes, but is not limited to, other programs that provide medical, psychological, educational, or social services to individuals with disabilities (*Id*.). According to the organizational chart, dated September 2009, provided by HSVR as part of its response, HSVR claims it employs a total of 834.1 FTEs, 476 FTEs of which are employed full-time in the rehabilitation work of HSVR by providing VR and "other rehabilitation" services. HSVR calculates this figure as being approximately 57 percent of its workforce, as opposed to the 750.69 FTEs that would be needed to constitute 90 percent of the total 834.1 FTEs employed by HSVR. Therefore, HSVR has failed to comply with 34 CFR 361.13(b)(1)(iii).

The organizational chart, as well as the information provided by HSVR, indicates that the HS regional directors supervise the VR RSs, VR counselors, and other VR staff housed in the local HSs. The regional HS directors are involved in VR programmatic, administrative, and fiscal matters. The HS regional directors' hands-on involvement in the day-to-day VR activities reinforces how intertwined the VR program and the HS system are within the HSVR organizational structure. The VR program is not separate and distinct from other programs

within HSVR, and must be considered within the larger organizational structure. The fact that HSVR argues that VR funds are not used for the other programs under HSVR's purview does not negate the fact that the entire HSVR organization constitutes the DSU for the VR program, and, as a result, the 90 percent staffing requirement of 34 CFR 361.13(b)(1)(iii) applies to the entire HSVR organizational structure.

RSA has carefully reviewed HSVR's response and concluded that HSVR is not in compliance with 34 CFR 361.13(b)(1)(iii). HSVR must take the corrective actions specified in this finding.

Example 2: VR agency was not in compliance with organizational structure requirements because more than ten percent of its staff devoted a portion of their time to programs not considered to be within the VR program, or vocational and other rehabilitation work of the agency. The finding demonstrates that the determination of compliance must be based on the number of staff actually performing VR and other rehabilitation work, and not on assigned FTEs.

1. Percentage of DSU Staff Working Full-Time on the VR Program and other Rehabilitation Services

Legal Requirements: Rehabilitation Act - Section 101(a)(2)(B)(ii)(III); VR Program Regulations - 34 CFR 361.13(b)(1)(iii); Preamble to 1997 VR program regulations at 62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)

Finding: VRX is not in compliance with the organizational requirement that 90 percent of the staff of the DSU work full-time on VR or other rehabilitation services.

VRX, the DSU for VR services in the state of X, consists of four units that report directly to the director of VRX, including Vocational Rehabilitation Services, a comprehensive rehabilitation center (CRC), the Business Enterprise Program (BEP), and X Industries for the Blind (XIB). Each of these units can be characterized as providing or supporting the mission of VR or other rehabilitation services, with the exception of those staff working for XIB.

At the time of the review, VRX employed 1,398 full-time staff, of which, 778 staff are characterized by the agency as "VR services only," 171 staff are characterized as "VR and other rehabilitation services," and 258 staff are characterized as "other rehabilitation services" for a total of 1,207 staff, or 86 percent, assigned to VR and other rehabilitation services. An additional 191 staff are employed full-time at the XIB. Staff assigned to other rehabilitation work would include medical personnel at the CRC, staff assigned to the Work Incentives Planning and Assistance (WIPA) Project, independent living services, and the directors, managers, administrators, and support staff assigned to one or more of these programs.

The XIB was first established in XXXX, through the state of X Legislature, as the X's "Factory for the Blind" and began its operation in XXXX. Current state statute states XIB shall be "under the direction and supervision of the Department of Labor." XIB currently consists of 191 employees in the following categories: 17 full-time administrative and support staff and 174 production staff assigned to plants throughout the state, along with a number of service contracts.

In FY 2010, approximately four percent of the XIB's total budget was acquired through state funds with the remainder coming through generated income. The XIB reported that it does not use Title I funds. According to VRX, the XIB will not receive any state funds starting in state FY 2012 and must rely solely on generated income. In FY 2010, approximately 80 percent of all work was generated from federal contracts, with the remaining work coming from local and state contracts.

Table 6.1 below shows the total number and percent of staff employed in each of the major program areas of VRX.

Table 6.1
VRX Total Number of Filled Positions as of June 26, 2011

Program	Total Filled FTES	% to Program
X Industries for the Blind	191	13.7%
VR and Other Rehabilitation Programs	1,207	86.3%
The comprehensive rehabilitation Center	488	N/A
BEP	19	N/A
Vocational Rehabilitation Services*	700	N/A
Total	1,398	100.00%

* Includes independent living, WIPA, and other administrative and support staff.

As the above table shows, 13.7 percent of the total FTEs for the DSU work for the XIB under its director, who in turn reports to the VR administrator.

While the work of the DSU can encompass activities that extend beyond VR and other rehabilitation, as described above, the Rehabilitation Act and the VR implementing regulations prescribe that "all or substantially all staff " of the DSU must devote their full-time to the rehabilitation work of the unit, i.e., VR or vocational and other rehabilitation work of the unit. The VR regulations at 34 CFR 361.13(b)(1)(iii) require that at least 90 percent of the DSU's staff must be employed full-time on the VR program or vocational and other rehabilitation work of the DSU, meaning that no more than 10 percent of the DSU staff can devote any portion of their time to other programs and activities carried out by the DSU.

The provision of the Rehabilitation Act that at least 90 percent of the designated state unit staff shall work full-time on the rehabilitation work of the organizational unit means that if the organizational unit provides other rehabilitation services, in addition to VR, the 90 percent staffing requirement applies to all unit staff providing rehabilitation services, not to just the VR staff. According to the Preamble to the 1997 VR program regulations "the Secretary believes that this requirement is consistent with the statutory requirement in Section 101(a)(2)(A)(iii) of the Rehabilitation Act that "substantially all" of the DSU's staff shall work on rehabilitation and with RSA's longstanding interpretation of "substantially all" to mean 90 percent." (62 Fed. Reg. 6308, 6316 (Feb. 11, 1997))

Therefore, as only 86 percent of VRX staff work full-time on VR or other rehabilitation services, VRX is not in compliance with the 90 percent staff organizational requirement found in the federal statutes or regulations governing the VR program organizational structure.

Corrective Action 1: VRX must:

1.1 modify its organizational structure or adjust its staffing levels so that 90 percent of all staff are employed full-time on the rehabilitation work, including both VR and "other rehabilitation," of the DSU for the VR program, as required by 34 CFR 361.13(b)(1)(iii);
1.2 submit an assurance within 10 days of the issuance of the final report that it will comply with the requirements of 34 CFR 361.13(b)(1); and
1.3 develop a corrective action plan, within 45 days of the issuance of this final report that specifies the steps it will take to resolve the finding, timelines for completion of those steps, and methods for evaluating that the steps taken have resolved the finding.

Agency Response: Upon further review, VRX found that the FTE numbers provided to the RSA Monitoring Team during the on-site visit did not include vacant funded positions and that the FTEs for XIB were not accurately calculated based on actual payroll records of hours. The agency believes that it is more appropriate to compare the total number of FTEs for all funded positions in all programs, both vacant and filled, and that it is important to correctly reflect the FTEs of hourly positions. So, VRX requests that RSA consider the attached updated chart based on the total number of vacant and filled positions as of August, 2011.

This chart reflects that 90 percent of all staff positions are employed full-time on the rehabilitation work, including both VR and "other rehabilitation," of the DSU for the VR program, and that the agency is in compliance with the requirements of 34 CFR 361.13(b)(1)(iii). Therefore, the agency requests that RSA delete this finding from the final report and update the information found in the report.

The DSU appreciates the technical assistance that RSA provided in this area during the review, and the agency will monitor this area for continued compliance.

RSA Response: RSA interprets the pertinent statutory and regulatory provisions to require that at least 90 percent of the actual persons employed by the DSU work full-time on the provision of VR or other rehabilitation services. The Rehabilitation Act specifically states that the DSU must have, "staff **employed** on the rehabilitation work of the organizational unit all or substantially all of whom are employed full-time on the [vocational rehabilitation, or vocational and other rehabilitation, of individuals with disabilities]." (emphasis added) (section 101(a)(2)(B)(ii)(III)). The applicable regulatory language requires that the DSU, has a staff, "at least 90 percent of whom **are employed** full-time on the rehabilitation work of the organizational unit" (emphasis added) (34 CFR 361.13(b)(1)(iii)). Furthermore, in discussing this requirement, the preambles to both the 1995 NPRM (60 Fed. Reg. 64475, 64481(Dec. 15, 1995)) and the 1997 Final Regs (62 Fed. Reg. 6307, 6316 (Feb. 11, 1997)) refer to "all unit staff **providing rehabilitation services" (emphasis added).**

Therefore, RSA cannot interpret these provisions as permitting a DSU to base compliance with the requirement on the number of FTEs assigned to it, including vacant positions. Unfilled FTEs or vacancies are not actually employed and do not provide services. Instead, vacancies represent potential staff that may or may not be hired by the DSU and who may or may not perform these functions on a full-time basis.

Consequently, RSA maintains the finding as written and VRX must take the steps necessary to resolve the finding.

Example 3: The VR agency was not in compliance with the organizational structure requirements because it was not located at a level comparable to that of the other major units of the designated state agency and more than ten percent of its staff devoted a portion of their time to activities under the purview of the DSA.

1. DSU Organizational Structure

Legal Requirements: 34 CFR 361.13(b)(1)(iv)*;* Program Instruction (PI)-75-31 (June 3, 1975), page 5

Finding: VR has failed to satisfy the organizational requirements for a designated state unit (DSU), as required by section 101(a)(2)(B)(ii)(IV) of the Rehabilitation Act and 34 CFR 361.13(b)(1)(iv).

According to the FY 2010 VR State Plan, the most recent plan approved by RSA, VR is the DSU in the state for providing VR services to individuals; the DSA for the VR program is the state Department of Labor (DOL). DOL has four major components, the Trade Division, the Business and Community Development Division, the Unemployment Insurance Division, and the Workforce Development Division. VR – the DSU – is a subcomponent of the Workforce Development Division (WDD), which is one of the four major organizational units of DOL. Under this organizational structure, the Director of VR reports to the Director of the WDD, who, in turn, reports to the Secretary of DOL, the DSA.

Section 101(a)(2)(B)(ii)(IV) of the Rehabilitation Act and 34 CFR 361.13(b)(1)(iv) require the DSU to be located at an organizational level and have an organizational status within the DSA that is comparable with other major organizational units of the DSA. The determination as to what constitutes a "major organizational unit" within the DSA depends largely on the organizational structure of the DSA. It has been the long-standing policy of RSA that an evaluation of whether the DSU is located at an organizational level comparable to other major organizational units within the DSA would be based on, among other factors, the directness of the reporting line from the VR director to the chief officer of the DSA, as compared with that of the heads of other major organizational units within the DSA (PI-75-31 (June 3, 1975)). As described above, in this state, DOL (the DSA) is comprised of four different major units, the heads of which administer on the Secretary's behalf a number of programs within their purview. Each of these unit heads, including the director of WDD, reports directly to the DOL Secretary. The heads of the subunits report to the appropriate unit head (e.g., VR director reports to WDD director – not the DOL Secretary). As such, the VR director does not have a direct reporting line to the Secretary of DOL, the DSA, and is, therefore, not at a comparable level of the four major organizational units within DOL. For these reasons, VR has failed to satisfy the organizational requirement set forth at section 101(a)(2)(B)(ii)(IV) of the Rehabilitation Act and 34 CFR 361.13(b)(1)(iv).

Corrective Action: VR must:

1.1 provide written assurance to RSA within ten days of the issuance of the final report that VR will work with the Secretary of DOL to ensure that revisions will be made to the DOL organizational structure that would enable VR to comply with Federal organizational requirements for the DSU of the VR program. In particular, the revised organizational structure must ensure:
   a) the VR Director reports directly to the head of the DSA with no intervening organizational or administrative level, and
   b) VR has a status equal to other major organizational units within the DSA.

2. DSU Organizational Requirement – VR Staff Time Distribution

Legal Requirements: VR program regulations at 34 CFR 361.13(b)(1)(iii), 361.3 and 361.12

Education Department General Administrative Regulations at 34 CFR 80.20(a)

Preamble to 1997 VR program regulations at 62 Fed.Reg. 6308, 6316 (Feb. 11, 1997)

Finding: VR has failed to satisfy the DSU organizational requirement of 34 CFR 361.13(b)(1)(iii), because more than ten percent of the VR staff work at least some of the time on other matters arising under the purview of the DSA. In addition, VR has failed to comply with 34 CFR 361.3, 34 CFR 361.12, and 34 CFR 80.20(a), because VR has expended VR funds for purposes not related to the VR program.

As described in more detail in Finding 1 above, the DSU for the VR program in this state is VR, and the DSA for the VR program is DOL. VR employs 390 full-time staff. However, data provided by VR during the RSA monitoring process indicate that 130 – or 33 percent – of VR staff dedicate at least part of their time to activities beyond the VR and other rehabilitation work of the DSU (VR). These 130 VR staff, who split their time between the VR work of the DSU and other work of the DSA (DOL), do so by supporting the universal service activities of the one-stop workforce centers (WFCs). These universal service activities include duties such as management of the WFCs; provision of receptionist, clerical support and resource room coverage; and other services used by all individuals, regardless of whether they are individuals with disabilities seeking VR services, entering the WFCs for services provided by the WFCs. As described in Finding 1 above, VR is housed within WDD, which is a major organizational unit of DOL. WDD is primarily concerned with the employment and other training activities funded under Title I of the Workforce Investment Act of 1998 and administered by the U.S. Department of Labor.

While onsite, RSA questioned VR management about the high percentage of individuals (33 percent) who split their time between the VR program and other activities of DOL, including supporting the universal services activities of the WFCs. VR management informed RSA that, while 33 percent of the staff split their time with other activities, the total number of VR staff hours spent on these other activities was no more than ten percent of the total number of staff hours spent per year on all activities of the DSU. Therefore, VR management believed that VR

was in compliance with 34 CFR 361.13(b)(1)(iii). In addition, according to the information provided by VR during the RSA on-site visit, VR expended $2,107,007.7 in federal VR funds during FY 2009 to pay for the salaries and benefits of VR employees for the time they spent working on universal services of the WFCs.

Section 101(a)(2)(B)(ii)(III) of the Rehabilitation Act and 34 CFR 361.13(b)(1)(iii) of its implementing regulations require that at least 90 percent of the DSU staff must be employed full-time on the VR or other rehabilitation work of the DSU. To be clear, this Federal requirement refers to 90 percent of the staff – not 90 percent of the staff's work hours. This means that no more than ten percent of the VR staff (or 39 of the 390 staff) may spend any time working on matters that are not related to the VR or other rehabilitation work of VR (62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)). According to the data provided by VR, 130 or 33 percent – nearly three times more than allowed under the Rehabilitation Act and its implementing regulations – of VR' employees spend at least part of their time working on universal services activities for the WFCs, administered by WDD – not VR. The universal services activities of the WFCs do not constitute "other rehabilitation" activities of VR because: 1) the WFCs are administered by WDD – not VR – and, therefore, are not VR activities; and 2) the universal services are available to all individuals entering the WFCs and, as such, are not limited to individuals with disabilities. For these reasons, VR has failed to comply with 34 CFR 361.17(b)(1)(iii) since more than ten percent of its staff work on matters not related to the VR and other rehabilitation work of VR.

In addition to the excessive staff time spent by VR employees on WFC matters, VR has failed to comply with 34 CFR 361.3, 34 CFR 361.12, and 34 CFR 80.20(a). Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that VR funds be spent solely for the provision of VR services and the administration of the VR program. Federal regulations at 34 CFR 361.12 and 34 CFR 80.20(a) require VR to administer the VR program in such a manner that ensures the proper and efficient expenditure and accounting of VR funds. In FY 2009 alone, VR spent more than $2 million in salaries and benefits for VR employees for the time they spent working on universal services for the WFCs. While VR may expend VR funds for the provision of universal and core services at the WFCs, pursuant to 34 CFR 361.23, these expenditures must be proportional to the benefit that VR received from providing those services. As will be described in more detail in the Fiscal Chapter of this report, VR expended more than its fair share of the shared costs of providing these universal services. For this reason, not all of the VR expenditures incurred for this purpose were allowable under the VR program. Expenditure of VR funds for unallowable purposes violates the requirements to administer the VR program in a proper and efficient manner.

Corrective Action: VR must:

2.1 cease using VR staff and funds to cover non-VR activities, except in accordance with VR' fair share pursuant to 34 CFR 361.23;
2.2 submit a written assurance to RSA within ten days of the issuance of the final report that VR will ensure that at least 90 percent of the DSU (VR) staff are engaged full time on the VR or other rehabilitation work of the DSU;

2.3 that VR funds – including non-Federal funds used for match and Maintenance of Effort (MOE) purposes under the VR program – will be spent solely on allowable expenditures under the VR program; and
2.4 submit a plan, including timelines, for the steps VR will take to ensure that at least 90 percent of its staff is employed full time on the VR and other rehabilitation work of VR.

Example 4: VR agency found not to have control over the allocation and expenditure of VR program funds because it was not sufficiently involved in the financial administration of the VR program and the preparation of financial and statistical reports.

4. Non-Delegable Responsibility of Administration

Legal Requirement: VR program regulations at 34 CFR 361.13(c)(1)(iv) and 361.13(c)(2)

Finding: According to the FY 2006 VR State Plan, the designated state agency for the VR program changed from Agency A to Agency B, a division of Agency A's organizational structure. At the same time, the designated state unit for the VR program changed from Agency B to Agency C, an entity created by the General Assembly in 1992 but not implemented as part of the Agency B organizational structure until July 2005.

Although no longer the designated state agency for the VR program, Agency A retains responsibility for the financial management of all programs under its purview, including the VR and Supported Employment programs. As a result, Agency A prepares and submits the Financial Status Reports (SF-269s) and the Annual VR Program/Cost Reports (RSA-2s) for the VR program. Both Agency B and Agency C have little involvement with the fiscal management of the VR program or the preparation and submission of the financial and statistical reports. During the on-site review, RSA learned that neither Agency B nor Agency C:

1. has control over the expenditure of Title I VR funds;
2. is aware that Agency A has returned substantial amounts of VR funds to the U.S. Treasury;
3. takes responsibility for tracking funds, including matching funds provided by community rehabilitation programs (CRPs), and cannot provide information about the use of those funds;
4. takes responsibility for tracking the use of Federal funds drawn down by Agency A;
5. is aware of the total non-Federal resources available for the VR program to ensure that matching requirements for the VR, independent living (IL), and independent living services program for older individuals who are blind (OIB) programs have been satisfied; to ensure that the MOE requirements for the VR program have been satisfied; or to request additional Federal funds through the reallotment process;
6. can provide information to verify the year-end match reconciliation of VR funds for FYs 2005 through 2008;
7. has sufficient information to verify the accuracy of the information contained in the SF-269s and RSA-2s; or

8. has the authority to approve the SF-269s and RSA-2s prior to their submission to RSA.

Federal regulations require Agency C, as the designated state unit for the VR program, to have responsibility for the allocation and expenditure of VR funds (34 CFR 361.13(c)(1)(iv)). This responsibility may not be delegated to another agency (34 CFR 361.13(c)(2)). However, Agency C does not have control over: the expenditure or tracking of VR funds; the tracking of matching funds; the supporting documentation for expenditures and obligations of funds; and the preparation, verification, approval, or submission of the SF-269s and RSA-2s. Agency A, the former designated state agency for the VR program, maintains complete control over the financial management of the VR program.

While it is a state decision as to how administrative functions will be carried out, the manner chosen by the state to administer VR funds must enable the DSU to comply with specific Federal requirements. This means that centralization of certain administration functions, such as bill paying, accounting, and data processing, etc., at a state agency level is permissible so long as this centralization does not interfere with the decision-making capacity of the director of the designated State VR unit (PI-75-31, June 3, 1975). The regulatory requirement that the designated State VR unit must have responsibility for the allocation and expenditure of VR funds was proposed in 1995 "to strengthen the role of the State unit by requiring that the unit have a substantial role in all decisions affecting the administration of the VR program whenever management functions within the State agency are centralized" (Notice of Proposed Rulemaking, 60 Fed. Reg. 64475, 64482 (Dec. 15, 1995)). In the Final Regulations, the Secretary tried to balance the need for the State to have flexibility to centralize administrative functions with preserving the integrity of the VR program, consistent with the statutory requirements set forth at section 101(a)(2) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act).

> The Secretary interprets this non-delegation provision to mean that the DSU shall carry out these functions or activities using its own staff.… [T]he Secretary agrees that responsibility for these additional functions must be retained by the DSU to ensure that State agencies that consolidate staff to administer multiple State and Federally funded programs do not entrust these key VR programmatic decisions to individuals who lack expertise in meeting the needs of individuals with disabilities. Moreover, the Secretary believes that the benefits derived from DSU retention of these functions – enhanced program efficiency and effectiveness – outweigh any costs that may be associated with the non-delegation requirements in the final regulations.

(Final Regulations, 62 Fed. Reg. 6307, 6316 (Feb. 11, 1997)).

In the state, Agency C must maintain responsibility for the expenditure and allocation of VR funds (34 CFR 361.13(c)). Agency C must use its own staff to manage the expenditure and allocation of VR funds in order to ensure that Agency C retains a substantial role in the decision-making for the VR program. By not being responsible for the expenditure and allocation of VR funds, Agency C is not aware of the resources available to the VR program, whether additional

funds exist for obligations, whether sufficient match exists, and whether all program funds have been obligated or expended in order to avoid a reversion to the U.S. Treasury of unspent VR funds. Had Agency C been responsible for the allocation and expenditure of VR funds, it is possible that program funds would not have been returned to the Treasury.

Pursuant to section 101(a)(2) of the Rehabilitation Act, the approved VR State Plan designates Agency C as the designated State unit responsible for administering the VR program. By submitting the State Plan, Agency B and Agency C, as the designated State agency and designated State unit, respectively, assured RSA that they would carry out the VR program in compliance with the requirements of Title I of the Rehabilitation Act and 34 CFR Part 361 (34 CFR 361.10(a)). While Agency C may not have delegated responsibility for the allocation and expenditure of VR funds, per se, the net effect is the same – Agency B and Agency C have failed to ensure that Agency C maintains responsibility for the expenditure and allocation of VR funds as required by 34 CFR 361.13(c).

Corrective Action 4: Agency B/Agency C must:

1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that they will take responsibility for the administrative functions described in 34 CFR 361.13(c), including responsibility for the financial management of the VR program;
1.2 submit a plan, including a timeline, for the transfer of the non-delegable financial management functions – at a minimum, the expenditure and allocation of VR funds – from Agency A to Agency C; and
1.3 ensure that Agency C has the capacity to carry out its non-delegable responsibilities for the administration of the VR program, including the allocation and expenditure of VR program funds, and ensure the accuracy and timely submission of its financial reports to RSA.

Agency Response: Agency C maintains control over all case service expenditures through its case management system, and vigorous utilization of fiscal and consumer service reports by staff.

1.1 Agency C will provide this assurance within 10 days after receipt of the Final Monitoring Report.
1.2 All expenditures and allocations are approved by the Controller or a designee within the Division. After the state's conversion to its accounting system just prior to the start of FY10 all non-system generated journal entries are electronically routed to the Agency B division before the expenditures can be posted. All new contracts beginning by the end of the first quarter of calendar year 2010 will require a purchase order designating the funding to be used for each contract expenditure. The accounting and financial areas of Agency A will not approve any expenditure or allotments of VR funds. Federal reports will be submitted based on expenditures reported in the state's accounting system and reviewed by Agency C staff.
1.3 Please see response to Fiscal Corrective Action 3.11 above. Agency C and Agency B Program Staff, along with the Program Manager for the VR Case Management

System, Agency B Controller, and Fiscal Management have already begun development of a routine tracking system to ensure timely and accurate fiscal reporting, as described in Fiscal Recommendation 1.1. As Agency C develops the new financial flow process, with the assistance of the Agency B Controller's office and Financial Management, the required authority of Agency C and the financial management of federal and non-Federal funds will be part of this procedural method of operating.

RSA Response: RSA appreciates the efforts that Agency C and Agency B are making to ensure that Agency C retains control over the expenditures of VR funds and other non-delegable functions. Agency C must complete the corrective action steps outlined above, providing sufficient detail of the steps it is taking to ensure these compliance issues do not arise again.

Focus Area - Transition Services and Employment Outcomes for Youth with Disabilities

Example 1: The VR agency was not in compliance with the requirement that the Individualized Plan for Employment (IPE) for transition students be developed before they leave the school setting.

1. Individualized Plan for Employment

Legal Requirements: VR program regulations at 34 CFR 361.22(a)(2)

Finding: The VR agency is not in compliance with 34 CFR 361.22(a)(2), which requires it to develop and approve an IPE for a student in transition prior to the student exiting school. During RSA's service record review, RSA found that only eight (44.4 percent) of those records reviewed contained a signed IPE prior to the student leaving school. Interviews with the school district and VR agency staff substantiated the results of the service record review that IPEs were not always developed and approved prior to the student leaving the school setting.

Corrective Action

1.1 RSA requires that the VR agency take the necessary steps to ensure that IPEs for transition-age youths determined eligible for the VR program are developed and approved prior to the individual exiting school, as required by 34 CFR 361.22(a)(2).

Agency Response: The VR agency believes that, for purposes of 34 CFR 361.22, the only customers that should be considered transition-age youth are those who are still in a K-12 or other special education school program and have an Individualized Education Program (IEP). There is, however, no data available in any RSA database to address this legal requirement. The AWARE system has a transition program participant variable on the application page. Using this variable, the VR agency first identified the FY 2007 cases that had an IEP (6,625). Of those, 4,105 customers were reported as transition cases, 1,024 cases were reported as being former transition cases and 1,494 customers were reported as not being transition cases. These findings

suggest that only 4,105 customers (3,034 less than reported by RSA) closed in 2007 would meet the legal requirements of transition youth. This is a definition issue.

The agency disagrees with RSA's finding that it has failed to comply with 34 CFR 361.22. The agency questions the statistical significance of RSA's sample and believes the service record review sample size underrepresented the District and the state in referencing whether the agency has complied with the requirement of 34 CFR 361.22. Our information demonstrates a higher compliance rating. It should be further noted that 76.2 percent of the youth (using RSA's definition of youth) had an IEP, while 39.9 percent had less than a high school diploma when they applied for services.

RSA Response: While we understand that a large percentage of students with disabilities receive special education services pursuant to an IEP, 34 CFR 361.22 encompasses all students eligible for the VR program, regardless of whether they are receiving special education services. In fact, 34 CFR 361.22(a)(1) requires the VR agency to have policies and procedures in place on how it will work with the educational agencies to facilitate the transition of students with disabilities, and 34 CFR 361.22(b) requires VR agency to have a formal interagency agreement in place with the state educational agency (SEA) that coordinates services for eligible students with disabilities transitioning from school to post-school activities. Neither of these requirements are limited to students receiving special education services. Therefore, all students determined eligible for VR services are required to have their IPEs developed and approved before they exit the school system pursuant to 34 CFR 361.22(a)(2). However, we found, based on a review of service records and interviews with VR agency and school district staff, that only 44.4 percent of the eligible students had IPEs developed and approved before leaving school.

Example 2: Program requirements were being met, but the written contracts were out of compliance.

Legal Requirement: VR program regulations at 34 CFR 361.28 (a) and (b); 34 CFR 361.25 and 361.26

Finding: The VR agency enters into 162 third party cooperative arrangements with local school districts, known as the X program, to provide enhanced VR services to transition-age youths. The VR agency administers the majority of its transition services through these third party cooperative arrangements. Currently, the VR agency serves approximately 16,300 transition-age youths with the most significant disabilities in the X program in the 10th through 12th grades.

To determine if these arrangements are in compliance with 34 CFR 361.28, RSA reviewed several examples of written agreements implementing the X program. In addition, RSA met with the VR agency officials and staff and representatives from a variety of school districts in the local area to discuss the manner in which the terms of the written agreements are put into practice.

Based on this review, RSA finds that the written agreements implementing the X program arrangements and the conduct of the X program projects in general are in compliance with 34 CFR 361.28, except as follows:

The written agreements do not clearly identify the amount of the non-Federal share provided by the cooperating school districts, as required by 34 CFR 361.28(a). The VR agency staff indicated the lack of this information is the result of changes made to the form for these types of agreements made by the DSA. However, the staff indicated that each school district is providing the non-Federal share, which the VR agency uses to match the federal VR program funds contributed to the arrangements. The VR agency must revise the written agreements implementing each X program project to specify the amount of the non-Federal share contributed by the school districts.

The written agreements do not clearly identify the services that are provided by the cooperating school districts. Consequently, RSA could not determine solely based on the language of the written agreements whether the services provided by the cooperating school districts are new services with a VR focus, or are existing services that have been expanded or modified to include a VR focus, in accordance with 34 CFR 361.28(a)(1). Although the agreements sometimes included a list of services that could be provided, the agreements did not indicate which of these services had been selected in each arrangement. However, during on-site discussions, the VR agency staff and representatives of the school districts indicated that the services provided through the X program projects are not typical of those mandated to be provided by the schools under the Individuals with Disabilities Education Improvement Act of 2004 (IDEA). These services include the development of community-based work opportunities. Thus, though the operation of the X program is consistent with federal requirements, the written agreements must be revised to clearly specify the services provided by the cooperating school districts that have been expanded or modified to have a VR focus.

The written agreements do not indicate who is to be served through the arrangements, as required by 34 CFR 361.28(a)(2), which states that only individuals who have applied for or are receiving VR services can be served. The VR agency staff indicated that this lack of information also is the result of the changes made to the form for the agreements made by the DSA. The VR agency staff and school representatives again indicated that the program is administered in accordance with this federal requirement because only transition-age youths who are applicants or eligible for VR services are served through the X program projects. The VR agency must revise the written agreements implementing the X program projects to be consistent with this federal requirement.

The written agreements do not indicate the manner in which the VR agency exercises administrative supervision of the funds and staff used to implement the X program projects, as required by 34 CFR 361.28(a)(3). The VR agency staff indicated that the agency has developed the criteria for the hiring of the transition specialists employed by the school districts. While employed by the school districts, the X program transition specialists report to the VR agency supervisors. The VR agency supervisors and VR counselors monitor the X program cases and carry out the non-delegable functions that only can be performed by qualified VR counselors employed by the agency, such as determining eligibility and approving the IPE. Additionally, the VR agency staff supervise the transition specialists and evaluate their performance. Despite these efforts, RSA found during the course of the review that the agency should strengthen its oversight of these arrangements to monitor, evaluate, appropriately report, and hold the school systems accountable. Therefore, the VR agency must revise the written agreements to reflect the

manner in which the agency exercises administrative supervision over the funds and staff involved in the X program projects. These revisions should include a description of the strategies developed by the VR agency to improve the monitoring, evaluation, and accountability of the X program projects.

Finally, the written agreements do not state that the X program projects will be administered in accordance with all terms of the agency's State Plan, including the Order of Selection (OOS), as required by 34 CFR 361.28(a)(4). Although the VR agency staff and representatives of the schools indicate that all State Plan requirements, including those for the agency's OOS, are being applied in the X program projects, the written agreements must clearly indicate this. To be consistent with the federal requirement, the agreement should specify the manner in which transition-age youths are assigned to priority categories for the provision of VR services under the VR agency's OOS.

Corrective Action: The VR agency must revise its third-party cooperative arrangement documents to be consistent with 34 CFR 361.28. Such revisions must include the following:

A. The document must state that the third-party cooperating agency is providing all or part of the non-Federal share and clearly specify the amount.

i. The document must describe the scope of services offered through the arrangement. Specifically, services provided must be either new services or modified services with a VR focus.

ii. The document must specify that the arrangement is only serving individuals who are applicants or eligible for VR services.

iii. The document must describe in detail the way in which the VR agency administers supervision over the funds and the staff.

iv. The document must specify that the third-party cooperative arrangement complies with all portions of the State Plan, including the OOS. The document should describe how the third-party arrangement program complies with the OOS.

Example 3: Services were not new or enhanced VR services, and services were provided to non-VR applicants or consumers.

Legal Requirements: VR program regulations at 34 CFR 361.28 (a) and (b); 34 CFR 361.25 and 361.26

Finding: The VR agency is not in compliance with 34 CFR 361.28(a)(1) and (2) because services provided under the TPCAs do not consist only of new or modified VR services and the individuals receiving those services are not solely VR agency applicants or consumers.

While on-site, RSA reviewed 23 TPCAs that the VR agency had entered into with intermediate school districts (ISDs) for the period July 1, 2009 through June 30, 2010. Each of the 23

contractual agreements, implementing those TPCAs, are identical to one another. The stated purpose of the TPCAs is to create or expand opportunities for community-based work experiences (CBWEs) or career exploration activities for individual's eligible to receive VR services from the VR agency (X County Agreement, Amendment 1, page 1, and Attachment, page 2).[1] The employment specialists are responsible for performing, among other things, the following duties under the TPCAs: provide employment services to students with disabilities needing assistance developing appropriate work skills, attitudes, behaviors, and work tolerance to plan for and achieve successful post high school employment (X County Agreement, Attachment). The agreement makes it clear that the funding under the TPCA is to supplement the services that the ISD already provides to students with disabilities who are applicants for or consumers of the VR agency program (Id.) The agreement further states: "[state] DOE/DVR funding support shall not be used by the School District to supplant the current level of services provided to the students" (Id.).

Despite the TPCA's prohibition against the school districts using the funding to supplant the level of services provided by the school districts to students with disabilities, the agreements allow the employment specialists, to spend up to 49 percent of their time on:

> Educating and providing students with a disability an opportunity to apply for VR services by conducting at least 40 outreach services in their School District during the school year. The 40 outreach services may include transition fairs at the schools, parent/student meetings, attending school IEP meeting when invited, and other student specific meeting (Id.).

The agreement goes on to require that the employment specialists spend a minimum of 51 percent of their time developing CBWE and providing work experiences for students with disabilities who are the VR agency's consumers with agreed-upon IPEs (X County Agreement, Attachment, page 3).

Federal regulations at 34 CFR 361.28(a)(1) require the cooperating agency to provide new services or services that have been modified to have a VR focus. In this case, the agreements permit the employment specialists in the school districts – the cooperating agencies – to split their time between providing the customary services provided to all students with disabilities (e.g. transition fairs and outreach activities) and new or modified services with a VR focus (e.g., the CBWEs). While the CBWE activities required under the agreements have a VR focus, as required by 34 CFR 361.28(a)(1), such activities as attending transition fairs and parent/student meetings do not. These latter activities are typically performed by the ISDs pursuant to the formal interagency agreement that the VR agency and the state DOE have implemented, pursuant to 34 CFR 361.22(b). Outreach activities are a required component of that interagency agreement (34 CFR 361.22(b)(4)). Therefore, the 40 outreach activities performed by the employment specialists, up to 49 percent of their time, are not allowable activities under the TPCA pursuant to 34 CFR 361.28(a)(1).

Furthermore, 34 CFR 361.28(a)(2) require that the services provided under the TPCAs must be provided solely to the VR agency's applicants and consumers. Many of the students with

[1] The X County Agreement, which is identical to the other 22 agreements, is used for illustrative purposes only.

disabilities participating in the transition fairs and other outreach activities are not the VR agency's consumers or applicants. These activities take up to 49 percent of the employment specialists' time. According to the agreement, the only activities limited to the VR agency's applicants and consumers are the career exploration and CBWEs. For this reason, the VR agency has failed to comply with 34 CFR 361.28(a)(2) because the activities under the TPCA are not limited solely to the VR agency's consumers and applicants.

Corrective Action: the VR agency must:

1.1 cease providing the customary services, available to all students with disabilities, under the TPCAs, as required by 34 CFR 361.28(a)(1); also, cease providing services to non-VR agency consumers or applicants under the TPCAs, as required by 34 CFR 361.28(a)(2);
1.2 submit a written assurance to RSA within 10 days of the final monitoring report that the VR agency will comply with 34 CFR 361.28(a)(1) and (2);
1.3 revise its TPCA agreements to describe the scope of services offered through the TPCA with the ISDs to make it clear that the transition services provided under the TPCA must be either new services or modified services with a VR focus, as required by 361.28(a)(1); and
1.4 revise its TPCA document, and take the steps necessary, to ensure that only applicants for or recipients of VR services are served under the agreement with the ISDs, as required by 361.28(a)(2).

Example 4: Services were not new or enhanced VR services, and services were provided to non-VR applicants or consumers.

Legal Requirement: VR program regulations at 34 CFR 361.28 (a) and (b); 34 CFR 361.25 and 361.26

Finding: The VR agency has failed to comply with 34 CFR 361.28(a)(1) and (2) with regard to its third party cooperative arrangement with the local entity for the X program because: 1) the X program services provided by the cooperating agency are not new or expanded services; and 2) the services are not provided solely to the VR agency's applicants and consumers.

Based on RSA's review of the written agreement defining the third party cooperative arrangement between the VR agency and the cooperating agency X for the X program, the agreement does not include a description of the services that are to be provided by the cooperating agency or the individuals to be served under the cooperative arrangement. Instead, the agreement only lists the procedures for coordination of services between the VR agency and the cooperating agency for those individuals who are mutual consumers. RSA received confirmation by the cooperating agency staff via teleconference on June 23, 2010 that the X program is the primary service provided by the two transition specialists at the cooperating agency under the agreement. According to the X program overview document, provided by the cooperating agency on June 16, 2010, and reviewed by RSA, the following are X program activities:

- Presentations to students, schools, agencies, parents, organizations, etc. related to transition issues;
- Individual transition planning to identify goals;
- Task analysis of goals so as to provide support and guidance for goal attainment;
- Connecting agencies and community resources to provide support needed for goal attainment;
- Scaffolding experiences designed to lead to goal attainment;
- Coordinate and provide training/workshops, etc. to develop background knowledge and skills; and
- Job development and coaching, tutor program management, financial aid, scholarship, and developmental therapy assistance, college orientation, mentoring, and serving as a liaison between students and University/College Disability Services.

While some of the above-listed activities have a VR focus, not all of them do, as required by 34 CFR 361.28(a)(1). The cooperating agency staff confirmed to RSA, that these are the customary services provided by the X program and that they have not been modified to have a VR focus for purposes of the third party cooperative arrangement with the VR agency. Furthermore, the cooperating agency staff confirmed that all students in the X program participate in the same activities, regardless of whether they are applicants for or consumers of the VR agency. The X program is not limited to the VR agency's consumers or applicants, as required by 34 CFR 361.28(a)(2). In fact, only 189 – or 49.5 percent – of the 382 students participating in the X program at the time of the on-site review could be identified as applicants for or recipients of VR services. For these reasons, the VR agency has failed to comply with 34 CFR 361.28.

Corrective Actions: The VR agency must:

1.1 cease providing non-VR services and services to non-VR applicants or consumers under the X program third party cooperative arrangement between the VR agency and the cooperating agency;
1.2 revise its third party cooperative arrangement document to describe the scope of services offered through the third party cooperative arrangement with the cooperating agency to make it clear that the X program services provided under the third party cooperative arrangement must be either new services or modified services with a VR focus, as required by 361.28(a)(1); and
1.3 revise its third party cooperative arrangement document, and take the steps necessary, to ensure that only applicants for or recipients of VR services are served under the agreement with the cooperating agency, as required by 361.28(a)(2).

Example 5: Lack of administrative control, services did not have a new or expanded VR focus, services were provided to non-VR applicants or consumers, and the program did not follow the OOS.

Legal Requirements: VR program regulations at 34 CFR 361.28 (a) and (b); 34 CFR 361.25 and 361.26; 34 CFR 361.60(b)(2);

Education Department General Administrative Regulations (EDGAR) at 34 CFR 80.24(a)(2); and 34 CFR 80.20

Finding: From FY 2007 through February 28, 2009, the VR agency entered into third party cooperative arrangements with two area education agencies (AEA) to enhance business partnerships with the local school. The project, known as the X program, was established as a five-year arrangement – one year of research and study, three years of implementing school/business/postsecondary designs to improve the education program, and one year of evaluation to assess the effectiveness on student outcomes. The AEA, in turn, subcontracted with others to provide the actual services under the X program. The VR agency did not participate in the selection of X program staff or in setting the amount of time they would work. X program contractor's submitted receipts and invoices to the VR agency for payment. The VR agency treated a percentage of the total amount submitted for payment as "match" – expenditures paid from non-Federal sources, and, therefore, did not pay the X program contractors for that percentage amount. The VR agency paid the remaining costs with Title I VR funds.

The second year of the project required each AEA to address the following three implementation goals:

- All students will achieve critical skills;
- All schools will partner with community entities to provide supports for all students to achieve critical skills; and
- All students will successfully transition into postsecondary opportunities (work or education).

The VR agency terminated the X program arrangements during the third year of the 5-year contract. The state DOE took over responsibilities for the program effective February 28, 2009.

In order for the VR agency to use a third-party cooperative agreement for meeting all or part of the non-Federal share of VR program expenditures, it must satisfy the following requirements. First, it must be an agreement between the DSU and another state agency or other local public agency (34 CFR 361.28(a)). Second, the services provided by the cooperating agency must not be the customary services that agency typically provides. Instead, the services should be new services that have a VR focus or be modified and/or expanded with a VR focus (34 CFR 361.28(a)(1)). Third, the services provided by the cooperating agency pursuant to the agreement must be available only to VR program applicants and consumers (34 CFR 361.28(a)(2)). Fourth, the VR agency must maintain administrative supervision over the program expenditures and staff providing services pursuant to the cooperative agreement (34 CFR 361.28(a)(3)). Fifth, all State Plan requirements will apply to the services provided pursuant to the cooperative agreement (34 CFR 361.28(a)(4)). Finally, third-party in-kind contributions may not be used to satisfy the non-Federal share of program expenditures (34 CFR 361.60(b)(2)). In addition to these VR program requirements, the VR agency also must satisfy certain general fiscal requirements, including those set forth at 34 CFR 60.20(a) of EDGAR. In particular, this provision requires the VR agency to account for all program funds in a manner detailed enough that would allow the funds to be traced to a level of expenditures

to ensure that the funds were used in accordance with all federal and state requirements (34 CFR 80.20(a)(2)).

After discussing implementation of the X program agreements with the VR agency officials, and reviewing the X program Request for Proposal, AEA contracts and supporting documents, the VR agency monitoring documents, X program curriculum, and invoices with supporting documentation, RSA found that the X program third party cooperative arrangements failed to comply with 34 CFR 361.28, 34 CFR 361.60(b)(2), and 34 CFR 80.2 for the following reasons, and, thus may not be used by the VR agency for satisfying its non-Federal share requirements under the VR program:

a. The curriculum developed under the X program arrangements did not have a new or expanded VR focus as required by 34 CFR 361.28(a)(1). Instead, the curriculum focused on teaching students critical skills related to smoking, drinking, drug abuse, depression, suicide, online predators, eating disorders, and teen parenting.
b. The curriculum was not limited to individuals who were VR applicants or consumers as required by 34 CFR 361.28(a)(2). Instead, the third party cooperative agreements indicated that "all" students would be served through the X program curriculum.
c. The VR agency did not maintain administrative supervision of the expenditures or staff providing services pursuant to the X program agreements, as required by 34 CFR 361.28(a)(3). Instead, the AEA selected staff to provide the services and develop the curriculum, and determined how many hours those individuals would work. Furthermore, the AEA did not submit supporting documentation to the VR agency verifying the time spent providing services each month or the tasks completed. Instead, payments were made based on the number of hours submitted via fax to the VR agency each month. Additionally, RSA's review of relevant documents indicated that the X program budgets were often exceeded by the AEA without any supporting documentation submitted to the VR agency justifying the excess, or documenting that the VR agency was involved in the decision-making at that point.
d. The X program did not follow the VR agency's current order of selection as required by 34 CFR 361.28(a)(4). Instead, the X program curriculum, according to the cooperative agreement, was available to "all" students.
e. The self-developed time sheets of X program for state or local public agency staff failed to provide sufficient information that would allow the activities to be traced to the VR program as required by 34 CFR 80.20(a)(2), and thus chargeable to the third-party cooperative agreement. Without sufficient detailed supporting information, the activities and expenditures cannot be traced to the VR program adequately enough to determine whether all requirements have been satisfied.

Corrective Action: The VR agency must:

1.2 cease using third-party cooperative agreements to meet its non-Federal share of funding for the VR program if those agreements do not satisfy the requirements of 34 CFR 361.28;

1.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that all future third-party cooperative agreements will satisfy the requirements of 34 CFR 361.28; and

1.4 submit detailed fiscal data regarding the X program from its inception through February 28, 2009. Data must include all funds expended by all external and internal sources, including indirect and other administrative costs attributable to the X program. Please categorize the data submitted according to whether the funds are from federal or non-Federal sources.

Fiscal Findings

Focus Area – Fiscal Integrity of the VR Program

The examples below correspond to each of the fiscal areas described within the focus area.

Example 1: Maintenance of Effort (D1)

Legal Requirement:

- VR Program Regulations – 34 CFR 361.62

Finding: The DSU is not in compliance with federal regulations at 34 CFR 361.62(a)(1) that require a state's total expenditures for a fiscal year to equal or exceed the total expenditures for the fiscal year two years prior. To illustrate this concept, the DSU's non-federal expenditures under the VR program for FY 2009 must equal or exceed the agency's non-federal expenditures for the VR program in FY 2007. After reviewing the DSU's final SF-269 reports for FY 2009 (12/31/10) and FY 2007 (12/31/08), the DSU failed to satisfy its MOE requirement under the VR program in 2009 because its non-federal expenditures that year ($33,627,936) were $211,404 less than its non-Federal expenditures in FY 2007 ($33,839,340).

In accordance with 34 CFR 361.62(a)(1), RSA assessed a MOE penalty of $191,641 against the DSU's FY 2010 4th quarter VR award in June, 2010. At that time, this was the known MOE deficit based on RSA's review of the DSU's final FY 2007 SF-269 report and the DSU's FY 2009 6th quarter report (3/31/10) -- the latest report available at that time. Since that time, the DSU has submitted a final SF-269 report for FY 2009, which shows that some of the unobligated non-Federal obligations the DSU had counted towards its MOE obligation in prior reports were never liquidated. As a result, the DSU's MOE deficit for FY 2009, as compared to FY 2007, was actually $211,404 -- not $191,641, as assessed in June, 2010. Therefore, the DSU has an additional MOE penalty of $19,763 and RSA is required to recover those funds through an audit disallowance process (34 CFR 361.62(a)(2)).

Example 2: Establishment Projects – Match (D3)

Legal Requirements:

- VR program regulations at 34 CFR 361.60(b)(3) and 34 CFR 361.12

- EDGAR at 34 CFR 80.20(a)

Finding: The DSU has one establishment project with a private non-profit CRP that is in its fourth year. The DSU provides the Federal share of expenditures, as described in 34 CFR 361.5(b)(17)(ii), and the CRP provides the allowed non-federal share of expenditures. Periodically, the CRP submits an invoice to the DSU for payment of the federal share of expenditures as well as a check to cover the non-Federal share of expenditures. Rather than depositing the check into its VR account, as required by 34 CFR 361.60(b)(3), the DSU cashes the check and gives the money back to the CRP as a "working capital advance." When the DSU pays the amount due on the invoice, it only pays the federal share, 78.7 percent, of the expenditures.

Federal regulations require the DSU to deposit into its VR account any contributions made by private entities for purposes of meeting the State's non-Federal share of the expenditures for establishing a CRP (34 CFR 361.60(b)(3)(i)). The DSU also is required to have procedures in place to administer the VR program properly and efficiently and ensure that funds are accounted for accurately and able to be traced to a level to ensure they were expended in a manner that does not violate federal requirements (34 CFR 361.12 and 34 CFR 80.20(a)). In this case, the CRP – a private non-profit – provided the allowed non-federal share of expenditures to the DSU but the DSU did not deposit this check into its VR account as required by 34 CFR 361.60(b)(3). Instead, the DSU cashed the check and gave the money back to the CRP as an immediate cash advance for working capital. When the DSU paid the invoice submitted by the CRP, the DSU only paid the 78.7 percent allowed federal share. The problem here is that the DSU failed to comply with the required accounting procedures for these funds. The purpose of 34 CFR 361.60(b)(3) is for 100 percent of the expenditures for establishing a CRP to flow through the VR accounting system so that the funds can be traced to ensure that expenditures are allowable as audited through the State's audit process, and that the DSU can maintain sufficient administrative control over the expenditures to ensure the proper and efficient administration of the program. In this case, only 78.7 percent of the expenditures for the establishment of the CRP flowed through the DSU's accounting system, thus violating 34 CFR 361.60(b)(3), 34 CFR 361.12, and 34 CFR 80.20(a).

Example 3: Establishment (D3)

Legal Requirements:

- Rehabilitation Act at Section 101(a)(15)
- VR program regulations at 34 CFR 361.3, 361.4, 361.5(b)(9), 361.5(b)(17), 361.5(b)(18), 361.12, 361.13(c), 361.29, 361.35(a), 361.49, 361.60, 361.62(a), 361.64,
- EDGAR at 34 CFR 76.50, 76.701, 76.702, 76.707; 34 CFR 80.3, 80.20(a), 80.36(a), 80.40(a)
- OMB Circular A-87, Attachment A, Section C

Background: In late FY 2006, the DSU was concerned that it would not be able to satisfy its match or MOE requirements under the VR program that fiscal year. At the time, The DSU's records indicated that it would have a match deficit of $1,419,000 and a MOE deficit (as

compared to non-Federal expenditures in FY 2004) of $7 million. The DSU cited the following reasons for the decrease in non-Federal expenditures that year: 1) The DSU implemented initiatives to improve counselor efficiency and accountability, resulting in a caseload drop of 16 percent; and 2) The DSU aggressively pursued initiatives to move services to the private sector, resulting in reduced leased office space when the Association was out-sourced. In light of these non-Federal deficits, The DSU awarded "establishment grants" as a means of obligating the VR funds quickly and incurring sufficient non-Federal expenditures to satisfy both its match and MOE requirements prior to the end of FY 2006.

Since late FY 2006, the DSU for the VR program has entered into grant agreements with the Association to distribute VR funds to that entity. In turn, the grant agreements required the Association to use those funds to award subgrants to nonprofit community rehabilitation programs (CRPs), chosen by the DSU, to establish, develop, or improve CRPs pursuant to section 103(b)(2)(A) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and 34 CFR 361.49(a)(1). The grant agreements prohibited the CRPs from billing the DSU for the VR services provided under both a "fee for service" agreement and under these "establishment" agreements with the Association. Moreover, the grant agreements required the CRPs to refer to the DSU all individuals with disabilities who were potentially eligible for the VR program, so that the CRPs would provide VR services only to the DSU-eligible individuals under these grant agreements.

The grant agreements identify the DSU as the "State" and the Association as the "grantee." The DSU cited State Code (SC) 12-12-1-4.1(a)(2) and (3) as its authority to enter into these grant agreements:

> Sec. 4.1 (a): The bureau may do the following:
>
> (2) Contract with governmental units and other public or private organizations to provide any of the vocational rehabilitation services permitted or required by this article, SC 12-8-1-11, SC 12-9-6, and SC 12-11-6.
> (3) Provide or contract for the provision of other services that are consistent with the purposes of this article, SC 12-8-1-11, SC 12-9-6, and SC 12-11-6.

We note that the State Code provision refers to contracting for services, not awarding grants.

The DSU and the Association Subgrant:

The DSU and the Association entered into the initial grant agreement (EDS #49-07-VA-0365) on August 30, 2006, under which the DSU awarded approximately $6 million in VR funds to the Association "for eligible costs of the project or services, plus an amount not to exceed $179,999.95 for administrative costs." According to its terms, the initial grant covered the period of August 15, 2006 through September 30, 2007 (time period covers 13 months from late FY 2006 through FY 2007); however, neither the DSU nor the Association signed the grant agreement until August 30, 2006. The grant agreement's other signatories – State's Department of Administration, Office of Management and Budget, and Office of the Attorney General – did not sign the grant agreement until October 19, 2006, November 9, 2006, and November 20, 2006, respectively. The DSU identified four priority areas for these agreements: school-to-work

transition, corporate level job development, program innovation, and outreach to special populations. According to the Final Summary of the grants, submitted to the DSU by the Association, $4,252,660 (71 percent of the total $6,004,046 awarded) was expended or obligated at the end of FY 2007.

The parties amended the grant agreement in January 2007 (Amendment #1) "to add a service component for customized employment and increase funding by $385,000 to cover this service component." The parties amended the grant agreement again in September 2007 (Amendment #2) to provide a grant of $7 million in VR funds to the Association for a second year of funding, plus an amount not to exceed $210,000 for administrative costs. Amendment #2 extended the grant period to cover October 1, 2007 to September 30, 2008 (FY 2008). The DSU listed three priority areas for the FY 2008 agreement: school-to-work transition, return-to-work initiatives/beneficiary rehabilitation, and program innovation. According to the Final Summary submitted by the Association to the DSU, $1,029,903.58 was obligated to fund "new" subgrants and $5,647,265.47 was obligated to fund continuation subgrants, with a total of $6,676,265.47 obligated by the end of FY 2008.

The Association and CRP Subgrants:

In FY 2006, the Association and the CRPs executed 37 subgrants for the purposes of establishing, developing, or improving CRPs for the provision of VR services to the DSU consumers, pursuant to section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1). FY 2006 VR funds were used to award these subgrants, which ended September 30, 2007 (FY 2007). The subgrants required each of the CRPs to provide non-Federal expenditures equaling 21.3 percent of the total VR expenditures under the subgrants towards the DSU's non-Federal share requirement of the VR program.

In FY 2008, the Association and the CRPs executed 39 subgrants, which ended September 30, 2008 (FY 2008). The formal Request for Funding (RFF) announcement was sent to potential applicants on July 19, 2007, requesting proposals for "establishment" projects for the 12-month period from September 30, 2007, through September 30, 2008. According to the RFF, entities receiving a "new" subgrant in FY 2008 would be required to provide a 21.3 percent match, just as all subgrantees were required to do during the awards made the prior year. The RFF said that those CRPs receiving "continuation" grants would be required to provide match of 25 percent of staffing cost, pursuant to 34 CFR 361.5(b)(17)(ii), and 21.3 percent for non-staffing costs, pursuant to 34 CFR 361.60(b)(3)(i). Thirty of these subgrants were "continuation" grants for projects funded during the prior grant period (August 2006 through September 2007). Although the RFF indicated these continuation subgrants would be for "establishment" activities, the information RSA reviewed indicates that the DSU actually treated these "continuation" subgrants as "innovation and expansion" activities pursuant to section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35(a)(1) and, as such, the DSU did not collect non-Federal funds for match purposes under the VR program from these CRPs. The remaining nine "new" subgrants were awarded to establish, develop, and improve a CRP pursuant to section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), and these CRPs did provide the non-Federal expenditures for match purposes pursuant to 34 CFR 361.60(b)(3)(i). FY 2007 VR funds were used to award these 39 subgrants.

Finding: The DSU used VR funds, presumably under the establishment authority of section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), to expand and enhance the provision of VR services by CRPs at the local level. In turn, the DSU used non-Federal expenditures incurred by the CRPs towards meeting the DSU' non-Federal share obligation under the VR program. In addition, during the second year of funding to the CRPs, the DSU used VR funds, presumably under the innovation and expansion authority of section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35, to develop and implement innovative approaches to expand and improve the provision of VR services. RSA's review of the DSU and the Association grant, as well as the Association subgrants to the CRPs, revealed many fundamental flaws.

First, the DSU awarded these funds to the Association in FY 2006 and FY 2008 via a grant, rather than a contract. Neither Title I of the Rehabilitation Act nor its implementing regulations permit state VR agencies to subgrant VR funds to another entity, including the Association. Similarly, the Association, in turn, did not have the authority to further subgrant the VR funds to the CRPs. Therefore, all activities performed under the DSU-the Association grant agreement and the Association-CRP subgrant agreements are unallowable under the VR program. Because these were unallowable VR activities, non-Federal expenditures used for match and MOE purposes for these activities also are not allowable under the VR program.

Second, even if the DSU had awarded the funds to the Association pursuant to a contract rather than a grant, and subsequently had further subcontracted the funds to the CRPs, the DSU was not authorized to engage in "establishment" or "innovative and expansion" activities because it had not completed the requisite pre-planning for these activities. The activities were not allowable "establishment" activities because: 1) some of the entities receiving funds did not constitute CRPs; 2) most of the entities provided services to individuals who were not the DSU consumers; and 3) some of the services provided did not constitute VR services. Given that the activities were not allowable under the VR program for the reasons just described, non-Federal expenditures used for match and MOE purposes for these activities also are not allowable under the VR program.

Finally, even if the DSU had utilized the proper procedures to award these funds and satisfied all of the requirements for "establishment" and "innovation and expansion" activities, the DSU failed to maintain administrative control over the VR program. Despite the fact that the DSU had procedures in place to maintain some administrative control over the Association and CRP activities, the DSU delegated key responsibilities to the Association – some of which the VR regulations prohibit the DSU to delegate – and failed to monitor the Association and CRP activities sufficiently to ensure the proper and efficient administration of the VR program, and financial accountability for the expenditure of VR funds.

Each of these fundamental areas of non-compliance will be addressed separately below.

F. No Authority to Subgrant VR Funds

As described above, the DSU used state's grant procedures to award VR funds totaling $6 million in FY 2006 (to be used during late FY 2006 through FY 2007) and $7 million in FY

2007, plus additional amounts for administrative costs, to the Association (to be used in FY 2008). The grant agreements required the Association, in turn, to subgrant those funds to CRPs chosen by the DSU to establish, develop, or improve CRPs for the provision of VR services to the DSU consumers.

According to 34 CFR 76.50(b)(2), the authorizing program statute determines whether a state may subgrant its Federal funds. Neither Title I of the Rehabilitation Act nor its implementing regulations authorizes the DSU, the grantee in this case, to subgrant its VR funds to the Association or for the Association to further subgrant those funds to the CRPs. In contrast, where there is authority to subgrant, the program regulations will do so (see, for example, the authority to subgrant under Title VII of the Rehabilitation Act, which governs the state Independent Living Services Program, at 34 CFR 365.23). Therefore, the DSU failed to comply with 34 CFR 76.50 when it awarded VR funds through a subgrant to the Association, and in turn, required the Association to further subgrant the VR funds to the CRPs.

G. Inappropriate Sole Sourcing to the Association

Even if the DSU had used the state's procurement procedures to award VR funds to the Association via a contract, as required by 34 CFR 80.36(a), the DSU may not have followed its own state procedures when it awarded the funds to the Association on a sole source basis. Generally, state, as well as federal, procurement procedures emphasize the need for procurements to be conducted in a manner that provides full and open competition (see, e.g., 34 CFR 80.36(c)). Sole source procurements generally are only used when the goods or services purchased are necessary for the proper and efficient performance of the federal grant program, and are only available from a single source. The DSU claimed that it awarded the funds on a sole source basis because its historical relationship with the Association made that mechanism more expedient. Neither the DSU nor the Association argue that the Association had unique skills or qualifications to justify this sole source award. The nature of the administrative duties performed by the Association would not appear to justify the issuance of a sole-source award to that entity. RSA will need further information, particularly a copy of the state's procurement procedures, to determine the extent of the DSU's compliance with State's law regarding the awarding funds to the Association on a sole source basis.

H. Unallowable VR Activities – "Establishment" and "Innovation and Expansion"

"Establishment, development, or improvement of a CRP activities are designed to assist public or non-profit CRPs in providing VR services to the DSU consumers to help maximize their opportunities for employment, including career advancement (34 CFR 361.5(b)(9) and (17)). "Innovation and expansion" activities are those designed to expand and improve the provision of VR services to individuals with disabilities, especially those with the most significant disabilities (section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35(a)(1)). Even if the DSU had used the proper competitive procurement procedures to award the VR funds to the Association, and the Association had done the same with the CRPs, the DSU failed to comply with key requirements for the establishment, development, or improvement of a CRP, and for innovation and expansion activities, namely by failing to: 1) pre-plan sufficiently for these activities; 2) award "establishment" funds only to CRPs; 3) serve only VR consumers under the

"establishment" authority; and 4) provide only VR services. Given the DSU's failure to comply with these fundamental requirements, as described in more detail below, The DSU was not authorized to engage in these activities under the VR program.

3. Failure to Pre-Plan for "Establishment" and "Innovation and Expansion" Activities

Section 101(a)(15) of the Rehabilitation Act and 34 CFR 361.29 require that the DSU engage in substantial planning prior to starting "establishment" activities pursuant to section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), and "innovation and expansion" activities pursuant to section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35(a)(1). The DSU, together with its State Rehabilitation Council (SRC) must conduct an assessment of VR needs in the state every three years and include the results of that needs assessment in its State Plan (section 101(a)(15)(A) of the Rehabilitation Act and 34 CFR 361.29(a)). The assessment identifies the VR needs of individuals with the most significant disabilities and those from unserved or underserved populations, and includes a description of whether there is a need to establish, develop, or improve a CRP (section 101(a)(15)(A) of the Rehabilitation Act and 34 CFR 361.29(a)(1)). The DSU must use the results from its triennial needs assessment to develop goals and priorities for carrying out its VR program (section 101(a)(15)(C) of the Rehabilitation Act and 34 CFR 361.29(c)). The DSU must develop strategies for how it would address the identified VR needs within the state and achieve its goals and priorities, including those related to the establishment, development, or improvement of a CRP (section 101(a)(15)(D) of the Rehabilitation Act and 34 CFR 361.29(d)). None of the DSU's State Plans for FYs 2006 through 2008 contained information from the triennial needs assessment that identified the DSU's goals, priorities, and strategies for engaging in activities to develop innovative approaches to improve or expand the provision of VR services to individuals with disabilities, or for establishing, developing, or improving a CRP, as required by section 101(a)(15) of the Rehabilitation Act and 34 CFR 361.29. Without satisfying these requirements, the DSU could not use VR funds under section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35.

In addition to these State Plan requirements, the DSU must develop and maintain written policies covering the nature and scope of VR services that will be provided to groups of individuals with disabilities, including those involving the establishment, development, or improvement of CRPs (34 CFR 361.49(b)(1)). These policies also must set forth the criteria under which these services will be provided (Id.). The DSU policies that RSA reviewed did not meet these requirements. Given that the DSU failed to satisfy both the State Plan and policy development requirements, the DSU was not authorized to use VR funds under section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1) to establish, develop, or improve a CRP, or to engage in innovation and expansion activities pursuant to section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35.

4. Some Subrecipients Do Not Satisfy Definition of a CRP

In its RFFs, the DSU advertised that any private not-for-profit DSU or organization, or any public CRP was eligible to apply. While most of the entities that received VR funds under the Association subgrants had a history of providing VR services to the DSU consumers and met the definition of a CRP, as defined at 34 CFR 361.5(b)(9)(i), two entities (entity X and entity Y) did not meet the definition of a CRP and, therefore, should not have received VR funds pursuant to 34 CFR 361.49(a)(1).

For purposes of the VR program, a CRP is an entity that provides directly, or facilitates the provision of, VR services to enable individuals with disabilities to maximize their opportunities for employment (34 CFR 361.5(b)(9)(i)). This entity must be a DSU, organization, or institution, or unit of a DSU, organization, or institution, that provides directly or facilitates the provision of VR services as one of its major functions (34 CFR 361.5(b)(9)(ii)). According to the information RSA reviewed while on-site, as well as the information on the one entity's website, the entity is an advocacy organization that, among other things, promotes the mental health and recovery of all state citizens through educational programs to increase public understanding and acceptance of persons with mental illness and addiction disorders. Neither the first entity nor a unit within its organizational structure delivers VR services to individuals with disabilities. Similarly, there is no evidence that the second entity or a unit within its organizational structure provides direct VR services to individuals with disabilities. According to the information on the second entity's website, the entity is "the state's most well-respected and leading advocacy association for people with intellectual and other developmental disabilities and their families." Neither entity of the state meets the definition of a CRP pursuant to 34 CFR 361.5(b)(9), and, therefore, should not have received VR funding pursuant to 34 CFR 361.49(a)(1).

5. Subrecipients Served Non-VR Consumers

As discussed earlier, CRPs receiving VR funds to establish, develop, or improve a CRP pursuant to 34 CFR 361.49(a)(1), must use those funds to serve only the DSU consumers and applicants. The RFFs issued in July 2006 and July 2007 did not require the CRPs to use the VR funds received under the Association agreements to serve only the DSU applicants or consumers. Instead, the RFFs merely required the CRPs to ensure that "all persons served under this grant should potentially meet [VR] eligibility requirements" (FY 2006 RFF, page 7). The CRPs also were required "to refer those potentially eligible persons to local [the DSU] VR offices" (Id.). However, the RFFs did not require the CRPs to make those referrals to the DSU prior to providing any services.

Nearly all of the 37 projects funded under the initial Association agreement (August 2006 through September 2007) and the 39 agreements funded during the second year (October 2007 through September 2008) served individuals who were not the DSU VR applicants or eligible individuals at the time of service, and many CRPs served individuals who were never referred to the DSU. According to the results of the Association's tracking of program and fiscal information for all projects funded: 1) none of the CRPs funded were designed to serve only the DSU VR applicants or eligible individuals; and 2) most projects served more individuals than were referred to the DSU.

RSA found similar results when reviewing the Association's tracking of projects funded during FY 2008.

During on-site monitoring, RSA found only one CRP that appeared to have ensured that all 11 individuals served had been determined eligible for the DSU VR services, as required by 34 CFR 361.49(a)(1) and 34 CFR 361.5(b)(17). The other CRPs indicated to RSA that an individual's status as a VR applicant or eligible consumer was not a consideration or requirement for service by the CRPs. For example, the CRP (identified in the list above) did not collect any documentation regarding whether the 523 inmates it served in its pre-release classes had a disability; none were clients of the DSU's VR program. Another example is the first entity project, which used its VR subgrant to serve employers – not the DSU consumers or applicants. For this reason, the DSU failed to comply with the requirement that VR funds, used to provide VR services pursuant to the "establishment" authority of 34 CFR 361.49(a)(1), must be provided solely to the DSU VR consumers.

6. Some Subrecipients Provided Non-VR Services

While many of the CRPs receiving VR subgrants from the Association provided VR services to at least some VR consumers and applicants as required by 34 CFR 361.49(a)(1) and 34 CFR 361.5(b)(17)(i), some subrecipients did not provide VR services at all. For example, entity 1 used the VR funds it received under the DSU's "establishment" authority to develop training materials for employers about employing individuals with mental illness and traumatic brain injury. Entity 2 used the VR funds it received under the DSU's "establishment" authority to engage in outreach to minority communities. These services would have been allowable had the DSU contracted with these two entities to provide these same services under other authorities, such as 34 CFR 361.49(a)(4) and (6), which permit the DSU to provide services that benefit groups of individuals with disabilities who may or may not be the DSU consumers. However, the DSU had no basis to engage in these activities under the "establishment" authority of 34 CFR 361.49(a)(1), and the DSU failed to comply with the requirement that the services provided under the "establishment" authority be VR services provided to the DSU consumers.

I. Unallowable Source of Non-Federal Expenditures for Match and MOE Purposes

The DSU's agreement with the Association required the Association to subgrant VR funds to CRPs for establishing, developing, or improving a CRP in accordance with 34 CFR 361.49(a)(1). The DSU used non-Federal expenditures equaling 21.3 percent of the total expenditures under those agreements towards satisfying its non-Federal share requirement under the VR program. During the second full year of the agreement FY 2008), the Association awarded "new" subgrants under this same authority, but awarded "continuation" subgrants for the purpose of implementing innovative approaches to the VR service delivery system in accordance with 34 CFR 361.35. The 30 CRPs receiving continuation awards did not put up non-Federal expenditures towards the DSU's match requirement under the VR program. However, the 9 CRPs receiving "new" grants in FY 2008 for purposes of establishing, developing, or improving

a CRP, were required to provide non-Federal expenditures towards the DSU's match requirement under the VR program.

As described above, the DSU failed to comply with essential requirements for both the "establishment" activities under 34 CFR 361.49(a)(1) and "innovation and expansion" activities under 34 CFR 361.35. As such, the DSU was not authorized under the VR program to engage in these activities in FYs 2006 through 2008. Non-federal expenditures used for satisfying VR match and MOE requirements must be for allowable expenditures under the VR program, which include expenditures for the cost of providing VR services and the cost for administering the VR program (34 CFR 361.3, 34 CFR 361.60(b)(1), and 34 CFR 361.62(a)). The allowable expenditures must be consistent with the cost principles set forth in OMB Circular A-87, Attachment A, Section C. In this case, because the DSU was not authorized to provide these services under the State Plan for FYs 2006 through 2008, non-federal expenditures incurred for these expenditures during that time period may not be used for match or MOE purposes under the VR program. Even if the DSU had used the proper competitive procurement procedures to award these funds via contracts and had complied with all preplanning requirements, the DSU still allowed the Association subrecipients to provide services, pursuant to the "establishment" authority, that were not considered VR services, and to individuals who were not the DSU VR consumers.

J. Failure to Maintain Control Over the VR Program

Even if the DSU had properly contracted with the Association and the CRPs to provide certain VR services, The DSU would still be responsible for the proper and efficient administration of the VR State Plan, for carrying out all functions for which it is responsible, and for ensuring accurate data collection and financial accountability of the VR program (34 CFR 361.12). In addition, the DSU, as the DSU for the VR program, would be responsible for maintaining control over certain key functions of the VR program. When the DSU inappropriately "granted" portions of the VR program to the Association, it failed to maintain the administrative and financial control of large aspects of the VR program, as required by 34 CFR 361.12.

1. The DSU Relinquished a Non-Delegable Function

The VR regulations require the DSU, as the DSU for the VR program, to retain sole responsibility for certain functions, including the allocation and expenditure of VR funds (34 CFR 361.13(c)(iv)). Even if the DSU had the authority to subgrant VR funds, the DSU would not have had the authority to delegate to the Association the authority to allocate VR funds to the CRPs.

2. Failure to Monitor VR Program Activities

The DSU agreement with the Association stated that the DSU may conduct monitoring reviews of the project, and such reviews would include a detailed analysis of actual expenditures and conformity with amounts for each budget line item (section 4, page 1 of initial agreement). In addition to these fiscal monitoring reviews, the initial agreement also stated that the DSU would approve all claims for the Association services and reimbursements, and would conduct quarterly grant reviews, on-site field reviews, and year-end grant close-out reviews (Exhibit I, Section B). However, despite meeting with

the Association and the CRPs quarterly, the DSU did not monitor any of these entities to verify the accuracy of reported expenditures for which these entities received reimbursement. The Association, on the other hand, was responsible for: awarding subgrants to successful applicants; making payments to grantees after reviewing documentation of the approved outcome or deliverable; ensuring non-Federal expenditures (required match) accompany the requests for payments; maintaining auditable grant files; and providing quarterly financial reports to the DSU on all subgrant activities (Exhibit I, Section C). The Association also was responsible for reviewing the mathematical accuracy of invoices received from subgrantees and preparing a spreadsheet to track (or compare) budget line-items and total (to-date) payments to each subgrantee against the approved project budget and total subgrant amount authorized.

Even if the DSU had the authority to subgrant VR funds, Federal regulations at 34 CFR 80.40(a) require the DSU to manage the day-to-day operation of grant-supported activities. In fulfilling this requirement, The DSU is responsible for monitoring all grant-supported activities to ensure compliance with Federal requirements and that performance goals are achieved. However, the DSU inappropriately delegated these responsibilities to the Association. While RSA noted that the DSU met with the Association and the CRPs quarterly, the DSU did not monitor their activities nor did it verify whether the entities were providing the services to which they agreed to perform. For these reasons, even if the DSU had the authority to subgrant funds, the DSU would have failed to comply with 34 CFR 80.40.

3. Failure to Implement Sufficient Internal Controls

In maintaining administrative control over the VR program, the DSU also must directly administer or supervise each project funded under the grant (34 CFR 76.701). The DSU's fiscal controls and accounting procedures must be sufficient to, among other things, permit the tracing of funds to a level of expenditure adequate to ensure that the funds were expended in a manner consistent with Federal requirements (34 CFR 80.40(a)). In addition, the DSU's fiscal controls and financial accounting procedures must be sufficient to ensure proper disbursement and accounting of all Federal funds (34 CFR 76.702).

Even if the grant agreements between the DSU, the Association, and the CRPs were valid, the DSU had no system in place to ensure that the expenditures invoiced were actually incurred or that the DSU was receiving the services identified in those agreements. The DSU, not the Association, would have had to perform the program administration functions associated with the activities under these agreements, pursuant to 34 CFR 361.12 and 34 CFR 76.701. Furthermore, the DSU would have had to review the invoices, as well as supporting documentation for those invoices, to ensure the accuracy of the invoices and that the providers actually rendered the services claimed. Only through these actions could the DSU have ensured that the VR funds were expended properly, efficiently, and in compliance with Federal requirements, pursuant to 34 CFR 361.12, 34 CFR 76.701, and 34 CFR 80.20(a).

Example 4: Monitoring Grant Activities (E2)

Legal Requirements:

- VR Program Regulations - 34 CFR 361.12
- EDGAR - 34 CFR 80.20(a)
- EDGAR - 34 CFR 80.40(a)

Finding: The DSU is not in compliance with federal regulations at 34 CFR 80.40(a) that require grantees to be responsible for managing daily operations of grant supported activities, and 34 CFR 361.12 and 34 CFR 80.20(a) that require states to have procedures that ensure financial accountability. Contracts that the DSU enters into with CRPs, and individual vendor agreements, constitute grant supported activities and must be monitored by the DSU to ensure compliance with applicable federal requirements and that performance goals are achieved.

- As the recipient of federal funds, the DSU is required to monitor and manage the daily operations of all grant-supported activities (34 CFR 80.40(a)). The DSU has entered into contractual agreements with CRPs to provide services to its consumers. The contracts identify the services the entity is approved to provide, as well as the hourly rate for service provision, including a maximum amount of the contract. During the on-site monitoring visit, RSA discussed the contracts with agency staff, and CRP staff, and learned that the agency does not have procedures in place to monitor the contracts.
- The DSU also has agreements in place with individual vendors to provide services to consumers, including job development and job coaching. Further discussions with agency staff disclosed that the DSU does not have procedures in place to monitor the activities of these individual vendors.
- Furthermore, the DSU's financial participation as a mandatory partner at the 15 One-Stop Career Centers is based upon the DSA's cost allocation plan. Since the One-Stop Career Centers have only the two partners, the DSU and DSA, that are part of the same agency, they have not developed a description regarding the allocation of shared costs related to the operation of the One-Stop Career Centers. Instead, the agency relies upon the DSA's cost allocation plan and budget, which identifies partner costs based upon biweekly FTE hours tracked for each partner. DSA staff were able to identify charges and vendors, but were unable to demonstrate what specific services the funds purchased. As a result, the DSU is not able to effectively monitor the shared costs of the One-Stop Career Centers.

Overall, the DSU does not have procedures in place to monitor the services provided: 1) through the CRP contracts that provide services to the DSU's consumers, 2) individual vendors, or 3) One-Stop Career Centers to ensure that funds expended were for allowable services to eligible consumers of the VR program. As a result, the DSU has not monitored the activities under the contracts, individual vendors, or One-Stop Career Centers as required by 34 CFR 80.40(a), to ensure that grant-supported activities comply with applicable federal requirements, and that performance goals are achieved.

Example 5: Monitoring of Provider Contracts (E2)

Legal Requirements:

- VR program regulations at 34 CFR 361.12

- EDGAR at 34 CFR 80.20(a) and 80.40(a)

Finding: The DSU's Monitoring Unit is responsible for monitoring, per the DSU's own policies and procedures, its CRPs at least once every four years. The DSU policies and procedures clearly define the monitoring process, both for financial and programmatic functions, and the DSU staff document their monitoring activities. While on-site, RSA reviewed 10 of the DSU monitoring reports of various CRPs and noted similar findings were made for each of them, primarily involving improper invoices for consumer services. In each of those monitoring reports, the DSU required the CRPs to submit corrected invoices. In each instance, the CRPs submitted corrected invoices, but also continued to make the same mistakes with other invoices. The DSU did not ensure that the inaccuracies were fixed on a systemic level. Furthermore, RSA noted that the findings against the CRPs also raised concerns with the processing of those invoices by the DSU's own staff. For example, RSA noted:

6. The CRPs routinely submitted incorrect or incomplete invoices for services provided. Many of the invoices lacked necessary information, such as the dates services were provided, consumer social security numbers, costs of the services, and the provider signatures. In addition, some of the invoices contained no purchase order number or did not correspond to the correct purchase order number. Finally, some files contained evidence that purchase orders were issued after the services were provided.
7. The DSU counselors and technicians routinely approved payments to be made despite the fact that the invoices were incomplete or incorrect and without knowing that the services were actually rendered as charged. Furthermore, there were times when the counselors and technicians approved payments for services without taking into account the discounts required by the DSU, thus resulting in an overpayment for those services.

Federal regulations require the DSU to have procedures in place so that it can administer the VR program and carry out all required functions properly and efficiently (34 CFR 361.12). These procedures must enable the DSU to ensure accurate financial accountability for the VR program (Id.). In particular, the DSU must have fiscal controls in place that enable it to expend and account for VR funds to such a degree that it can trace the funds for each activity to ensure that the funds were expended in accordance with Federal requirements (34 CFR 80.20(a)). In addition, the DSU is required to monitor and manage the day-to-day operations of all grant-supported activities (34 CFR 361.40(a)). The VR services provided by CRPs under contract with the DSU constitute grant-supported activities and must be monitored by the DSU to ensure they comply with all Federal requirements.

The DSU has established and implemented monitoring procedures, as required by 34 CFR 80.40, to ensure that grant-supported activities, such as those by the CRPs, comply with federal requirements. These monitoring activities, including the corrective actions imposed, are well-documented by the DSU staff. However, the DSU does not follow through with the CRPs to ensure that the corrective actions (namely complete and accurate invoices) are implemented systemically so the problem does not recur, and, as a result, the CRPs continue to submit incomplete and inaccurate invoices for services rendered. The DSU's failure to follow through to ensure the CRPs implement systemic corrective actions violates its responsibility to ensure compliance of all grant-supported activities, as required by 34 CFR 361.40. In addition, the

DSU has failed to implement appropriate internal procedures to ensure that its own counselors make payments only for verified services submitted via complete and accurate invoices. The DSU's failure to have these procedures in place constitutes a failure to comply with 34 CFR 361.12 and 34 CFR 80.20, because these lack of procedures make it impossible for the DSU to ensure that it administers the VR program properly and efficiently and that it maintains accurate fiscal accounting of VR funds. The continued failure by the DSU counselors to reject and not pay on the inaccurate or incomplete invoices, compounded the systemic problem of the CRPs continuing to submit inaccurate or incomplete invoices despite being told to submit corrected invoices.

Example 6: Application of Indirect Cost Rate (E3)

Legal Requirements:

- VR program regulation 34 CFR 361.12
- EDGAR regulation 34 CFR 80.20(a)
- OMB Circulars 2 CFR 225, Appendix A and Appendix E

Finding: The DSU is not in compliance with OMB Circular A-87, Attachment A, sections C.3.b and F.1, and Attachment E, section C.3, because in FY 2009 it failed to apply the indirect cost rate (IDCR) to the correct base identified in the indirect cost proposal (IDCP) approved by the U.S. Department of Education (ED), pursuant to 2 CFR part 225, Appendix E, section E.1 (formerly known as OMB Circular A-87, Attachment E, section E.1). The quarterly SF-269, for reporting end date June 30, 2010, submitted by the DSU indicates that the DSU applied the approved IDCR to a base of $9,985,462 -- rather than a base of $5,731,746, as approved in the DSU's IDCP.

The DSU submits an annual IDCP to ED, pursuant to 2 CFR 225, Appendix E, section D.1.b. ED uses that IDCP to generate an approved IDCR for the DSU. When applied as approved by ED, the IDCR ensures that indirect costs are applied in an equitable manner across different programs. The ED-approved FY 2009 IDCP for the DSA, which includes the DSU's actual FY 2007 expenditures of $14,194,233, identified the approved indirect cost base as $5,731,746. The indirect cost base is the accumulated direct costs used to distribute indirect costs to individual Federal awards. Of the $14,194,233 in actual expenditures that year, it was determined that $5,731,746 were not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Therefore, the amount of these expenditures ($5,731,746) is the base of costs subject to the indirect cost rate. The FY 2009 IDCR approved by ED was a fixed rate with carry-forward, meaning that costs may fluctuate and could lead to an increase in the base.

Upon reviewing the DSU's SF-269 for reporting period ending June 30, 2010, RSA noticed that the DSU had applied the approved IDCR to a base of $9,985,462 – not the $5,731,746 base approved by ED. However, because ED had approved the IDCP as a fixed rate with carry-forward, RSA requested additional information from the DSU to determine whether the agency's FY 2009 expenditures had increased to such an extent that would explain the fact that the base used by the DSU was more than double that approved by ED. In applying the IDCR to the

incorrect base of $9,985,462, the DSU reported $540,000 in indirect costs as being charged against VR funds, rather than the approximately $310,000 in indirect costs that should have been charged to the VR program had the DSU applied the IDCR to the base from the ED-approved IDCP. Therefore, Federal funds were used to pay approximately $230,000 more in indirect costs in FY 2009 than was approved by the IDCP. Given that the DSU has not submitted information that justifies the use of $9,985,462 as a base, it is clear that the DSU failed to comply with OMB Circular A-87, Attachment E, section C.3 by not applying the IDCR to a base that is based on actual conditions. Furthermore, in failing to apply the IDCR correctly to the approved IDCP, the DSU failed to comply with 34 CFR 361.12 and 34 CFR 80.20, which require the DSU to administer the VR program in such a manner that ensures the proper and efficient administration of the program and fiscal accountability. By not charging the rate to the correct base amount, the DSU used $230,000 more in Federal funds than it should have, resulting in improper expenditures under the VR program.

Example 7: Drawdown and Cash Management (E4)

Legal Requirements:

- EDGAR - 34 CFR 80.20(a), 80.21(b) and (i), and 80.50(d)(2)
- Department of Treasury Regulations - 31 CFR 205.33

Finding: The DSU 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 US Department of Education (Department) for its VR grant funds and the DSU's payout of funds for federal assistance program purposes nor did it limit the transfer of funds to the amount required to meet the DSU's actual and immediate cash needs.

RSA reviewed documents submitted related to the drawdown and expenditure of VR funds. The listing of expenditures provided by the accounting manager from the DSA, who effects the draw downs of DRS's federal funds, showed expenditures of a lesser amount than the amount drawn from the Department's G5 system for FY 2009 and FY 2010.

Furthermore, the DSU is not in compliance with 34 CFR 80.50(d)(2) because it did not immediately refund unobligated VR funds for FY 2009 that it had drawn down to the Department at the closeout of the grant period. By not complying with these requirements, the DSU also did not satisfy the regulations at 34 CFR 80.20(a) that require 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 the DSU show that, under the VR program, the DSU drew down more grant funds than it expended. The Department's drawdown reports do not indicate that the DSU returned any of the unused funds to the U.S. Treasury. Furthermore, after the conclusion of the on-site review, staff from the DSA contacted RSA requesting information on how to return FY 2009 federal funds to the Department.

In FY 2009 and FY 2010, the DSU drew down more VR funds than it reported expending on the program. Further, when the draw downs are compared with expenditures on a quarter-to-quarter basis, the amount drawn down is as much as four times greater than expenditures for those periods.

The tables below compare the amounts of the quarterly draw downs, compiled from the Department's G5 system, with the quarterly federal funds draw downs reported in the DSU's financial reports. The DSU, through DSA staff, did not provide sufficient documentation, such as the daily expenditure reports requested, to demonstrate that the draw downs may have represented timing differences for valid VR expenditures.

Table 6.2
DSU Monthly Drawdowns Compared to Reported Expenditures for FY 2009

Date	Draw Downs Per G5 Net of Returns	Federal Expenditures Reported per Latest SF-269	Difference between Funds Drawn and Funds Reported as Expended
12/31/2008	$10,300,622	$15,139,852	$4,839,230
03/31/2009	$34,157,671	$26,330,982	($7,826,689)
06/30/2009	$42,744,694	$38,331,536	($4,413,158)
09/30/2009	$65,571,137	$13,271,395	($52,299,742)
12/31/2009	$57,222,070	$20,939,130	($36,382,940)
03/31/2010	$44,550,579	$26,330,932	($18,219,647)
06/30/2010	$49,521,575	$38,331,536	($11,190,039)
09/30/2010	$55,909,759	$76,390,067	$20,480,308
12/31/2010	$76,490,241	$76,379,991	($110,250)

Table 6.3
DSU Monthly Drawdowns Compared to Reported Expenditures for FY 2010

Date	Draw Downs Per G5 Net of Returns	Federal Expenditures Reported per Latest SF-425	Difference between Funds Drawn and Funds Reported as Expended
12/31/2009	$55,073	$55,073	$0
03/31/2010	$18,747,122	$15,748,122	($2,999,000)
06/30/2010	$42,508,860	$39,509,947	($2,998,913)
09/30/2010	$49,922,624	$12,875,328	($37,047,296)
12/31/2010	$45,712,638	$20,658,622	($25,054,016)
03/31/2011	-	$23,832,127	
06/30/2011	$46,740,314	$45,200,796	($1,539,518)

Example 8: Federal Program Income Disbursement (E5)

Legal Requirement:

- EDGAR - 34 CFR 80.21(f)(2)

Finding: The DSU is not in compliance with 34 CFR 80.21(f)(2) which requires grantees to disburse program income prior to requesting additional cash payments. This means that the DSU must disburse all program income prior to requesting a drawdown of additional federal VR funds. The DSU budgeted a portion of the program income received to case services through the electronic case management system. These funds were budgeted, but not expended, prior to the subsequent drawdown of additional federal VR funds. As a result, the DSU drew down additional federal VR funds to cover expenditures while program income remained available for disbursement.

To verify this finding, RSA staff compared the amount of funds drawn down by the DSU, through the Department of Education's G5 Grant's Management System, with the amount of program income funds available for expenditure through the VR counselor's case service budget. The results of the comparison clearly showed that the DSU, on multiple occasions, had drawn down additional federal VR funds while there was a positive balance of undisbursed program income available. For example, the Case Service Allotment Expenditure Report for March 2011 showed that $62,302.69 was expended in VR Social Security Reimbursement (program income) between 3/1/11 and 3/31/11. During the first week of March 2011, the DSU drew down $165,310 in cash payments through G5, the Department of Education's Grant Management System. At the time of the drawdown, there was allotted program income that had not been expended.

Example 9: Assigning Personnel Costs – VR Program (E6)

Legal Requirements:

- VR Program Regulations - 34 CFR 361.3
- VR Program Regulations - 34 CFR 361.12
- EDGAR - 34 CFR 80.20(a)
- Cost Principles - 2 CFR 225, Appendix B

Finding: The DSU is not in compliance with federal regulations at 34 CFR 361.3, 34 CFR 361.12, and 34 CFR 80.20(a) that require VR funds to be used solely for the provision of VR services or for the administration of the VR program, that state agencies are responsible for financial accountability, and that procedures must be in place to ensure expenditures are traceable and compliant with federal statutes. Additionally, the DSU has not complied with 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5, that require employees working on multiple cost objectives to maintain personnel activity reports (PARs) or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee.

To constitute an administrative cost under the VR program, expenditures 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 of non-VR programs (i.e. the OIB and Welfare programs) do not constitute VR administrative costs because they do not arise from the performance of administrative functions for the VR program. Therefore, non-VR related expenditures are not allowable under the VR program, pursuant to 34 CFR 361.3, and may not be paid for with VR funds.

RSA requested documentation to support the costs of a sample of staff splitting time across multiple cost objectives. The DSU provided timesheets for all the staff in the sample indicating the amount of time charged to each cost objective, but only one PAR for one individual. A review of the documentation and further discussion with agency staff revealed not all staff utilize PARs to track their time spent working on each cost objective, especially in the northern section of the state, as required in 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5. Their personnel costs do not reflect an after-the-fact distribution of the actual activity of each employee. The practice of charging non-VR personnel costs to the VR program is not in accordance with the cost principles outlined in 2 CFR 225, 34 CFR 361.3, 34 CFR 361.12, and 34 CFR 80.20(a).

Example 10: Inaccurate Financial and Statistical Reporting (E7)

Legal Requirements:

- VR Program Regulations at: 34 CFR 361.12 and 34 CFR 361.63
- EDGAR at: 34 CFR 76.702, 34 CFR 76.720, and 34 CFR 80.20(a)

Finding: While monitoring on-site, RSA identified several areas of concern with the financial and statistical reports submitted by the DSU.

<u>Program Income:</u>
Since FY 2003, the DSU has submitted revised SF-269 reports showing substantial increases – in all but one year – in the reported program income amount for the VR program as compared to the amount reported on the 4th quarter SF-269 (dated September 30) for each fiscal year. In FY 2004, the revised SF-269 showed a significant decrease in program income reported for the VR program as compared to the amount reported on the 4th quarter SF-269 for that year (see Table 3.2 for actual reported program income amounts). While the revised reports may show changes in various fiscal categories reported by the DSU due to the cancellation or liquidation of obligations, the program income amount reported should not change after the end of the 4th quarter of the Federal fiscal year because program income is considered earned in the year it is received (34 CFR 361.63(c)(1)). Revised SF-269s, submitted after the 4th quarter report (dated September 30), therefore, should not show changes in the program income calculation except to correct math errors. While on-site, RSA reviewed the DSU's accounting records and determined that the increased or decreased amount of reported program income in the revised SF-269s for each of the affected fiscal years actually was the result of program income being reported for the wrong fiscal year. In other words, the DSU revised SF-269s to include program income earned in the next Federal fiscal year, but reported it as earned in the prior Federal fiscal year.

The DSU must establish procedures to ensure the proper and efficient administration of the VR program, and these procedures must ensure accurate data collection and financial accountability (34 CFR 361.12). These fiscal controls also must ensure proper disbursement and accounting of Federal funds (34 CFR 76.702). Furthermore, these accounting procedures must be sufficient to permit the DSU to prepare required reports and trace expenditures to a level to ensure that the funds were not used in violation of Federal requirements (34 CFR 80.20(a)). The DSU must submit its reports at the quality level required by the reports (34 CFR 76.720(c)(1)). In this case, the DSU did not have procedures in place to account for its program income properly so that they could be reported accurately in the year earned (the year received). As a result, the DSU has consistently submitted inaccurate financial reports that required substantial revisions to correct the errors. The DSU's failure to report program income accurately – in the Federal fiscal year received, as required by 34 CFR 361.63(c)(1) – violates Federal requirements to account for and report funds accurately at 34 CFR 361.12, 34 CFR 76.702, 34 CFR 376.720, and 34 CFR 80.20.

Table 3.2
The DSU Program Income: FYs 2003 through 2008

FY	Year-End SF-269	Final/Latest SF-269	Difference
2003	15,936,904	21,130,604	(5,193,700)
2004	18,684,191	15,298,354	3,385,837
2005	11,196,373	12,457,216	(1,260,843)
2006	11,140,020	12,252,706	(1,112,686)
2007	11,614,760	12,401,559	(786,799)
2008	9,261,429	12,565,085	(3,303,656)

Lack of Support for Unliquidated Obligations Results in Failure to Satisfy Match Requirements: For the past several years, THE DSU has included the following unliquidated obligations on year-end SF-269s submitted to RSA:

- FY 2004 - $19,414,360
- FY 2005 - $20,303,713
- FY 2006 - $23,291,163
- FY 2007 - $28,251,390
- FY 2008 - $31,463,173

The DSU did not have supporting documentation, such as schedules or listings, for these unliquidated obligations to verify their accuracy prior to submitting the SF-269s for those years. The DSU used the non-Federal share of these unliquidated obligations (21.3 percent) to meet VR program match, MOE, and carryover requirements applicable to each grant year. While conducting on-site monitoring, RSA reviewed the DSU's financial records and determined that some of the unliquidated obligations were reported in error. As a result, for many of those years, the DSU had thought it had fully utilized its Federal VR grant allotment and had provided sufficient non-Federal expenditures for satisfying its match and MOE obligations under the VR program when in fact it had not. Because of the lack of supporting documentation, The DSU did

not realize, until the records were reconstructed during RSA's on-site review, that it had not incurred sufficient unliquidated obligations in FYs 2007 and 2008 to fully utilize the Federal VR allotment and, furthermore, had not provided sufficient non-Federal unliquidated obligations to carryover those funds to the next fiscal year. Consequently, the DSU forfeited the ability to carry over Federal funds and those funds should now be returned to the Treasury. For example:

- In FY 2007, the DSU submitted a year-end SF-269 reflecting that sufficient non-Federal expenditures and obligations had been made to utilize the entire VR program Federal allotment of $271,452,802, and $5,682,196 in additional funds received through the reallotment process, with no Federal funds available for carryover. RSA's review revealed that the FY 2007 SF-269 was incorrect; The DSU in fact had a balance of $1,141,584 in unobligated federal funds that year. The DSU had not been aware that these Federal funds were no longer available for the DSU's use since the obligation period had long since passed.

- In FY 2008, the DSU submitted a year-end SF-269 reflecting that sufficient non-Federal expenditures and obligations had been made to utilize the entire VR program Federal allotment of $275,593,209, and $558,806 in additional funds received through the reallotment process, with no Federal funds available for carryover. RSA's review revealed that the FY 2008 SF-269 was incorrect; The DSU in fact had a balance of at least $15,280,454 in unobligated Federal funds that year. At the time of this report, the DSU's fiscal staff was continuing to verify the financial records from FY 2008. Therefore, the full extent of the loss of Federal funds is not yet known. However, the DSU had not been aware that at least $15,280,454 in FY 2008 Federal funds was no longer available for its use since the obligation period had long since passed.

In addition to the inaccurate SF-269s, it became apparent during RSA's review that the DSU's RSA-2 forms submitted for FY 2004 through FY 2008 also are inaccurate. The RSA-2, which includes detailed information about expenditures and obligations incurred during any given fiscal year, could not be reconciled with the SF-269s for the same periods. The DSU did not have supporting documentation to verify the amounts reported on the RSA-2s for FYs 2007 and 2008.

Federal regulations require the DSU to have procedures in place to account for Federal funds properly and efficiently, and to a level to ensure that expenditures were not made in violation of Federal requirements (34 CFR 361.12, 34 CFR 76.702, and 34 CFR 80.20(a)). The DSU also must have procedures in place to ensure the accurate preparation of required reports (34 CFR 76.720 and 34 CFR 80.20(a)(2)). The DSU has consistently submitted inaccurate RSA-2s and SF-269s that have required substantial revisions to correct. The DSU's lack of supporting documentation or work papers to verify its expenditures and obligations has revealed that the DSU does not have the required procedures in place to properly account for its Federal funds. As a result, the DSU has unknowingly forfeited millions of VR grant funds which could have been avoided had it maintained the necessary documentation to verify its expenditures and obligations. The DSU's repeated submission of inaccurate reports and its lack of procedures to account for funds properly violate 34 CFR 361.12, 34 CFR 76.702, 34 CFR 376.720, and 34 CFR 80.20.

APPENDIX C

VOCATIONAL REHABILITATION PROGRAM

FEDERAL FY 2011 MONITORING AND TECHNICAL ASSISTANCE GUIDE

Third-Party Cooperative Arrangements Review Instrument

Introduction

Historically, some vocational rehabilitation (VR) agencies have used sources of match other than state general revenue fund appropriations directed to the designated state unit (DSU) to meet match requirements and capture federal VR program funds. Such matching funds can come from a variety of sources. The use of funds other than state general revenue fund appropriations to the DSU is allowable under the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and there are specific statutory requirements pertaining to the use of such funds. Review of data as well as historical use suggests that the most used sources of alternative match include the use of local funds to create third party cooperative arrangements (TPCA), the focus of this review tool. The federal regulations lay out the requirements for TPCAs 34 CFR 361.28. The regulations at 34 CFR 361.28 read as follows:

(a) The designated state unit may enter into a third party cooperative arrangement for providing or administering vocational rehabilitation services with another state agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated state unit ensures that--
    (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a vocational rehabilitation focus or existing services that have been modified, adapted, expanded, or reconfigured to have a vocational rehabilitation focus;
    (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated state unit;
    (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated state unit; and
    (4) All State Plan requirements, including a VR agency's order of selection, will apply to all services provided under the cooperative program.

(b) If a third-party cooperative agreement does not comply with the statewideness requirement in §361.25, the state unit must obtain a waiver of statewideness, in accordance with §361.26.

I. The Cooperating Agency Must Furnish All or Part of the Non-Federal Share

The first requirement for TPCAs is that the third-party cooperating agency is a public agency that furnishes all or part of the non-Federal share. See 34 CFR 361.28(a). The cooperating agency must be a state or local public agency, as defined under 34 CFR 77.1 and required under the VR regulations at 34 CFR 361.28. TPCAs cannot be developed with private non-profit or for-profit entities.

The following questions may be helpful:

1. Is the cooperating agency a state agency or other public agency?
2. Is the cooperating agency furnishing all or part of the non-Federal share for that particular TPCA?

NOTE: If the answer to the above questions is NO, the TPCA is not in compliance with the requirements of §361.28 and §77.1.

3. What is the total cost of the program implemented by the TPCA?
4. What is the breakout of the costs? What is the amount of the non-Federal share (dollars and percentage) contributed by the cooperating agency?
5. What is the amount of the federal share (dollars and percentage) contributed by the VR agency?

Note: The sum of the non-Federal and federal contributions utilized cannot exceed the total cost of the program implemented by the TPCA.

II. New or Modified Services with a VR Focus

The second requirement for TPCAs is "the services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a vocational rehabilitation focus or existing services that have been modified, adapted, expanded, or reconfigured to have a vocational rehabilitation focus." 34 CFR 361.28(a)(1). The question of whether services are "new" or "modified, adapted, expanded, or reconfigured" may be difficult to discern. The services cannot be services that the cooperating agency is providing or has the legal responsibility to provide.

The purpose of this requirement is to ensure that VR dollars are not being used to supplant what the state is already required to provide. In other words, the cooperating agency cannot use VR funds to pay for the cooperating agency's current program or current program responsibilities. For example, under the Individuals with Disabilities Education Improvement Act of 2004, (IDEA) schools are required to provide transition services to special education students. Thus, a TPCA that authorizes VR funds for typical transition services may not be appropriate.

The following questions may be helpful in determining whether a service is "new" or "modified, adapted, expanded, or reconfigured:"

1. Does the TPCA specify that the cooperating agency is responsible for providing the VR services specified in the arrangement?
2. When was the TPCA program started?
3. With whom, or with what agency, did the program originate?
4. Are the services provided through the TPCA program also available to individuals through other avenues other than the TPCA? For example, if a high school student is provided job coaching through a TPCA, are other high school students who are not being served through the TPCA also provided job coaching?
5. Were the TPCA already performing the same job functions prior to the TPCA coming into existence?
6. If the TPCA program was dismantled, would the services that it provides still be available to the individuals that it serves?
7. Is there a substantive difference between old services and "new" or "modified, adapted, expanded, or reconfigured" services, rather than just a change in the name?
8. Do the new or modified services have a VR focus?

NOTE: If the services are not "new" or "modified, adapted, expanded, or reconfigured," then these services cannot be included in the arrangement. If such services are included in the arrangement, the TPCA is out of compliance with §361.28(a)(1).

III. The Services are Only Available to Applicants for, or Recipients of, VR services

The third regulatory requirement for TPCAs is that "the services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated state unit" 34 CFR 361.28(a)(2). It is important to look for language in the TPCA document that outlines whom the program will serve. Even if the written document states that the program only serves VR individuals, it is important to discern how it unfolds in practice.

The following questions may be helpful in determining whether the services are provided to applicants for, or recipients of, VR services:

1. Have all individuals served through the TPCA program applied for VR services?
2. What role do the VR counselors play in the TPCA program?
3. How and when is eligibility determined?
4. When is an Individualized Plan for Employment (IPE) written?
5. Are non-VR consumers, or consumers who are not applicants, or deemed not eligible for VR, being served through the TPCA?

If the cooperating agencies want to serve individuals who are neither applicants, nor determined eligible, for VR services, the cooperating agencies have that option so long as they do not count the time spent on serving those individuals as part of the non-Federal share under the TPCA. Similarly, the VR agency could neither use Title 1 funds to serve such individuals, nor consider the costs of serving such individuals paid with non-Federal funds in the VR agency's efforts to comply with the matching requirements under §361.60. These individuals would have to be served outside of the parameters of the TPCA. RSA recommends that the cooperating agency and VR agency clarify such arrangements in the written agreement implementing the TPCA.

IV. The DSU Must Maintain Administrative Supervision

The fourth regulatory requirement for TPCAs is that "program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated state unit." 34 CFR 361.28(a)(3). It is RSA's position that the third party staff should not be employees of the VR agency.

The following questions may be helpful in determining whether the DSU is maintaining "administrative supervision":

1. Is there a signed agreement supported by a budget? (Generally, this is enough to meet this requirement.)
2. Who supervises the overall TPCA – the program staff and the funds?
3. Who manages and administers the TPCA - the program staff and the funds?
4. What type of performance evaluation is in place and who / what agency conducts it?
5. Who / what agency maintains control of the expenditures of the program?
6. What are the hiring and firing practices for third party program staff?
7. What agency issues the third-party staff paychecks?
8. Who does the TPCA program staff consider as their boss or supervisor?
9. Who performs the non-delegable duties outlined in 34 CFR 361.13?

For example, a TPCA transition program's third-party staff are employees of the schools (the schools do the hiring and firing, issue the paychecks, etc), however the VR agency maintains control of expenditures, has authority over the third party staff, is involved with the interview process, performs continuous reviews of the schools' progress, conducts annual reviews of performance expectations, and maintains control of the non-delegable functions of the VR program. This would meet the requirement of "administrative supervision" even though the third party staff members are not employees of the DSU, but rather are employees of the school.

NOTE: If there is no administrative supervision exercised by the VR agency, RSA should provide technical assistance to restructure the arrangement document to clearly specify the services to be provided and provisions to ensure that the VR agency is involved in any changes in the arrangement.

V. State Plan Requirements Apply

The fifth regulatory requirement for TPCAs is that "all State Plan requirements, including a VR agency's order of selection, will apply to all services provided under the cooperative program." 34 CFR 361.28(a)(4). If an agency is on an order of selection, the TPCA program must also adhere to the Order of Selection (OOS) for the individuals that it serves.

The following questions may be helpful:

1. Is the VR agency on an OOS?
2. If so, are the individuals served in the TPCA program selected based on that OOS?
3. Is informed choice followed and available to those served under the arrangement?

4. Are there any limits or caps on services?
5. Are there any other requirements within the agency's State Plan that are not being adhered to by the TPCA program?

NOTE: If this requirement is not met, the RSA team should provide technical assistance to restructure the arrangement language to clearly specify that all State Plan requirements are to be met and eliminate provisions that are not consistent with the State Plan.

VI. Statewideness

The final regulatory requirement for TPCAs is that "if a third-party cooperative agreement does not comply with the statewideness requirement in §361.25, the state unit must obtain a waiver of statewideness, in accordance with §361.26" (34 CFR 361.28(b)). Pursuant to 34 CFR 361.25, "The State Plan must assure that services provided under the State Plan will be available in all political subdivisions of the state, unless a waiver of statewideness is requested and approved in accordance with §361.26."

The main questions to ask for this requirement are as follows:

1. Are the services provided through the TPCA program available to all individuals across the state? If so, statewideness is met.
2. Are the services provided through the TPCA program offered throughout the state, yet some parts of the state are not participating in the program? If so, this does not meet the statewideness requirement.

For example, if a TPCA transition program is offered in all parts of the state, but is not available in all parts of the state because not all schools in the state participate in the program, then the statewideness requirement is not met and the VR agency must request a waiver of statewideness.

TPCAs allow for the use of local agency funds for matching purposes, and to establish a program particular to a local area or group of VR eligible individuals. Examples include cooperative arrangements with school districts to provide transition services to eligible students receiving special education services from the school system, or working with a county developmental disability or mental health office to establish an employment program for individuals who are eligible for both the county programs and for VR. In these situations, a waiver of statewideness is almost always required.

A VR agency may provide services under a waiver of statewideness when:

- the non-Federal share of the cost of the services to be provided under the waiver is met from funds provided by a public agency;
- the services are likely to promote the vocational rehabilitation of substantially larger numbers of individuals with disabilities, or of individuals with disabilities with particular types of impairments; and

- the VR agency includes in its State Plan, and the Secretary of Education approves, a waiver of statewideness. 34 CFR 361.26(a)

The requirements for a request for a waiver of statewideness are found in 34 CFR 361.26(b). VR agencies must request approval from RSA prior to waiving responsibility for providing services statewide by submitting an attachment to the State Plan. The waiver of statewideness request must:

- identify the types of services to be provided;
- include a written assurance that the cooperating public agency will make available the non-Federal share of funds required for the arrangement;
- include a written assurance that the VR agency approval will be obtained for each service before that service is put into effect; and
- include a written assurance that all other State Plan requirements will apply to all services approved under the waiver.

APPENDIX D

VOCATIONAL REHABILITATION PROGRAMS

FEDERAL FY 2012 MONITORING AND TECHNICAL ASSISTANCE GUIDE

Review of Transition Services and Employment Outcomes for Youth with Disabilities Resource List

During the monitoring of the vocational rehabilitation (VR) program in fiscal year (FY) 2011, the Rehabilitation Services Administration (RSA) will review the provision of transition services and employment outcomes achieved by youth with disabilities in each state. This appendix identifies sub-regulatory guidance, published research materials and other resources that the review teams may find informative during the course of this review. In addition, VR agencies and other stakeholders involved in the provision of transition services may find these resources helpful in the development of transition programming in their state.

This publication contains hyperlinks and Uniform Resource Locators (URLs) for information created and maintained by private and nonprofit organizations. These sources of information are provided for the reader's convenience. The U.S. Department of Education is not responsible for controlling or guaranteeing the accuracy, relevance, timelines or completeness of this outside information. The inclusion of this information, hyperlinks or URLs does not reflect the importance of the organizations from which they come, nor is it intended to endorse any views expressed or products or services offered therein.

A. RSA Guidance

IM-07-08: Transition Programs & Services: High School (HS)/High Tech (HT) & Vocational Rehabilitation
http://www2.ed.gov/policy/speced/guid/rsa/im/im-2007.html

The HS/HT Program is a comprehensive transition program that uses a variety of activities and innovative approaches to expose transition-age youth with disabilities (ages 14 to 24) to careers in science, technology, engineering, and math (referred to as the STEM careers) and other technology-based professions. It also encourages such youth to pursue postsecondary education and training.

IM-09-05: Research highlights from an Assessment of Transition Policies and Practices in State Vocational Rehabilitation Agencies
http://www2.ed.gov/policy/speced/guid/rsa/im/im-2009.html

The purpose of the assessment was to provide a descriptive national picture of current transition policies and practices among state VR agencies and to identify policy issues and effective practices in the provision of transition services.

TAC-05-01: Guidelines for Assessing the Functional Capacities of an Individual with Specific Learning Disabilities
http://rsa.ed.gov/display.cfm?pageid=375

This TAC provides guidance to assist VR agency staff in identifying functional limitations of individuals with specific learning disabilities and their severity. This guidance may assist VR counselors in an accurate assessment for determining an individual's assignment to an order of selection for services.

B. Research and Evaluation

VR Research in Brief: Centers for Youth with Disabilities, Parents and Professionals Working in Transition and Employment Planning
http://www2.ed.gov/rschstat/research/pubs/vrbriefs/youth-centers.html

VR Research in Brief: A Partnership in Career Development for People with Disabilities: Collaboration Between Vocational Rehabilitation Counselors and Families
http://www2.ed.gov/rschstat/research/pubs/vrbriefs/partnerships.html

Vocational Rehabilitation: Transition Services that Lead to Competitive Employment Outcomes for Transition-Age Individuals with Blindness or Other Visual Impairments
http://www.blind.msstate.edu/research/projects/

This project conducted scientifically-based research on transition services that lead to competitive employment outcomes for transition-age individuals with blindness or other visual impairments. The project included a literature review, an analysis of five national, cross-sectional, and longitudinal data sources, collection of data from a variety of sources (focus groups with rehabilitation professionals, teachers, post-secondary support service providers, etc.), and used the knowledge gained to identify and develop, demonstrate, and evaluate the effectiveness of two interventions—one targeting youth who are preparing to transition from high school to employment or college, and the other targeting youth who are preparing to transition from college to employment.

Center for Studying Disability Policy – Project Search: Opening Doors to Employment for Young People with Disabilities
http://www.mathematica-mpr.com/publications/pdfs/disability/project_search_brief.pdf

This Disability Policy Research Brief discusses whether Project Search represents an effective model for increasing employment among students with significant disabilities.

National Rehabilitation Center (NARIC) research - Transition: Post-Secondary, Employment & Community
http://www.naric.com/public/reSearch/ReSearchVol3No5.pdf
A collection of research reviews from the National Rehabilitation Information Center and other information resources.

Social Security Administration (SSA) Youth Transition Demonstration Projects
http://www.mathematica-mpr.com/disability/ytd.asp

A collection of three publications and six articles on aspects of the SSA's YTD projects as well as other projects for children receiving Social Security benefits.

Department of Labor Research and Demonstration Projects
http://www.dol.gov/odep/programs/grants.htm

http://www.ncwd-youth.info

C. Related Websites

Technical Assistance Partnership for Child and Family Mental Health
http://www.tapartnership.org/COP/transitionAgedYouth/default.php

Transition to Postsecondary Education Community of Practice
http://www.ncset.org/tacommunities/transition/default.asp

The IDEA Partnership
http://www.ideapartnership.org/

The IDEA Partnership reflects the collaborative work of more than 50 national organizations, technical assistance providers, and organizations and agencies at state and local level. The website hosts a professional development library, links to NCLB and IDEA regulations and statute, tools to conduct stakeholder conversations, communities of practice and much, much more.

The IDEA Partnerships website for Communities of Practice
http://www.sharedwork.org/

IDEA Data
https://www.ideadata.org/default.asp

Provides public access to data about children and youth with disabilities served under the IDEA - Part B and C; technical assistance (TA) materials to support the collection, analysis and reporting of IDEA data; and the forms and spreadsheets used for collection.

Kids Count Data
http://datacenter.kidscount.org/

Provides state data profiles, cross-state data and tools, demographics and characteristics of children as a general population.

Think College – College Options for People with Intellectual Disabilities
http://thinkcollege.net/

This website is designed to share information with transition aged students as well as adults attending or planning for college. It provides resources and tools for students, families and professionals including training events.

The National Secondary Transition Technical Assistance Center
http://www.nsttac.org/.

The National Secondary Transition Technical Assistance Center (NSTTAC) is a national technical assistance and dissemination center funded by the U.S. Department of Education, Office of Special Education Programs. The purpose of NSTTAC activities is to help states build capacity to support and improve transition planning, services, and outcomes for youth with disabilities. NSTTAC disseminates information and provides technical assistance on scientifically-based research practices with an emphasis on building and sustaining state-level infrastructures of support and district-level demonstrations of effective transition methods for youth with disabilities. To receive NSTTAC notes email kortering1j@appstate.edu.

National Center on Secondary Education and Transition
http://www.ncset.org/

The National Center on Secondary Education and Transition (NCSET) is a partnership of six organizations that coordinates national resources, offers technical assistance, and disseminates information related to secondary education and transition for youth with disabilities in order to create opportunities for youth to achieve successful futures. NCSET is headquartered at the Institute on Community Integration in the University of Minnesota's College of Education and Human Development. To join the NCSET listserv, visit http://www.ncset.org/enews/default.asp.

Technical Assistance on Transition and the Rehabilitation Act (TATRA)
http://www.pacer.org/tatra

The TATRA Project based at PACER Center is funded by the Rehabilitation Services Administration (RSA) to provide technical assistance to parent information and training project providing youth and families with information and training on transition planning, the adult service system, and strategies that prepare youth for successful employment, postsecondary education, and independent living outcomes. To sign up for the Reference Points listserv administered by the TATRA Project visit http://www.pacer.org/tatra/list/.

D. Publications

OSERS Transition Activities and Transition Data Fact Sheet
http://www2.ed.gov/about/offices/list/osers/reports.html

Transition Activities in OSERS describes past, present and upcoming OSERS transition activities, such as projects supporting youths with disabilities served by state agencies, written products offering technical assistance and OSERS-sponsored conferences facilitating the exchange of information among transition partners. The Transition Data Fact Sheet was developed as a quick reference to help inform OSERS staff and the public about critical data areas related to the transition of youths with disabilities from school activities to post-school activities.

28th Institute on Rehabilitation Issues: Investing in the Transition of Youth with Disabilities to Productive Careers
http://www.iriforum.org/books.aspx#28

This document discusses the legal, philosophical, cultural aspects of providing vocational rehabilitation services to transition youth and the implementation of those concepts in VR practice.

E. Archived Webinars

Southeast TACE Region IV Transition Strand: Work Experiences for Youth
http://tacesoutheast.org/network/transition/training/webinars_work_exp_youth.php

This is a series of five webinars on work experience topics such as types of work experiences, discovery versus evaluation, and role of work experience in guiding careers and selection of work experiences.

Parent Educational Advocacy Training Center Next Steps
http://www.nextsteps.peatc.org/peatc.cgim?template=webinars#year3

This is a series of 15 webinars for parents, students with disabilities, and the professionals who work with them to develop effective partnerships and to tap into valuable community resources. All of the webinars are free. Continuing Rehabilitation Credits (CRC) are available through the Virginia Commonwealth University. Please contact PEATC for more information at healy@peatc.org

F. Emerging Practices

RSA Identified Emerging Practices in Transition
http://rsa.ed.gov/emerging-practices.cfm

RSA established the Emerging Practices as a mechanism for sharing state information to help promote communities of practice and increase awareness of a variety of approaches that provide a foundation for research and lead to the development of evidence-based practices. It is important to note that emerging practices were developed and implemented in each state for the purpose of enhancing improvement. The practices provide useful samples of programs, strategies, and activities. They were developed based on specific agency needs and implemented based on available resources in each agency. Therefore, the practice may work differently or

produce different results in your agency if you choose to replicate it. Click on “Basic VR” and then “Transition.”

APPENDIX E

VOCATIONAL REHABILITATION PROGRAM

FEDERAL FY 2012 MONITORING AND TEHCNICAL ASSISTANCE GUIDE

Program Data Tables

During the monitoring of the vocational rehabilitation (VR) program in federal fiscal year (FY) 2012, the Rehabilitation Services Administration (RSA) will analyze the performance of the VR agencies using a set of uniform programmatic and fiscal data covering the period beginning in federal FY 2006 and ending in federal FY 2010, the most recently completed fiscal year (Tables 1 and 2). In addition, the review teams will review and analyze data related to the provision of transition services and the outcomes achieved by youth with disabilities (Tables 2 through 8). The below tables contain the data that will be used during the course of federal FY 2012 monitoring.

Table 1
Program Performance Data for federal FY 2006 through federal FY 2010

All Individual Cases Closed	2006	2007	2008	2009	2010	Change from federal FY 2006	Agency Total 2010
Total cases closed - number							
Exited as an applicant - number							
Percent							
Exited during or after trial work experience/extended employment - number							
Percent							
Total not determined eligible - number							
Percent							
Exited without employment after IPE - number							
Percent							
Exited from OOS waiting list - number							
Percent							
Exited without employment after eligibility - number							
Percent							
Total exited after eligibility, but prior to receiving services - number							
Percent							
Exited with employment - number							
Percent							
Exited without employment - number							
Percent							
Total receiving services - number							
Percent							
Rehabilitation rate							
Transition aged youth - number							
Percent							
Transition aged youth employment outcomes - number							
Percent							
Competitive employment outcomes - number							
Percent							
Supported employment outcomes - number							
Percent							
Average hourly wage for competitive employment outcomes							
Average hours worked for competitive employment outcomes							
Competitive employment outcomes at 35 or more hours per week - number							
Percent							
Employment outcomes meeting SGA - number							
Percent							
Employment outcomes with employer-provided medical insurance - number							
Percent							

Table 2
Types of Closure for Transition Youth for Service Records Closed for federal FY 2006 through federal FY 2010

Total Transition Age Youth Cases Closed	2006	2007	2008	2009	2010	Change from federal FY 2006	Agency Total 2010
Exited as an applicant- number							
Percent							
Exited during or after trial work experience/extended employment- number							
Percent							
Total not determined eligible - number							
Percent							
Exited without employment outcome after signed IPE- number							
Percent							
Exited from order of selection- number							
Percent							
Exited without employment after eligibility- number							
Percent							
Total exited after eligibility, but prior to receiving services- number							
Percent							
Exited with employment - number							
Percent							
Exited without employment - number							
Percent							
Total receiving services- number							
Percent							

Table 3
Service Record Breakdown for Transition Youth Served by Time: Application to Eligibility for federal FY 2006 through federal FY 2010

Time in Status	2006	2007	2008	2009	2010	Agency Total 2010
Number served: 0 - 60 days						
Percent						
Number served: 61 - 90 days						
Percent						
Number served: 91 - 120 days						
Percent						
Number served: 121 - 180 days						
Percent						
Number served: 181 - 365 days						
Percent						
Number served: More than 1 year						
Percent						

Table 4
Service Record Breakdown for Transition Youth Served by Time: Eligibility to IPE for federal FY 2006 through federal FY 2010

Time in Status	2006	2007	2008	2009	2010	Agency Total 2010
Number served: 0 - 3 months						
Percent						
Number served: 4 - 6 months						
Percent						
Number served: 7 - 9 months						
Percent						
Number served: 10 - 12 months						
Percent						
Number served: 13 - 24 months						
Percent						
Number served: Greater than 2 years						
Percent						

Table 5
Services Provided for Transition Youth Served for
federal FY 2006 through federal FY 2010

Services Provided	2006	2007	2008	2009	2010	Agency Total 2010
Number: Assessment services						
Percent						
Number: Basic academic remedial or literacy training						
Percent						
Number: College or university training						
Percent						
Number: Diagnosis and treatment of impairments						
Percent						
Number: Disability related augmentative skills training						
Percent						
Number: Information and referral services						
Percent						
Number: Interpreter services						
Percent						
Number: Job placement assistance						
Percent						
Number: Job readiness training						
Percent						
Number: Job search assistance						
Percent						
Number: Maintenance						
Percent						
Number: Miscellaneous training						
Percent						
Number: Occupational/ vocational training						
Percent						
Number: On-the-job supports						
Percent						
Number: On-the-job training						
Percent						
Number: Other services						
Percent						
Number: Personal attendant services						
Percent						
Number: Reader services						
Percent						
Number: Rehabilitation technology						
Percent						
Number: Technical assistance services						
Percent						
Number: Transportation services						
Percent						
Number: Vocational rehabilitation counseling and guidance						
Percent						

Table 6
Closure Performance for Transition Youth for federal FY 2006 through federal FY 2010

Closure Performance	2006	2007	2008	2009	2010	Agency Total 2010
Total transition youth served						
Rehabilitation rate						
Employment outcomes						
Competitive employment outcomes						
Percent						
Supported employment outcomes						
Percent						
Average hourly wage for competitive employment outcomes						
Average hours worked for competitive employment outcomes						
Competitive employment outcomes at 35 or more hours per week						
Percent						
Employment outcomes meeting SGA						
Percent						
Employment outcomes with employer-provided medical insurance						
Percent						

Table 7
Service Record Breakdown for Transition Youth Served by Time: IPE to Closure for federal FY 2006 through federal FY 2010

Time in Status	2006	2007	2008	2009	2010	Agency Total 2010
Number served: 0 - 3 months						
Percent						
Number served: 4 - 6 months						
Percent						
Number served: 7 - 9 months						
Percent						
Number served: 10 - 12 months						
Percent						
Number served: 13 - 24 months						
Percent						
Number served: 25 - 36 months						
Percent						
Number served: 37 - 60 months						
Percent						
Number served: Greater than 5 years						
Percent						

Table 8
Standard Occupational Classification (SOC) Codes for Transition Youth Closed with Employment Outcomes for federal FY 2009 and federal FY 2010

	2009	2009	2010	2010	Change from 2009	Change from 2009	Agency Total 2010	Agency Total 2010
Types of Employment Outcomes	Count	Wage	Count	Wage	Count	Wage	Count	Wage
Management								
Business & financial operations								
Computer & mathematical								
Architecture & engineering								
Life, physical & social science								
Community & social services								
Legal								
Education, training & library								
Arts, design, entertainment, sports and media								
Healthcare practitioners & technical								
Healthcare support								
Protective services								
Food preparation & serving related								
Building & grounds cleaning & maintenance								
Personal care & service								
Sales & related								
Office & admin support								
Farming, fishing, & forestry								
Construction & expansion								
Installation, maintenance, & repair								
Production								
Transportation & material moving								
Military specific								
Homemakers								
Unpaid family workers								
Randolph-Sheppard vending clerks								
Randolph-Sheppard vending facility operators								
Total served / average wages								

Transition Age Tables

All data for the Transition Age Tables come from the RSA-911 which reports on individuals whose cases were closed and who exited the vocational rehabilitation (VR) program during the federal fiscal year. Transition age is defined as those individuals who are between the ages of 14 and 24 at application. For each table, the column labeled "Change from federal FY 2006 to federal FY 2010" contains the difference in the agency's number in federal FY 2010 minus the number in federal FY 2006. The percentages in this column represent the percent change from federal FY 2006 to federal FY 2010. The percent change is the difference in the agency's number in federal FY 2010 minus the number in federal FY 2006 divided by the agency's number in federal FY 2006 multiplied by 100. The numbers and percents shown in the agency type column are calculated in the same way as each of the federal fiscal year agency's data except that all general agencies are added together, all agencies that serve the blind and visually impaired are added together, and all combined agencies are added together.

TABLE 2: Types of Closure for Transition Youth for Service Records Closed for federal FY 2006 through federal FY 2010		
TOTAL TRANSITION AGE YOUTH CASES CLOSED	Number	Total number of individuals.
	Percent	Total number of individuals divided by the total number of individuals multiplied by 100.
Exited as an applicant	Number	Total number of individuals with a closure type = 1.
	Percent	Total number of individuals with a closure type = 1 divided by the total number of individuals multiplied by 100.
Exited during or after trial work experience/extended employment	Number	Total number of individuals with a closure type = 2.
	Percent	Total number of individuals with a closure type = 2 divided by the total number of individuals multiplied by 100.
TOTAL NOT DETERMINED ELIGIBLE	Number	Total number of individuals with a closure type = 1 or 2.
	Percent	Total number of individuals with a closure type = 1 or 2 divided by the total number of individuals multiplied by 100.
Exited without employment after signed IPE	Number	Total number of individuals with a closure type = 5.
	Percent	Total number of individuals with a closure type = 5 divided by the total number of individuals multiplied by 100.
Exited from order of selection waiting list	Number	Total number of individuals with a closure type = 6.
	Percent	Total number of individuals with a closure type = 6 divided by the total number of individuals multiplied by 100.
Exited without employment after eligibility	Number	Total number of individuals with a closure type = 7.
	Percent	Total number of individuals with a closure type = 7 divided by the total number of individuals multiplied by 100.
TOTAL EXITED AFTER ELIBIBILITY, BUT PRIOR TO RECEIVING SERVICES	Number	Total number of individuals with a closure type = 5, 6, or 7.
	Percent	Total number of individuals with a closure type = 5, 6, or 7 divided by the total number of individuals multiplied by 100.
Exited with employment	Number	Total number of individuals with a closure type = 3.
	Percent	Total number of individuals with a closure type = 3 divided by the total number of individuals multiplied by 100.
Exited without	Number	Total number of individuals with a closure type = 4.

employment	Percent	Total number of individuals with a closure type = 4 divided by the total number of individuals multiplied by 100.
TOTAL RECEIVING SERVICES	Number	Total number of individuals with a closure type = 3 or 4.
	Percent	Total number of individuals with a closure type = 3 or 4 divided by the total number of individuals multiplied by 100.
Employment Rate	Percent	Total number of individuals with a closure type = 3 divided by total number of individuals with a closure type = 3 or 4 multiplied by 100.
TABLE 3: Service Record Breakdown for Transition Youth Served by Time: Application to Eligibility for federal FY 2006 through federal FY 2010		
Ranges: 0-60 days, 61-90 days, 91-120 days, 121-180 days, more than 1 year	Number	Number of individuals who received services (Closure Type = 3 or 4) and where the number of days between their application date and eligibility date fall between the ranges of days listed to the left.
	Percent	Number of individuals who received services (Closure Type = 3 or 4) and where the number of days between their application date and eligibility date fall between the ranges of days listed to the left divided by the total number of individuals who received services (Closure Type = 3 or 4) multiplied by 100.
TABLE 4: Service Record Breakdown for Transition Youth Served by Time: Eligibility to IPE for federal FY 2006 through federal FY 2010		
Ranges: 0-3 months, 4-6 months, 7-9 months, 10-12 months, 13-24 months, greater than 2 years	Number	Number of individuals who received services (Closure Type = 3 or 4) and where the number of months between their eligibility date and IPE date fall between the ranges of months listed to the left.
	Percent	Number of individuals who received services (Closure Type = 3 or 4) and where the number of months between their eligibility date and IPE date fall between the ranges of months listed to the left divided by the total number of individuals who received services (Closure Type = 3 or 4) multiplied by 100.
TABLE 5: Services Provided for Transition Youth Served for federal FY 2006 through federal FY 2010		
	Number	For each service category, the total number of individuals who received the service (Closure Type = 3 or 4).
	Percent	For each service category, the total number of individuals who received the service (Closure Type = 3 or 4) divided by the total number of individuals who received services (Closure Type = 3 or 4) multiplied by 100.
TABLE 6: Closure Performance for Transition Youth for federal FY 2006 through federal FY 2010		
Transition aged youth employment outcomes	Number	Total number of individuals with an employment outcome (Closure Type = 3).
	Percent	Total number of individuals with an employment outcome (Closure Type = 3) divided by the total number of individuals with an employment outcome (all ages) multiplied by 100.
Transition aged youth served	Number	Total number of individuals who received services (Closure Type = 3 or 4).
	Percent	Total number of individuals who received services (Closure Type = 3 or 4) divided by the total number of individuals multiplied by 100.
Employment Rate	Percent	Total number of individuals with an employment outcome (Closure Type = 3) divided by total number of individuals who received services (Closure Type = 3 or 4) multiplied by 100.

Competitive employment outcomes	Number	Total number of individuals who exited with an employment outcome (Closure Type = 3) in an integrated setting with or without supports, self-employment, or Business Enterprise Program (Employment Status at Closure = 1, 3, 4, or 7) and whose hourly wage at closure (Weekly Wage at Closure divided by the Number of Hours Worked at Closure) is equal to or greater than the Federal or state minimum wage whichever is higher.
	Percent	Total number of individuals who exited with an employment outcome (Closure Type = 3) in an integrated setting with or without supports, self-employment, or Business Enterprise Program (Employment Status at Closure = 1, 3, 4, or 7) and whose hourly wage at closure (Weekly Wage at Closure divided by the Number of Hours Worked at Closure) is equal to or greater than the Federal or state minimum wage whichever is higher divided by the total number of individuals with an employment outcome (Closure Type = 3) multiplied by 100.
Supported employment outcomes	Number	Total number of individuals with an employment outcome (Closure Type = 3) in an integrated setting with supports (Employment Status at Closure = 7).
	Percent	Total number of individuals with an employment outcome (Closure Type = 3) in an integrated setting with supports (Employment Status at Closure = 7) divided by the total number of individuals with an employment outcome (Closure Type = 3) multiplied by 100.
Average hourly wage for competitive employment outcomes	Average	Average hourly wage for individuals with an employment outcome (Closure Type = 3) in an integrated setting with or without supports, self-employment, or Business Enterprise Program (Employment Status at Closure = 1, 3, 4, or 7) and whose hourly wage at closure (Weekly Wage at Closure divided by the Number of Hours Worked at Closure) is equal to or greater than the Federal or state minimum wage whichever is higher.
Average hours wage for competitive employment outcomes	Average	Average hours worked in a week for individuals with an employment outcome (Closure Type = 3) in an integrated setting with or without supports, self-employment, or Business Enterprise Program (Employment Status at Closure = 1, 3, 4, or 7) and whose hourly wage at closure (Weekly Wage at Closure divided by the Number of Hours Worked at Closure) is equal to or greater than the Federal or state minimum wage whichever is higher.
Competitive employment outcomes at 35 or more hours per week	Number	Number of individuals with an employment outcome (Closure Type = 3) in an integrated setting with or without supports, self-employment, or Business Enterprise Program (Employment Status at Closure = 1, 3, 4, or 7) and whose hourly wage at closure (Weekly Wage at Closure divided by the Number of Hours Worked at Closure) is equal to or greater than the Federal or state minimum wage whichever is higher and who worked 35 or more hours a week at closure.
	Percent	Number of individuals with an employment outcome (Closure Type = 3) in an integrated setting with or without supports, self-employment, or Business Enterprise Program (Employment Status at Closure = 1, 3, 4, or 7) and whose hourly wage at closure (Weekly Wage at Closure divided by the total number of individuals with an employment outcome (Closure Type =3) multiplied by 100.
Employment outcomes meeting SGA	Number	Total number of individuals with a closure type = 3 and whose weekly earnings at closure is equal to or greater than the monthly substantial gainful activity amount as reported by SSA divided by 4.3 weeks rounded down . Use the SGA blind monthly amount for blind or visually impaired individuals, based on impairment codes 01, 02, and 08. For individuals with all other impairment codes use the non-blind SGA monthly amount.
	Percent	Total number of individuals with an employment outcome (Closure Type = 3) and whose weekly earnings at closure is equal to or greater than the monthly substantial gainful activity amount as reported by SSA divided by 4.3 weeks rounded down divided by the total number of individuals with an employment outcome (Closure Type =3) multiplied by 100 . Use the SGA blind monthly amount for blind or visually impaired individuals, based on impairment codes 01, 02, and 08. For individuals with all other impairment codes use the non-blind SGA monthly amount.

Employment outcomes with employer-provided medical insurance	Number	Total number of individuals with an employment outcome (Closure Type = 3) and whose medical insurance coverage at closure is private insurance through own employment.
	Percent	Total number of individuals with an employment outcome (Closure Type = 3) and whose medical insurance coverage at closure is private insurance through own employment divided by the total number of individuals with an employment outcome (Closure Type =3) multiplied by 100.
TABLE 7: Service Record Breakdown for Transition Youth Served by Time: IPE to Closure for federal FY 2006 through federal FY 2010		
Ranges: 0-3 months, 4-6 months, 7-9 months, 10-12 months, 13-24 months, 25-36 months, 37-60 months, greater than 5 years	Number	Number of individuals who received services (Closure Type = 3 or 4) and where the months between their IPE date and date of closure fall between the ranges of months listed to the left.
	Percent	Number of individuals who received services (Closure Type = 3 or 4) and where the months between their IPE date and date of closure fall between the ranges of months listed to the left divided by the total number of individuals who received services (Closure Type = 3 or 4).
TABLE 8: Standard Occupational Classification (SOC) Codes for Transition Youth with Employment Outcomes for federal FY 2006 through federal FY 2010		
		This table shows the number of individuals with an employment outcome (Closure Type =3) in the job type listed. The wage figure is the average hourly wage at closure (weekly earnings at closure divided by the number of hours worked in a week at closure) for the individuals with an employment outcome (Closure Type =3) in the job type.

APPENDIX F

VOCATIONAL REHABILITATION PROGRAM

FEDERAL FY 2012 MONITORING AND TECHNICAL ASSISTANCE GUIDE

Fiscal Data Table

In preparation for monitoring the vocational rehabilitation (VR) program in federal FY 2012, the Rehabilitation Services Administration (RSA) monitoring teams will analyze the fiscal performance of the VR agencies using a set of uniform fiscal data covering the period beginning in federal FY 2007 and ending in federal FY 2011. The fiscal data elements are compiled in the Agency Fiscal Profile, which will be provided to each agency prior to the on-site monitoring visit. The Agency Fiscal Profile data are based on the SF-269 and SF-425 reports. A description of the data elements and sources is included below.

Table 1
Fiscal Performance Data for federal FY 2007 through federal FY 2011

Federal FY	Quarter	Grant Amount per MIS	Total Outlays	Total Unliquid. Obligs	Federal Share of Total Outlays	Federal Share of Unliquid. Oblig.	Total Federal Share	Recipient Funds	Recipient Share of Unliquid. Oblig.	Agency Actual Match (Total Recipient Share)	Agency Required Match	Over/ Under Match	MOE**	Unobligated Funds Qualifying for Carryover	Total Program Income Realized	Total Indirect Costs
2007	4															
2007	*															
2008	4															
2008	*															
2009	4															
2009	*															
2010	4															
2010	*															
2011	4															
2011	*															

*Denotes Final or Latest SF-269 or SF-425 Submitted
**Based upon Final or Latest SF-269 or SF-425 Submitted

Field Descriptions

Grant Amount per MIS – This field represents the cumulative amount of the federal award through each reporting period. The data are extracted from the RSA-MIS system, and correspond to line 10d of the SF-425 report and line 10o of the SF-269 report.

Total Outlays – This field represents the sum of the federal and non-Federal expenditures and unliquidated obligations through the report period (Unliquidated obligations include direct and indirect expenses for goods and services incurred by the grantee, but not yet paid or charged to the VR grant award, including amounts due to subcontractors). The data correspond to lines 10g plus 10j on the SF-425 report and line 10a of the SF-269 report.

Total Unliquidated Obligations – This field represents the sum of federal and non-Federal unliquidated obligations. The data correspond to lines 10g plus 10j on the SF-425 report and line 10a of the SF-269 report. The data correspond to lines 10f plus 12d on the SF-425 report and line 10k of the SF-269 report.

Federal Share of Total Outlays – This field represents the cumulative amount of actual disbursements made from federal funds through the report period. This amount is for expenditures that are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expenses charged, and the amount of cash advances and payments made to subcontractors. This does not include unliquidated obligations. The data correspond to line 10e on the SF-425 report and line 10j of the SF-269 report.

Federal Share of Unliquidated Obligations – This field represents the federal portion of direct and indirect expenses for goods and services incurred by the grantee, but not yet paid or charged to the VR grant award, including amounts due to subcontractors. The data correspond to lines 10j on the SF-425 report and line 10m of the SF-269 report.

Total Federal Share – This field represents the sum of the Federal Share of Total Outlays and the Federal Share of Unliquidated Obligations fields. The data correspond to line 10g on the SF-425 report and line 10n of the SF-269 report.

Recipient Funds – This field represents the amount of non-Federal expenditures through the report period. This amount must include the grantee's non-Federal share of actual cash disbursements or outlays (less any rebates, refunds, or other credits), including payments to contractors. This does not include unliquidated obligations. The data correspond to line 10j minus 12d on the SF-425 report and line 10i of the SF-269 report.

Recipient Share of Unliquidated Obligations – This field represents the non-Federal portion of direct and indirect expenses for goods and services incurred by the grantee, but not yet paid or charged to the VR grant award, including amounts due to subcontractors. The data correspond to line 12d on the SF-425 report and line 10l of the SF-269 report.

Agency Actual Match – This field represents the sum of the Recipient Funds and the Recipient Share of Unliquidated obligations fields. The data correspond to line 10j on the SF-425 report and line 10i plus 10l of the SF-269 report.

Agency Required Match –This field represents the grantee's required non-Federal share of the amount of federal VR funds drawn down. The data correspond to line 10i on the SF-425 report. There is no data field specific to Agency Required Match on the SF-269 report, and it must be calculated separately.

Over/Under Match – This field represents the amount of non-Federal share the grantee is required to provide by the end of the annual reporting period of the year in which the federal funds were awarded (if the amount entered is a positive number). If the amount entered is a negative number, this figure represents the amount of excess non-Federal share provided by the grantee. The data correspond to line 10k on the SF-425 report. There is no data field specific to Agency Required Match on the SF-269 report, and it must be calculated separately.

MOE – This field represents the maintenance of effort level established by the data in the Recipient Share of Expenditures field from the latest or final SF-269 or SF-425 report. The data correspond to line 10j on the SF-425 report and line 10i plus 10l of the SF-269 report, both taken from the latest or final reports.

Unobligated Funds Qualifying for Carryover – This field represents the amount of federal funds awarded that the grantee did not drawdown. The data correspond to line 10h on the SF-425 report and line 10p of the SF-269 report, both taken from the 9/30 (4th quarter) reports.

Total Program Income Realized – This field represents the total amount of federal program income earned and received by the grantee through the report period. Program income means gross income received by the grantee that is directly generated by an activity supported under the VR program. Sources of program income include, but are not limited to: payments from the Social Security Administration for assisting Social Security beneficiaries and recipients to achieve employment outcomes, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, income generated by a State-operated community rehabilitation program, consumer financial contributions resulting from financial means tests, and payments or reimbursement from insurers for consumer services. The data correspond to line 10l on the SF-425 report and line 10t of the SF-269 report.

Total Indirect Costs – This field represents the total indirect costs (federal and non-Federal) the grantee charges to the VR award. The data correspond to line 11g (total of amount charged) on the SF-425 report and line 11d of the SF-269 report.