

**FISCAL YEAR 2017
MONITORING REPORT
ON THE
MICHIGAN BUREAU OF SERVICES FOR
BLIND PERSONS VOCATIONAL
REHABILITATION
AND
SUPPORTED EMPLOYMENT PROGRAMS**



**U.S. Department of Education
Office of Special Education and
Rehabilitative Services
Rehabilitation Services Administration**

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SECTION 1: EXECUTIVE SUMMARY

A. Background

Section 107 of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by Title IV of the Workforce Innovation and Opportunity Act (WIOA), 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 subject to the performance accountability provisions described in Section 116(b) of WIOA. In addition, the Commissioner must assess the degree to which VR agencies are complying with the assurances made in the State Plan Supplement for Supported Employment Services under Title VI of the Rehabilitation Act.

Through its monitoring of the State Vocational Rehabilitation Services Program (VR program) and the State Supported Employment Services program (Supported Employment program) administered by the Michigan Bureau of Services for Blind Persons (BSBP) in Federal fiscal year (FFY) 2017, RSA—

- Assessed the performance of the VR and the Supported Employment programs with respect to the achievement of quality employment outcomes for individuals with disabilities and those with the most significant disabilities, including students and youth with disabilities; and
- Identified strategies and corrective actions to improve program and fiscal performance related to the following focus areas:
 - Performance of the VR Program;
 - Transition Services, including Pre-Employment Transition Services, for Students and Youth with Disabilities;
 - Supported Employment program;
 - Allocation and Expenditure of the VR Program and Supported Employment Program Funds; and
 - Joint WIOA Final Rule Implementation.

In addition, RSA reviewed a sample of individual case service records to assess internal controls for the accuracy and validity of Case Service Report (RSA-911) data and provided technical assistance to the VR agency to enable it to enhance its performance.

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of an on-site visit from July 25 through 28, 2017, is described in detail in the Federal [FY 2017 Vocational Rehabilitation Program Monitoring and Technical Assistance Guide](#).

B. Summary of Observations and Findings

RSA's review of BSBP resulted in the observations and findings summarized below. The entire observations and findings, along with the recommendations and corrective actions that the agency can undertake to improve its performance, are contained within the sections of this report covering the focus areas to which they pertain. RSA compares BSBP's performance to the national performance for all agencies of similar type (i.e., BSBP's performance is compared to blind agencies in States that have a general and blind agency). This is for comparison only; there are no requirements for VR agencies to meet or exceed national performance levels.

Observations

RSA observed that—

- The percentage of individuals who exited with employment from FFY 2014 through FFY 2016 remained below the national performance for blind agencies;
- At the time of the on-site review, BSBP did not have specific policies and procedures in place to ensure that service records are accurately and consistently maintained to include the required supporting documentation for the RSA-911 data elements;
- BSBP reported a decrease in the number of individuals who entered into the VR system and received VR services. As a result, fewer individuals were available to achieve employment after receiving VR services;
- At the time of the on-site review, RSA identified a number of services that BSBP counted as required pre-employment transition services activities that were not consistent with the definitions of the five required activities in 34 C.F.R. § 361.48, such as job coaching and assessment services;
- The data reported by BSBP for individuals who achieved supported employment appear to be inaccurate and reflect limited services provided to individuals served; and
- The quality of competitive supported employment outcomes achieved by individuals in supported employment was lower than the national performance for blind agencies, as measured by hourly earnings and average hours worked.

Findings

RSA found that—

- BSBP did not consistently make eligibility determinations within the required 60-day time frame from the date of application for individuals whose service records were closed in FFYs 2014 through 2016 in accordance with 34 C.F.R. § 361.41(b)(1);
- BSBP did not consistently develop individualized plans for employment (IPE) within the 90-day time frame from the date of eligibility determination in accordance with 34 C.F.R. § 361.45(e) for individuals whose service records were closed in FFYs 2014 through 2016;

- BSBP did not satisfy the prior approval requirements in accordance with 2 C.F.R. § 200.407 and § 200.439;
- BSBP did not maintain effective internal controls over the Federal award to provide reasonable assurance that BSBP was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award;
- BSBP did not satisfy the personnel cost allocation requirements in 2 C.F.R. §§ 200.430 and 200.431;
- BSBP did not exercise the requisite methods of administration, financial management, or internal controls necessary to ensure financial accountability and the proper expenditure of program funds for allowable program costs in accordance with 34 C.F.R. § 361.12, and 2 C.F.R. §§ 200.302 and 200.303, including procedures to include the retention of supporting documentation for expenditures pursuant to 2 C.F.R. § 200.333; and
- BSBP reported non-Federal expenditures for the renovation or expansion of Randolph-Sheppard vending facilities in FFYs 2014 and 2016 that constitute questioned allowable VR expenditures under Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) as “acquisition of vending facilities and other equipment” and, thus, may not be allowable for match purposes under the VR program in accordance with 34 C.F.R. § 361.60.

C. Summary of Technical Assistance

During the review process, RSA provided technical assistance to BSBP on the following topics:

- The definition of “customized employment” and the new performance standards for core programs in the workforce development system under WIOA;
- The need to develop policies and procedures regarding internal controls related to service record documentation, including the use of a case management system to monitor timely eligibility determinations and IPE development, as well as case reviews conducted by BSBP in its regions on a quarterly basis;
- What constitutes job-retention services, which may include any VR service, such as maintenance and tools, necessary to help an individual maintain employment;
- BSBP's Question and Answer pre-employment transition services document, providing feedback and suggested revisions prior to release for staff use;
- BSBP’s service delivery crosswalk to pre-employment transition services, providing feedback and recommendations, including the removal of services such as assessment and vocational evaluation;
- Clarification for both State educational agency (SEA) and local educational agency (LEA) agreements;
- Requirements for providing extended services under Sections 7(42) and 604(b)(2) of the Rehabilitation Act, explaining that once an individual reaches the age of 25, he or she no longer meets the definition of a “youth with a disability” pursuant to 34 C.F.R. § 361.5(c)(58);
- The calculation of the 15 percent pre-employment transition services reserve, explaining the adjustments to the Federal VR award in the year of appropriation;

- Use of a forecasting model to assess the amount of expenditures needed for providing required activities to students with disabilities under Section 113 of the Rehabilitation Act;
- The value of the time VR agency staff members spend directly providing or arranging for the provision of pre-employment transition services that VR agencies may count as reserve expenditures;
- Tracking and accounting for purchased pre-employment transition services, including required activities, as well as required activities, authorized activities, and coordination activities provided by BSBP staff members, including those employed at the agency's State-operated training center;
- The unallowability of charging cancellation fees for VR services not rendered to the VR award because they have no direct benefit to the program;
- Revisions to the Referral section in the inter-agency transfer of fund agreements; and
- Inclusion of a description of the library services, as services to groups, in the VR services portion of the Unified State Plan so that BSBP can account for those expenditures as match for the VR program.

As a result of the monitoring process, BSBP and RSA identified the need for additional technical assistance in the areas below:

- Clarification of the performance indicators required under Section 116 of WIOA and 34 C.F.R. § 361.155, specifically the requirements and definitions for the indicators concerning participants obtaining a recognized postsecondary credential and participants achieving measurable skill gains; and
- The State's requirement to develop and submit the WIOA Annual Statewide Performance Report Template, in accordance with Section 116(d)(2) of WIOA, 34 C.F.R. § 361.160, and TAC-17-05.

D. Review Team Participants

Members of the RSA review team included Jason Hunter (Technical Assistance Unit); Beth Settle, Christy Cavataio, Samuel Pierre, and Jim Doyle (Vocational Rehabilitation Program Unit); Craig McManus (Fiscal Unit); and Rimal Desai (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

E. Acknowledgements

RSA wishes to express appreciation to the representatives of BSBP for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of others, such as the State Rehabilitation Council (SRC), the Client Assistance Program (CAP) and advocates, the Workforce Development Board and other stakeholders, in the monitoring process.

SECTION 2: FOCUS AREA – PERFORMANCE OF THE VOCATIONAL REHABILITATION PROGRAM

A. Nature and Scope

Through the implementation of this focus area, RSA assessed the achievement of quality employment outcomes by individuals with disabilities served in the VR program by conducting an in-depth and integrated analysis of core VR program data and review of individual case service records. The analysis represents a broad overview of the VR program administered by BSBP and included employment outcomes in competitive integrated employment and supported employment. It should not be construed as a definitive or exhaustive review of all available VR program data. The data generally measure performance based on individuals who exited the VR program during the most recently completed three-year period for which data are available. Consequently, the tables do not provide complete information that could otherwise be derived from examining open service records. The analysis includes the number of individuals participating in the various stages of the VR process; the number and quality of employment outcomes; the services provided to eligible individuals; the types of disabilities experienced by individuals receiving services; and 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. RSA also reviewed policies and procedures related to internal controls necessary for the verification of data and compared the performance of BSBP with that of all VR agencies of similar type (i.e., blind agencies).

In addition to data tables, the review team used a variety of other resources to better understand the performance trends indicated by the outcomes measured. Other resources included, but were not limited to—

- Agency policies and procedures related to the provision of transition and pre-employment transition services, competitive integrated employment, and supported employment services; and
- Description in the VR services portion of the program year 2016 Unified State Plan describing goals and priorities pertaining to the performance of the VR program.

The review team shared the data with the VR agency prior to the on-site visit and solicited information throughout the review process explaining the performance trends demonstrated by the data. Specifically, the review team met with—

- The VR agency director;
- VR agency managers and supervisors;
- VR counselors;
- VR agency personnel; and
- Representatives of the SRC, the CAP, Workforce Development Board and other VR program stakeholders.

In addition to a review of the RSA-911 and Quarterly Cumulative Caseload Report (RSA-113) data provided by the VR agency, RSA conducted a review of individual case service records. RSA provided guidelines to the VR agency prior to the on-site visit. The review team discussed the selection of service records with BSBP, and the method it uses to maintain records. RSA used the information obtained through the review of service records to assess BSBP's internal controls for the accuracy and validity of RSA-911 data.

The review team provided technical assistance on the WIOA joint performance accountability measures established in Section 116(b) of WIOA. RSA did not issue compliance findings on these measures. However, the review team and VR agency used these measures to discuss the potential effect of the joint performance accountability measures on the State and agency level performance.

RSA provided additional technical assistance to the VR agency during the course of monitoring to enable it to improve programmatic performance.

B. Overview of Performance Data and Internal Controls

RSA reviewed BSBPs' performance for FFYs 2014, 2015, and 2016, with particular attention given to the number and quality of employment outcomes achieved by individuals with disabilities in the State. Additionally, the review addressed the number of individuals who were determined eligible for VR services and who received services through the VR program. The data used in this review were provided by BSBP to RSA on the RSA-113 and the RSA-911.

The VR Process

From FFY 2014 through FFY 2016, the total number of applicants decreased from 497 individuals to 451 individuals; and the total number of individuals eligible for VR services decreased from 412 to 345 individuals. Similarly, the number of individuals with an IPE who received services decreased from 1,547 individuals in FFY 2014 to 1,337 individuals in FFY 2016.

During FFY 2014 through FFY 2016, of all individuals whose service records were closed, the total number of individuals who exited from the VR system as applicants increased from 100 individuals, or 17.8 percent, in FFY 2014 to 104 individuals, or 21.4 percent, in FFY 2016.

During the same time period, the percentage of individuals who were accepted for VR services, but received no services, decreased from 17.2 percent in FFY 2014 to 14.8 percent in FFY 2016, which was higher than the national performance of 10.40 percent for blind agencies.

Employment Outcomes

The percentage of individuals who achieved employment of all those whose service records were closed increased from 27.4 percent in FFY 2014 to 28.3 percent in FFY 2016. At the same time, the number and percentage of individuals who did not achieve employment and whose service

records were closed decreased from 236 individuals, or 41.9 percent, in FFY 2014, to 191 individuals, or 39.2 percent, in FFY 2016. The rehabilitation rate increased from 39.5 percent in FFY 2014 to 41.9 percent in FFY 2016, lower than the national performance of 65.8 percent for blind agencies in FFY 2016. The number and percentage of individuals who achieved supported employment outcomes decreased from 10 individuals, or 6.5 percent of all individuals whose service records were closed in FFY 2014, to eight individuals, or 5.8 percent of all individuals whose service records were closed in FFY 2016.

From FFY 2014 through FFY 2016, the average hourly earnings for individuals who achieved competitive employment outcomes decreased from \$16.76 per hour to \$16.04 per hour, which was higher than the national performance of \$15.61 per hour for blind agencies. It should be noted that Michigan's State minimum wage rate is \$8.90, which is greater than the Federal minimum wage. Similarly, the average hours worked per week by these individuals decreased from 33.23 hours per week in FFY 2014 to 29.69 hours per week in FFY 2016, compared to the national performance of 31.2 hours for blind agencies.

VR Services Provided

From FFY 2014 through FFY 2016, the number of individuals served by BSBP decreased from 390 to 329 individuals. Of the individuals who received training services in FFY 2016, 48 individuals, or 14.6 percent, received four-year or university training, which was higher than the national performance of 10.1 percent for blind agencies. In FFY 2016, 28 percent received miscellaneous training compared to the national performance of 11.7 percent for blind agencies, and 18.5 percent received occupational/vocational training compared to the national performance of 12.5 percent for blind agencies.

Of the individuals who received career services, whose service records were closed in FFY 2016, 75.4 percent received assessment services compared to the national performance of 66.2 percent for blind agencies; and 20.4 percent received job placement assistance compared to the national performance of 15.5 percent for blind agencies. From FFY 2014 through FFY 2016, the percentage of individuals who received VR counseling and guidance increased from 16.9 percent to 39.2 percent, lower than the national performance of 84.9 percent for blind agencies.

From FFY 2014 through FFY 2016, there was a significant increase in the percentage of individuals who received rehabilitation technology, from 28.7 to 61.4 percent.

Length of Time in Stages of the VR Process

The percentage of individuals served who were determined eligible within 60 days from the date of application decreased from 81.1 percent for all individuals whose service records were closed in FFY 2014 to 77.6 percent in FFY 2016. This percentage was less than the national performance of 89.6 percent for blind agencies in FFY 2016.

From FFY 2014 through FFY 2016, the percentage of individuals for whom an IPE was developed within 90 days decreased from 82.6 percent to 73.9 percent for all individuals whose

service records were closed, below the national performance of 82 percent for blind agencies. It should be noted that BSBP operated under the requirement to develop an IPE within 120 days of eligibility determination prior to the implementation of WIOA. Furthermore, many of the service records included in the data for FFYs 2014 through 2016 included IPEs developed prior to the requirement in WIOA that IPEs be developed within 90 days.

Standard Occupational Codes for Individuals Who Achieved Employment Outcomes

Of the individuals served who achieved employment and whose service records were closed in FFY 2016, 15.2 percent were employed in office and administrative support occupations with average hourly earnings of \$10.00; 14.6 percent were employed in office and administrative support with average hourly earnings of \$10.00; 9.4 percent were employed in food preparation and service related occupations with average hourly earnings of \$15.37; and 6.5 percent were employed in building and grounds cleaning and maintenance with average hourly earnings of \$9.50. In addition, BSBP has seen an decrease in the percentage of outcomes closed as homemakers, from 24.7 percent in FFY 2014, to 23.1 percent in FFY 2015, to 18.8 percent in FFY 2016.

Internal Controls

During the on-site monitoring review, RSA conducted a service record review of 30 service records. The service records reviewed included service records for individuals who did and did not achieve employment prior to September 30, 2016. The purpose of the service record review was to verify and ensure that the documentation in the service record was accurate, complete, and supported the data entered into the RSA-911 with respect to the date of application, date of eligibility determination, date of IPE, start date of employment in primary occupation at exit or closure, hourly wage at exit or closure, employment status at exit or closure, type of exit or closure, and date of exit or closure.

The service record review was conducted by three RSA representatives and two BSBP staff, who assisted during the review process. Each service record was maintained in the agency's electronic case management system and accompanied by a hard copy file. The service records were evenly divided among the reviewers, and several cases were randomly chosen to compare the results from each reviewer as part of an interrater reliability check.

While on-site, RSA discussed BSBP's current policies and procedures related to internal controls and quality assurance. The policies and procedures implemented by the agency primarily involve the case management system's alerts and reports generated by the system. BSBP requires quarterly reviews of a small number of cases from each caseload by each manager, in addition to a select random review by the central office, also on a quarterly basis. The reviews focus on ensuring timeliness of services as opposed to reviewing the necessary supporting documentation. The results of the review are addressed directly with the VR counselor through written feedback, consultations, and a corrective action plan if necessary.

The team members compared their results for interrater reliability. The results of this comparison demonstrated inconsistency among the reviewers. As a result of a lack of interrater reliability, the results of the service record reviews could not be used for monitoring purposes.

C. Analysis of Performance and Observations

RSA's review and analysis of the performance of BSBP in this focus area resulted in the following observations. See section B above for data referenced in the observations below. The recommendations to improve BSBP's performance related to the observations are in section D of this focus area.

2.1 Employment Outcomes

Observation: The percentage of individuals who exited with employment from FFY 2014 through FFY 2016 remained below the national performance for blind agencies. The percentage of individuals who exited with employment of all individuals who exited the program remained consistent at 27.4 percent in FFY 2014 and 28.3 percent in FFY 2016, but was below the national performance for similar agencies of 47.3 percent for FFY 2016. In addition, the percentage of individuals who exited without employment decreased from 41.9 percent in FFY 2014 to 39.2 percent in FFY 2016, which is lower than the national performance for similar agencies of 24.6 percent for FFY 2016. As a result, the employment rate increased from 39.5 percent in FFY 2014 to 41.9 percent in FFY 2016, which is well below the national performance for similar agencies of 65.8 percent for FFY 2016.

2.2 Internal Controls

Observation: At the time of the on-site review, BSBP did not have specific policies and procedures in place to ensure that service records are accurately and consistently maintained to include the required supporting documentation for the RSA-911 data elements.

RSA discussed BSBP's current policies and procedures related to internal controls and quality assurance. The policies and procedures implemented by the agency primarily address the alerts and reports generated by the case management system. The review process implemented by BSBP requires quarterly reviews of a small number of cases from each caseload by each office manager. In addition, the central office randomly selects cases to review on a quarterly basis primarily focused on ensuring the timeliness of services as opposed to reviewing the necessary supporting documentation. Following this review, the VR counselors are given written feedback, consultations, and a corrective action plan, if necessary.

2.3 Attrition

Observation: From FFY 2014 through FFY 2016, BSBP reported a decrease in the number of individuals who entered into the VR system and received VR services. As a result, fewer individuals were available to achieve employment after receiving VR services:

- The number of applicants decreased from 497 individuals in FFY 2014, to 451 individuals in FFY 2016;
- From FFY 2014 through FFY 2016, the number of individuals determined eligible for VR services decreased from 412 individuals to 345 individuals;
- The number of individuals who received VR services after the development of an IPE decreased from 1,547 individuals in FFY 2014, to 1,337 individuals during FFY 2016; and
- The number of individuals who achieved employment after receiving VR services decreased from FFY 2014 through FFY 2016, from 390 individuals to 329 individuals.

D. Recommendations

RSA’s review of the performance of the VR program in this focus area resulted in the following recommendations. Appendix C of this report indicates whether or not the agency has requested technical assistance to enable it to implement any of the below recommendations.

RSA recommends that BSBP—

2.1 Employment Outcomes

- 2.1.1 Analyze the provision of services and employment outcomes achieved by individuals, and determine if VR services provided are aligned with labor market demands in Michigan; and
- 2.1.2 Explore relevant education and training programs, as well as training and employment opportunities with employers, including customized employment.

2.2 Internal Controls

- 2.2.1 Develop internal control policies and procedures that include the verification of required documentation in an individual’s service record, in accordance with 34 C.F.R. § 361.47(a); and
- 2.2.2 After evaluating the effectiveness of the new process in each region, provide additional training to staff based on areas identified as needs.

2.3 Attrition

- 2.3.1 Evaluate the cause for the decline in individuals accessing BSBP services, including the availability of services for individuals from unserved or underserved populations;
- 2.3.2 Develop and implement outreach plans and methods to improve service delivery access to individuals from unserved and underserved populations; and
- 2.3.3 Evaluate the success of strategies used to improve the accessibility of services for all populations that may require BSBP services.

E. Findings and Corrective Actions to Improve Performance

RSA's review of the performance of the VR program in this focus area resulted in the identification of the following findings and corrective actions to improve performance. Appendix C of this report indicates whether or not the agency has requested technical assistance to enable it to implement any of the below corrective actions.

2.1 Eligibility Determination

Issue: Did BSBP determine the eligibility of applicants for VR services within the required 60-day time frame from the date of application.

Requirement: Under 34 C.F.R. § 361.41(b)(1), eligibility determinations are to be made for individuals who have submitted an application for VR services, including applications made through common intake procedures in one-stop centers under Section 121 of WIOA, within 60 days, unless there are exceptional and unforeseen circumstances beyond the control of the designated State unit (DSU) and the individual and DSU agree to a specific extension of time or an exploration of the individual's abilities, capabilities, and capacity to perform in work situations is carried out in accordance with 34 C.F.R. § 361.42(e).

Analysis: As part of the monitoring process, RSA analyzed the length of time it took for BSBP to make eligibility determinations for VR applicants.

Data reported by BSBP on the RSA-911 show that—

- 81.1 percent of all individuals whose service records were closed in FFY 2014 had an eligibility determination made within the required 60-day time frame. This performance decreased to 77.6 percent in FFY 2016, compared to the national performance of 89.6 percent for blind agencies;
- Of the total number of individuals under the age of 25 at exit in FFY 2014, 77.63 percent had an eligibility determination made within the required 60-day time frame. Although this performance increased to 79.63 percent in FFY 2016, it was below the national performance of 86.45 percent for blind agencies in FFY 2016; and
- Of individuals exiting in supported employment, 100 percent had an eligibility determination made within the 60-day time frame in FFYs 2014 and 2016, dipping in FFY 2015 to 75 percent. In comparison, the national performance of blind agencies in FFY 2016 was 94.7 percent.

Conclusion: As demonstrated by performance data, BSBP did not consistently make eligibility determinations within the required 60-day time frame for those individuals whose service records were closed in FFYs 2014 through 2016. As a result of the analysis, RSA determined that the agency did not satisfy the eligibility determination requirements in 34 CFR § 361.41(b)(1).

Corrective Action Steps: RSA requires that BSBP—

- 2.1.1 Evaluate the effectiveness and efficiency of using VR counselors as intake counselors and determine if this practice has improved recent performance related to timely eligibility determinations;
- 2.1.2 Assess and evaluate VR counselor performance and identify effective practices that ensure timely eligibility determinations are made within 60 days from the date of application, including the use of case management tools for, and supervisory review of, timely eligibility determinations; and
- 2.1.3 Develop procedures for VR counselors and supervisors to track and monitor timely and untimely eligibility determinations.

2.2 IPE Development

Issue: Did BSBP develop IPEs within 90 days from the date of eligibility determination for each individual.

Requirement: In accordance with 34 C.F.R. § 361.45(a), the VR services portion of the Unified or Combined State Plan must assure that an IPE meeting the requirements of this section and 34 C.F.R. § 361.46 is developed and implemented in a timely manner for each individual determined eligible for VR services or, if the DSU is operating under an order of selection pursuant to 34 C.F.R. § 361.36, for each eligible individual to whom the State unit is able to provide services. In addition, under 34 C.F.R. § 361.45(e), the IPE must be developed as soon as possible, but not later than 90 days after the date of determination of eligibility, unless the State unit and the eligible individual agree to the extension of that deadline to a specific date by which the IPE must be completed.

Analysis: As part of the monitoring process, RSA analyzed the length of time BSBP took to develop IPEs for individuals determined eligible for VR services. In particular, FFY 2016 data reported by BSBP on the RSA-911 show that—

- 73.9 percent of all individuals served, whose service records were closed in FFY 2016, had an IPE developed within the required 90-day standard, compared to the national performance of 82 percent for blind agencies;
- 78.57 percent of individuals under age 25 at exit, whose service records were closed in FFY 2016, had an IPE developed within the required 90-day standard, compared to the national performance of 67.79 percent for blind agencies; and
- 87.5 percent of individuals in supported employment, whose service records were closed in FFY 2016, had an IPE developed within the 90-day standard, compared to the national performance of blind agencies of 67.1 percent.

Following the on-site portion of the review, BSBP provided RSA additional data documenting case services records closed during the period of the performance review, from FFY 2014 through FFY 2016, identifying cases in which the IPE was developed before July 22, 2014, and within the agency's established time frame of 120 days. For case service records closed in FFY

2016, BSBP reported 23 case service records in which the IPE was developed between 91 and 120 days. When calculating these additional 23 case service records for FFY 2016, BSBP improved the percentage of case service records closed in which the IPE was developed within the required time frame prior to WIOA to 80.85 percent.

Conclusion: As the FFY 2016 performance data demonstrate, BSBP did not develop IPEs for each eligible individual whose service record was closed within 90 days following the date of eligibility determination. As a result of the analysis, BSBP did not develop IPEs in a timely manner pursuant to 34 C.F.R. § 361.45(a)(1) and within the required 90-day period pursuant to 34 C.F.R. § 361.45(e).

Corrective Action Steps: RSA requires that BSBP—

- 2.2.1 Assess and evaluate current procedures for tracking and monitoring counselor performance and efficient practices used by high performing VR counselors and supervisors to ensure timely IPE development, including the use of case management tools for, and supervisory review of, timely IPE development; and
- 2.2.2 Develop goals and strategies to improve VR counselor performance specific to timely IPE development.

F. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to BSBP as described below.

The review team clarified the new WIOA performance indicator requirements of employment during the second and fourth quarter after exit and provided input on the agency's policy for customized employment in accordance with 34 C.F.R. § 361.5(c)(11).

RSA discussed BSBP's current policies and procedures related to internal controls and quality assurance. The policies and procedures implemented by the agency primarily address the alerts and reports generated by the case management system. The review team discussed the advisability of using a checklist to review the necessary supporting documentation and developing reports based on this information. The review team also discussed including the use of a case management system to monitor timely eligibility determinations and IPE development, as well as case reviews conducted by BSBP in its regions on a quarterly basis.

RSA provided clarification regarding what constitutes job-retention services, which may include any VR service, such as maintenance and tools, necessary to help an individual maintain employment.

SECTION 3: FOCUS AREA – TRANSITION SERVICES, INCLUDING PRE-EMPLOYMENT TRANSITION SERVICES FOR STUDENTS AND YOUTH WITH DISABILITIES

A. Nature and Scope

Through the implementation of this focus area, RSA assessed the VR agency performance and technical assistance needs related to the provision of transition services, including pre-employment transition services, to students and youth with disabilities and the employment outcomes achieved by these individuals. For purposes of the VR program, “transition services” are defined as a coordinated set of activities for a student or youth with a disability, designed within an outcome-oriented process that promotes movement from school to post-school activities, including post-secondary education, vocational training, competitive integrated employment, supported employment, continuing and adult education, adult services, independent living, or community participation.

The Rehabilitation Act, as amended by WIOA, places heightened emphasis on the provision of services, including pre-employment transition services, to students and youth with disabilities to ensure they have meaningful opportunities to receive training and other services necessary to achieve employment outcomes in competitive integrated employment. Pre-employment transition services are designed to help students with disabilities to begin to identify career interests that will be explored further through additional vocational rehabilitation services, such as transition services.

“Pre-employment transition services,” defined in Section 7(30) of the Rehabilitation Act and 34 C.F.R. § 361.5(c) (42), include both required activities and authorized activities specified in Section 113 of the Rehabilitation Act and in 34 C.F.R. § 361.48(a). Pre-employment transition services also include pre-employment transition coordination activities. Section 113(a) of the Rehabilitation Act requires that VR agencies provide, or arrange for the provision of, pre-employment transition services to students with disabilities who are eligible or potentially eligible for VR services. The term “potentially eligible” is specific to the provision of pre-employment transition services but is not defined in the Rehabilitation Act. A “student with a disability,” as defined in Section 7(37) of the Rehabilitation Act and 34 C.F.R. § 361.5(c) (51), includes the minimum age for the receipt of pre-employment transition services, the minimum age for the provision of transition services under IDEA, and the maximum age for the receipt of services under IDEA; thus, the implementing definition of “student with a disability” may vary from State to State.

“Youth with a disability” is defined in Section 7(42) of the Rehabilitation Act and in 34 C.F.R. § 361.5(c) (58) as an individual with a disability who is age 14 through 24. The distinction between the definitions of “student with a disability” and “youth with a disability” is critical for

purposes of the various authorities for providing transition-related services, including pre-employment transition services.

During the monitoring process, RSA and the VR agency jointly reviewed applicable data and documentation related to transition and pre-employment transition services, which included—

- State educational agency (SEA) and local educational agency (LEA) agreements;
- Policies related to the provision of transition services, including pre-employment transition services;
- Sample third-party cooperative arrangement contracts for the provision of pre-employment transition services;
- An on-the-job training agreement;
- Assurance 4(c) and descriptions (j), (m), and (o), and any other relevant information from the most recently submitted VR services portion of the Unified State Plan;
- Federal Financial Report (SF-425) reporting procedures, especially as those procedures relate to the proper accounting and reporting of expenditures with funds reserved under Section 110(d)(1) of the Rehabilitation Act for the provision of pre-employment transition services for students with disabilities;
- Supporting documentation for expenditures incurred with funds reserved for the provision of pre-employment transition services and reported in line 12b of the SF-425; and
- Updated policies or procedures for tracking expenditures for the provision of pre-employment transition services for 1) purchased services and services provided by VR agency personnel; and 2) related procedures to exclude administrative costs from expenditures paid with funds reserved under Section 110(d) (1) for the provision of pre-employment transition services (Section 110(d) (2) of the Rehabilitation Act prohibits such costs from being paid for with funds reserved under Section 110(d)(1)).

In gathering information related to the provision of transition services, including pre-employment transition services, RSA consulted—

- The VR agency director and other senior managers;
- VR statewide transition coordinator;
- BSBP fiscal officers and staff;
- BSBP VR counselors; and
- BSBP transition counselors and staff.

In addition, the review team consulted, as necessary, with staff from the Office of Special Education Programs within the U.S. Department of Education's Office of Special Education and Rehabilitative Services on matters related to transition and pre-employment transition services.

B. Overview

BSBP provides pre-employment transition services to students with disabilities ages 14 to 26 years who have applied for VR services through BSBP. Michigan provides VR services through both BSBP and Michigan Rehabilitation Services (MRS). Both DSUs agreed to provide pre-employment transition services at the minimum age of 14.

BSBP employs VR counselors who are assigned to provide services directly to students with disabilities in field offices across the State. VR counselors have positive working relationships with teacher consultants for the visually impaired, mobility instructors, and transition coordinators in each of the local school districts. BSBP collaborates closely with the Youth Low Vision Program, which makes referrals to the agency by the teacher consultant from Intermediate School District (ISD) students who are about to turn 14 years of age. This program provides evaluations and low-vision aids to help students participate in classroom and other activities with their peers. The BSBP Training Center in Kalamazoo provides direct pre-employment transition services for students to acquire the skills, strategies, and attitudes necessary for overcoming the many challenges presented by blindness. Also, the agency uses vendor services through interagency cash transfer agreements for service provision.

BSBP does not have third-party cooperative arrangements. Rather, the agency has seven interagency cash transfer agreements to provide services based on the needs of the students with disabilities. The ISD is typically paying 27 percent of the cost of the program and BSBP is covering the remaining 73 percent of the program cost.

BSBP assigned a dedicated counselor to Western Michigan University due to the high number of students/consumers attending the school. The counselor is also providing some pre-employment transition services directly.

BSBP developed a two-page referral form for potentially eligible pre-employment transition students. A school official completes the form and provides the agency a copy of the individualized education program (IEP), Social Security Administration (SSA) beneficiary award letter, or some documentation relating to accommodations under Section 504 of the Rehabilitation Act to determine that the student has a visual impairment. The form addresses the required data elements related to the RSA-911, which are entered into the agency's case management system. Once in the system, the agency can provide services through a "pre-plan authorization." The system has a mechanism to track "pre-employment transition services" case information data.

The agency has provided the nine authorized activities listed in Section 113(c) of the Rehabilitation Act since March 2017. Primarily, BSBP provides training for its staff and education officials.

Regarding performance, three points are of note:

- Overall the percentage of individuals attending a four-year university at 40.50 percent, was higher than the national performance of 31 percent for FFY 2016 for blind agencies;
- The percentage of youth served who achieved employment decreased from 26 individuals or 26.8 percent, in FFY 2015, to 14 individuals, or 21.2 percent, in FFY 2016, which was below the national performance for blind agencies of 30.27 percent for FFY 2016. In addition, the percentage of those individuals who achieve competitive employment outcomes has remained steady (92 percent) from FFY 2015 to FFY 2016), which is lower than the national performance of 96.27 percent; and
- With respect to quality employment outcomes, the average hourly earnings have increased from \$12.36 in FFY 2014 to \$13.18 in FFY 2016, which is above both the Federal and Michigan minimum wage of \$8.90 and is higher than the national performance of \$13.05 for blind agencies in FFY 2016.

C. Analysis of Performance and Observations

RSA’s review and analysis of the performance of BSBP in this focus area resulted in the following observation.

3.1 Provision of Pre-Employment Transition Services

Observation: At the time of the on-site review, RSA observed that a number of services that BSBP was providing as required pre-employment transition services activities were not within the scope of the five required activities in 34 C.F.R. § 361.48(a)(2), such as job coaching and assessment services. BSBP developed and uses a crosswalk document to assist staff in determining whether the services they provide to students with disabilities may be appropriately categorized as one of the five required pre-employment transition services activities and thus paid for using funds reserved for pre-employment transition services. Some of the services that were categorized in the crosswalk document as pre-employment transition services were incorrect. Post-on-site, BSBP began the process of revising the crosswalk to correctly reflect only those services allowable as pre-employment transition services within the five required activity categories. The agency planned to provide training in the use of the corrected crosswalk document.

D. Recommendations

RSA’s review of the performance of the VR program in this focus area resulted in the following recommendations Appendix C of this report indicates whether or not the agency has requested technical assistance to enable it to implement any of the below recommendations.

RSA recommends that BSBP—

3.1 Provision of Pre-Employment Transition Services

- 3.1.1 Continue to closely monitor implementation of the pre-employment transition services crosswalk to ensure that services provided are consistent with the five required activities and properly paid for using reserved funds;
- 3.1.2 Analyze how assessment data are coded using the revised pre-employment transition services crosswalk to ensure that such services are not incorrectly counted as one of the five required pre-employment transition services activities; and
- 3.1.3 Provide BSBP staff with necessary training regarding the revised pre-employment transition services crosswalk.

E. Findings and Corrective Actions to Improve Performance

RSA's review of the performance of the VR program in this focus area did not result in the identification of findings and corrective actions to improve performance.

F. Technical Assistance

RSA and the WINTAC collaborated to provide a coordinated technical assistance effort in a variety of areas specific to pre-employment transition services and transition services, as described below.

- At the time of the on-site portion of the review, BSBP was operating under recently developed pre-employment transition services and transition services policies. The agency was providing ongoing management and field staff training as the policies continued to be revised. RSA and the WINTAC reviewed the policies and provided the agency with feedback and continued support as the policies evolved. The WINTAC also conducted training targeted for both management and staff on the provision of pre-employment transition services.
- RSA and the WINTAC reviewed BSBP's pre-employment transition services Question and Answer document, and provided feedback and suggested revisions prior to release for staff use.
- RSA and the WINTAC reviewed the initial agency's service delivery crosswalk to pre-employment transition services, and provided feedback and recommendations, to include the removal of services such as assessment and vocational evaluation.

Both the WINTAC and RSA have provided significant technical assistance related to SEA and LEA agreements. At the time of the on-site review, BSBP's interagency agreement with the SEA was in progress. The agency was operating under an expired SEA as a placeholder for the new agreement. At the time of the on-site portion of the review, BSBP was nearing completion of its SEA agreement in close collaboration with the State's Department of Education and MRS.

SECTION 4: FOCUS AREA – STATE SUPPORTED EMPLOYMENT SERVICES PROGRAM

A. Nature and Scope

Through this focus area, RSA assessed the Supported Employment program, authorized under Title VI of the Rehabilitation Act, as amended by WIOA, and regulations in 34 C.F.R. part 363. The Supported Employment program provides grants to assist States in developing and implementing collaborative programs with appropriate entities to provide programs of supported employment services for individuals with the most significant disabilities, including youth with the most significant disabilities, to enable them to achieve a supported employment outcome in competitive integrated employment. Grants made under the Supported Employment program supplement grants issued to States under the VR program.

WIOA made several significant changes to Title VI of the Rehabilitation Act that governs the Supported Employment program. The amendments to Title VI are consistent with those made throughout the Rehabilitation Act to maximize the potential of individuals with disabilities, especially those individuals with the most significant disabilities, to achieve competitive integrated employment and to expand services for youth with the most significant disabilities.

The changes to the Supported Employment program made in the Rehabilitation Act, as amended by WIOA, covered in this focus area included—

- The extension of the time frame for the provision of supported employment services from 18 to 24 months (Section 7(39)(C) of the Rehabilitation Act, 34 C.F.R. § 361.5(c)(54)(iii), and 34 C.F.R. § 363.50(b)(1));
- The requirement that supported employment must be in competitive integrated employment or, if not in competitive integrated employment, in an integrated setting in which the individual is working toward competitive integrated employment on a short-term basis (Section 7(38) of the Rehabilitation Act, and 34 C.F.R. § 363.1);
- The requirement that supported employment funds and/or VR program funds be available for providing extended services to youth with the most significant disabilities for a period of time not to exceed four years, or until such time that a youth reaches the age of 25 and no longer meets the definition of “youth with a disability,” whichever occurs first (Section 604(b) of the Rehabilitation Act and 34 C.F.R. § 363.4(a)(2)); and
- The reduction of the amount of funds that may be spent on administrative costs (Section 606(b)(7)(H) of the Rehabilitation Act and 34 C.F.R. § 363.51).

To facilitate the provision of monitoring and technical assistance activities, and in preparation for the on-site visit, RSA and BSBP reviewed applicable documentation and resources related to the Supported Employment program, including, but not limited to—

- VR agency policies and procedures related to the provision of supported employment and extended services;
- Third-party cooperative arrangements and/or cooperative agreements with employers, State agencies, private nonprofit organizations, and other groups that fund extended services;
- Third-party cooperative arrangements and/or cooperative agreements with supported employment vendors and associated community rehabilitation programs (CRPs);
- Supported employment assurances 5, 6, and 7 and descriptions e, j.1.A, k.2.B, l.2, n, o, p, and q and any additional information from the VR services portion of the most recently approved Unified State Plan;
- Procedures to limit expenditures on administrative costs to 2.5 percent of the State’s supported employment award; and
- Performance data related to the number and percentage of individuals with the most significant disabilities receiving supported employment services and achieving supported employment outcomes.

In gathering information related to this focus area, the review team consulted—

- The VR agency director and other senior managers;
- VR agency counselors; and
- VR agency supported employment coordinators and staff.

B. Overview

BSBP purchases supported employment services for individuals with the most significant disabilities (MSD) with funds received under Section 603 of the Rehabilitation Act.

BSBP identified multiple challenges regarding the provision of supported employment and extended services, including the availability of community rehabilitation providers (CRPs) and funding for long-term supports. BSBP reported a lack of CRPs throughout the State, particularly in the rural areas, to provide necessary or specialized extended services that its consumers require. As a result, extended services are not currently available statewide.

BSBP consumers who are diagnosed with severe and persistent mental illness may have been underserved in the past for supported employment services, as there is limited long-term funding available through the Community Mental Health (CMH) centers. As a result, BSBP is focusing on the increased identification and use of natural supports to provide services to this population. While field counselors work closely with CMH staff at the local level, entities which operate independent of one another, BSBP’s director at the time of the review was attempting to meet with the Director of Mental Health to establish a memorandum of understanding (MOU) at the State level for extended services. In addition, the BSBP director indicated that he is seeking to establish an Interagency MOU with the State Medicaid program for additional resources for extended service funding through their Medicaid waiver program. Funding for long-term

supports is limited through Medicaid waivers and CMH services; the availability of funding for CMHs is not available in all counties in the State.

The agency currently has no contracts for the provision of supported employment services. BSBP indicated the agency funds job coaching on a fee-for-service basis. It should be noted that the only job coaching service described in tables 3.2.b and 5.2.a was short-term job coaching, but no supported employment job coaching was reported.

BSBP provided RSA with its updated Supported Employment policies prior to the on-site visit. The team reviewed these policies and made significant edits prior to providing feedback during the on-site portion of the review. The policies demonstrated a lack of understanding of some of the recent changes as a result of WIOA, including BSBP's imposing eligibility criteria for individuals seeking supported employment that are not consistent with statutory or regulatory requirements.

C. Analysis of Performance and Observations

RSA's review and analysis of the performance of BSBP in this focus area resulted in the following observations.

4.1 Quality of Supported Employment Outcomes

Observation: The quality of competitive supported employment outcomes achieved by individuals in supported employment was lower than the national performance for blind agencies, as measured by hourly earnings and average hours worked. In the State of Michigan, the minimum hourly wage is higher than the national minimum wage. Specifically, the State minimum hourly wage increased from \$7.40 to \$8.15 on September 1, 2014, and increased again on January 1, 2016, to \$8.50.

For all individuals with a supported employment outcome at exit, the average hourly wage decreased from \$18.63 per hour in FFY 2014 to \$9.86 per hour in FFY 2015 and then increased to \$11.86 per hour in FFY2016, compared to the national performance of \$13.89 in FFY2016 for blind agencies.

During the same period, for individuals under age 25 at exit who achieved supported employment from FFY2014 to FFY 2016, the average wages earned per hour for supported employment outcomes decreased from \$15.59 in FFY 2014 to \$7.90 in FFY2015 with a slight increase in FFY2016 to an hourly rate of \$8.51, compared to the national performance of \$8.74 per hour for FFY 2016 for blind agencies.

There were no competitive supported employment outcomes with employer provided insurance. Although the number of hours worked per week fluctuated from FFY2014 to FFY 2016, the number of hours worked by individuals who achieved supported employment in FFY 2016 (19.25) was lower than the national performance of 21.8 hours for blind agencies, and the average hours worked per week by individuals under the age of 25 at exit who achieved

supported employment in FFY 2016 (13 hours) was lower than the national performance for blind agencies of 16.17 hours in FFY 2016.

4.2 VR and Supported Employment Services

Observation: The data reported by BSBP for individuals who achieved supported employment appear to be inaccurate and reflect limited services provided to individuals served. The individuals in supported employment served by BSBP are small and make it difficult to draw conclusions based on the data on services provided. Of the services listed, it appears that assessment, rehabilitation technology, and transportation were among those most frequently provided. It is notable that BSBP reported that no individuals received on-the-job supports (supported employment), but did report one individual in FFYs 2014 and 2015, and two individuals in FFY 2016, who received short-term on-the-job supports. Considering the fact that most individuals in supported employment require job coaching while on the job, these data seem suspect. At the very least, the data call into question the accuracy of BSBP's data reporting.

D. Recommendations

RSA's review of the performance of the VR program in this focus area resulted in the following recommendations. Appendix C of this report indicates whether or not the agency has requested technical assistance to enable it to implement any of the below recommendations.

RSA recommends that BSBP—

4.1 Quality of BSBP Supported Employment Outcomes

4.1.1 Develop measurable goals and strategies to improve the quality of the supported employment outcomes achieved by individuals with the most significant disabilities, including the average hourly wage earned and hours worked per week.

4.2 VR and Supported Employment Services

- 4.2.1 Review the services provided to individuals in supported employment and provide clarification and training to staff regarding which VR services should be funded only with Title I funds (e.g., job search, job development, and placement);
- 4.2.2 Examine the range of services provided to individuals in supported employment to determine whether the necessary supports and services are being provided to individuals in supported employment; and
- 4.2.3 Assess the reasons on-the-job supports (supported employment services) were seldom provided to individuals in supported employment, and if this is a reporting issue, take steps to train staff to ensure accurate reporting.

E. Findings and Corrective Actions to Improve Performance

RSA's review of the performance of the VR program in this focus area did not result in the identification of findings and corrective actions.

F. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to BSBP as described below.

While on-site, RSA provided technical assistance related to the significant changes to the Supported Employment program resulting from WIOA. RSA and BSBP discussed requirements specific to the Supported Employment program to ensure that BSBP's supported employment policies and procedures incorporate and implement all new requirements under the Rehabilitation Act. RSA clarified extended services requirements in Sections 7(42) and 604(b)(2) of the Rehabilitation Act and explained that once an individual reaches the age of 25, he or she no longer meets the definition of a "youth with a disability" pursuant to 34 C.F.R. § 361.5(c)(58) and can no longer receive extended services from the VR agency. A final version of the team's comments and proposed edits to the agencies Supported Employment policies was sent to BSBP after the on-site visit.

While BSBP does not have an Intensive Technical Assistance Agreement with the WINTAC at this time, it has received supported employment training from this technical assistance center in the past. Staff have supported employment mentors, desk aids, and web-based tools specific to supported employment available for staff use at any time. Despite these efforts and resources, staff expressed a need for additional Supported Employment training, and at the time of the review, BSBP indicated that it would be a priority for the next year. The review team will work with WINTAC to address BSBP's Supported Employment training needs as a result of areas identified in the course of the review.

BSBP has requested additional technical assistance as follows:

- Strategies to identify additional referrals, particularly youth with the most significant disabilities who may require supported employment services;
- Further clarification regarding when an extension of supported employment services should be authorized beyond 24 months;
- Strategies the agency can developed to ensure extended services can be provided on a statewide basis and to identify resources to fund extended services that may be needed; and
- Further clarification on some of the new requirements under WIOA, particularly employment on a short-term basis and customized employment.

SECTION 5: FOCUS AREA – ALLOCATION AND EXPENDITURE OF STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAM FUNDS

A. Nature and Scope

Through this focus area RSA assessed the fiscal accountability of the VR and Supported Employment programs to ensure funds are being used only for intended purposes; programs have sound internal controls and reliable reporting systems; BSBP is maximizing resources available for program needs; and funds support the achievement of employment outcomes for individuals with disabilities, including youth with disabilities and individuals with the most significant disabilities. RSA reviewed BSBP's adherence to Federal fiscal accountability requirements, which include both general administrative and program-specific requirements.

General administrative requirements refer to—

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) located in 2 C.F.R. part 200. These regulations establish the foundation of Federal cost principles and standards for determining costs for Federal awards while reducing the administrative burden on award recipients and guarding against the risk of waste and misuse of Federal funds;
- Education Department General Administrative Regulations (EDGAR) in 34 C.F.R. part 76. These regulations are applicable to Department of Education (Department) grantees and establish uniform administrative rules for the Department's Federal grants to State administered programs; and
- Departmental and RSA guidance, including Policy Directives (PDs), Technical Assistance Circulars (TACs), Grant Bulletins, Frequently Asked Questions (FAQ), etc.

Program-specific requirements refer to the Rehabilitation Act and VR and Supported Employment program implementing regulations in 34 C.F.R. part 361 and 34 C.F.R. part 363, respectively. These requirements establish the specific provisions related to the administration and operation of the VR and Supported Employment programs.

In addition to the fiscal accountability requirements covered in this focus area, RSA reviewed fiscal requirements pertaining to the VR program funds reserved for the provision of pre-employment transition services (i.e., the prohibition against the use of these funds for administrative costs) and Supported Employment program funds (i.e., the limit on the use of these funds for administrative costs to 2.5 percent of the award to youth with the most significant disabilities). The nature and scope of this focus area did not include a review of the extent to which States have satisfied the requirements to reserve at least 15 percent of the Federal VR program award for expenditures on pre-employment transition services, to reserve 50 percent of Supported Employment program funds for services to youth with the most significant

disabilities, and to provide a 10 percent match for this amount, or to track expenditures toward these reserves. Instead, in FFY 2017, RSA provided technical assistance to, and reviewed the progress of, each State toward satisfying these requirements through other processes established by the State Monitoring and Program Improvement Division's (SMPID) Fiscal unit.

RSA used a variety of resources and documents from the period covering FFY 2014 through FFY 2016. If the issues identified included Federal fiscal years prior to 2014, RSA requested additional information within the statute of limitations. Resources and documentation included data maintained on RSA's Management Information System (MIS) generated from reports submitted by BSBP (e.g., Federal Financial Reports (SF-425), Annual VR Program/Cost Report (RSA-2), and the VR services portion of the program year 2016 Unified or Combined State Plan). These data were organized into a fiscal profile for each State and shared with the VR agency and served as a reference for discussions regarding the areas covered within this focus area.

The review team reviewed the following documents, as needed, to ensure adherence to accountability requirements (list is not exhaustive):

- 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 cost allocation, procurement, etc.);
- Documentation of obligations and expenditures, including contracts, purchase orders, invoices, etc.; and
- Grant award notifications, documentation of non-Federal share/match (e.g., interagency transfers, third-party cooperative arrangements (TPCAs), establishment projects, and private donations), maintenance of effort (MOE), and program income documentation.

Prior to conducting the review, RSA provided BSBP with a documentation request that included a list of the documentation that the agency needed to provide prior to the start of the review in a manner that enabled RSA to analyze the documents prior to the on-site visit.

The degree to which the review team addressed each accountability requirement was dependent upon the individual circumstances of the agency. The review team analyzed the information obtained prior to the on-site visit by reviewing the documentation requested, conducting teleconferences, and examining RSA-MIS data to determine the level of review required for each component.

B. Overview

A review of BSBP's written policies and procedures revealed several layers of internal controls related to the approval level necessary for purchase of client services. As expenditures increase, the individuals delegated to approve the expenditures included VR Counselors, followed by Managers and Division Directors, and finally the BSBP Director for expenditures that equal or exceed \$3,000.

One challenge that BSBP anticipated at the time of the review was a change in the State accounting system on October 1, 2017, resulting in new processes and accounting codes to which the agency must adapt.

BSBP neither has policies for submitting requests for prior approval of cost items to RSA as the Federal awarding agency, nor has it submitted any such prior approval requests during the period of time between implementation of Uniform Guidance and the on-site monitoring visit. This topic is addressed in another section of this focus area.

Related to indirect costs, the VR agency and designated State agency charge payroll costs to the current year of appropriation. Since the direct cost base primarily comprises payroll costs, this practice ensures that indirect costs are always charged to the period of performance of the VR award in its year of appropriation, eliminating the need to determine if carryover funds should be used for this purpose.

During FFYs 2014 through 2016, BSBP's non-Federal share expended for match in the VR program was primarily generated from three sources: State appropriations reported between 88.30 percent and 91.31 percent of total match; Randolph-Sheppard set aside expenditures, reported between 6.62 and 7.42 percent of total match; and interagency transfers of funds, reported between 0.90 percent and 0.98 percent of total match during the three-year period. BSBP's non-Federal share has fluctuated during FFYs 2014 through 2016, reported at \$4,655,908 in FFY 2014, \$4,201,741 in FFY 2015, and \$4,472,621 in FFY 2016. BSBP incurred two MOE penalties during this time period: \$62,527 in FFY 2015 due to a FFY 2014 MOE deficit; and \$726,583 in FFY 2016 due to a FFY 2015 MOE deficit. Despite BSBP's MOE shortfall specific to its own agency in FFY 2016, Michigan Rehabilitation Services provided sufficient non-Federal share such that the State met its MOE requirement.

BSBP neither implemented TPCAs or establishment projects during the three-year review period, nor did it provide any policies or procedures for TPCAs or establishment or construction of CRPs.

The amount of BSBP's net Federal VR award has decreased from \$17,315,858 in FFY 2014 to \$15,800,922 in FFY 2016. For FFYs 2014 and 2015, unobligated balances of \$113,042 and \$899,841, representing unmatched Federal VR funds, respectively, remained in the award at closeout and reverted to the United States Treasury.

SF-425 reports for the FFYs 2014 and 2015 VR awards indicate that no program income was reported. However, in FFY 2016, BSBP reported \$664,557 of program income on SF-425 reports, \$140,805 of which was transferred to the Independent Living Services for Older Individuals Who Are Blind (IL OIB) Program. Federal VR funds carried over as a percentage of the matched award have declined during the review period, from 39.46 percent of the award in FFY 2014 to 9.99 percent in FFY 2016.

The amount of total VR and Supported Employment program expenditures BSBP reported on the RSA-2 increased from a low of \$12,487,317 in FFY 2014 to a high of \$24,970,227 in FFY

2016. Additionally, expenditures for administration have increased during FFY 2014 through FFY 2016, from 15.06 percent in FFY 2014 to 39.36 percent in FFY 2016.

C. Observations and Recommendations

RSA's review of the performance of BSBP in this focus area did not result in the identification of observations or recommendations.

D. Findings and Corrective Actions to Improve Performance

RSA's review of the performance of the VR program in this focus area resulted in the identification of the following findings and corrective actions to improve performance. Appendix C of this report indicates whether or not the agency has requested technical assistance to enable it to implement any of the below corrective actions.

5.1 Prior Approval

Issue: Did BSBP satisfy the prior approval requirements in accordance with 2 C.F.R. §§ 200.407 and 200.439.

Requirement: The Uniform Guidance at 2 C.F.R. § 200.407 includes a list of specific circumstances for which prior approval from the Federal awarding agency in advance of the occurrence is either required for allowability or recommended in order to avoid subsequent disallowance or dispute based on the unreasonableness or nonallocability. For example, 2 C.F.R. § 200.439(b)(1) states that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding or pass through entity. The Uniform Guidance provisions at 2 C.F.R. §§ 200.62(a) and 200.303(a) also require that the agency have a process, and establish and maintain effective internal control over the Federal award, which provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

On November 2, 2015, the Department of Education adopted the final regulations found in 2 C.F.R. part 200 ([Federal Register notice 80 FR 67261](#)). The Department issued notifications to grantees regarding the new requirements and made training and technical assistance documents available to grantees to assist in implementation of the new requirements. To ensure that RSA grantees were aware of the applicability of the prior approval requirements, RSA included a special clause on grant award notifications for FFY 2015 awards necessitating implementation of these requirements in FFY 2016. The special clause stated, in pertinent part, "that the prior approval requirements listed in the Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (2 C.F.R. part 200) are applicable to this award...Grantees are responsible for ensuring that prior approval, when required, is obtained prior to incurring the expenditure. Grantees should pay particular attention to the prior approval requirements listed in the Cost Principles (2 C.F.R. part 200 subpart E)." In addition,

information regarding the requirements in 2 C.F.R. part 200 was communicated to grantees via RSA's listserv on September 23, 2015.

Analysis: RSA requested the agency's written policies, procedures or processes that ensure the agency was meeting the prior approval requirements. While the agency provided policies and procedures for prior approval that identified authorization levels requiring approval for purchased services within BSBP and the State, it did not have prior approval policies or procedures consistent with those identified in Uniform Guidance at 2 C.F.R. § 200.407 that require approval from RSA as the Federal awarding agency. Discussions with the agency prior to and during the on-site indicated that the agency has purchased items that met the definition of equipment in accordance with 2 C.F.R. §§ 200.33 and 200.439, exceeding the State's capitalization threshold of \$5,000.

As a result, RSA has determined that the agency required prior approval from RSA as the Federal awarding agency before purchasing equipment, but prior approval was not sought or obtained. In addition, without written policies the agency does not have a process to determine the allowability of such costs as is required in 2 C.F.R. § 200.302(b)(7).

Conclusion: As a result of the analysis, BSBP did not satisfy the prior approval requirements pursuant to the Uniform Guidance (2 C.F.R. § 200.407) or the requirement to have written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles within Uniform Guidance (2 C.F.R. § 200.302(b)(7)).

Corrective Action Steps: RSA requires that BSBP—

- 5.1.1 Develop and implement policies and procedures, as well as a written internal control process, including a monitoring component, to ensure ongoing compliance with the prior approval requirements, in accordance with RSA Technical Assistance Circular (TAC) 18-02.

5.2 Internal Control Deficiencies

Issue: Does BSBP maintain effective internal control over the Federal award to provide reasonable assurance that BSBP is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award. This area of monitoring is included on pages 52 and 53 of the MTAG.

Requirement: A State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program. These methods of administration (i.e., the agency's internal controls) must include procedures to ensure accurate data collection and financial accountability (34 C.F.R. § 361.12).

“Internal controls” means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations (2 C.F.R. § 200.61).

In addition, the Uniform Guidance at 2 C.F.R. § 200.62(a)(3) defines “internal control over compliance requirements for Federal awards” as a process implemented by a grantee that provides reasonable assurance that, among other things, that transactions are accurately recorded and accounted for to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In accordance with the Uniform Guidance, 2 C.F.R. § 200.303, among other things, requires a non-Federal entity to—

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor the non-Federal entity’s compliance with statute, regulations and the terms and conditions of Federal awards; and
- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit finding.

Additionally, 2 C.F.R. § 200.302(a) requires a State’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit the—

- Preparation of reports required by general and program specific terms and conditions; and
- Tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of Federal award.

Furthermore, provisions at 2 C.F.R. § 200.302(b)(4) require the financial management system of each non-Federal entity must ensure—

- Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

In its guidance, “The Role of Internal Control, Documenting Internal Control, and Determining Allowability & Use of Funds,” the U.S. Department of Education made clear to grantees that internal controls represent those processes by which an organization assures operational objectives are achieved efficiently, effectively, and with reliable, compliant reporting.

Therefore, an internal control deficiency would exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or correct processes that might lead to non-compliance with Federal and State requirements.

Analysis: RSA found two areas of concern that fall within the internal control focus area. These concerns are identified below.

A. Unallowable VR Contract Expenditures

BSBP has entered into contracts for decades with the Detroit Regional Hospital (DRH) for the provision of skills of blindness training primarily to eligible individuals of the VR and Independent Living Services for Older Individuals Who Are Blind (IL OIB) programs who live in the Southeast portion of the State, primarily in or around Detroit. The latest iteration of the agreement is a three-year contract with two, two-year renewal options. The annual amount of the contract for FFY 2016 was \$424,004. On-site discussions with BSBP revealed that the agency allocates costs for services between the VR and IL OIB programs based upon pre-determined allocation percentages. BSBP indicated that the prior version of the contract allocated costs 80 percent to the VR program and 20 percent to the IL OIB program. BSBP further indicated that, based upon historical data, the pre-determined allocations were adjusted in FFY 2016, resulting in contract costs charged 85 percent to the VR program and 15 percent to the IL OIB program. At the time of the on-site visit, BSBP and DRH had not implemented a mechanism to track the proportionate usage of contract services by VR and IL OIB consumers to determine relative benefits received by each program and properly allocate costs to each program in accordance with Uniform Guidance. In other words, RSA learned from BSBP that the pre-determined percentages to divide costs between the VR and IL OIB programs are not reconciled to after-the-fact program usage, and charges to each program are not adjusted to reflect allocable use of the contract services by VR and IL OIB program consumers.

Federal regulations require BSBP to establish procedures that enable it to administer the VR program in an efficient manner that ensures it can carry out all functions properly (34 C.F.R. § 361.12), including the provision of VR services authorized under the VR services portion of the Unified or Combined State Plan (34 C.F.R. § 361.3(a)). Furthermore, 2 C.F.R. § 200.302(a) requires a State’s financial management systems to be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of Federal award, and provisions at 2 C.F.R. § 200.302(b)(4) require the effective control over, and accountability for, all funds, property, and other assets to adequately safeguard all assets and assure that they are used solely for authorized purposes. The Federal cost principles require that for costs to be allowable, they

must be reasonable, necessary and allocable to the program (2 C.F.R. §§ 200.403 through 200.405). To be allocable to a program, the cost must be relative to the benefit received by that program (2 C.F.R. § 200.405(a)). Without a mechanism to track the proportionate use of the DRH contract services by consumers of the VR and IL OIB programs, BSBP cannot ensure that all expenditures incurred for the provision of purchased VR services are reasonable, necessary and allowable under the VR program. As such, BSBP cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, BSBP has not complied with the VR program provisions and internal control requirements set forth at 34 C.F.R. §§ 361.3(a) and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4).

B. Reasonableness of Rates of Payment for VR Services

Through on-site discussions with BSBP management and a review of the agency's policies, RSA learned that the agency has established a vendor fee schedule in policy identifying the rates of payment for some of its purchased VR services (BSBP-17).

RSA discussed with BSBP the need for policies that govern the rates of payment for all of its purchased VR services, in accordance with 34 C.F.R. § 361.50(c)(1). However, BSBP did not provide supporting documentation in addition to the vendor fee schedule (BSBP-17) to identify the methodology for determining rates of payment for purchased VR services, and ensuring those rates are necessary and reasonable consistent with Uniform Guidance.

Federal regulations require BSBP to establish procedures that enable it to administer the VR program in an efficient manner that ensures it can carry out all functions properly (34 C.F.R. § 361.12). Furthermore, 2 C.F.R. § 200.303(b) requires BSBP to have internal controls that ensure the agency complies with Federal requirements. BSBP also must establish and maintain written policies that govern the rates of payment for all purchased VR services (34 C.F.R. § 361.50(c)(1)). The Federal cost principles require that for costs to be allowable, they must be reasonable, necessary and allocable to the program (2 C.F.R. §§ 200.403 through 200.405). To be allocable to a program, the cost must be relative to the benefit received by that program (2 C.F.R. § 200.405(a)). Without written policies to identify the methodology for determining rates of payment for purchased VR services, including those in the fee schedule, BSBP cannot ensure that all expenditures incurred for the provision of purchased VR services and pre-employment transition services are reasonable and necessary for the operation of the VR program, or are allowable under the VR program. As such, BSBP cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, BSBP has not complied with the internal control requirements set forth at 34 CFR § 361.12 and 2 C.F.R. § 200.303(b).

Conclusion: BSBP does not maintain effective internal controls over the Federal awards necessary to provide reasonable assurances that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award, as required by 34 C.F.R. §§ 361.3(a) and 361.12, and 2 C.F.R. §§ 200.302 and 200.303. Specifically, BSBP did not satisfy the requirements in 34 C.F.R. §§ 361.3 and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4) that require a State's financial management systems to be sufficient to permit the tracing of funds

to a level of expenditures adequate to establish that such funds have been used according to the Federal requirements, and that funds are spent solely on authorized VR activities, because BSBP has not implemented mechanisms necessary to track proportionate use and relative benefits received by the VR and IL OIB program consumers to allocate DRH contract expenditures in accordance with these principles of Uniform Guidance.

Additionally, an internal control deficiency for governing rates of payment for purchased VR services exists, because BSBP did not demonstrate the agency has established and maintained written policies that govern the rates of payment for all purchased VR services, as required by 34 C.F.R. § 361.50(c)(1), to ensure that fees are allowable, reasonable, necessary, and allocable, as required by Federal cost principles in Uniform Guidance.

Corrective Action Steps: RSA requires that BSBP—

- 5.2.1 Develop and maintain written policies or procedures governing the manner in which BSBP will set fees for purchased VR services, including pre-employment transition services, based on reasonable costs established by the agency, as required by 34 C.F.R. § 361.50(c)(1); and
- 5.2.2 Develop and implement a tracking mechanism to ensure costs for all purchased services, including those provided through the DRH contract for the benefit of VR and IL OIB consumers, are allocated to programs and cost objectives based upon a reasonable cost allocation methodology that assesses proportionate use and relative benefits received by the programs, in accordance with 2 C.F.R. § 200.405.

5.3 Unallowable Assignment of Personnel Costs to the VR Program

Issue: Did BSBP satisfy personnel cost allocation requirements in 2 C.F.R. §§ 200.430 and 200.431. This area of monitoring is included on page 53 of the MTAG.

Requirements: In accordance with Uniform Guidance in 2 C.F.R. § 200.430(i)(1)(vii), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and must, among other things, support the distribution of the employee’s salaries or wages among specific activities or cost objectives if the employee works on more than one Federal award. In addition, 2 C.F.R. § 200.431(b)(2) indicates that the cost of fringe benefits is allowable if, among other things, the costs are equitably allocated to all related awards, including Federal awards. The Uniform Guidance at 2 C.F.R. § 200.62(a)(3) defines “internal control over compliance requirements for Federal awards” as being a process that ensures, among other things, that transactions are accurately recorded and accounted for to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Furthermore, provisions at 2 C.F.R. § 200.302(b)(4) require the financial management system of each non-Federal entity must ensure effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

Analysis: RSA reviewed the agency's written processes and programs administered by BSBP to ensure the agency was assigning personnel costs, including fringe benefits, in accordance with the Uniform Guidance in 2 C.F.R. part 200. BSBP operates a Youth Low Vision (YLV) program, which provides blindness services to newborns up to individuals age 26, including special optometric evaluations and other low vision devices such as telescopic and microscopic glasses, complex contact lenses, light-filtering eyewear, prescription sports goggles, bifocals, and prismatic lenses. RSA discussed personnel cost allocation with BSBP staff during the on-site visit and learned that DSU staff members such as VR Counselors spend time on case management activities for the YLV program for youth who are not applicants or recipients of services from the VR program. As a result, the portion of DSU staff member time spent managing YLV caseloads for individuals who are not applicants or recipients of VR services is not allocable to the VR program. However, while the cost of providing the various blindness services to youth are charged to State general fund/general purpose appropriations, discussions with BSBP on-site indicated that the time DSU staff members spend working on the YLV program is allocated and charged solely to the VR program, and is not allocated to a separate funding source. As a result, corresponding holiday, vacation and sick time are not allocated in proportion to the hours worked on each cost objective for agency staff.

Conclusion: As a result of this analysis, BSBP did not satisfy the personnel cost allocation requirements in the Uniform Guidance (2 C.F.R. §§ 200.430 and 431), as the agency was improperly charging personnel costs for staff working on programs other than VR to the VR award. Specifically, BSBP did not satisfy the requirements in 34 C.F.R. §§ 361.3 and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4) that require a State's financial management systems to be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal requirements, and that funds are spent solely on authorized VR activities, because BSBP has not implemented mechanisms necessary to track proportionate use and relative benefits received by the YLV program for cases managed by DSU staff members for individuals who are not applicants or recipients of VR services, to properly allocate DSU personnel costs to the YLV program. Additionally, the agency did not have sufficient internal controls to ensure the proper assignment of holiday, vacation, and sick leave expenditures to the various programs in accordance with the amount of time spent working on the cost objective consistent with 2 C.F.R. § 200.431. The costs charged to the VR program that were not in accordance with the Uniform Guidance represent questioned VR program costs.

Corrective Action Steps: RSA requires that BSBP—

- 5.3.1 Cease using VR funds to pay for personnel costs that must be allocated to other cost objectives including the YLV program;
- 5.3.2 Revise and implement policies and procedures to correctly assign personnel costs, including fringe benefits, to the benefitting cost objectives;
- 5.3.3 Revise SF-425 reports to reflect accurate expenditures and ensure accurate reporting of personnel costs in future submissions; and
- 5.3.4 Develop and implement a written internal control process, including a monitoring component, to ensure ongoing compliance with personnel cost allocation requirements.

5.4 Financial Management System and Internal Controls Fail to Ensure Supporting Documentation is Maintained

Issue: Whether BSBP’s financial management system and internal controls satisfy the requirements of 34 C.F.R. § 361.12, 2 C.F.R. §§ 200.302, 200.303, and 200.333, given that BSBP has not maintained agreements, contracts, or other documents supporting the expenditure of State funds incurred by the State House of Representatives and the State Department of Civil Service to improve or expand three existing vending facilities in State buildings when BSBP used those expenditures for match purposes under the VR program.

Requirements: The VR regulations at 34 C.F.R. §361.12 require BSBP employ:

methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

Similarly, the Uniform Guidance at 2 C.F.R. § 200.302(a) requires that a State’s:

financial management system, **including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award**, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the **tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award** (emphasis added).

The Uniform Guidance at 2 C.F.R. § 200.303(a), in pertinent part, requires States to “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Furthermore, 2 C.F.R. § 200.333, in pertinent part, requires:

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

Analysis: BSBP, as the State Licensing Agency (SLA) for the Randolph-Sheppard program in Michigan, operates multiple Randolph-Sheppard vending facilities throughout the State. As part of FFY 2017 monitoring activities focused on the fiscal integrity of the VR program, RSA reviewed the non-Federal expenditures used for VR program match purposes, as reported by BSBP on its SF-425s in FFYs 2014 through 2016.

Based on information provided by BSBP during the on-site visit and explained further in its March 30, 2018, email and July 26, 2018, memorandum (July 26, 2018, Memo), RSA understands that the determination of the need for and the consideration for the scope of work to be done for these three vending facility projects were initiated through collaboration between the former director of BSBP, the State House of Representatives, and the State Department of Civil Service, consistent with State law requirements set forth in the State of Michigan's Public Act 260 of 1978 (PA 260). RSA further understands that the former BSBP director reached agreements with the State House of Representatives and the State Department of Civil Service to initiate the three vending facility projects at the State Capitol Concessions, Anderson building, and the Capitol Commons building, as well as the amount of costs that would be incurred for each project and the State funds that would be used to cover those costs. Further, RSA understands that the costs for this work were paid with State funds appropriated to the Michigan House of Representatives and State funds appropriated to the State of Michigan Department of Civil Service. BSBP then reported these non-Federal expenditures as match for purposes of the VR program in FFYs 2014 and 2016.

Because the non-Federal share is based on a percentage of the total allowable costs incurred under the VR program, as will be described in more detail in a subsequent finding related to this issue, 34 C.F.R. § 361.12, and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333 require BSBP to maintain documentation supporting the allowability of these non-Federal expenditures used for match purposes under the VR program. Such supporting documentation could include copies of interagency agreements or memoranda of understanding describing the necessary scope of the projects and establishing various responsibilities between State entities, the work contracts (including breakdown of the various costs) entered into by the State House of Representatives and State Department of Civil Service to do the three vending facility projects, the invoices paid for those projects, and the leases for the State office building spaces occupied by the vending facilities to demonstrate the building owners' responsibilities (e.g., maintenance of common spaces, needed renovations to satisfy code requirements, or any other services agreed upon to make the facility serviceable for its new functions). To date, BSBP has not provided documentation demonstrating a breakdown, or allocation of costs, between expenses incurred for the improvement or maintenance of existing vending facilities and those expenses incurred for the acquisition of additional vending facility space or equipment.

RSA requested information that would typically be included in contracts and recently requested copies of the contracts for each of the three vending facility projects, as well as information about the specific costs incurred. In the March 30, 2018, email, BSBP provided only total costs for each of the three projects, along with a general description of the work performed at each vending facility location. In its July 26, 2018, Memo, BSBP informed RSA that its search for the contracts or agreements with the State House of Representatives and the State Department of Civil Service was not fruitful. In the July 26, 2018, Memo, the BSBP Director stated that he "did not inherit any documents related to these renovations" when he assumed his position on October 3, 2016, and that he was not "privy to the communications at the time" BSBP and the State House of Representatives and the State Department of Civil Service agreed to the terms of the vending facility projects at the Capitol Concessions, Anderson, and Capitol Commons Buildings. BSBP also states in its July 26, 2018, Memo that there has been turnover of State of Michigan

staff knowledgeable about these renovations. In addition, the July 26, 2018, Memo explains that the contracts or agreements related to these three vending facility contracts “do not reside within BSBP” because State law requires BSBP to be consulted with respect to all vending facility plans.

While it appears, based on BSBP’s assertions and applicable State requirements, that BSBP was directly involved with key decision making with respect to these three vending facilities as it should have been under State law, such direct involvement by itself is not sufficient to establish that BSBP maintained administrative procedures, including financial management and internal control procedures, to ensure that the non-Federal expenditures incurred by the State House of Representatives and the Department of Civil Service, which were used for VR program match purposes by BSBP, were spent only on allowable VR program costs and that those expenditures were allocable to the VR program in accordance with requirements set forth in Federal cost principles. BSBP assures, in its VR services portion of its Unified or Combined State Plan, that it will employ methods of administration necessary for the proper and efficient administration of the VR program and for carrying out all functions under the program. These methods of administration must include procedures necessary to ensure financial accountability (34 C.F.R. § 361.12). Furthermore, as a Federal grantee, BSBP also must ensure that its financial management system and internal controls satisfy the Uniform Guidance requirements in 2 C.F.R. §§ 200.302 and 200.303. Among those requirements, BSBP must be able to ensure that all funds expended under the VR program, including non-Federal funds used for match purposes, are incurred for allowable VR program purposes and are reported accurately.

By BSBP’s own admission in its July 26, 2018, Memo, the agency does not possess copies of the contracts for the three vending facility projects at issue or agreements with the State House of Representatives and the State Department of Civil Service. It is also apparent from BSBP’s inability to provide more specific details about the work performed, or the costs incurred for each aspect of the work performed, at the three vending facility locations that BSBP lacks sufficient source documentation of the actual costs incurred by the State House of Representatives and the State Department of Civil Service on behalf of the VR program, despite the fact that BSBP reported these expenditures on its own SF-425 reports as non-Federal expenditures incurred for match purposes under the VR program.

Without the specific information contained in source documentation, such as copies of the original contracts or detailed invoices paid by the State House of Representatives and the State Department of Civil Service on behalf of BSBP and the VR program, BSBP cannot properly demonstrate that the costs incurred were for allowable costs under the VR program and that they were properly allocable to the program, as it is required under 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302 and 200.303. Moreover, the proper retention and tracking of these documents would mitigate the hardship faced by BSBP and its collaborating agencies when there is turnover of key personnel. Because BSBP has not been able to provide RSA supporting documentation related to these three vending facility projects, BSBP has not demonstrated compliance with 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302, 200.303, and 200.333 with respect to the vending facility projects at the Capitol Concessions, Anderson, and Capitol Commons Buildings in FFYs 2014 and 2016.

Conclusion: BSBP has not exercised the requisite methods of administration, financial management, or internal controls necessary to ensure financial accountability and the proper expenditure of funds for these projects. As mentioned above, 34 C.F.R. § 361.12 requires BSBP to employ methods of administration that ensure the proper and efficient administration of the VR program, including financial accountability. Moreover, 2 C.F.R. §§ 200.302 and 200.303 require BSBP to implement financial management and internal control procedures necessary to ensure the proper expenditure of program funds for allowable program costs. These procedures must include the retention of supporting documentation for the expenditures pursuant to 2 C.F.R. § 200.333.

Corrective Action: RSA requires that BSBP—

- 5.4.1 Demonstrate to RSA how BSBP will ensure its administrative procedures related to financial management, internal controls, and record retention will satisfy Federal requirements at 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333, particularly when the expenditures are incurred by another State agency on the VR program’s behalf, consistent with PA 260, and used by BSBP for match purposes under the VR program; and
- 5.4.2 Provide a written assurance that BSBP will account for and report the expenditure of funds incurred by other State agencies, consistent with PA 260, as though it incurred the costs directly, whether Federal or non-Federal, in such a way that ensures the funds were spent on allowable purposes, as required by 34 C.F.R. § 361.12.

5.5 Questioned Expenditures Used for Match under the VR Program

Issue: Whether non-Federal expenditures, as reported by BSBP, incurred for the renovation or expansion of three existing vending facilities in FFYs 2014 and 2016 constitute allowable VR expenditures under Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) as “acquisition of vending facilities and other equipment” and, thus, are allowable for match purposes under the VR program in accordance with 34 C.F.R. § 361.60. This area of monitoring is included on page 52 of the MTAG.

Requirements: Under the VR program, a State must incur a portion of expenditures under the VR services portion of the Unified or Combined State Plan from non-Federal funds to meet its cost sharing requirements (34 C.F.R. § 361.60(b)). The Federal share for expenditures made by the State, including expenditures for the provision of VR services and the administration of the VR services portion of the Unified or Combined State Plan, is 78.7 percent. The State’s share is 21.3 percent.

The VR program regulations permit VR agencies to spend Federal VR funds for small business enterprises, including those established under the Randolph-Sheppard program, for the provision of management and supervision provided by the DSU along with the acquisition by the State unit of vending facilities or other equipment, initial stocks and supplies, and initial operating expenses (34 C.F.R. § 361.49(a)(5)). All costs incurred by BSBP for purposes of the VR program must be allowable, reasonable, necessary, and allocable to that program (34 C.F.R.

§ 361.3 and 2 C.F.R. §§ 200.403 through 200.405).

Analysis: As part of FFY 2017 monitoring activities focused on the fiscal integrity of the VR program, RSA reviewed the non-Federal expenditures used for VR program match purposes, as reported by BSBP on its SF-425 reports in FFYs 2014 through 2016. During on-site discussions with BSBP management and staff regarding those non-Federal expenditures, BSBP stated that some of those reported expenditures were for the renovation and expansion of existing Randolph-Sheppard vending facilities in three State-owned buildings. This information was also provided by BSBP, at RSA's request, in three match analysis spreadsheets prior to the on-site visit.

Specifically, BSBP's FFY 2014 SF-425 report included non-Federal expenditures, used for match purposes under the VR program, of \$61,495.72 and \$49,455.86 for renovations to and expansion of Randolph-Sheppard vending facilities in the State Capitol Concessions and the Anderson building, respectively. In addition, BSBP's SF-425 report for FFY 2016 included non-Federal expenditures, used for VR match purposes, of \$42,800.00 for renovations to and expansion of the Randolph-Sheppard vending facility in the Capitol Commons building.¹ BSBP informed RSA during these discussions that no such expenditures were incurred during FFY 2015 and that no Federal VR funds were used for renovating or expanding these facilities during FFYs 2014 through 2016.²

In addition to the information provided by BSBP before, during, and after the on-site monitoring visit, RSA also toured some downtown Lansing vending facilities as part of its on-site monitoring. RSA's tour of the vending facilities confirmed for some locations that non-Federal funds used for match purposes under the VR program were spent on the improvement or

¹ BSBP confirmed these expenditure amounts, as well as the purposes for those expenditures, in an email dated March 30, 2018.

² RSA notes that the expenditure information that BSBP discussed with RSA during the on-site visit, and confirmed in an email dated March 30, 2018, do not match expenditures reported by BSBP as "refurbishment" of Randolph-Sheppard vending facilities on its RSA-15s submitted for FFYs 2014 through 2016. Specifically, BSBP reported on its FFY 2014 RSA-15 that it expended a total of \$56,677 (\$44,605 Federal plus \$12,072 State appropriations). On its FFY 2015 RSA-15, BSBP reported that it expended a total of \$20,749 on refurbishment of vending facilities (\$491 State unassigned vending funds, \$5,519 vending set-aside, \$3,113 State appropriations, \$11,503 Federal, plus \$123 other sources). In FFY 2016, BSBP reported on its RSA-15 that it expended \$30,257 on refurbishment of vending facilities from Randolph-Sheppard vending set-aside funds. BSBP should ensure that its use of vending set-aside funds for refurbishment of vending facilities is consistent with the authorized uses of set-aside funds in 34 CFR 395.9 for the maintenance and replacement of equipment or the purchase of new equipment.

expansion of the vending facilities. Specifically, it was apparent from RSA's tour of vending facilities, and confirmed by the information provided by BSBP during and after the on-site visit, BSBP, as the SLA, acquired additional space to expand the existing vending facilities at the Capitol Concessions and the Capitol Commons building. In addition, BSBP confirmed that at least some of the State-appropriated funds were used to: (1) ready the additional space for the operation of those two expanded vending facilities; (2) acquire new vending facility equipment; and (3) ready the new equipment for use in those two vending facilities. With respect to the vending facility at the Anderson building, it was apparent from RSA's tour, and confirmed by the information provided by BSBP during and after the on-site visit, that State-appropriated funds were used solely to improve the existing vending facility. There is no information provided by BSBP that the agency, as the SLA, acquired a vending facility or additional space to expand the existing vending facility at that location. However, the information presented by BSBP indicates that at least some of the State-appropriated funds were spent on the acquisition of vending equipment and the work needed to ready that equipment for operation at the Anderson building vending facility.

The table below provides, according to information provided by BSBP in its March 30, 2018 email, a general description of the work done at each of the three vending facilities at issue in this finding, as well as the total cost of each project.

Table 1: Project Descriptions

Location and FFY	Amount	Description of Work
Capitol Concessions (FFY 2014)	\$61,495.72	Renovation to and expansion of an existing vending facility site. The original vending facility was approximately 400 square feet with no seating available. BSBP, as the SLA, acquired an adjacent room to expand the existing vending facility to about twice the original size to accommodate customer seating and the placement of vending machines. State-appropriated (Non-Federal) funds used for match purposes under the VR program were used to pay for the costs of creating an opening in the interior (non-load bearing) walls between the two rooms, new flooring, paint, carpentry, purchasing updated fire suppression equipment, and electrical updates to support the vending equipment.
Anderson Building (FFY 2014)	\$49,455.86	Renovations to an existing vending facility site. No expansion was needed because this is already a large vending facility. State-appropriated funds (non-Federal) used for match purposes under the VR program were used to pay for the costs of electrical work and wiring to support vending equipment, painting, installing wall board, purchasing updated kitchen fire suppression equipment, professional cleaning, refrigeration maintenance, purchasing a hand sink, and plumbing for vending facility equipment.
Capitol Commons (FFY 2016)	\$42,800.00	Renovation to and expansion of an existing vending facility. The original vending facility was approximately 400 square feet. BSBP, as the SLA, acquired additional space for the vending facility, thereby expanding it to approximately 1,000 square feet. State-appropriated (non-Federal) funds were used to cover the costs of removing interior (non-load bearing) walls necessary for the acquisition of additional space for the vending facility, plumbing, mechanical, and electrical work to support the kitchen equipment necessary for the vending facility.

As described in more detail in a prior finding, based on information provided by BSBP during the on-site visit and explained further in its March 30, 2018, email and July 26, 2018, memo,

RSA understands that the vending facility projects at the Capitol Concessions, Anderson, and Capitol Commons Buildings were initiated as a collaborative effort between the former director of BSBP, the State House of Representatives, and the State Department of Civil Service, consistent with the requirements of PA 260. The State House of Representatives and the State Department of Civil Service paid for the work at these three vending facilities with State-appropriated funds and BSBP, in turn, reported those non-Federal expenditures for match purposes under the VR program on its SF-425s for FFYs 2014 and 2016.

Section 101(a)(3) of the Rehabilitation Act and 34 C.F.R. § 361.60 require the VR services portion of the Unified or Combined State Plan to provide for financial participation by the State in the amount of the non-Federal share of the total cost of providing services and activities that are allowable under the VR program. The non-Federal share under the VR program is 21.3 percent of the total allowable VR expenditures. Because the non-Federal share is based on a percentage of the total allowable costs incurred under the VR program, it is essential that RSA be able to determine which of the costs incurred at the direction of and reported by BSBP for the three vending facility projects at issue in this finding, with non-Federal funds used for match purposes, were indeed for allowable purposes under the VR program.

A. Non-Delegable Function of the DSU

Before determining the allowability of the expenditures reported as match under the VR program, RSA must determine whether BSBP complied with the non-delegable functions of a DSU set forth in Section 101(a)(2)(B)(ii)(V) of the Rehabilitation Act and 34 C.F.R. § 361.13(c), given that the expenditures reported by BSBP were actually incurred by the State House of Representatives and the State Department of Civil Service. As the DSU designated by the Governor to provide VR services to individuals who are blind or visually impaired in the State of Michigan in accordance with Section 101(a)(2)(B)(ii) of the Rehabilitation Act, BSBP must be solely responsible for the allocation and expenditure of VR program funds (Section 101(a)(2)(B)(ii)(V) of the Rehabilitation Act and 34 C.F.R. § 361.13(c)(1)(iv) and (2)).

Typically, VR agencies expend and report expenditures from Federal VR grant funds and State funds appropriated directly to the VR agency for the VR program. In so doing, questions rarely arise as to whether the VR agency has complied with the non-delegable function requirement related to the allocation and expenditure of VR program funds set forth in Section 101(a)(2)(B)(ii)(V) of the Rehabilitation Act and 34 C.F.R. § 361.13(c)(1)(iv). Given the facts as RSA understood them, particularly that the non-Federal expenditures were incurred by two other public entities – the State House of Representatives and the State Department of Civil Service – rather than by BSBP itself, RSA initially had concerns as to whether BSBP had complied with these requirements. However, after further review of the facts and the applicable State requirements (described in more detail herein), read in conjunction with the VR program’s requirements, RSA is satisfied that BSBP provided sufficient review and guidance to the other State agencies involved in these projects to maintain its responsibility for controlling the allocation and expenditure of VR program funds in a manner consistent with Section 101(a)(2)(B)(ii)(V) of the Rehabilitation Act and 34 C.F.R. § 361.13(c)(1)(iv).

According to BSBP’s July 26, 2018, Memo, when vending facility projects are considered in collaboration between BSBP and another public agency or entity (such as the State House of Representatives and the State Department of Civil Service), the collaboration includes BSBP, in practice—

- Being involved upfront with the discussions for the projects;
- Approving the layout of the vending facility;
- Acting as advisor throughout the renovation of the vending facility; and
- Signing off on the completed work of the vending facility.

BSBP’s July 26, 2018, Memo further states: “[W]hether BSBP is directly contracting [for the vending facility work] or another [State of Michigan] agency is directly contracting [for the vending facility work],...BSBP has the final decision as to the expenditure of funds through involvement with the [State of Michigan] agency throughout the process as well as approval and acceptance of the site.”

The collaboration between BSBP and other public agencies with respect to vending facilities operated under the Randolph-Sheppard program and the BSBP’s role and responsibilities throughout the collaboration process, as described by BSBP, appears to be consistent with applicable State requirements governing the Randolph-Sheppard program. Specifically, PA 260, 393.359, Section 9(2) states:

393.359. amended Concessions in state building or on state property; operation by blind person; plans; location of concessions.

Sec. 9.

(2) The department of technology, management, and budget shall submit plans relative to concessions in state buildings or on state property to the commission³, which has the final authority relative to the location of concessions.

In addition to BSBP’s final approval authority with respect to the acquisition of vending facility locations set forth in State statute, State regulations also give full responsibility for certain key

³ At the time of PA 260’s enactment, the Michigan Commission for the Blind (aka “Commission”) was both the DSU for the VR program and the SLA for the Randolph-Sheppard program. BSBP is now the agency designated to carry out the responsibilities once carried out by the Commission.

decisions about renovations/remodeling of vending facilities and the acquisition and maintenance of vending equipment to BSBP:

R 393.18 Commission responsibilities; vending facility site; equipment.

Rule 18. The commission shall do all of the following:

(b) List and assign priority to suggested renovations. All renovation or remodeling activities are subject to the availability of funds. The commission shall make all final renovation decisions with input from the committee⁴.

(c) The commission shall determine the equipment needs of each vending facility and furnish each vending facility with adequate equipment suitable to the needs of the vending facility.

(d) Maintain, or cause to be maintained, all vending facility equipment in good repair and cosmetically appealing condition and replace, or cause to be replaced, worn-out or obsolete equipment as required to ensure the continued and successful operation of the facility.

These State statutory and regulatory provisions make clear that BSBP is the final decision maker with respect to the acquisition and location of vending facility sites, the renovation or remodeling of those sites, and the equipment needs of each vending facility, including the acquisition of new equipment and maintenance of existing equipment. Reading these State requirements – all of which involve BSBP’s decisions with respect to the allocation and expenditure of funds under the VR program (including, in this situation, State expenditures incurred by another public agency or entity at the direction of BSBP for the benefit of the VR program) – in conjunction with the Federal requirement that BSBP be solely responsible for the allocation and expenditure of VR funds, it is reasonable to consider BSBP’s compliance with these State requirements as consistent with the Federal requirements. Given there is no evidence to suggest that BSBP failed to comply with State statutory and regulatory requirements governing the Randolph-Sheppard program with respect to the decision to initiate the vending facility projects at the Capitol Concessions, Anderson, and Capitol Commons Buildings, RSA has determined that BSBP was in compliance with Section 101(a)(2)(B)(ii)(V) of the Rehabilitation Act and 34 C.F.R.

⁴ “Committee,” throughout the Michigan regulations governing the Randolph-Sheppard program, refers to the elected operators’ committee created under R 393.53 (R 393.1(1)(k)).

§ 361.13(c)(1)(iv) with respect to BSBP’s sole responsibility for the allocation and expenditure of funds under the VR program. Although the State expenditures for the three vending facility projects were actually paid by the State House of Representatives and the State Department of Civil Service, given the specific facts of these projects and the State requirements applicable to these facts, BSBP was, through its coordination and approval of the projects, responsible for the allocation and expenditures of VR program funds used in contracting of the work on these projects.

B. Permissible VR Program Activities Related to Vending Facilities in General

Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5), which govern the provision of VR services to groups for small business enterprises, including vending facilities operated by blind vendors under the Randolph-Sheppard program, identify the allowable activities that may be provided and, thus, the allowable costs that may be incurred under the VR program for this purpose: management and supervision provided by the DSU along with the acquisition by the State unit of vending facilities or other equipment, initial stocks and supplies, and initial operating expenses.

While the regulations provide more detail as to what costs are allowable as management and supervision services and initial operating expenses, these provisions are not applicable to the projects described in Table 1. None of the costs reported by BSBP and described in the table, whose underlying information was confirmed by BSBP in its March 30, 2018, email, fall under the category of management and supervision services (e.g., inspection, quality control, consultation, accounting, regulating, in-service training, and related services⁵ provided on a systematic basis to support and improve small business enterprises operated by individuals with significant disabilities (34 C.F.R. § 361.49(a)(5)(i)⁶) or initial stocks and supplies (34 C.F.R.

⁵ “Related services,” in this context, are those services related to the management and supervision of the vending facilities which are provided on a systemic basis to all business enterprise programs under the administration of the SLA. “Related services” should not be read so broadly as to encompass any and all other services provided by the SLA for the benefit of the vending facilities. Had Congress intended such an interpretation, it would have listed it among the allowable services themselves in Section 103(b)(1) of the Rehabilitation Act. The term was included in the regulations in order to demonstrate that the management and supervision services described, such as accounting quality control, consulting, inspections, etc., were not exhaustive examples of those types of services. Moreover, refurbishment of vending facilities, which constitutes at least some of the costs at issue, would not reasonably be considered a “management and supervision” service given the examples of such services described in the regulations.

⁶ The State of Michigan promulgated a regulation at R 393.1(1)(t) that is consistent with 34 C.F.R. § 361.49(a)(5)(i), which describes management and supervision services.

§ 361.49(a)(5)(ii)). Rather, all of the costs reported by BSBP and described in the table above appear to pertain to improvement or expansion of a vending facility or purchase or installation of equipment at such a facility. To be allowable under the VR program, these costs must qualify as “acquisition by the State unit of vending facilities or other equipment.” For this reason and because of the specific facts related to this finding, RSA focuses its analysis exclusively on the scope of the phrase “acquisition of vending facilities or other equipment,” as permitted under the VR program by Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5), and whether the State has provided sufficient documentation to establish that these projects meet that definition.

There is no definition of “acquisition of vending facilities,” or more broadly “acquisition,” in the Rehabilitation Act, Randolph-Sheppard Act, or their implementing regulations. However, “acquisition” is a term listed in the definitions that apply to all Department programs under the Education Department General Administrative Regulations (EDGAR) at 34 C.F.R. part 77. Under 34 C.F.R. § 77.1(c), “Acquisition” means taking ownership of property, receiving the property as a gift, entering into a lease-purchase arrangement, or leasing the property. The term includes processing, delivery, and installation of property.” Additionally, “acquisition cost” is defined at 2 C.F.R. § 200.2 as “the cost of the asset including the cost to ready the asset for its intended use.” RSA uses these definitions as the basis for interpreting whether costs, such as those described in this finding, are associated with the acquisition of vending facilities or other equipment.

Under the Randolph-Sheppard Act, the space used for a vending facility is frequently already owned by a Federal or State entity, therefore our interpretation of “acquisition of a vending facility” is typically less focused on the act of taking ownership of a facility and more focused on leasing, or contracting for access to additional vending facility space (if applicable), but more likely, readying the space for the use by the State as a vending facility and purchasing and appropriately preparing assets for that use. Costs associated with preparing a space to serve as a vending facility, or installing equipment to support such a facility, would constitute acquisition costs under 2 C.F.R. § 200.2. When an asset, such as parcel of government-owned real estate or equipment, is being adapted or transferred from a pre-existing role into use in a vending facility, there may be costs associated with refurbishment⁷ or preparation necessary to ready the asset for

⁷ Instructions for the RSA-15 Report of Vending Facility Program, section IV. Program Expenditures by Source of Funds, provides the following examples of activities that could constitute “refurbishment of facilities”: painting, remodeling, changing the layout design, upgrading the equipment as part of a process whereby the facilities are being redecorated or renovated for the purpose of improving their appearance or efficiency. While all expenditures must be reported on the RSA-15, States must report the expenditures under each of the source of funds categories as allowed with those funds. It is important to note that only some of these costs are allowable under the VR program.

its newly intended use. For instance, enlarging an existing entranceway to accommodate the new function of the space as a vending facility, painting or installing flooring to ready the space to serve as a new vending facility, or improving existing plumbing to facilitate the installation of sinks and other vending equipment might constitute acquisition costs needed to ready a space for use as a vending facility. In contrast, changing the color of paint or flooring material in an existing vending facility for cosmetic reasons would not constitute acquisition cost (even though it might meet the definition of “refurbishment” for purposes of the RSA-15) because the facility is already under the control of the program (i.e., there is no acquisition of the vending facility or its associated space) and the changes are not necessary to ready the asset for its intended use because the facility is already being used for its intended purpose. In instances where an existing facility is expanded, or new vending equipment is installed in such a facility, a fact specific review of documentation is necessary to determine whether any costs: (1) can be properly attributed to acquisition costs of expanding the facility or purchasing new equipment, which would be allowable under the VR program; or (2) are more properly considered ongoing operating costs of existing vending facilities and/or existing vending equipment, which would not be allowable under the VR program. States are not prohibited from “refreshing” an existing vending facility when other major work is being done as part of the acquisition of additional space to expand the facility or the acquisition and installation of new equipment, but the additional funds spent on “refreshing” the existing facility, as opposed to the acquisition of additional space or equipment, are not allowable under the VR grant program and may not be treated as match under the program. Documentation of a project that involves both costs for refreshing an existing facility as well as costs for the acquisition of additional facilities or other equipment, need to contain sufficient information to identify which costs are attributable, or allocable, to which element of the project.

Given that Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) permit the acquisition of vending facilities and other vending equipment under the VR program, BSBP may expend Federal VR funds and non-Federal funds used for match purposes to cover the costs of such activities. However, RSA must be able to determine whether BSBP has demonstrated that its activities, with respect to the vending facilities at the Capitol Concessions, Anderson, and Capitol Commons buildings, constitute “acquisition” of either the vending facilities or other equipment for those facilities, or whether portions of the projects were simply refreshing existing

Specifically, refurbishment costs associated with the acquisition of vending facilities or other equipment, or preparing the facility space or equipment for its intended use, may be incurred under the VR program. Other funds must be used to pay for refurbishment costs that are not allowable under the VR program because the refurbishment work goes beyond the scope of acquisition of vending facilities or equipment.

vending facilities unrelated to acquisition of additional space and/or equipment for the vending facilities.

Determinations about allowability of costs under the VR program, regardless of whether paid with Federal or non-Federal funds, are dependent on the unique facts presented for each situation as applied to the applicable Federal and State requirements, and could vary from State to State and even project to project. As noted in the prior finding, BSBP has failed to maintain the documentation that RSA would need to complete its analysis of all of the costs incurred with respect to the Capitol Concessions, Anderson, and Capitol Commons Buildings. However, even with the lack of supporting documentation, RSA has been able to determine that some of the activities, and their associated costs, are allowable or not allowable, on their face, based on what Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) allow. Below, RSA reviews the available information on each project from Table 1 to determine whether the project costs, on their face, were allowable as “acquisition of vending facilities or other equipment.”

C. Vending Facilities at the Capitol Concessions and Capitol Commons Buildings

1. Facially Allowable Acquisition of Vending Facilities and Vending Equipment Activities

With respect to both the Capitol Concessions and Capitol Commons buildings, BSBP, as the SLA, acquired adjacent space to existing vending facilities to create new larger facilities. BSBP acquired additional space that doubled the existing 400 square foot Capitol Concessions vending facility and added approximately 600 square feet to expand the Capitol Commons building vending facility to approximately 1,000 square feet. RSA considers the acquisition of the additional space at these two locations to be an “acquisition of vending facilities” for purposes of the VR program under Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5). Therefore, any costs associated with the actual acquisition of the additional space, such as costs required at the time of the signing of the lease agreement (e.g., security deposit) would be allowable under the VR program, regardless of whether paid with Federal VR or non-Federal funds used for match purposes. BSBP has not asserted that any such expenditures were incurred with the acquisition of the additional vending facility space at the Capitol Concessions and Capitol Commons buildings despite the fact the agency stated in its response to RSA’s draft finding that it acquired these vending facility sites through a leasehold agreement.

Consistent with the definition of “acquisition costs” at 2 C.F.R. § 200.2, expenditures incurred to ready the new obtained vending facility for its intended use also typically would be allowable under the VR program, regardless of whether paid with Federal VR or non-Federal funds used for match purposes, pursuant to Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5). However, the extent to which costs incurred to ready the site to serve as a vending facility would be considered necessary and reasonable and therefore allowable under the VR program as part of the “acquisition of vending facilities” is dependent on the location and applicable laws and regulations governing the particular vending facility under the Randolph-Sheppard program, as well as the lease or vending facility permit that permits the space to be used as a vending facility. For example, if the building owner is responsible for upgrading plumbing and electricity to satisfy current State or local code requirements, then such costs

would not be allowable under the VR program because they would not be necessary and reasonable program expenditures under the Federal cost principles at 2 C.F.R. §§ 200.403 through 200.405. On the other hand, if Federal or State law or the lease or permit agreement make clear that the SLA is responsible for a particular cost, such as specific electrical or plumbing work needed to operate required fire suppression equipment unique to the vending facility, then such work typically would be considered as allowable acquisition costs under the VR program when incurred as part of the acquisition and installation of that equipment. In Michigan, neither State law nor its implementing regulations establish minimum criteria that a non-Federal building owner must satisfy when providing BSBP with a vending facility location.

In light of the lack of specific State requirements governing these particular vending facilities and the description provided by BSBP (presented in the table above), with respect to the vending facilities at the Capitol Concessions and Capitol Commons buildings, expenditures for the following activities appear, on their face, to be allowable under the VR program as costs associated with the acquisition of those two vending facilities and, thus, would constitute allowable match under the VR program:

- Removing interior (non-load bearing) walls to provide access from the existing vending facilities to the newly-acquired vending facilities' space;
- Flooring for the newly-acquired vending facilities' space;
- Painting of the newly-acquired vending facilities' space;
- Carpentry work in the newly-acquired vending facilities' space; and
- Flooring, painting, or carpentry work done to repair damage to the existing vending facility space caused by removing interior walls.

Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) also permit the VR program to acquire vending equipment for the benefit of vending facilities operated by blind vendors under the Randolph-Sheppard program, regardless of whether paid with Federal VR funds or non-Federal funds used for match purposes. As with the acquisition of the vending facilities themselves, costs associated with the acquisition of vending equipment, consistent with 2 C.F.R. § 200.2, may include the costs necessary to ready the equipment for its intended use. Based on the information provided by BSBP (presented in the table above), RSA considers the purchase of the fire suppression equipment for the vending facility at the Capitol Concessions to be allowable, on its face, under the VR program as acquisition of equipment and, thus, allowable as match under the VR program. Although not specified by BSBP, any costs associated with the installation of that fire suppression equipment for the vending facility also, on its face, would constitute an allowable cost under the VR program, consistent with the definition of "acquisition costs" at 2 C.F.R. § 200.2.

2. Activities Requiring Additional Information to Establish Allowability

With respect to the other costs incurred at the Capitol Concessions and Capitol Commons buildings' vending facilities, BSBP has not provided RSA sufficient information to determine

allowability under the VR program. Specifically, RSA requires additional information or documentation regarding the following elements described in Table 1:

- Electrical updates to support vending equipment at Capitol Concessions;
- Plumbing to support kitchen equipment at Capitol Commons;
- Electrical work to support kitchen equipment at Capitol Commons;
- Mechanical work to support kitchen equipment at Capitol Commons; and
- Flooring, painting, or carpentry work done to renovate the existing facilities that was unrelated to removing interior walls.

Although BSBP asserts that the above-described work was necessary “to support” the vending and kitchen equipment at these sites, BSBP has not provided sufficient information to establish that the plumbing, electrical, and mechanical work were required specifically for newly acquired vending equipment in the vending facilities or specifically tied to the expansion of the vending facility, rather than ongoing operation of the existing vending facilities to support the use of existing equipment. This information is critical for establishing that these expenditures were necessary to ready the new space and/or equipment for its intended use as a vending facility and/or vending equipment, thereby constituting “acquisition costs.”

Furthermore, as stated above, not all costs incurred during the acquisition of a vending facility are necessarily allowable under the VR program if they do not also meet the criteria for allowable costs under 2 C.F.R. §§ 200.403 through 200.405, i.e. they can be documented as necessary, reasonable and allocable to the program and are not more appropriately chargeable to another entity. In the event a cost is determined not allowable with Federal funds under the VR program because it is not necessary, reasonable, or allocable to the program, it also may not be paid with non-Federal funds used for match purposes under the VR program (34 C.F.R. § 361.60(b)).

In order to demonstrate that the work identified above was allowable as acquisition costs under the VR program, BSBP needs to provide more detailed information about that work. Specifically, in addition to the leases and permits for the facilities, BSBP should provide the following information:

- Why the work was necessary for the acquisition of the vending facilities and/or new vending equipment;
- How the work was specially-required for the operation of the vending facilities and/or new vending equipment;
- Whether paint, flooring or carpentry work was performed on the existing vending facilities or limited to the newly expanded portion of the facility; and
- Exactly what electrical, plumbing, and mechanical work was performed.

The ideal source of this information would be the original planning documents, contracts and invoices for the projects demonstrating the scope and purpose of the work and demonstrating that all costs attributed to the VR program were for the acquisition of new vending facility space, tied

to the acquisition of that new space or for acquisition or installation of vending equipment. In the absence of original documentation, RSA will consider other reliable evidence, such as contemporaneous email or correspondence between personnel discussing the scope and cost of the project, that these costs were allowable acquisition costs.

D. Vending Facility at the Anderson Building

1. No Acquisition of a Vending Facility

With respect to the expenditures incurred for renovating the existing vending facility at the Anderson building, BSBP provided no facts to support that the work done at this facility would constitute the acquisition of a vending facility. In fact, BSBP informed RSA, both during and after the on-site visit, that the Anderson building's vending facility was already a large space and that no additional space was acquired. For this reason, the question is not whether the work done at this facility constituted an allowable acquisition of a vending facility, but rather whether the work was related to acquisition costs of vending equipment.

2. Facially Allowable Acquisition or Maintenance of Vending Equipment

According to the information provided by BSBP (presented in Table 1 above), State-appropriated funds were used to acquire the following equipment used in the operation of the Anderson Building vending facility:

- Hand sink; and
- New kitchen fire suppression equipment.

Consistent with the analysis provided above regarding facially allowable activities related to the acquisition of vending equipment for the Capitol Concessions and Capitol Commons buildings, RSA considers the purchase of the hand sink and fire suppression equipment at the Anderson building's vending facility to be allowable, on their face, under the VR program because such purchases would appear to constitute the acquisition of vending equipment, as permitted by Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5). While not specified in the information provided by BSBP, RSA also would consider, on their face, any costs associated with the installation of this new vending facility equipment to be allowable under the VR program, consistent with the definition of "acquisition costs" at 2 C.F.R. § 200.2. As such, State-appropriated funds used to cover these costs would be allowable as match under the VR program.

Although not related to the acquisition of equipment, the costs associated with the reported refrigeration maintenance appears allowable under the VR program, consistent with policy guidance set forth in RSA Policy Directive-99-05, dated March 19, 1999. Similarly, any non-Federal funds used to cover these costs could be used for match purposes under the VR program.

3. Apparent Unallowable Activities under the VR Program

As stated above, the facts presented by BSBP (presented in Table 1) demonstrate that there was no acquisition of a vending facility at the Anderson building, but rather an update (or “refreshing”) of an existing vending facility within the existing footprint of that facility. BSBP has not provided documentation that any of the work, which appears on its face not to be allowable, was actually performed as part of the work necessary to prepare the site for the installation of the new equipment (i.e., the hand sink and kitchen fire suppression equipment). As such, much of the reported work performed at the Anderson building’s vending facility appears to fall outside the scope of permitted activities under the VR program set forth at Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5). For purposes of this finding to the extent that the work performed was not associated with the acquisition of a vending facility or the acquisition of vending equipment, such costs would not be allowable under the VR program, regardless of whether paid with Federal VR funds or State-appropriated funds used for match purposes. As such and consistent with the analysis provided above related to the Capitol Concessions and Capitol Commons buildings, the following activities, and their related expenditures, appear not to be allowable under the VR program:

- Painting;
- Installing wall boards; and
- Professional cleaning.

BSBP may provide RSA with evidence that would rebut the conclusion that the painting, installing wall boards, and professional cleaning were not in support of preparing new vending equipment for use.

4. Activities Requiring Additional Information to Establish Allowability

With respect to the other costs incurred at the Anderson building’s vending facility, BSBP has not provided RSA sufficient information to determine allowability under the VR program. Specifically, RSA requires additional information or documentation regarding the following elements described in Table 1:

- Plumbing; and
- Electrical and wiring work.

Although BSBP asserts that the above-described work was necessary “to support” the vending equipment, it is not clear from the facts provided by BSBP whether the plumbing and electrical/wiring work were required specifically for the new vending equipment installed in the Anderson building’s vending facility (i.e., the hand sink and fire suppression equipment), or whether the work involved general electrical/wiring and plumbing work that would be required as standard ongoing operation for the facility. These distinctions are critical for making a determination that these expenditures were incurred to ready the new equipment for their intended use as vending equipment, and therefore constituted acquisition costs. As discussed above, not all costs incurred during the acquisition of vending equipment are necessarily

allowable under the VR program because the costs must also meet the criteria for allowable costs under 2 C.F.R. § 200.403, particularly if the costs are not reasonable or necessary because another entity is responsible for bearing the cost. As with the work at the other facilities, if the costs are not associated with preparing new equipment for use (which would be permitted under Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5)), but rather costs associated with the updating of wiring/electrical and plumbing for existing vending equipment, those costs would be inconsistent with the definition of “acquisition cost” at 2 C.F.R. § 200.2.

Unlike the work done at the other facilities, even if electrical/wiring and plumbing costs are not the responsibility of the building owner, but rather are the responsibility of the tenant as BSBP asserts in its agency response below, the work cannot be attributed to “acquisition of a vending facility” pursuant to Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5), because no vending facility was acquired at the Anderson building. Rather, such costs would only be allowable if incurred in the acquisition of new vending equipment, consistent with the definition of “acquisition costs” at 2 C.F.R. § 200.2. In order to establish that the electrical/wiring and plumbing work performed at the vending facility housed at the Anderson building was necessary for the acquisition of the new vending equipment – including the readying of the new equipment for use – BSBP will need to provide RSA more detailed information about the work performed. Specifically, BSBP should provide the following information:

- Why the work was necessary for the acquisition of the vending equipment;
- How the work was specifically-required for the operation of the new vending equipment;
- Exactly what electrical/wiring and plumbing work was performed; and
- Any evidence that would rebut the conclusion that the painting, installing wall boards, and professional cleaning were not in support of preparing new vending equipment for use.

The ideal source of this information would be the original planning documents, contracts and invoices for the projects demonstrating the scope and purpose of the work and demonstrating that all costs attributed to the VR program were for the acquisition or installation of vending equipment. In the absence of original documentation, RSA will consider other reliable evidence, such as contemporaneous email or correspondence between personnel discussing the scope and cost of the project, that these costs were allowable acquisitions costs.

E. Requirements for Prior Written Approval

It is important to note that 2 C.F.R. §§ 200.407(1) and 200.439(b) make clear that capital expenditures for acquiring and improving capital assets are not allowed as direct charges to a Federal award without prior written approval (2 C.F.R. § 200.439(b)(1) and (3))⁸. To the extent that expenditures incurred for the acquisition of vending facilities and other equipment, as well as the readying of them for their intended use, meet the definition of “capital expenditures” at 2 C.F.R. § 200.13, BSBP must obtain prior written approval from RSA before engaging in such activities. Given the effective date of 2 C.F.R. part 200 for purposes of the VR program (October 1, 2015), RSA has determined that BSBP was required to obtain prior written approval from RSA before incurring capital expenditures with respect to the work performed at the vending facility housed in the Capitol Commons building in FFY 2016, pursuant to 2 C.F.R. § 200.439(b)(3). BSBP did not obtain the requisite prior written approval from RSA. As with any expenditure incurred under the VR program, including non-Federal expenditures incurred for match purposes, capital expenditures for the acquisition of vending facilities and equipment, as well as capital expenditures for the renovations, alterations, and improvements of the vending facilities and equipment, must satisfy the requirements for allowability set forth in 2 C.F.R. § 200.403⁹.

Conclusion: As part of the acquisition of vending facilities for the Randolph-Sheppard vendor under the VR program, including the acquisition of additional space for a larger vending facility, it may be necessary to install flooring, paint the site, and outfit the site with equipment and other trade fixtures necessary to ready the site for the operation of the vending facility, such as cabinets, shelves, counters, islands, sinks, walk-in freezers and refrigerators, and electrical or plumbing work needed for the operation of specific vending equipment to tie the equipment into the existing electrical, plumbing or mechanical infrastructure of the vending facility. As such, these costs could be incurred in the acquisition of the vending facility or other equipment and,

⁸ The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), codified at 2 C.F.R. part 200 (78 FR 78608 (Dec. 26, 2013)) took effect on December 26, 2014, near the end of the first quarter of FY 2015. For purposes of the VR program, the requirements of 2 C.F.R. part 200 took effect on October 1, 2015, at the start of FY 2016. This means that the prior approval requirements of 2 C.F.R. § 200.407 were not applicable for the renovations and refurbishments of the vending facility sites at the Capitol Concessions and the Anderson Building conducted in FFY 2014. However, the Federal cost principles applicable at the time still required that the costs must be reasonable, necessary, and allocable in order to be allowable.

⁹ For the costs incurred for the vending facility sites in the Capitol Concessions and Anderson Building in FFY 2014, the Federal cost principles set forth in the Office of Management and Budget’s Circular A-87 were applicable. These requirements with respect to allowability, necessity, reasonableness, and allocability of the costs were substantially the same as those contained in 2 C.F.R. § 200.403.

therefore, could be allowable under the VR program with either Federal VR funds or non-Federal funds used for match purposes under the VR program.

On the other hand, costs incurred for existing vending facilities – not associated with the acquisition of a vending facility or the acquisition of new equipment – are beyond the scope of activities permitted under the VR program pursuant to Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5). As such, costs incurred for the purpose of renovating or refreshing an existing facility would not be allowable under the VR program, regardless of whether the costs were paid with Federal VR funds or State-appropriated funds used for match purposes.

According to all of the information that RSA has reviewed with respect to the work performed at the vending facilities located in the Capitol Concessions, Anderson, and Capitol Commons buildings, it appears that some portion of the costs incurred at all three vending facilities would be allowable under the VR program and, thus, these expenditures incurred with State-appropriated funds would be an allowable source of match under the VR program. Based on the information available, RSA believes that some of the costs incurred at the vending facility housed in the Anderson building would not be allowable under the VR program because they were not incurred in the acquisition of a vending facility or other vending equipment. As such, BSBP would not be permitted to count the State-appropriated funds used to pay for those costs toward its match obligation under the VR program unless BSBP can provide sufficient documentation to rebut this conclusion. Furthermore, RSA has concluded that BSBP has not yet demonstrated that some costs, such as electrical, plumbing, mechanical work, some painting, carpentry and flooring installation, performed at the three vending facilities are allowable under the VR program as costs associated with the acquisition of vending facilities or other vending equipment.

RSA will need the additional information described above, before it can make a final determination about the allowability of costs associated with the three vending facilities. In support of the requested information, RSA anticipates receiving detailed cost information about each of the projects, including the questioned activities and apparent unallowable activities described in the analysis above, in order to calculate the total amount of allowable and unallowable costs associated with these three vending facilities. To that end, RSA will need the relevant project contracts that itemize the breakdown of costs for each activity or invoices for the costs that were paid with State-appropriated funds. As described in a prior finding, BSBP should be able to provide such detailed information if it is administering the VR program in accordance with the requirements of 34 C.F.R. §§ 361.12 and 361.13(c)(1)(iv) and 2 C.F.R. § 200.302.

In the event that RSA determines that BSBP reported unallowable expenditures as match under the VR program, or BSBP fails to provide sufficient additional documentation to clarify the expenditures described above, RSA may take further enforcement action against BSBP as appropriate, including the recovery of funds. Finally, since match and maintenance of effort are State requirements and Michigan has two VR agencies, RSA will review the match and

maintenance of effort requirements to determine State compliance, separate from this monitoring effort, after RSA makes a final determination about the allowability of the questioned costs.

Corrective Actions: RSA requires that BSBP—

- 5.5.1 Cease reporting non-Federal expenditures incurred for Randolph-Sheppard vending facility renovation and expansion activities that do not constitute “acquisition of vending facilities or other vending equipment” or that should be the responsibility of the building’s owner, if any, as match for the VR program;
- 5.5.2 Revise and implement policies and procedures related to non-Federal share, as applicable, to correctly account for allowable VR program match;
- 5.5.3 Revise SF-425 reports, as necessary, to reflect accurate and allowable non-Federal expenditures and ensure accurate reporting of allowable non-Federal share in future submissions;
- 5.5.4 Provide an assurance that BSBP will obtain prior written approval from RSA before incurring certain costs, as required by 2 C.F.R. § 200.407, and report expenditures only for those costs that are allowable under the VR program, particularly with respect to the acquisition of vending facilities and vending equipment, regardless of whether they are paid with Federal or non-Federal funds used for matching purposes; and
- 5.5.5 Provide RSA with the information it needs to determine which costs incurred in these vending facility projects were allowable, such as the actual contracts that contained actual costs proposed for each aspect of the work performed, the leasehold agreements for the vending facilities, and the permits for those facilities, as well as the additional information RSA needs to determine whether costs of the electrical, plumbing, mechanical, painting, flooring installation, and carpentry work performed at the vending facilities are allowable.

E. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to BSBP as described below.

BSBP does not have formal policies on the development of the RSA-2 or SF-425 report forms, and primarily relies on the general form instructions identified in the policy directives issued by RSA. BSBP should develop policies and procedures consistent with the policy directives to ensure reliable and valid data are extracted from the case management system, State accounting system and G5 award management system for corresponding data elements on the RSA-2 and SF-425 reports.

RSA discussed the calculation of the 15 percent pre-employment transition services reserve with BSBP staff members while on site, informing them that adjustments to the Federal VR award in the year of appropriation (e.g., reallocation and maintenance of effort penalties) will proportionately affect the 15 percent reserve calculation. However, adjustments to the Federal VR award that will not affect the reserve calculation are those that occur after the year of appropriation, including fund transfers or the deobligation of Federal VR funds at grant closeout.

BSBP provided RSA with a memorandum sent to the field by the BSBP director regarding pre-employment transition required activities and expenditures, in an effort to demonstrate that sufficient FFY 2017 reserve funds were available for expenditure on authorized services. However, BSBP expressed reservations about the utility of the data available from its comprehensive statewide needs assessment (CSNA), and sought additional data to make the determination about the amount of reserve funds available for authorized activities. BSBP requested RSA assist in identifying data resources, possibly through the Department's Office of Special Education Programs, to identify the number of potential students in Michigan who may need required activities through BSBP. RSA provided clarification that while the memorandum forecasts the amount of expenditures needed for required activities based upon current service delivery patterns to students with disabilities, it does not ensure that reserve funds are sufficient to provide required activities to all students with disabilities in need of such services who are eligible or potentially eligible for services, as is required in Section 113(a) and (c) of the Rehabilitation Act.

RSA clarified that only the value of the time VR agency staff members spend directly providing or arranging for the provision of pre-employment transition services may be counted as reserve expenditures. Additional costs, such as leave and holiday time, are not representative of time spent directly providing or arranging for the provision of pre-employment transition services, and these costs may not be counted as reserve expenditures.

RSA provided technical assistance about tracking and accounting for purchased pre-employment transition service required activities, in-house required activities, authorized activities and coordination activities provided by BSBP staff members, including those employed at the agency's State-operated training center. RSA identified the reporting requirements for appropriate pre-employment transition services and costs reported on the RSA-911, RSA-2, and SF-425 reports. The RSA review team provided clarification on the RSA-911 report elements, emphasizing the requirement for BSBP to track the individual required service for each student with a disability who is eligible or potentially eligible for VR services. Finally, the team discussed specific activities and expenses that could not be charged to the reserve.

Agency policy BSBP-17 identified the BSBP Vendor Fee Schedule, which indicates that vendors will be allowed to invoice BSBP for two service hours at their designated rate for consumers who do not cancel vendor appointments at least 24 hours before the appointment. RSA provided technical assistance that cancellation fees are not an allowable charge to the VR award because there is no direct benefit to the program. BSBP may consider evaluating each vendor's proportion of cancellations during a year that are made with less than 24 hours before an appointment, and incorporating an amount into the approved fee the vendor can charge to account for cancellation costs that are part of doing business.

RSA clarified that BSBP should consider revising referral section language in the inter-agency transfer of fund agreements – which include students with disabilities who are potentially eligible for the VR program – that indicates “individuals must be eligible to receive services from LARA/BSBP,” and “by mutual agreement, a student's participation in these specific partnership transition services may be delayed until it is determined that the student will gain

benefit from participation.” The revisions should include students with disabilities who are potentially eligible for the VR program, and should also not refer to the need to determine benefit from participation, as VR counselors are not required to determine whether students with disabilities will benefit from VR services before receiving pre-employment transition services.

During the review RSA learned that a portion of its match for the VR program comprises State-appropriated general funds spent on Michigan’s talking library and sub-regional library. RSA clarified that to ensure that a description of the library services, as services to groups, are included in the VR services portion of the Unified or Combined State Plan so that BSBP can account for those expenditures as match for the VR program.

SECTION 6: FOCUS AREA – JOINT WORKFORCE INNOVATION AND OPPORTUNITY ACT FINAL RULE IMPLEMENTATION

A. Nature and Scope

The U.S. Department of Education and the U.S. Department of Labor (collectively, the Departments) issued the WIOA Joint Rule for Unified and Combined State Plans, Performance Accountability, and the One-Stop System Joint Provisions; Final Rule (Joint WIOA Final Rule) to implement jointly administered activities authorized by Title I of WIOA. These jointly-administered regulations apply to all core programs of the workforce development system established by Title I of WIOA and are incorporated into the VR program regulations through subparts D, E, and F of 34 C.F.R. part 361.

WIOA strengthens the alignment of the public workforce development system's six core programs by compelling unified strategic planning requirements, common performance accountability measures, and requirements governing the one-stop delivery system. In so doing, WIOA places heightened emphasis on coordination and collaboration at the Federal, State, local, and Tribal levels to ensure a streamlined and coordinated service delivery system for job seekers, including those with disabilities, and employers.

Under WIOA, the workforce development system consists of the following six core programs:

- Adult, Dislocated Worker, and Youth programs, authorized under Title I;
- Adult Education and Family Literacy Act (AEFLA) program, authorized under Title II;
- Employment Service program authorized under the Wagner-Peyser Act, as amended by Title III; and
- VR program authorized under Title I of the Rehabilitation Act of 1973, as amended by Title IV.

Through this focus area, RSA—

- Assessed BSBP's progress toward fulfilling its role as one of the core programs in the workforce development system;
- Identified areas where BSBP's partnership and collaboration with other core programs should be strengthened; and
- Provided technical assistance to BSBP to assist in implementing the Joint WIOA Final Rule.

This focus area consists of the following topical areas: Governance, Unified or Combined State Plans, One-Stop Operations, and Performance Accountability. To gather information pertinent to these topics, RSA reviewed the Program Year (PY) 2016 Unified Plan and sample Memoranda of Understanding and Infrastructure Funding Agreements related to the one-stop service delivery system, as available. The review team met with the DSU director and management staff, BSBP

program specialists, and multiple representatives with the Michigan Department of Talent and Economic Development.

B. Overview

Governance

BSBP is represented on the Michigan State Workforce Development Board (SWDB) by the Director for MRS. BSBP and MRS are located under separate designated State agencies, the Michigan Licensing and Regulatory Affairs (LARA) and the Department of Health and Human Services (DHHS), respectively. As a result, the Director of BSBP indicated the representation on the State Board for individuals who are blind or visually impaired is minimal and needs to be increased. BSBP reported the agency has been meeting monthly with the Director of MRS to discuss matters related to the State Board, but would like to increase the level of communication between the two agencies.

Michigan is comprised of 16 Local Workforce Development Boards (LWDBs). VR is represented on 15 of the 16 LWDBs, with MRS represented on each of the 15 boards and BSBP represented on one of the boards in addition to the MRS member. One board that does not have a representative from VR, which covers the Detroit area, recently had the VR representative replaced by a CRP that serves individuals with autism. Please refer to the Technical Assistance section of this focus area for additional information regarding this matter.

Unified or Combined State Plans

BSBP reported little involvement with the other workforce development partners during the development of the Unified State Plan. As a result, BSBP believes the Unified State Plan does not adequately represent individuals who are blind or visually impaired or include BSBP's perspective in the State's strategies or operational elements to implement the State's vision and goals. BSBP has reported an increased level of communication with the MRS during the past year and expects to be more involved in all future plan modifications and development. BSBP and MRS recently contracted with Michigan State University Office of Rehabilitation and Disability Studies (Project Excellence) to develop the agencies comprehensive statewide needs assessment (CSNA) to facilitate the planning of services to individuals with disabilities.

BSBP reported very little information was included in the assessment that was specific to individuals with visual impairments. In addition, BSBP did not believe the report included sufficient information regarding students with disabilities necessary to develop an appropriate forecast model of students with disabilities who may be eligible or potentially eligible for BSBP VR services and who require pre-employment transition services. As a result, BSBP plans to explore additional options to contract with another provider or to develop this model internally.

One-Stop Delivery System

The Michigan Talent Investment Agency (TIA), located under the Michigan Department of Talent and Economic Development, is the lead workforce development entity. Michigan has 16 local areas and LWDBs, consisting of 74 comprehensive one-stop centers and 19 affiliate sites. BSBP is not collocated at any of the sites and reports that access to its services are available through an on-line system, or VR counselors can be contacted over the phone when services are requested. BSBP reports some of the locations are more accessible than others, both programmatically and physically, but does not have a role in the certification of each center. BSBP reports that while the one-stop centers have the necessary adaptive technology required for individuals who are blind or visually impaired to access the resources available to all consumers, the familiarity and knowledge of staff vary for each center.

BSBP would like to increase training for all centers to ensure the technology is being used fully. At the time of the on-site portion of the review, Michigan had not developed MOUs with any of the 16 LWDBs. According to a representative of TIA, seven of the 16 local areas had submitted a draft version of their agreement for review, all using the same template. In addition, the local areas are working on the development and implementation of infrastructure funding agreements using the same methodology for all areas. At the time of the review, TIA established a deadline of November 1, 2017, to have all agreements in place and expected all local areas to complete their agreements by this time.

Performance Accountability

BSBP has been working with its case management service vendor to ensure all required updates have been fully implemented for the new RSA-911 data reporting requirements, in accordance with PD-16-04. BSBP reports progress and the agency expects all new data elements will be included in its electronic case management system. Training was conducted for five half-days, which all staff were required to attend. Training was conducted in conjunction with the case management system vendor and Workforce Innovation Technical Assistance Center (WINTAC), depending upon the topic discussed. In addition, BSBP developed a toolkit for all staff to address the common questions and to be used as a resource for staff as they become acclimated with the new data elements.

TIA is the State entity to collect the performance data from each of the required core partners, as required under Section 116 of WIOA. Discussions were held on site regarding the development of the WIOA Annual Statewide Performance Report Template, and RSA agreed to provide additional technical assistance in this area. The State does not have a system in place at this time to identify individuals who may be served by multiple one-stop partners unless the individual accesses services through the one-stop center.

C. Observations and Recommendations

RSA's review of the performance of BSBP in this focus area did not result in the identification of any observations or recommendations.

D. Findings and Corrective Actions to Improve Performance

RSA's review of the performance of the VR program in this focus area did not result in the identification of findings and corrective actions to improve performance.

E. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to BSBP as described below.

Local Workforce Development Board Representation

Michigan consists of 16 local workforce areas, each required to establish and maintain a fully functioning LWDB in accordance with Section 107 of WIOA and 20 C.F.R. part 679, subpart C, of its implementing regulations. MRS and BSBP, which administer the VR program – one of the six core partner workforce development programs – are represented on 15 of the 16 LWDBs by a staff member of MRS, consistent with the LWDB composition requirements in Section 107(b)(2)(D)(iii) of WIOA and 20 C.F.R. § 679.320(d)(3)(iii). However, neither MRS nor BSBP represents the VR program on the Detroit Solutions Corporation (DESC), the LWDB in the City of Detroit. Rather, the executive director of a CRP that provides services to individuals with autism represents the VR program on that local board.

Section 107(b)(2)(D)(iii) of WIOA requires that LWDBs include “an appropriate representative of the programs carried out under Title I of the Rehabilitation Act of 1973 (29 U.S.C. 720 et seq.), other than Section 112 or Part C of that Title (29 U.S.C. 732, 741), serving the local area” (see also 20 C.F.R. § 679.320(d)(3)(iii)). This means that the LWDB must include a representative of the VR program – the only program carried out under Title I of the Rehabilitation Act except for those specifically excluded by Section 107(b)(2)(D)(iii) of WIOA, which is administered by MRS and BSBP throughout the entire State of Michigan, including the City of Detroit. CRPs operate separate and distinct from the VR program and, most importantly for this issue, are not “carried out under Title I of the Rehabilitation Act.” Therefore, an executive director of any local CRP would not be “an appropriate representative of the programs carried out under Title I of the Rehabilitation Act” as required by Section 107(b)(2)(D)(iii) of WIOA and 20 C.F.R. § 679.320(d)(3)(iii).

In addition, Section 107(b)(5) of WIOA and 20 C.F.R. § 679.320(f) require that representatives on the LWDBs, including those for the VR program, be individuals who have optimum policy-making authority for the entity they represent. The U.S. Department of Labor's (DOL) regulations at 20 C.F.R. § 679.340(a) clarify that a representative with “optimum policy-making authority” is “an individual who can reasonably be expected to speak affirmatively on behalf of the entity he or she represents and to commit that entity to a chosen course of action.” Since the executive director of the CRP does not administer the VR program or represent the VR program in any way that would permit him or her to speak on behalf of the program or commit it to a particular course of action, his or her appointment to the LWDB in the City of Detroit as the VR

program representative does not satisfy the requirements of Section 107(b)(5) of WIOA and 20 C.F.R. §§ 679.320(f) and 679.340(a). Rather, the executive director of the CRP could only make policy decisions for his or her program. Only a representative of either MRS or BSBP could meet the requirements of Section 107(b)(5) of WIOA and 20 C.F.R. §§ 679.320(f) and 679.340(a).

Therefore, the LWDB in the City of Detroit has failed to comply with Section 107(b)(2)(D)(iii) of WIOA and 20 C.F.R. § 679.320(b)(3)(iii) of its implementing regulations by appointing the executive director of a CRP, rather than a representative of MRS or BSBP, as the representative of the governmental entity carrying out Title IV of WIOA. After consultation with DOL and the U.S. Department of Education's Office of Career, Technical, and Adult Education on this matter, RSA recommends that Michigan revise its Detroit LWDB composition by appointing an employee of either MRS or BSBP to represent the VR program on that local board. Enforcement of this matter falls under the jurisdiction of DOL.

BSBP has requested additional technical assistance in the following areas:

- BSBP has requested clarification on several of the performance indicators required under Section 116 of WIOA and 34 C.F.R. § 361.155. Specifically, BSBP requested guidance on the requirements and definitions for the indicators concerning participants obtaining a recognized postsecondary credential and participants achieving measurable skill gains. As part of this conversation, BSBP was advised that on-the-job training is not recognized as meeting the requirements of the credential indicator. BSBP will be working with the WINTAC for further clarification.
- BSBP has requested additional guidance on the State's requirement to develop and submit the WIOA Annual Statewide Performance Report Template, in accordance with Section 116(d)(2) of WIOA, 34 C.F.R. § 361.160, and TAC-17-05.

APPENDIX A: PROGRAM AND FISCAL PERFORMANCE DATA TABLES

This appendix contains the program and fiscal performance data tables used throughout the review. Data were drawn from the RSA-113, the RSA-911, and SF-425. The RSA-113 report is a quarterly submission that provides cumulative information at the end of the Federal fiscal year. The data from the RSA-113 cover both open and closed cases as reported to RSA at the end of the Federal fiscal year. The RSA-911 contains only information on cases closed during the Federal fiscal year covered by the report and does not include information related to those cases remaining open in the next Federal fiscal year.

Program Performance for Focus Area III

Table 3.1 MI-B Case Status Information, Exit Status, and Employment Outcomes for All Individuals - FFYs 2014-2016

Performance category	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total applicants	497		524		451		26,989	
Total eligible individuals	412		476		345		12,357	
Agency implementing order of selection	No		No		No		-	
Individuals on order of selection waiting list at year-end	0		0		0		60	
Individuals in plan receiving services	1,547		1,507		1,337		35,064	
Percent accepted for services who received no services		17.2%		16.6%		14.8%		10.40%
Exited as applicants	100	17.8%	106	17.2%	104	21.4%	2,209	17.4%
Exited trial experience/extended evaluation	2	.4%	5	.8%	3	.6%	62	.5%
Exited with employment	154	27.4%	182	29.5%	138	28.3%	5,994	47.3%

Performance category	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Exited without employment	236	41.9%	244	39.6%	191	39.2%	3,117	24.6%
Exited from OOS waiting list							12	.1%
Exited without employment outcomes, after eligibility, before an IPE was signed or before receiving services	71	12.6%	79	12.8%	51	10.5%	1,275	10.1%
Total received services	390	69.3%	426	69.2%	329	67.6%	9,111	71.9%
Employment rate		39.5%		42.7%		41.9%		65.8%
Competitive employment outcomes	114	74.0%	124	68.1%	105	76.1%	5,177	86.4%
Supported employment outcomes	10	6.5%	12	6.6%	8	5.8%	152	2.5%
Average hourly earnings for competitive employment outcomes	\$16.76		\$16.14		\$16.04		\$15.61	
Average hours worked for competitive employment outcomes	31.42		33.23		29.69		31.2	
Median hourly earnings for competitive employment outcomes	\$11.53		\$12.76		\$12.16		\$11.73	
Median hours worked for competitive employment outcomes	32.00		40.00		32.00		35.0	
Quarterly median earnings	\$4,946.50		\$5,824.00		\$4,875.00		\$4,927.00	

Table 3.2.a MI-B VR Training Services Provided for Individuals Served - FFYs 2014-2016

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total number of individuals served	390		426		329		9,111	
College or university training	2	0.5%	3	0.7%	4	1.2%	127	1.4%
Four-year or university training	69	17.7%	59	13.8%	48	14.6%	918	10.1%
Junior or community college training	2	0.5%	3	0.7%	4	1.2%	293	3.2%
Occupational or vocational training	73	18.7%	66	15.5%	61	18.5%	1,137	12.5%
On-the-job training	31	7.9%	31	7.3%	22	6.7%	265	2.9%
Apprenticeship training	0	0.0%	0	0.0%	0	0.0%	12	0.1%
Basic academic remedial or literacy training	2	0.5%	6	1.4%	9	2.7%	148	1.6%
Job readiness training	5	1.3%	5	1.2%	6	1.8%	1,082	11.9%
Disability-related skills training	124	31.8%	167	39.2%	126	38.3%	4,075	44.7%
Miscellaneous training	143	36.7%	120	28.2%	92	28.0%	1,070	11.7%

Table 3.2.b MI-B VR Career Services Provided for Individuals Served - FFYs 2014-2016

Career Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total number of individuals served	390		426		329		9,111	
Assessment	330	84.6%	326	76.5%	248	75.4%	6,028	66.2%
Diagnosis and treatment of impairment	73	18.7%	79	18.5%	33	10.0%	5,970	65.5%
Vocational rehab counseling and guidance	66	16.9%	92	21.6%	129	39.2%	7,735	84.9%
Job search assistance	24	6.2%	27	6.3%	18	5.5%	955	10.5%
Job placement assistance	82	21.0%	75	17.6%	67	20.4%	1,412	15.5%

Career Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
On-the-job supports-short term	27	6.9%	19	4.5%	21	6.4%	915	10.0%
On-the-job supports-SE	0	0.0%	0	0.0%	0	0.0%	288	3.2%
Information and referral services	95	24.4%	86	20.2%	54	16.4%	1,582	17.4%
Benefits counseling	1	0.3%	1	0.2%	3	0.9%	257	2.8%
Customized employment services	0	0.0%	0	0.0%	0	0.0%	43	0.5%

Table 3.2.c MI-B VR Other Services Provided for Individuals Served - FFYs 2014-2016

Other Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total number of individuals served	390		426		329		9,111	
Transportation	74	19.0%	106	24.9%	96	29.2%	3,676	40.3%
Maintenance	42	10.8%	49	11.5%	23	7.0%	2,309	25.3%
Rehabilitation technology	112	28.7%	196	46.0%	202	61.4%	5,976	65.6%
Reader services	9	2.3%	19	4.5%	5	1.5%	231	2.5%
Interpreter services	5	1.3%	18	4.2%	11	3.3%	140	1.5%
Personal attendant services	0	0.0%	0	0.0%	1	0.3%	81	0.9%
Technical assistance services	0	0.0%	0	0.0%	0	0.0%	194	2.1%
Other services	254	65.1%	269	63.1%	203	61.7%	3,526	38.7%

Table 3.3.a MI-B Outcomes by Type of Impairment - FFYs 2014-2016

Type of Impairment	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Visual - Employment outcomes	153	99.4%	181	99.5%	138	100.0%	5,795	99.8%
Visual - Without employment outcomes	235	99.6%	244	100.0%	191	100.0%	3,093	99.8%
Auditory and Communicative - Employment outcomes							1	.0%
Auditory and Communicative - Without employment outcomes							1	.0%
Physical - Employment outcomes			1	.5%			6	.1%
Physical - Without employment outcomes							4	.1%
Intellectual and Learning disability - Employment outcomes	1	.6%					3	.1%
Intellectual and Learning disability - Without employment outcomes							1	.0%
Psychosocial and psychological - Employment outcomes								
Psychosocial and psychological - Without employment outcomes	1	.4%					1	.0
Total served - Employment outcomes	154	100.0	182	100.0%	138	100.0%	5,805	100.0%
Total served - Without employment outcomes	236	100.0	244	100.0%	191	100.0%	3,100	100.0%

Table 3.3.b MI-B All Individuals Served by Type of Impairment FFYs 2014-2016

Type of Impairment	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Visual - Individuals served	388	99.5%	425	99.8%	329	100.0%	8,888	99.8%
Auditory and Communicative - Individuals served							2	.0%
Physical - Individuals served			1	0.2%			10	.1%
Intellectual and Learning disability - Individuals served	1	0.3%					4	.0%
Psychosocial and psychological	1	0.3%					1	.0%
Total individuals served	390	100.0%	426	100.0%	329	100.0%	8,905	100.0

Table 3.3.c MI-B Employment Rate by Type of Impairment - FFYs 2014-2016

Type of Impairment	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Visual - Employment rate		39.4%		42.6%		41.9%		65.2%
Auditory and Communicative - Employment rate								50.0%
Physical - Employment rate				100.0%				60.0%
Intellectual and Learning disability - Employment rate		100.0%						75.0%
Psychosocial and psychological – Employment rate		0.0%						0%
Total served - Employment rate		39.5%		42.7%		41.9%		65.2%

Table 3.4.a MI-B Elapsed Time from Application to Eligibility for All Individuals Served - FFYs 2014-2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 60 days	374	81.1%	393	77.8%	295	77.6%	9,319	89.6%
61 – 90 days	40	8.7%	49	9.7%	49	12.9%	535	5.1%
91 – 120 days	17	3.7%	16	3.2%	9	2.4%	209	2.0%
121 – 180 days	13	2.8%	21	4.2%	9	2.4%	156	1.5%
181 – 365 days	14	3.0%	18	3.6%	10	2.6%	108	1.0%
More than 1 year	3	.7%	8	1.6%	8	2.1%	71	.7%
Total eligible	461	100.0%	505	100.0%	380	100.0%	10,398	100.0%

Table 3.4.b MI-B Elapsed Time from Eligibility to IPE for All Individuals Served - FFYs 2014-2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 90 days	322	82.6%	334	78.4%	243	73.9%	7,467	82.0%
More than 90 days	68	17.4%	92	21.6%	86	26.1%	1,644	18.0%
Total served	390	100.0%	426	100.0%	329	100.0%	9,111	100.0%

Table 3.4.c MI-B Elapsed Time from IPE to Closure for All Individuals Served - FFYs 2014-2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months	8	2.1%	13	3.1%	4	1.2%	170	1.9%
4 – 6 months	19	4.9%	29	6.8%	25	7.6%	1,034	11.3%
7 – 9 months	20	5.1%	36	8.5%	19	5.8%	1,122	12.3%
10 – 12 months	23	5.9%	16	3.8%	22	6.7%	967	10.6%
13 - 24 months	76	19.5%	66	15.5%	54	16.4%	2,162	23.7%
25 – 36 months	54	13.8%	57	13.4%	40	12.2%	1,147	12.6%
37 – 60 months	69	17.7%	73	17.1%	56	17.0%	1,092	12.0%
More than 5 years	121	31.0%	136	31.9%	109	33.1%	1,417	15.6%
Total served	390	100.0%	426	100.0%	329	100.0%	9,111	100.0%

Table 3.5.a MI-B Standard Occupational Classification (SOC) Codes for All Individuals Served with Employment Outcomes - FFYs 2014-2016

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Architecture and Engineering Occupations (17-0000)			3	1.6%	1	.7%	44	.7%
Arts, Design, Entertainment, Sports, and	3	1.9%	7	3.8%	3	2.2%	167	2.8%

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Media (27-0000)								
Building and Grounds Cleaning and Maintenance (37-0000)	7	4.5%	4	2.2%	9	6.5%	281	4.7%
Business and Financial Operations Occupations (13-0000)	5	3.2%	3	1.6%	4	2.9%	171	2.9%
Community and Social Services Occupations (21-0000)	12	7.8%	13	7.1%	7	5.1%	245	4.1%
Computer and Mathematical Occupations (15-0000)	5	3.2%	2	1.1%	5	3.6%	114	1.9%
Constructive and Extraction Occupations (47-0000)	2	1.3%	3	1.6%			150	2.5%
Education, Training, and Library Occupations (25-0000)	10	6.5%	12	6.6%	13	9.4%	407	6.8%
Farming, Fishing, and Forestry Occupations(45-0000)	1	.6%	1	.5%			35	.6%
Food Preparation and Serving Related Occupations (35-0000)	10	6.5%	7	3.8%	4	2.9%	334	5.6%
Healthcare Practitioners and Technical Occupations (29-0000)	4	2.6%	7	3.8%	4	2.9%	153	2.6%
Healthcare Support Occupations (31-0000)	5	3.2%	8	4.4%	6	4.3%	206	3.4%
Homemaker*	38	24.7%	42	23.1%	26	18.8%	703	11.7%
Installation, Maintenance, and Repair Occupations (49-0000)	6	3.9%	4	2.2%	1	.7%	199	3.3%
Legal Occupations (23-0000)			2	1.1%	1	.7%	52	.9%
Life, Physical, and Social Science Occupations (19-0000)	2	1.3%	1	.5%	1	.7%	41	.7%
Management Occupations (11-0000)	6	3.9%	9	4.9%	6	4.3%	326	5.4%
Military Specific Occupations (55-0000)								
Office and Administrative Support	25	16.2%	27	14.8%	21	15.2%	956	15.9%

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Occupations (19-0000)								
Personal Care and Service Occupations (39-0000)	2	1.3%	5	2.7%	5	3.6%	234	3.9%
Production Occupations (51-0000)	5	3.2%	5	2.7%	7	5.1%	399	6.7%
Protective Service Occupations (33-0000)	1	.6%			1	.7%	58	1.0%
Randolph-Sheppard vending facility clerk*							1	.0%
Randolph-Sheppard vending facility operator*	1	.6%	4	2.2%	3	2.2%	60	1.0%
Sales and Related Occupations (41-0000)	3	1.9%	10	5.5%	9	6.5%	407	6.8%
Transportation and Material Moving Occupations (53-0000)	1	.6%	3	1.6%	1	.7%	245	4.1%
Unpaid Family Worker*							5	.1%
Total employment outcomes	154	100.0%	182	100.0%	138	100.0%	5,993	100.0%

Table 3.5.b MI-B Standard Occupational Classification (SOC) Codes Median Hourly Earnings for All Individuals Served with Employment Outcomes - FFYs 2014-2016

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Architecture and Engineering Occupations (17-0000)			\$10.25		\$38.45		\$21.81	
Arts, Design, Entertainment, Sports, and Media (27-0000)	\$11.55		\$16.00		\$15.00		\$14.32	

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Building and Grounds Cleaning and Maintenance (37-0000)	\$9.00		\$7.77		\$9.50		\$9.50	
Business and Financial Operations Occupations (13-0000)	\$19.70		\$17.13		\$11.75		\$17.00	
Community and Social Services Occupations (21-0000)	\$22.06		\$15.00		\$15.00		\$16.96	
Computer and Mathematical Occupations (15-0000)	\$23.08		\$14.00		\$22.00		\$20.00	
Constructive and Extraction Occupations (47-0000)	\$12.72		\$11.50				\$13.00	
Education, Training, and Library Occupations (25-0000)	\$19.61		\$17.69		\$15.37		\$16.13	
Farming, Fishing, and Forestry Occupations(45-0000)	\$10.00		\$8.16				\$10.20	
Food Preparation and Serving Related Occupations (35-0000)	\$9.25		\$8.17		\$8.33		\$9.00	
Healthcare Practitioners and Technical Occupations (29-0000)	\$19.16		\$20.20		\$20.21		\$19.70	
Healthcare Support Occupations (31-0000)	\$22.00		\$10.78		\$12.75		\$10.31	
Homemaker*								
Installation, Maintenance, and Repair Occupations (49-0000)	\$8.75		\$12.21		\$9.00		\$10.50	
Legal Occupations (23-0000)			\$18.03		\$20.90		\$27.40	
Life, Physical, and Social Science Occupations (19-0000)	\$20.68		\$9.50		\$21.00		\$21.35	
Management Occupations (11-0000)	\$14.50		\$17.33		\$21.30		\$16.93	
Military Specific Occupations (55-0000)								
Office and Administrative Support Occupations (19-0000)	\$11.25		\$9.50		\$10.00		\$11.00	

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Personal Care and Service Occupations (39-0000)	\$8.26		\$9.00		\$9.00		\$9.45	
Production Occupations (51-0000)	\$10.00		\$9.40		\$12.00		\$9.53	
Protective Service Occupations (33-0000)	\$8.27				\$10.00		\$11.00	
Randolph-Sheppard vending facility clerk*							\$8.00	
Randolph-Sheppard vending facility operator*	\$64.10		\$20.73		\$12.50		\$15.00	
Sales and Related Occupations (41-0000)	\$9.60		\$8.16		\$10.00		\$10.00	
Transportation and Material Moving Occupations (53-0000)	\$14.22		\$15.48		\$8.14		\$11.00	
Unpaid Family Worker*								
Total employment outcomes	\$11.50		\$11.50		\$12.00		\$11.55	

Program Performance Tables for Focus Area IV

Table 4.1 (MI-B) Case Status Information, Outcomes, and Quality Employment Measures for Individuals with Disabilities under Age 25 at Exit—FFYs 2014–2016

Individuals with Disabilities under Age 25 at Exit	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total cases closed	97		97		66		1,711	
Exited as an applicant	21	21.65%	21	21.65%	12	18.18%	374	21.86%
Exited during or after trial work experience/extended evaluation		0.00%		0.00%		0.00%	10	0.58%
Exited without employment after IPE, before services	6	6.19%	1	1.03%	5	7.58%	25	1.46%
Exited from order of selection waiting list		0.00%		0.00%		0.00%	1	0.06%
Exited without employment after eligibility, before IPE	12	12.37%	4	4.12%	7	10.61%	233	13.62%
Exited with employment	15	15.46%	26	26.80%	14	21.21%	518	30.27%
Exited without employment	43	44.33%	45	46.39%	28	42.42%	550	32.14%
Employment rate	25.86%		36.62%		33.33%		48.50%	
Supported employment outcomes	3	20.00%	3	11.54%	2	14.29%	23	4.44%
Competitive employment outcomes	15	100.00%	24	92.31%	13	92.86%	501	96.72%
Average hourly earnings for competitive employment outcomes	\$ 12.36		\$ 15.10		\$ 13.18		\$ 13.05	

Individuals with Disabilities under Age 25 at Exit	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Average hours worked per week for competitive employment outcomes	34.46		33.70		31.53		31.42	
Competitive employment outcomes at 35 or more hours per week	7	46.67%	13	50.00%	6	42.86%	240	46.33%
Competitive employment outcomes meeting SGA	6	40.00%	12	46.15%	3	21.43%	185	35.71%
Competitive employment outcomes with employer-provided medical insurance	4	26.67%	8	30.77%	4	28.57%	132	25.48%

Table 4.2.a (MI-B) Select VR Services Provided for Individuals with Disabilities under Age 25 at Exit- FFYs 2014-2016

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total number of individuals served	58		71		42		1,066	
College or university training	0	0.00%	3	4.20%	0	0.00%	27	2.50%
Four-year or university training	25	43.10%	22	31.00%	17	40.50%	330	31.00%
Junior or community college training	0	0.00%	1	1.40%	0	0.00%	94	8.80%
Occupational or vocational training	19	32.80%	12	16.90%	9	21.40%	273	25.60%
On-the-job training	6	10.30%	9	12.70%	3	7.10%	56	5.30%
Apprenticeship training	0	0.00%	0	0.00%	0	0.00%	3	0.30%
Basic academic remedial or	0	0.00%	0	0.00%	2	4.80%	55	5.20%

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
literacy training								
Job readiness training	1	1.70%	4	5.60%	1	2.40%	276	25.90%
Disability-related skills training	19	32.80%	26	36.60%	20	47.60%	576	54.00%
Miscellaneous training	24	41.40%	17	23.90%	11	26.20%	260	24.40%
Assessment	50	86.20%	48	67.60%	30	71.40%	777	72.90%
Diagnosis and treatment of impairment	6	10.30%	9	12.70%	5	11.90%	563	52.80%
Vocational rehab counseling and guidance	8	13.80%	13	18.30%	20	47.60%	898	84.20%
Job search assistance	9	15.50%	10	14.10%	3	7.10%	165	15.50%
Job placement assistance	10	17.20%	14	19.70%	7	16.70%	183	17.20%
On-the-job supports-short term	9	15.50%	7	9.90%	8	19.00%	178	16.70%
On-the-job supports-SE	0	0.00%	0	0.00%	0	0.00%	49	4.60%
Information and referral services	20	34.50%	16	22.50%	7	16.70%	188	17.60%
Benefits counseling	0	0.00%	0	0.00%	0	0.00%	30	2.80%
Customized employment services	0	0.00%	0	0.00%	0	0.00%	7	0.70%
Transportation	16	27.60%	15	21.10%	10	23.80%	565	53.00%
Maintenance	18	31.00%	18	25.40%	10	23.80%	518	48.60%
Rehabilitation technology	8	13.80%	24	33.80%	21	50.00%	765	71.80%
Reader services	0	0.00%	1	1.40%	0	0.00%	38	3.60%
Interpreter services	0	0.00%	1	1.40%	0	0.00%	33	3.10%
Personal attendant services	0	0.00%	0	0.00%	0	0.00%	30	2.80%
Technical assistance services	0	0.00%	0	0.00%	0	0.00%	12	1.10%
Other services	33	56.90%	41	57.70%	24	57.10%	571	53.60%

Table 4.3.a (MI-B) Outcomes by Type of Impairment for Individuals with Disabilities under Age 25 at Exit- FFYs 2014-2016

Type of Impairment	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Visual - Employment outcomes	14	93.30%	26	100.00%	14	100.00%	509	99.41%
Visual - Without employment outcomes			45	100.00%	28	100.00%	547	99.82%
Auditory and Communicative - Employment outcomes								
Auditory and Communicative - Without employment outcomes								
Physical - Employment outcomes							2	0.39%
Physical - Without employment outcomes							1	0.18%
Intellectual and Learning disability - Employment outcomes	1	6.70%					1	0.20%
Intellectual and Learning disability - Without employment outcomes								
Psychosocial and psychological - Employment outcomes								
Psychosocial and psychological - Without employment outcomes								
Total served - Employment outcomes	15	100.00%	26	100.00%	14	100.00%	512	100.00%

Type of Impairment	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total served - Without employment outcomes	43	100.00%	45	100.00%	28	100.00%	548	100.00%

Table 4.3.b (MI-B) All Individuals Served by Type of Impairment for Individuals with Disabilities under Age 25 at Exit- FFYs 2014-2016

Type of Impairment	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Visual - Individuals served	57	98.30%	71	100.00%	42	100.00%	1056	99.06%
Auditory and Communicative - Individuals served								
Physical - Individuals served							3	0.28%
Intellectual and Learning disability - Individuals served	1	1.70%					1	0.09%
Psychosocial and psychological								
Total individuals served	58	100.00%	71	100.00%	42	100.00%	1,066	100.00%

Table 4.3.c (MI-B) Employment Rate by Type of Impairment for Individuals with Disabilities under Age 25 at Exit- FFYs 2014-2016

Type of Impairment	2014	2015	2016	2016 National Agency Type Percent
Visual - Employment rate	24.60%	36.60%	33.30%	48.20%
Auditory and Communicative - Employment rate				
Physical - Employment rate				66.67%
Intellectual and Learning disability - Employment rate	100.00%			100.00%
Psychosocial and psychological – Employment rate				
Total served - Employment rate	25.90%	36.60%	33.30%	48.30%

Table 4.4.a (MI-B) Elapsed Time from Application to Eligibility for Individuals with Disabilities under Age 25 at Exit—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 60 days	59	77.63%	64	84.21%	43	79.63%	1,136	86.45%
61 – 90 days	6	7.89%	4	5.26%	6	11.11%	75	5.71%
91 – 120 days	3	3.95%	2	2.63%		0.00%	37	2.82%
121 – 180 days	1	1.32%	5	6.58%		0.00%	32	2.44%
181 – 365 days	6	7.89%	1	1.32%	2	3.70%	17	1.29%
More than 1 year	1	1.32%		0.00%	3	5.56%	17	1.29%

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total eligible	76		76		54		1,314	1

Table 4.4.b (MI-B) Elapsed Time from Eligibility to IPE for Individuals with Disabilities under Age 25 at Exit Served—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months	47	81.03%	57	80.28%	33	78.57%	724	67.79%
4-6 months	5	8.62%	8	11.27%	7	16.67%	107	10.02%
7-9 months	3	5.17%	3	4.23%			45	4.21%
10-12 months	3	5.17%	1	1.41%	2	4.76%	26	2.43%
More than 12 months			2	2.82%			166	15.54%
Total served	58		71		42		1,068	

Table 4.4.c (MI-B) Elapsed Time from IPE to Closure for Individuals with Disabilities under Age 25 at Exit Served—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months			2	2.82%			16	1.51%
4 – 6 months			3	4.23%	2	4.76%	56	5.29%
7 – 9 months	1	1.72%	4	5.63%	2	4.76%	67	6.33%
10 – 12 months	1	1.72%	1	1.41%			46	4.34%
13 - 24 months	8	13.79%	8	11.27%	5	11.90%	158	14.92%
25 – 36 months	7	12.07%	8	11.27%	5	11.90%	128	12.09%
37 – 60 months	13	22.41%	15	21.13%	7	16.67%	179	16.90%
More than 5 years	28	48.28%	30	42.25%	21	50.00%	409	38.62%
Total served	58		71		42		1,059	

Table 4.5.a (MI-B) Standard Occupational Classification (SOC) Codes for Individuals with Disabilities under Age 25 at Exit Served with Employment Outcomes—FFYs 2014–2016

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Architecture and Engineering Occupations (17-0000)							7	1.35%
Arts, Design, Entertainment, Sports, and Media (27-0000)			2	7.69%	1	7.14%	32	6.19%
Building and Grounds Cleaning and Maintenance (37-0000)	2	13.33%	1	3.85%	1	7.14%	19	3.68%
Business and Financial Operations Occupations (13-0000)							18	3.48%
Community and Social Services Occupations (21-0000)			1	3.85%			12	2.32%
Computer and Mathematical Occupations (15-0000)					1	7.14%	19	3.68%
Constructive and Extraction Occupations (47-0000)			2	7.69%			7	1.35%
Education, Training, and Library Occupations (25-0000)	1	6.67%					42	8.12%
Farming, Fishing, and Forestry Occupations (45-0000)							3	0.58%

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Food Preparation and Serving Related Occupations (35-0000)			4	15.38%			37	7.16%
Healthcare Practitioners and Technical Occupations (29- 0000)	2	13.33%	2	7.69%			16	3.09%
Healthcare Support Occupations (31-0000)	1	6.67%	4	15.38%	1	7.14%	13	2.51%
Homemaker*			1	3.85%	1	7.14%	15	2.90%
Installation, Maintenance, and Repair Occupations (49- 0000)	1	6.67%	1	3.85%			18	3.48%
Legal Occupations (23-0000)							3	0.58%
Life, Physical, and Social Science Occupations (19- 0000)			1	3.85%			6	1.16%
Management Occupations (11-0000)	1	6.67%	2	7.69%			17	3.29%
Military Specific Occupations (55-0000)								0.00%
Office and Administrative Support Occupations (43- 0000)	5	33.33%	2	7.69%	3	21.43%	99	19.15%
Personal Care and Service Occupations (39-0000)	1	6.67%	1	3.85%	3	21.43%	33	6.38%
Production Occupations (51- 0000)					1	7.14%	31	6.00%

SOC	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Protective Service Occupations (33-0000)							3	0.58%
Randolph-Sheppard Vending Facility Clerk*								0.00%
Randolph-Sheppard Vending Facility Operator*							2	0.39%
Sales and Related Occupations (41-0000)	1	6.67%	1	3.85%	2	14.29%	48	9.28%
Transportation and Material Moving Occupations (53-0000)			1	3.85%			17	3.29%
Unpaid Family Worker*								0.00%
Total employment outcomes	15		26		14		517	

Table 4.5.b (MI-B) Standard Occupational Classification (SOC) Codes Median Hourly Earnings for Individuals with Disabilities under Age 25 at Exit Served with Employment Outcomes—FFYs 2014–2016

SOC	2014	2015	2016	2016 National Agency Type
Architecture and Engineering Occupations (17-0000)				\$16.00
Arts, Design, Entertainment, Sports, and Media (27-0000)		\$20.50	\$15.00	\$14.37

SOC	2014	2015	2016	2016 National Agency Type
Building and Grounds Cleaning and Maintenance (37-0000)	\$9.00	\$7.39	\$9.70	\$9.55
Business and Financial Operations Occupations (13-0000)				\$16.59
Community and Social Services Occupations (21-0000)		\$21.63		\$16.02
Computer and Mathematical Occupations (15-0000)			\$50.48	\$21.15
Constructive and Extraction Occupations (47-0000)		\$10.50		\$9.00
Education, Training, and Library Occupations (25-0000)	\$8.45			\$11.56
Farming, Fishing, and Forestry Occupations (45-0000)				\$9.00
Food Preparation and Serving Related Occupations (35-0000)		\$8.34		\$8.53
Healthcare Practitioners and Technical Occupations (29-0000)	\$19.16	\$20.20		\$13.33
Healthcare Support Occupations (31-0000)	\$14.00	\$17.00	\$9.52	\$10.25
Homemaker*				
Installation, Maintenance, and Repair Occupations (49-0000)	\$22.93	\$14.43		\$10.00
Legal Occupations (23-0000)				\$12.38
Life, Physical, and Social Science Occupations (19-0000)		\$9.50		\$13.71
Management Occupations (11-0000)	\$14.00	\$26.35		\$17.50
Military Specific Occupations (55-0000)				
Office and Administrative Support Occupations (43-0000)	\$8.34	\$8.37		\$10.00
Personal Care and Service Occupations (39-0000)	\$8.00	\$8.15	\$8.63	\$9.00

SOC	2014	2015	2016	2016 National Agency Type
Production Occupations (51-0000)			\$8.17	\$8.75
Protective Service Occupations (33-0000)			\$8.50	\$13.00
Randolph-Sheppard Vending Facility Clerk*				
Randolph-Sheppard Vending Facility Operator*				13.82
Sales and Related Occupations (41-0000)	\$8.50	\$8.00	\$9.43	\$9.50
Transportation and Material Moving Occupations (53-0000)		\$15.48		\$9.00
Unpaid Family Worker*				
Total employment outcomes	\$9.00	\$11.47	\$9.00	\$10.00

Table 4.6 (MI-B) Source of Referral Codes for Individuals with Disabilities under Age 25 at Exit—FFYs 2014–2016

Referral Sources	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
American Indian VR Services Program							1	0.06%
Centers for Independent Living					1	1.54%	2	0.12%
Child Protective Services								0.00%
Community Rehabilitation Programs							31	1.83%
Consumer Organizations or Advocacy Groups							3	0.18%
Educational Institutions		46.88%		40.21%		26.15%		25.97%

Referral Sources	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
(elementary/secondary)	45		39		17		440	
Educational Institutions (post-secondary)	3	3.13%	3	3.09%	7	10.77%	53	3.13%
Employers							3	0.18%
Faith Based Organizations								0.00%
Family/Friends			2	2.06%			128	7.56%
Intellectual and Developmental Disabilities Providers							1	0.06%
Medical Health Provider (Public or Private)	5	5.21%	7	7.22%	5	7.69%	158	9.33%
Mental Health Provider (Public or Private)							24	1.42%
One-stop Employment/Training Centers							3	0.18%
Other Sources	10	10.42%	8	8.25%	6	9.23%	229	13.52%
Other State Agencies							25	1.48%
Other VR State Agencies	1	1.04%					127	7.50%
Public Housing Authority								0.00%
Self-referral	32	33.33%	37	38.14%	29	44.62%	452	26.68%
Social Security Administration (Disability Determination Service or District office)							5	0.30%
State Department of Correction/Juvenile Justice			1	1.03%				0.00%
State Employment Service								0.06%

Referral Sources	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Agency							1	
Veteran's Administration								0.00%
Welfare Agency (State or local government)							8	0.47%
Worker's Compensation								0.00%

Table 4.7 (MI-B) Reason for Closure Codes for Individuals with Disabilities under Age 25 at Exit—FFYs 2014–2016

Reason for Closure	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Achieved employment outcome	15	16.13%	26	28.57%	14	22.58%	518	33.94%
Unable to locate or contact	35	37.63%	31	34.07%	18	29.03%	421	27.59%
Transportation not feasible or available							2	0.13%
Does not require VR services	2	2.15%			1	1.61%	30	1.97%
Extended services not available								0.00%
All other reasons	20	21.51%	19	20.88%	9	14.52%	150	9.83%
Extended employment							1	0.07%
Individual in institution, other than a prison or jail							3	0.20%
Individual is incarcerated in a prison or jail							4	0.26%

Reason for Closure	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Disability too significant to benefit from VR services	1	1.08%	1	1.10%			25	1.64%
No longer interested in receiving services or further services	20	21.51%	14	15.38%	20	32.26%	361	23.66%
Death							11	0.72%

Program Performance Tables for Focus Area V

Table 5.1.a (MI-B) Supported Employment Outcomes for All Individuals with Disabilities—FFYs 2014–2016

All Individuals with Disabilities with Supported Employment Outcomes	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Supported employment outcomes	10	6.49%	12	6.59%	8	5.80%	152	2.54%
Average hourly wage for supported employment outcomes	\$ 18.63		\$ 9.86		\$ 11.86		\$ 13.89	
Average hours worked per week for supported employment outcomes	29.2		25.75		19.25		21.8	
Competitive supported employment outcomes	9	90.00%	10	83.33%	7	87.50%	150	98.68%
Average hourly earnings for competitive supported employment outcomes	\$ 19.78		\$ 10.48		\$ 13.42		\$ 14.05	
Average hours worked per week for competitive supported employment outcomes	31.77		26.6		18.57		21.89	
Competitive supported employment outcomes at 35 or more hours per week	5	50.00%	3	25.00%	1	12.50%	32	21.05%
Competitive supported employment outcomes meeting SGA	5	50.00%	3	25.00%	1	12.50%	33	21.71%

All Individuals with Disabilities with Supported Employment Outcomes	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Competitive supported employment outcomes with employer-provided medical insurance	3	30.00%	2	16.67%	2	25.00%	26	17.11%

Table 5.1.b (MI-B) Supported Employment Outcomes for Individuals with Disabilities under Age 25 at Exit—FFYs 2014–2016

Individuals under Age 25 with Disabilities with Supported Employment Outcomes	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Supported employment outcomes	3	20.00%	3	11.54%	2	14.29%	23	4.44%
Average hourly wage for supported employment outcomes	\$ 15.59		\$ 7.90		\$ 8.51		\$ 8.74	
Average hours worked per week for supported employment outcomes	40		20		13		16.17	
Competitive supported employment outcomes	3	100.00%	3	100.00%	2	100.00%	23	100.00%
Average hourly earnings for competitive supported employment outcomes	\$ 15.59		\$ 7.90		\$ 8.51		\$ 8.74	
Average hours worked per week for competitive supported employment outcomes	40		20		13		16.17	
Competitive supported employment outcomes at 35 or more hours per week	3	100.00%						
Competitive supported employment outcomes meeting SGA	2	66.67%						

Individuals under Age 25 with Disabilities with Supported Employment Outcomes	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Competitive supported employment outcomes with employer-provided medical insurance	1	33.33%						

Table 5.2.a (MI-B) Select VR and Supported Employment Services Provided for Individuals with Disabilities with Supported Employment Outcomes- FFYs 2014-2016

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total number of SE	10		12		8		152	
College or university training							5	3.30%
Four-year or university training	4	40.00%	1	8.30%	1	12.50%	13	8.60%
Junior or community college training			1	8.30%			2	1.30%
Occupational or vocational training	2	20.00%	3	25.00%	3	37.50%	19	12.50%
On-the-job training	1	10.00%	7	58.30%	3	37.50%	11	7.20%
Apprenticeship training							0	0.00%
Basic academic remedial or literacy training					1	12.50%	7	4.60%

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Job readiness training							31	20.40%
Disability-related skills training	5	50.00%	3	25.00%	5	62.50%	87	57.20%
Miscellaneous training	3	30.00%	3	25.00%	1	12.50%	12	7.90%
Assessment	9	90.00%	9	75.00%	6	75.00%	103	67.80%
Diagnosis and treatment of impairment	4	40.00%	3	25.00%			72	47.40%
Vocational rehab counseling and guidance	1	10.00%			2	25.00%	112	73.70%
Job search assistance	2	20.00%	2	16.70%	0	0.00%	34	22.40%
Job placement assistance	3	30.00%	4	33.30%	1	12.50%	56	36.80%
On-the-job supports-short term	1	10.00%	1	8.30%	2	25.00%	39	25.70%
On-the-job supports-SE							47	30.90%
Information and referral services	2	20.00%	1	8.30%	1	12.50%	21	13.80%
Benefits counseling							14	9.20%
Customized employment services							4	2.60%
Transportation	6	60.00%	5	41.70%	2	25.00%	60	39.50%
Maintenance	4	40.00%					40	26.30%
Rehabilitation technology	5	50.00%	8	66.70%	7	87.50%	114	75.00%
Reader services			1	8.30%			5	3.30%
Interpreter services							6	3.90%
Personal attendant services							2	1.30%
Technical assistance services							5	3.30%
Other services	8	80.00%	8	66.70%	5	62.50%	50	32.90%

Table 5.2.b (MI-B) Select VR and Supported Employment Services Provided for Individuals with Disabilities under Age 25 at Exit with Supported Employment Outcomes- FFYs 2014-2016

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Total number of individuals served	3		3		2		23	
College or university training							0	0.00%
Four-year or university training	3	100.00%					2	8.70%
Junior or community college training							0	0.00%
Occupational or vocational training			1	33.30%	1	50.00%	5	21.70%
On-the-job training			1	33.30%	2	100.00%	4	17.40%
Apprenticeship training							0	0.00%
Basic academic remedial or literacy training							0	0.00%
Job readiness training							5	21.70%
Disability-related skills training	1	33.30%	1	33.30%	2	100.00%	16	69.60%
Miscellaneous training	2	66.70%			1	50.00%	4	17.40%
Assessment	3	100.00%	2	66.70%	2	100.00%	20	87.00%
Diagnosis and treatment of impairment			2	66.70%			9	39.10%
Vocational rehab counseling and guidance							18	78.30%
Job search assistance	1	33.30%	2	66.70%			5	21.70%
Job placement assistance			1	33.30%	1	50.00%	10	43.50%
On-the-job supports-short term	1	33.30%			1	50.00%	12	52.20%
On-the-job supports-SE							11	47.80%
Information and referral services	1	33.30%					2	8.70%

Training Services	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
Benefits counseling							3	13.00%
Customized employment services							1	4.30%
Transportation	1	33.30%	1	33.30%	1	50.00%	11	47.80%
Maintenance	3	100.00%					9	39.10%
Rehabilitation technology	1	33.30%	3	100.00%	1	50.00%	15	65.20%
Reader services							1	4.30%
Interpreter services							1	4.30%
Personal attendant services							0	0.00%
Technical assistance services							0	0.00%
Other services	3	100.00%	1	33.30%	1	50.00%	10	43.50%

Table 5.3.a (MI-B) Elapsed Time from Application to Eligibility for All Individuals with Disabilities Who Achieved Supported Employment Outcomes—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 60 days	10	100.00%	9	75.00%	8	100.00%	144	94.74%
61 – 90 days			1	8.33%			5	3.29%
91 – 120 days			1	8.33%			2	1.32%
121 – 180 days								0.00%

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
181 – 365 days								0.00%
More than 1 year			1	8.33%			1	0.66%
Total SE	10		12		8		152	

Table 5.3.b (MI-B) Elapsed Time from Application to Eligibility for Individuals with Disabilities under Age 25 at Exit Who Achieved Supported Employment Outcomes—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 60 days	3	100.00%	3	100.00%	2	100.00%	22	95.65%
61 – 90 days							1	4.35%
91 – 120 days								
121 – 180 days								
181 – 365 days								
More than 1 year								
Total SE	3		3		2		23	

Table 5.4.a (MI-B) Elapsed Time from Eligibility to IPE for All Individuals with Disabilities Who Achieved Supported Employment Outcomes—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months	9	90.00%	12	100.00%	7	87.50%	102	67.11%
4-6 months	1	10.00%					21	13.82%
7-9 months							9	5.92%
10-12 months					1	12.50%	3	1.97%
More than 12 months							17	11.18%
Total SE	10		12		8		152	

Table 5.4.b(MI-B) Elapsed Time from Eligibility to IPE for Individuals with Disabilities under Age 25 at Exit Who Achieved Supported Employment Outcome—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months	3	100.00%	3	100.00%	1	50.00%	6	26.09%
4-6 months							5	21.74%
7-9 months							2	8.70%
10-12 months					1	50.00%	1	4.35%

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
More than 12 months							9	39.13%
Total SE	3		3		2		23	

Table 5.5.a (MI-B) Elapsed Time from IPE to Closure for All Individuals with Disabilities Who Achieved Supported Employment Outcomes—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months							4	2.63%
4 – 6 months	1	10.00%	3	25.00%			9	5.92%
7 – 9 months	1	10.00%	2	16.67%	2	25.00%	23	15.13%
10 – 12 months					1	12.50%	18	11.84%
13 - 24 months	1	10.00%	1	8.33%	1	12.50%	39	25.66%
25 – 36 months	2	20.00%	1	8.33%	1	12.50%	20	13.16%
37 – 60 months	2	20.00%	2	16.67%			13	8.55%
More than 5 years	3	30.00%	3	25.00%	3	37.50%	26	17.11%
Total SE	10		12		8		152	

Table 5.5.b (MI-B) Elapsed Time from IPE to Closure for All Individuals under Age 25 at Exit with Disabilities Who Achieved Supported Employment Outcomes—FFYs 2014–2016

Elapsed Time	2014 Number	2014 Percent	2015 Number	2015 Percent	2016 Number	2016 Percent	2016 National Agency Type Number	2016 National Agency Type Percent
0 – 3 months							1	4.35%
4 – 6 months								0.00%
7 – 9 months			1	33.33%			2	8.70%
10 – 12 months							1	4.35%
13 - 24 months							4	17.39%
25 – 36 months							4	17.39%
37 – 60 months			1	33.33%			3	13.04%
More than 5 years	3	100.00%	1	33.33%	2	100.00%	8	34.78%
Total SE	3		3		2		23	

Fiscal Data Tables for Focus Area VI

Table 6.1 Michigan-Blind (MI-B) VR Resources and Expenditures—FFYs 2014–2016

VR Resources and Expenditures	2014	2015	2016
Total program expenditures	\$21,858,724	\$19,702,853	\$20,273,543
Federal expenditures	\$17,202,816	\$15,501,112	\$15,800,922
State agency expenditures (4 th quarter)	\$4,777,280	\$4,201,741	\$4,472,621
State agency expenditures (latest/final)	\$4,655,908	\$4,201,741	\$4,472,621
Federal formula award amount	\$16,415,858	\$16,487,111	\$16,527,505
MOE penalty from prior year	\$0	\$62,527	\$726,583
Federal award amount relinquished during reallocation	\$0	\$0	\$0
Federal award amount received during reallocation	\$900,000	\$0	\$0
Federal funds transferred from State VR agency	\$0	\$0	\$0
Federal funds transferred to State VR agency	\$0	\$0	\$0
Federal award amount (net)	\$17,315,858	\$16,424,584	\$15,800,922
Federal award funds deobligated	\$113,042	\$899,840	\$0
Federal award funds used	\$17,202,816	\$15,524,744	\$15,800,922
Percent of formula award amount used	104.79%	94.16%	95.60%
Federal award funds matched but not used	-\$1	-\$2	\$0

Table 6.1 Michigan-Blind (MI-B) VR Resources and Expenditures—Descriptions, Sources and Formulas

VR Resources and Expenditures	Source/Formula
Total program expenditures	The sum of the Federal and non-Federal expenditures. Source/Formula: Table 6.1: Federal expenditures plus State expenditures (latest/final)
Federal expenditures	The cumulative amount of disbursements from Federal funds. Source/Formula: SF-425 line 10e from latest/final report
State expenditures (4 th quarter)	The cumulative amount of disbursements and unliquidated obligations from State funds through September 30 th of the award period. Source/Formula: SF-425 line 10j from 4 th quarter report
State expenditures (latest/final)	The cumulative amount of disbursements and unliquidated obligations from State funds as reported on the agency’s latest or final SF-425 report. Final reports do not include unliquidated obligations. Source/Formula: SF-425 line 10j from latest/final report
Federal formula award amount	The amount of the Federal funds available to the agency based on the formula mandated in the Rehabilitation Act. Formula/Source: Federal formula award calculation
MOE penalty from prior year	The amount of the Maintenance of Effort (MOE) deficit from the previous FFY which resulted in a MOE penalty against the current FFY. Source/Formula: Table 6.2: MOE difference from prior year
Federal award amount relinquished during reallocation	Amount of Federal award voluntarily relinquished through the reallocation process. Formula/Source: RSA-692
Federal award received during reallocation	Amount of funds received through the reallocation process. Source/Formula: RSA-692
Federal funds transferred from State VR agency	Amount of award funds transferred from State VR agencies (Blind to General or General to Blind). Formula/Source: Agency transfer request documentation
Federal funds transferred to State VR agency	Amount of award funds transferred to State VR agencies (Blind to General or General to Blind). Formula/Source: Agency transfer request documentation
Federal award amount (net)	Federal award amount available after accounting for adjustments to award (e.g., MOE penalties, relinquishment, reallocation and transfers). Formula/Source: Federal formula award calculation, RSA-692, agency documentation, SF-425 : Federal formula calculation minus MOE penalty minus funds relinquished in reallocation plus funds received in reallocation plus funds transferred from agency minus funds transferred to agency

VR Resources and Expenditures	Source/Formula
Federal award funds deobligated	Federal award funds deobligated at the request of the agency or as part of the award closeout process. These funds may include matched or unmatched Federal funds. Source/Formula: Agency deobligation request documentation, G5 closeout reports
Federal award funds used	Amount of Federal award funds expended. Source/Formula: Federal formula calculation, RSA-692, agency documentation, SF-425 lesser of the 4 th quarter or latest/final: Federal award amount (net) (calculation above) minus Federal award funds deobligated
Percent Federal formula award used	Percent of Federal formula award funds used. Source/Formula: Federal award funds used (calculation above) divided by Federal formula award amount
Federal award funds matched but not used	This represents unused Federal award funds for which the agency provided match. Source/Formula: Table 6.2 Federal award funds matched (actual) minus Table 6.1 Federal award funds used

Table 6.2 Michigan-Blind (MI-B) Non-Federal Share and Maintenance of Effort—FFYs 2014–2016

Non-Federal Share (Match) and Maintenance of Effort (MOE)	2014	2015	2016
Match required per net award amount	\$4,686,503	\$4,445,281	\$4,276,488
Match provided (actual)	\$4,655,908	\$4,201,741	\$4,472,621
Match difference**	\$30,595	\$243,540	-\$196,133
Federal funds matched (actual)	\$17,202,815	\$15,524,743	\$15,800,922
Percent Federal funds matched	99.35%	94.52%	100.00%
Match from State appropriation	4,120,482	3,836,743	3,949,336
Percent match from State appropriation	88.50%	91.31%	88.30%

Non-Federal Share (Match) and Maintenance of Effort (MOE)	2014	2015	2016
Match from Third-Party Cooperative Arrangements (TPCA)	0	0	0
Percent match from TPCAs	0.00%	0.00%	0.00%
Match from Randolph-Sheppard program	345,588	285,088	296,240
Percent match from Randolph-Sheppard Program	7.42%	6.78%	6.62%
Match from interagency transfers	41,870	39,512	43,813
Percent match from interagency transfers	0.90%	0.94%	0.98%
Match from other sources	147,968	40,398	183,232
Percent match from other sources	3.18%	0.96%	4.10%
MOE required	\$4,718,435	\$4,928,324	\$4,655,908
MOE: Establishment/construction expenditures	\$0	\$0	\$0
MOE actual	\$4,655,908	\$4,201,741	\$4,472,621
MOE difference**	\$62,527	\$726,583	\$183,287

** A positive amount indicates a deficit. A negative amount indicates a surplus.

Table 6.2 Michigan-Blind (MI-B) Non-Federal Share and Maintenance of Effort—Descriptions, Sources and Formulas

Non-Federal Share (Match) and Maintenance of Effort (MOE)	Source/Formula
Match required per net award amount	Non-Federal funds required based upon the net amount of the Federal award. Source/Formula: (Table 6.1 Federal award amount net divided by 0.787) multiplied by 0.213
Match provided (actual)	Amount of match (non-Federal share) provided, by the agency. Source/Formula: SF-425 line 10j lesser of the 4 th quarter or latest/final
Match difference**	The difference between match required to access the net Federal award funds and the actual amount of match provided by agency. Source/Formula: SF-425 lesser of the 4 th quarter or latest/final: ((Federal formula award amount divided by 0.787) multiplied by 0.213) minus SF-425 line 10j
Federal funds matched (actual)	Total amount of Federal funds the agency was able to match based upon the non-Federal share reported. The maximum amount of Federal funds the agency can access is limited to the Federal grant award amount. Source/Formula: (Match provided actual divided by .213) multiplied by .787
Percent of Federal funds matched	Percent of Federal funds matched. Source/Formula: Federal funds matched divided by Federal award amount net
Match from State appropriation	Match amount from State appropriation. Source/Formula: Data provided by State
Percent match from State appropriation	Match amount from State appropriation expressed as a percentage of total match provided. Source/Formula: Match from State appropriation divided by SF-425 line 10j
Match from TPCAs	Match amount from Third-Party Cooperative Arrangements (TPCAs). Source/Formula: Data provided by State
Percent match from TPCAs	Match amount from Third-Party Cooperative Arrangements (TPCAs) expressed as a percentage of total match provided. Source/Formula: Match from TPCAs divided by SF-425 line 10j
Match from Randolph-Sheppard program	Match amount from Randolph-Sheppard program. Source/Formula: Data provided by State

Non-Federal Share (Match) and Maintenance of Effort (MOE)	Source/Formula
Percent match from Randolph-Sheppard Program	Match amount from Randolph-Sheppard program expressed as a percentage of total match provided. Source/Formula: Match from Randolph-Sheppard Program divided by SF-425 line 10j
Match from interagency transfers	Match amount from interagency transfers. Source/Formula: Data provided by State
Percent match from interagency transfers	Match amount from interagency transfers expressed as a percentage of total match provided. Source/Formula: Match from interagency transfers divided by SF-425 line 10j
Match from other sources	Match amount from all sources of match not previously listed. Source/Formula: Data provided by State
Percent match from other sources	Match amount from all other sources expressed as a percentage of total match provided. Source/Formula: Match from other sources divided by SF-425 line 10j
Maintenance of Effort (MOE) required	Maintenance of effort (MOE) is the level of non-Federal expenditures, minus establishment/construction expenditures for CRPs, established by the State's non-Federal expenditures two years prior, i.e. Recipient Share of Expenditures. Source/Formula: (For FFY two year prior) SF-425 4 th quarter or latest/final report: line 10j minus line 12a. If non-Federal share is added in the prior carryover year, the additional amount is added to the MOE required. If an agency increases their Establishment/Construction expenditures in the prior carryover year, the increase is deducted from the FFY's total non-Federal share for MOE purposes.
MOE: Establishment / construction expenditures	Non-Federal share of expenditures for construction of facilities for community rehabilitation program (CRP) purposes and the establishment of facilities for community rehabilitation purposes. Source/Formula: SF-425 latest/final report: line 12a
MOE actual	Non-Federal share provided by agency minus establishment/construction expenditures for CRPs. Source/Formula: SF-425: Match provided actual minus establishment/construction expenditures. NOTE: If non-Federal share is added in the prior carryover year, the additional amount is added to the MOE actual. If an agency increases their Establishment/Construction expenditures in the prior carryover year, the increase is deducted from the FFY's total non-Federal share for MOE purposes.

Non-Federal Share (Match) and Maintenance of Effort (MOE)	Source/Formula
MOE difference**	The difference between MOE required and the actual MOE provided. Source/Formula: MOE required minus MOE actual

** A positive amount indicates a deficit. A negative amount indicates a surplus.

Table 6.3 Michigan-Blind (MI-B) Program Income and Carryover—FFYs 2014–2016

Program Income and Carryover	2014	2015	2016*
Program income received	\$0	\$0	\$664,557
Program income disbursed	\$0	\$0	\$664,557
Program income transferred	\$0	\$0	\$140,805
Program income used for VR program	\$0	\$0	\$523,752
Federal grant amount matched	\$17,202,815	\$15,524,743	\$15,800,922
Federal expenditures 9/30	\$10,404,759	\$11,696,686	\$14,180,467
Carryover amount	\$6,787,672	\$3,828,057	\$1,577,760
Carryover as percent of award	39.46%	24.66%	9.99%

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.

Table 6.3 Michigan-Blind (MI-B) Program Income and Carryover—Descriptions, Sources and Formulas

Program Income and Carryover	Source/Formula
Program income received	Total amount of Federal program income received by the grantee. Source/Formula: SF-425 latest/final line 10l
Program income disbursed	Amount of Federal program income disbursed, including transfers. Source/Formula: SF-425 latest/final: line 10m plus line 10n
Program income transferred	Amount of Federal program income transferred to other allowable programs. Source/Formula: SF-425 latest/final: line 12e plus line 12f plus line 12g plus line 12h
Program income used for VR program	Amount of Federal program income utilized for the VR program. Source/Formula: SF-425 latest/final: Program income expended minus program income transferred
Federal grant amount matched	Federal funds an agency is able to draw down based upon on reported non-Federal share not to exceed net award amount. Source/Formula: Table 6.2 Federal funds matched actual
Federal expenditures 9/30	Federal funds expended by 9/30 of the FFY of appropriation. This does not include unliquidated obligations. Source/Formula: SF-425 4 th quarter: line 10e
Carryover amount	The amount of unobligated Federal funds matched that the grantee did not obligate or liquidate, by 9/30 of the FFY of appropriation. Carryover does not include any unliquidated Federal obligations as of 9/30. Source/Formula: G5 Reports run as of 9/30 of the FFY of appropriation.
Carryover as percent of award	Amount of carryover expressed as a percentage of total Federal funds available. Source//Formula: G5, SF-425 latest/final: Carryover amount divided by Federal net award amount.

Table 6.4 Michigan-Blind (MI-B) RSA-2 Expenditures—FFYs 2014–2016*

RSA-2 Expenditures	2014	2015	2016
Total expenditures	\$12,487,317	\$22,642,764	\$24,970,227
Administrative costs	\$1,880,199	\$6,394,835	\$9,827,999
Administration as Percent expenditures	15.06%	28.24%	39.36%
Purchased services expenditures	\$4,333,653	\$4,037,946	\$3,881,320
Purchased services as a Percent expenditures	34.70%	17.83%	15.54%
Services to groups	\$2,596,313	\$5,740,325	\$6,009,202
Services to groups percentage	20.79%	25.35%	24.07%

*Expenditures for RSA-2 data represent current FFY expenditures and carryover from prior FFY. Therefore, these figures may differ from the expenditures in Tables 6.1, 6.2, and 6.3 which are from SF-425 reports.

Table 6.4 Michigan-Blind (MI-B) - RSA-2 Expenditures—Descriptions, Sources and Formulas*

RSA-2 Expenditures	Sources/Formula
Total expenditures	All expenditures from Federal, State and other rehabilitation funds (including VR, supported employment, program income, and carryover from previous FFY). This includes unliquidated obligations. Source: RSA-2: Schedule 1.4
Administrative costs	Total amount expended on administrative costs under the VR program. Source/Formula: RSA-2: Schedule 1.1
Administration as percent of expenditures	Administrative costs expressed as a percentage of all expenditures. Source/Formula: Administrative costs divided by total expenditures
Purchased services expenditures	Expenditures made for services purchased by the agency. Source/Formula: RSA-2: Schedule 1.2.B
Purchased services as a percent of expenditures	Purchased services expressed as a percentage of total expenditures. Source/Formula: Purchased services expenditures divided by total expenditures
Services to groups	Expenditures made by the agency for the provision of VR services for the benefit of groups of individuals with disabilities. Source/Formula: RSA-2: Schedule 1.3
Services to groups percentage	Services to groups expressed as a percentage of total expenditures. Source/Formula: Services to groups divided by total expenditures

*Expenditures for RSA-2 data represent current FFY expenditures and carryover from prior FFY. Therefore, these figures may differ from the expenditures in Tables 6.1, 6.2, and 6.3 which are from SF-425 reports.

APPENDIX B: DOCUMENTATION REVIEW RESULTS

Not Applicable

Data Element	Number with required documentation	Number without required documentation	Percent with required documentation	Percent without required documentation
Date of Application				
Date of Eligibility Determination				
Date of IPE				
Start Date of Employment in Primary Occupation at Exit or Closure				
Weekly Earnings at Exit or Closure				
Employment Status at Exit or Closure				
Type of Exit or Closure				
Date of Exit or Closure				

Summary	Number (of 30)	Percent (of 30)
Files with all required documentation		
Files with documentation for four or data elements examined		
Files with no required documentation		

APPENDIX C: AGENCY RESPONSE

A. Overview

This appendix contains the Bureau of Services for Blind Persons' (BSBP) responses to recommendations and corrective actions identified in the monitoring, along with BSBP's requests for technical assistance to address them, and RSA's responses, as appropriate.

For corrective actions to improve program and fiscal performance, as well as to improve administration of the VR program, BSBP must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete each corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the corrective action has been resolved. RSA anticipates that the corrective action plan can be developed and submitted online using the RSA website at rsa.ed.gov within 45 days from the issuance of this report. RSA is available to provide technical assistance to enable BSBP to develop the plan and undertake the corrective actions.

For recommendations to improve program and fiscal performance as well as to improve administration of the VR program, BSBP will report to the review team, on a quarterly basis, progress on the implementation of recommendations.

B. Agency Responses

RECOMMENDATIONS

2.1 Employment Outcomes:

- 2.1.1 Analyze the provision of services and employment outcomes achieved by individuals, and determine if VR services provided are aligned with labor market demands in Michigan; and
- 2.1.2 Explore relevant education and training programs, as well as training and employment opportunities with employers, including customized employment.

Agency Response:

2.1.1 Analyze the provision of services and employment outcomes achieved by individuals and determine if VR services provided are aligned with labor market demands in Michigan.

During FY 2017, BSBP adopted a core value of "demand-driven employment". BSBP currently conducts periodic case reviews and will begin testing for alignment of VR services with labor market demands. Training of staff has been recently focused on demand-driven employment. BSBP will continue to work toward aligning VR services with labor market demands.

2.1.2 Explore relevant education and training programs, as well as training and employment opportunities with employers, including customized employment.

During FY 2017, BSBP conducted a training on Labor Market Information (LMI). A representative from Workforce (Talent Investment Agency - TIA) was asked to present on LMI and how to use the TIA LMI website. In FY 2018, BSBP conducted a training on Career Index Plus and how to use the TCI+ website. In FY 2018, BSBP has also invested in Motivational Interviewing for the field services professionals.

Technical Assistance:

BSBP is engaged in discussions with WINTAC to implement additional training and technical assistance for the rollout of TCI+.

BSBP along with the general agency is negotiating an intensive technical assistance agreement that will include training related to customized employment.

2.2 Internal Controls

- 2.2.1 Develop internal control policies and procedures that include the verification of required documentation in an individual's service record, in accordance with 34 C.F.R. § 361.47(a); and
- 2.2.2 After evaluating the effectiveness of the new process in each region, provide additional training to staff based on areas identified as needs.

Agency Response:

2.2.1 Develop internal control policies and procedures that include the verification of required documentation in an individual's service record, in accordance with 34 C.F.R. § 361.47(a).

BSBP currently reviews cases periodically on a regional basis to ensure that case file documentation supports the progression of the vocational rehabilitation case. The case review guide is designed to provide detailed feedback that informs both managers and staff on areas of success and the need for additional training. Based on the Monitoring Report (see page 11), the BSBP case review process was noted which does, in fact, include a checklist for the reviewer that addresses 34 C.F.R. § 361.47(a) components. During FY 2018, the case review guide has been updated.

2.2.2 After evaluating the effectiveness of the new process in each region, provide additional training to staff based on areas identified as needs.

The case review guide is designed to provide detailed feedback that informs both managers and staff on areas of success and the need for additional training.

RSA Response: RSA appreciates BSBP's efforts to develop strategies to ensure the appropriate internal controls are in place for required case documentation, and to improve the agency's case review process. RSA recognizes BSBP has made changes to its case review guide since the monitoring process began and believes the implementation of the revised review tool will benefit the case review process and accountability of the required supporting documentation for all case service records, in accordance with 34 C.F.R. § 361.47(a).

Technical Assistance:

BSBP requests additional technical assistance from RSA related to the specifics of the RSA case review and data element integrity of case files.

2.3 Attrition

- 2.3.1 Evaluate the cause for the decline in individuals accessing BSBP services, including the availability of services for individuals from unserved or underserved populations;
- 2.3.2 Develop and implement outreach plans and methods to improve service delivery access to individuals from unserved and underserved populations; and
- 2.3.3 Evaluate the success of strategies used to improve the accessibility of services for all populations that may require BSBP services.

Agency Response:

BSBP acknowledges that the numbers served by BSBP have declined. The decline is partially explained by an intentional decrease in the number of individuals served declaring homemaker as a vocational goal. By way of background, BSBP served a very high number of individuals with a vocational goal of homemaker as compared to other blindness agencies prior to WIOA. The WIOA mandate to close homemaker cases by June 30, 2017, resulted in less emphasis on homemaker cases. BSBP remains committed to analyze the RSA data tables as part of its strategic focus on serving the blind and significantly visually impaired residents of Michigan.

BSBP continues to educate consumers and potential consumers regarding WIOA mandates to help them to understand vocational rehabilitation's commitment to demand-driven vocational outcomes and the dual-customer model (serving both the consumer and business). BSBP is updating its marketing tools to reflect the WIOA premises, objectives and purpose as well as promote the services of the Bureau to both business and the consumer.

BSBP conducts focused outreach activities including school district, TCVI, parent and student engagement through its Youth Low Vision Program to educate and promote Pre-ETS [pre-employment transition services] to potentially eligible (prior to application) and eligible (applied for VR services) students. Additionally, BSBP works closely with its education partners (Michigan Department of Education – Low Incidence Outreach) and other community partners to educate and conduct outreach activities for Pre-ETS. BSBP continues to develop and grow opportunities to attract students and youth to the services of BSBP.

BSBP has examined and determined that the Comprehensive Statewide Needs Assessment (CSNA) does not examine blindness needs with the specificity required to map out a

comprehensive outreach to unserved and underserved populations. In addition, the CSNA does not align with the agreed upon Pre-ETS minimum and maximum ages for Michigan. BSBP is exploring alternatives to the CSNA.

Technical Assistance:

BSBP requests technical assistance for this area of recommendation including resources or advice related to obtaining specific and useful information that can guide the Bureau in addressing current needs for underserved and unserved populations.

3.1 Provision of Pre-Employment Transition Services

- 3.1.1 Continue to closely monitor implementation of the pre-employment transition services crosswalk to ensure that services provided are consistent with the five required activities and properly paid for using reserved funds;
- 3.1.2 Analyze how assessment data are coded using the revised pre-employment transition services crosswalk to ensure services provided are not incorrectly counted as one of the five required activities; and
- 3.1.3 Provide BSBP staff with necessary training regarding the revised pre-employment transition services crosswalk.

Agency Response:

3.1.1 Continue to closely monitor implementation of the pre-employment transition services crosswalk to ensure that services provided are consistent with the five required activities.

At the implementation of WIOA, BSBP attempted to retrofit Pre-Employment Transition Services (Pre-ETS) into existing services in the case management system by coding them to the five Pre-ETS categories in the background. Services were then added to the IPE for each student. During the monitoring period, BSBP's Electronic Case Management System (ECMS) data base infrastructure did not allow for authorization accounts assigned to and designated in ECMS for the specific Pre-ETS services that were provided during the monitoring period. The programmers for ECMS were waiting for final regulations to be issued. Meanwhile, to ensure that BSBP was capturing Pre-ETS expenditures, BSBP utilized the existing authorization accounts in the ECMS traditionally assigned to VR during the monitoring period. In FY 2017, BSBP added Pre-ETS authorization accounts to better monitor the spending and evaluated the current services based on guidance from WINTAC and RSA. When it was determined that some of the service types being utilized did not fall into the definition of Pre-ETS, BSBP evaluated these services and developed the Pre-ETS specific services in that moving forward would only be utilized for the provision of Pre-ETS services in the five required Pre-ETS categories. The Pre-Employment Transition Services Crosswalk (Crosswalk) was developed as a training tool for BSBP to clearly define what services qualified for and could be utilized for Pre-ETS and those services that were VR services and do not qualify as Pre-ETS services.

As a part of the Crosswalk, each service was defined to ensure that it was consistent with the five required Pre-ETS categories. Legacy services found to be inconsistent with the five required Pre-

ETS categories were not carried over to the new Pre-ETS services. “Assessment” or “Evaluation” services were removed from Pre-ETS service options in accordance with technical assistance provided. In January 2018, a new Guidance Document for staff was developed listing only the new Pre-ETS services available in the ECMS (Guidance Document). This evolved out of the Crosswalk as a tool for counselors to utilize in planning services for both the IPE as well as for Potentially Eligible (PE) students receiving only Pre-ETS services.

Managers and field staff utilize the Guidance Document to create IPEs and service authorizations to ensure that services are being coded to the correct category under Pre-ETS. Managers must sign off on all service authorizations that utilize Pre-ETS funds. On a monthly basis, the Transition Services Manager reviews Pre-ETS services to ensure coding to the appropriate Pre-ETS categories in the ECMS.

3.1.2 Analyze how assessment data are coded using the revised pre-employment transition services crosswalk to ensure services provided are consistent with the five required activities.

Assessment data that rises to the level of an individual assessment customarily provided to VR clients is coded to VR services. Staff are trained not to code assessments to Pre-ETS services. The Crosswalk has been revised to remove assessments as a Pre-ETS service. As discussed above the Crosswalk has been updated as a Pre-ETS Guidance Document and staff tool for properly coding Pre-ETS services.

3.1.3 Provide BSBP staff with necessary training regarding the revised pre-employment transition services crosswalk.

In August 2017, the Crosswalk was reviewed with staff to ensure there was consistency in the utilization of the new services. Training on the Crosswalk was provided to staff in September 2017 to discuss the new services vs. the legacy services in the EMCS. Each service was explained in detail and an explanation of assessments and services that were not allowable as Pre-ETS services was provided to all BSBP counselors and vision rehabilitation teachers.

In February 2018, the Pre-ETS Guidance Document referenced above was shared with staff. At the March 6, 2018 Teacher/Counselor Meeting, it was reviewed with staff to ensure that the new Pre-ETS services were fully understood and being utilized consistently throughout the agency. On-going training continues with staff on eligible Pre-ETS services.

Technical Assistance:

WINTAC was consulted throughout the development of the Crosswalk and the new Guidance Document.

BSBP is in the process of developing an intensive technical assistance with WINTAC for continued training and guidance to support BSBP provision of Pre-ETS services.

4.1 Quality of BSBP Supported Employment Outcomes

- 4.1.1 Develop measurable goals and strategies to improve the quality of the supported employment outcomes achieved by individuals with disabilities, including the average hourly wage earned and hours worked per week.

Agency Response:

Although the Supported Employment (SE) grant represents a relatively small grant and is a supplemental grant to the VR program, BSBP is evaluating strategies for providing SE services to effectively utilize the SE grant for quality employment outcomes.

4.2 VR and Supported Employment Services

- 4.2.1 Review the services provided to individuals in supported employment and provide clarification and training to staff regarding which VR services should be funded only with Title I funds (e.g., job search, job development, and placement);
- 4.2.2 Examine the range of services provided to individuals in supported employment to determine whether the necessary supports and services are being provided to individuals in supported employment; and
- 4.2.3 Assess the reasons on-the-job supports (supported employment services) were seldom provided to individuals in supported employment, and if this is a reporting issue, take steps to train staff to ensure accurate reporting.

Agency Response:

4.2.1 Review the services provided to individuals in supported employment and provide clarification and training to staff regarding which VR services should be funded only with Title I funds, (e.g., job search, job development, and placement).

BSBP has provided education and training to staff to assist them in understanding services such as job development and training that are services to be provided using the general VR grant rather than the SE grant. Blindness is a unique disability that requires a specialized approach to employment placement. BSBP counselors embrace customized employment as a culture of service delivery. BSBP is analyzing its ECMS authorization accounts to identify those services that should be assigned to customized employment and will work with WINTAC to provide further training and technical assistance.

4.2.2 Examine the range of services provided to individuals in supported employment to determine whether the necessary supports and services are being provided to individuals in supported employment; and

4.2.3 Assess the reasons on-the-job supports (supported employment services) were seldom provided to individuals in supported employment, and if this is a reporting issue, take steps to train staff to ensure accurate reporting.

BSBP does acknowledge that this is more of a reporting error than the actual provision of the supported employment on the job training services. When necessary, extended evaluations take place to ensure appropriate supports are in place and services are in line with individual skills

and abilities to support growth and obtainment of competitive integrated employment. BSBP will work with WINTAC to provide further training and technical assistance.

Technical Assistance:

BSBP is requesting technical assistance from WINTAC through an intensive technical assistance agreement.

CORRECTIVE ACTIONS TO IMPROVE PERFORMANCE

2.1 Eligibility Determination

Corrective Action Steps:

- 2.1.1 Evaluate the effectiveness and efficiency of using VR counselors as intake counselors and determine if this practice has improved recent performance related to timely eligibility determinations;
- 2.1.2 Assess and evaluate VR counselor performance and identify effective practices that ensure timely eligibility determinations are made within 60 days from the date of application, including the use of case management tools for, and supervisory review of, timely eligibility determinations; and
- 2.1.3 Develop procedures for VR counselors and supervisors to track and monitor timely and untimely eligibility determinations.

Agency Response:

2.1.1 Evaluate the effectiveness and efficiency of using VR counselors as intake counselors and determine if this practice has improved recent performance related to timely eligibility determinations.

BSBP is currently utilizing the assistance of administrative staff to gather information necessary to determine eligibility such as eye reports, medical reports and additional diagnostic information that assists the VR counselor in determining eligibility as effectively as possible. BSBP is working toward a regional system of uniformity to explore process improvements which are intended to streamline eligibility determinations. BSBP is aware that only qualified rehabilitation counselors should be making eligibility determinations utilizing the information being gathered, and or observed. Reference 34 C.F.R. § 361.42.

<https://www.law.cornell.edu/cfr/text/34/361.42> CFR 361.42 (a), Eligibility Requirements (1) Basic requirements (iii) "... a determination by a qualified vocational rehabilitation counselor ..."

2.1.2 Assess and evaluate VR counselor performance and identify effective practices that ensure timely eligibility determinations are made within 60 days from the date of application, including the use of case management tools for, and supervisory review of, timely eligibility determinations – SEE THE RESPONSE FOR 2.1.3 BELOW

2.1.3 Develop procedures for VR counselors and supervisors to track and monitor timely and untimely eligibility determinations

BSBP was already aware of a limited number of cases within the monitoring period in which the failure to determine eligibility within 60 days from the date of application resulted. BSBP has already instituted case management tools and procedures to ensure that eligibility is determined within 60 days from the date of application. The Michigan Office of Auditor General (OAG) released Report Number: 641-0230-16 dated February 2017 – Friday, February 10, 2017. Included in Finding #1 of the OAG report, was commentary related to not completing VR client eligibility determinations within 60 days. On April 11, 2017, BSBP responded to the OAG finding by stating that “all individuals were ultimately determined eligible for services and no services were withheld or denied as a result of the lack of timeliness in eligibility determinations.” The BSBP Director issued a directive to all staff to adhere to the VR Eligibility Determination -BSBP Procedure 19, issued 4/15/16 and subsequently revised 8/1/16 – developed to address the OAG performance audit finding. BSBP continued to implement a periodic case review by management. Management also instituted a case management tool known as an “action alert” highlighting for counselors and management by active case the approach of the 60-day eligibility deadline. Subsequently, the Michigan Office of Performance and Transformation performed a follow-up audit to determine whether BSBP complied with OAG corrective actions. In a letter addressed to the Director of LARA (the Designated State Agency) dated January 8, 2018, OPT indicated BSBP implemented and complied with “corrective action” related to the original OAG finding.

BSBP also provided similar assurances to the Audit Liaison Officer for RSA, Dept. of Education regarding a Statewide Single Audit Finding regarding eligibility - Report Number 000-0100-16, released June 2016, for FFY 9/30/15. The RSA Audit Liaison Officer was provided BSBP Procedure 19, as well as timely responses to his inquiries regarding protocols for monitoring eligibility determinations. On March 13, 2017, BSBP received correspondence from the Acting Asst. Secretary for Special Education and Rehabilitative Services stating satisfaction with the steps implemented by BSBP for monitoring eligibility determinations (Dept. of Ed. Audit Control Number 0515611195, dated June 15, 2015).

BSBP VR Eligibility Determination - Procedure 19 continues to be applicable and management ensures staff are following the procedure by—

- 1) Utilization of the case management system action alert tool as referenced above;
- 2) Performing periodic case reviews; and
- 3) Emphasizing the importance of compliance at counselor meetings and management meetings.

Technical Assistance:

BSBP may require technical assistance in streamlining the intake process.

2.2 IPE Development

Corrective Action Steps:

- 2.2.1 Assess and evaluate current procedures for tracking and monitoring counselor performance and efficient practices used by high performing VR counselors and

supervisors to ensure timely IPE development, including the use of case management tools for, and supervisory review of, timely IPE development; and

2.2.2 Develop goals and strategies to improve VR counselor performance specific to timely IPE development.

Agency Response: BSBP would respectfully like to note that submission of 23 cases where the IPE was developed prior to 7/22/2014, and prior to the 90-day plan development regulation being implemented, were submitted on September 1, 2017 and would like to know if those cases were considered prior to determining this finding?

2.2.1 Assess and evaluate current procedures for tracking and monitoring counselor performance and efficient practices used by high performing VR counselors and supervisors to ensure timely IPE development, including the use of case management tools for, and supervisory review of, timely IPE development.

BSBP is currently utilizing the Electronic Case Management System (ECMS) to provide tools for accountability, which include an action alert list. This tool allows, counselors and managers to evaluate the timeliness of case movement from eligibility to plan development. This tool is used to generate a monthly report to monitor case progression. BSBP's case reviews and consultation between management and staff allow opportunity for training and education to assist in ensuring that timely plan development can occur.

BSBP is actively training staff on resources such as labor market information and Career Index Plus to support the development of IPE's. BSBP has recently added additional support to our management team ensuring that each region has an assistant manager. The assistant managers work with the regional managers to ensure timely and quality service delivery.

2.2.2 Develop goals and strategies to improve VR counselor performance specific to timely IPE development

BSBP is providing staff training in the evidence-based practice service delivery model of Motivational Interviewing (MI). In December 2017, basic MI training occurred. During the summer of 2018, advanced MI training will be provided. BSBP will work to identify peer mentors and coaches that will work with staff to strengthen their skills of effective listening and discussion. Research has suggested that MI can be useful both for enhancing client engagement in services and for promoting positive outcomes (W.R. Miller, 2002 Motivational Interviewing: Findings from clinical trials).

BSBP has utilized the subject matter experts at WINTAC to design performance measures that are in line with the WIOA requirements and performance measures that are expected of counselors and managers.

RSA Response: RSA appreciates the data provided by BSBP concerning the case service records closed during the period of review. Specifically, BSBP identified 23 case records closed in FFY 2016 whose IPE was developed prior to July 22, 2014, when BSBP's policies allowed for 120 days to develop an IPE following the eligibility determination. RSA has amended this section of the report to include this information, but the 23 cases did not significantly improve

the overall percentage of cases whose IPE was developed within the required time frame, increasing the percentage from 73.9 percent to 80.85 percent for FFY 2016. RSA maintains this compliance finding.

Technical Assistance:

BSBP is currently negotiating an intensive technical assistance (TA) agreement with WINTAC to provide support in implementing the Career Index Plus as a tool designed to assist staff working with consumers in identifying and pursuing demand driven vocational goals, including skill attainment and credentialing. BSBP is also working with WINTAC regarding the application and the implementation of the performance measures including the use of TAC 17-05. Customized employment is also being requested and negotiated in the TA agreement with WINTAC.

BSBP requests further technical assistance for post exit wage verification, and the process for monitoring closed cases for up to 15 months from the date of placement through the 2nd and 4th quarter post exit.

5.1 Prior Approval

Corrective Action Steps:

- 5.1.1 Develop and implement policies and procedures, as well as a written internal control process, including a monitoring component, to ensure ongoing compliance with the prior approval requirements, in accordance with RSA Technical Assistance Circular (TAC) 18-02.

Agency Response:

5.1.1 Develop and implement policies and procedures, as well as a written internal control process, including a monitoring component, to ensure ongoing compliance with the prior approval requirements, in accordance with RSA Technical Assistance Circular (TAC) 18-02.

The RSA on-site monitoring team informed BSBP of the Prior Written Approval (PWA) requirements related to 2 C.F.R. § 200.407. The BSBP director and staff were not aware of the changes that had occurred requiring compliance with 2 C.F.R. § 200.407 during the period of the monitoring that PWA applied (FFY 2016 – see page 29 of this report). BSBP requested technical assistance related to 2 C.F.R. § 200.407 during the on-site monitoring team visit. Since RSA formal guidance had not yet been developed, on-site technical assistance was limited to education regarding the requirements of 2 C.F.R. § 200.407 as it related to items that met the definition of equipment in accordance with 2 C.F.R. §§ 200.33 and 200.439, exceeding the State’s capitalization threshold of \$5,000 (see page 30 of this report). BSBP appreciated the educational instruction and clarification that 2 C.F.R. § 200.407 applies on a per unit basis. BSBP also inquired whether PWA applied to case service expenditures and at the time of the on-site monitoring was informed that PWA did not apply to case service expenditures as long as BSBP did not hold title to the case service expenditures to which 2 C.F.R. § 200.407 and

200.33 might apply. BSBP understood that as a result of the on-site monitoring technical assistance, PWA would not apply to BSBP case service expenditures that might otherwise be subject to PWA since BSBP does not take title to equipment purchased on behalf of consumers.

Actions taken to date include the following:

- 1) In accordance with the on-site technical assistance provided, BSBP began implementing a process to request PWA as follows:
 - a) Email with "Prior Approval" in the subject line to fiscal liaison listing non-case services expenditures related to equipment purchases in excess of \$5,000.00;
 - b) Monitoring of non-case service expenditures for equipment in order to identify items subject to PWA. BSBP's internal approval process referenced on page 27 of this report applies to all expenditures including non-case service expenditures;
 - c) BSBP informed LARA fiscal liaison and state accounting system personnel of the requirement for PWA;
 - d) BSBP fiscal personnel were instructed not to proceed with capital expenditures subject to PWA until PWA was received; and
 - e) BSBP set up a single point of contact for PWA requests;
- 2) For FFY 2018, BSBP requested and received from RSA PWA for equipment exceeding \$5,000 per unit;
- 3) For FFY 2018, BSBP requested and received from RSA PWA for improvements to the BSBP training center;
- 4) For FFY 2018 and based on additional feedback and technical assistance, BSBP requested and received from RSA PWA for participant support costs (EOC meeting and MCRS attendance at CSAVR); and
- 5) Subsequent to the on-site monitoring, RSA released Technical Assistance Circular (TAC) 18-02 on April 11, 2018. BSBP is currently in the process of evaluating how best to incorporate the guidance of TAC 18-02 into its operations.

Because there are two VR agencies in the State of Michigan, BSBP will coordinate its efforts to comply with Corrective Action Step 5.1.1 in its report with the general agency to align the policies and procedures of both agencies. As of the date of this response, the general agency has not received its 107 Monitoring report.

RSA Response: RSA acknowledges BSBP's efforts to meet prior approval requirements identified in Uniform Guidance, including the review of TAC-18-02, which provides clarification about certain general purpose equipment and participant support costs, and the ability for grantees to submit a streamlined, budgeted prior approval request for these two cost categories.

Technical Assistance:

BSBP appreciates ongoing technical assistance for PWA and will receive additional technical assistance from the following source:

On April 23, 2018, the Rehabilitation Services Administration (RSA) announced that during the week of May 15, 2018, RSA would be posting a series of pre-recorded webinars related to

implementation of Technical Assistance Circular (TAC) 18-02 titled “Submission Procedures for Prior Written Approval Requests under the State Vocational Rehabilitation (VR) Services Program.” The TAC is available at <https://www2.ed.gov/policy/speced/guid/rsa/subregulatory/tac-18-02.pdf> (PDF, 113 KB). The purpose of this email is to inform grantees that the release date for the webinars has been postponed to on or before May 28, 2018. There will be five webinars in the series.

- Session 1 - Prior Approval: Overview
- Session 2 - Prior Approval: When is it Required?
- Session 3 – Prior Approval: Administrative and Clerical Staff
- Session 4 – Prior Approval: General Purpose Equipment
- Session 5 – Prior Approval: Participant Support Costs

The first three sessions are applicable to all RSA formula grant awards. Sessions four and five are specific to the VR program and the flexibilities in TAC 18-02. The webinars will provide agencies with details on the process for submitting prior approval requests and address questions we have received from the field.

Specific Technical Assistance requested: BSBP, along with the general agency, in order to maintain alignment in common policies and procedures, may require additional technical assistance to ensure it has complied with the Corrective Action Step for PWA. For example, BSBP is not familiar with nor aware of an appeal process should PWA be withheld.

5.2 Internal Control Deficiencies

Corrective Action Steps:

- 5.2.1 Develop and maintain written policies or procedures governing the manner in which BSBP will set fees for purchased VR services, including pre-employment transition services, based on reasonable costs established by the agency, as required by 34 C.F.R. § 361.50(c)(1); and
- 5.2.2 Develop and implement a tracking mechanism to ensure costs for all purchased services, including those provided through the DRH contract for the benefit of VR and IL OIB consumers, are allocated to programs and cost objectives based upon a reasonable cost allocation methodology that assesses proportionate use and relative benefits received by the programs, in accordance with 2 C.F.R. § 200.405.

Agency Response:

5.2.1 Develop and maintain written policies or procedures governing the manner in which BSBP will set fees for purchased VR services, including pre-employment transition services, based on reasonable costs established by the agency, as required by 34 CFR §361.50(c)(1)

Page 34 of the Monitoring Report states: Additionally, an internal control deficiency for governing rates of payment for purchased VR services exists, because BSBP did not demonstrate the agency has established and maintained written policies that govern the rates of payment for

all purchased VR services, as required by 34 CFR §361.50(c)(1), to ensure that fees are allowable, reasonable, necessary, and allocable, as required by Federal cost principles in Uniform Guidance.

The report cites: 34 C.F.R. § 361.50(c)(1). The actual citation reads as follows: 34 C.F.R. § 361.50 Written policies governing the provision of services for individuals with disabilities. Paragraph (c) Payment for services. Subparagraph (1) The State unit must establish and maintain written policies to govern the rates of payment for all purchased vocational services.

BSBP Procedure # 17 - Vendor Fee Schedule (effective 11/10/15) provided on 6/13/17 at 4:38 p.m. to the RSA monitoring team and reviewed jointly during the monitoring process, establishes and maintains the written policies to govern the rates of payment for purchased vocational services. BSBP purchases VR services entirely through the use of “fee for service” except for the Detroit Receiving Hospital contract which was competitively bid. BSBP believes it satisfied the intent of 34 CFR Section 361.50(c)(1) and disagrees that an internal control deficiency exists with respect to purchased VR services using “fee for service.” Page 27 of the Monitoring Report states that:

“A review of BSBP’s written policies and procedures revealed several layers of internal controls related to the approval level necessary for purchase of client services. As expenditures increase, the individuals delegated to approve the expenditures included VR Counselors, followed by Managers and Division Directors, and finally the BSBP Director for expenditures that equal or exceed \$3,000. “[Emphasis Added]

Because each “fee for service” is approved individually by the counselor, there are layers of internal control and because of the established BSBP Procedure #17, BSBP believes that the risk of unallowable VR expenditures is not portrayed accurately by the Monitoring Report.

RSA provided the following technical assistance with respect to BSBP Procedure # 17: RSA provided technical assistance that cancellation fees are not an allowable charge to the VR award because there is no direct benefit to the program. BSBP Procedure # 17 currently allows for such cancellation fees. BSBP agrees to revise the Procedure and discontinue its payment of cancellation fees. BSBP appreciates the technical assistance provided.

The Detroit Receiving Hospital Contract (DRHC) went through the State of Michigan bid procedures in accordance with state law. Because state bid procedures were adhered to with respect to DRHC, BSBP did ensure that services billed by the DRHC did meet the reasonableness test and satisfied the necessary test based on the stated purpose of the contract which addressed unmet needs and underserved populations identified in the Comprehensive Statewide Needs Assessment (CSNA) and United State Plan (USP).

The proper allocation of the Detroit Receiving Hospital Contract is addressed in 5.2.2 below.

5.2.2 Develop and implement a tracking mechanism to ensure costs for all purchased services, including those provided through the DRH contract for the benefit of VR and IL OIB consumers, are allocated to programs and cost objectives based upon a reasonable cost

allocation methodology that assesses proportionate use and relative benefits received by the programs, in accordance with 2 C.F.R. § 200.405

BSBP disagrees with the statement that the Detroit Receiving Hospital (DRH) contract is allocated between VR and State Independent Living Services (SILS) programs (The DRH contract was provided to the on-site monitoring team). BSBP never stated that DRH contract served a SILS program.

The current DRH contract is a three-year contract which began May 1, 2016, and expires April 30, 2019, unless an option to renew for two years is exercised. The contract scope of work states: *“to provide Skills of Blindness training to residents in the in [sic] Oakland, Wayne, Macomb and Monroe County[sic]...This non-residential training program should be a partner in rehabilitation to BSBP and should utilize requested resources by BSBP such as assessments and training tools. The program should serve primarily vocational consumers.”*

The DRH contract serves primarily the VR program and the Independent Living Older Blind (ILOB) program to a much lesser extent.

BSBP disagrees with the use of a general statement such as “...ensure costs for all purchased services...” in the Corrective Action Step. Corrective Action Step 5.2.2 is based on narrative found on page 32 of the Monitoring Report related solely to the Detroit Receiving Hospital contract. Such general statements might mislead the public readers of this document. The public should be aware that the DRH contract for the monitoring period represents the only contract for services and is approximately 2% of the aggregate three-year total of program costs (\$61,835,120) represented for the monitoring period. If there was a shift of 10% of the contract from VR to ILOB, that shift would represent an error rate of 0.1777% in cost allocation.

In addition, the DSU has met the “substantial compliance” standard of the statute cited by the on-site monitoring team (2 C.F.R. § 200.405(a)). Page 33 of the Monitoring Report cites: “To be allocable to a program, the cost must be relative to the benefit received by that program (2 C.F.R. § 200.405 (a)).”

2 C.F.R. § 200.405 Allocable Costs – states: *a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. **This standard is met** [emphasis added] if the cost:*

- (1) Is incurred specifically for the Federal award;*
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.*

During the period of monitoring, BSBP allocated the DRH contract 85% to the VR cost objective and 15% to the ILOB cost objective.

For FFY 14, the total number of clients served totaled 38. Of the 38 clients 5 or 13.158% were ILOB clients.

For FFY 15, the total number of clients served totaled 28. Of the 28 clients 4 or 14.286% were ILOB clients.

For FFY 16, the total number of clients served totaled 39. Of the 39 clients 6 or 15.385% were ILOB clients.

Because the contract is based on a comprehensive service delivery model which is the same for both VR and ILOB clients, it is reasonable to allocate costs based on the number of students by program. “... (2) *Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that **may be approximated** using reasonable methods;...[emphasis added]*”

Additionally, at the time of the contract negotiation, it was considered undue effort or cost to attempt to require a contracting entity that is unaccustomed to hourly billing but rather accustomed to billing by Medicare/Medicaid billing codes to account for individual hours by client. Accordingly, the focus of the contract was to maximize the delivery of VR services and minimize administrative overhead in order to expend VR funds efficiently. Since a comprehensive service delivery model anticipates and expects that the skills of blindness for both VR and ILOB clients are provided over the same services periods, BSBP believes it acted reasonably in the allocation method chosen. Because RSA is not challenging whether the cost is incurred specifically for the Federal award, or is necessary or assignable to the Federal award, BSBP believes it is in compliance with 2 C.F.R. § 200.405 based on allocability under a reasonable method of approximation.

RSA Response:

Corrective action 5.2.1:RSA acknowledges that BSBP may establish a fee schedule designed to ensure a reasonable cost to the program for each VR service (34 C.F.R. § 361.50(c)(2)). RSA’s review of procedure BSBP-17 revealed the document includes fees for some VR services, but does not address each VR service. In addition, while the fee schedule identifies the costs for the VR services identified, it does not represent established and maintained written policies governing the rates of all VR services (34 C.F.R. § 361.50(c)(1), or identify a methodology or mechanism BSBP used to determine the rates of payment for services to ensure that those rates are reasonable costs to the program. This portion of the finding and corrective action 5.2.1 stand as written.

Corrective action 5.2.2: RSA appreciates BSBP’s identification of the factual inaccuracy related to the Statewide Independent Living Services program reference within the Detroit Regional Hospital contract. RSA has corrected this inaccuracy to the Independent Living Services for Older Individuals Who Are Blind (IL OIB) program in throughout the finding and corrective action language.

Section 101(a)(10)(A) of the Rehabilitation Act requires States to submit reports in the form and level of detail and at the time required by the Commissioner regarding applicants for, and

eligible individuals receiving, services under the VR program. Sections 101(a)(10)(C), (D) and (E) require States to submit additional data including, but not limited to, the number of individuals receiving services and the costs for providing services. RSA has issued policy directives, supported by the statute, that require VR agencies to track and collect data to a level of detail that ensures reporting requirements are met. During the monitoring period, these requirements were outlined in PD-13-05 (RSA-911 report) and PD-14-02 (RSA-2 report). PD-13-05 states for purchased services:

“The purpose of the service categories listed below is to capture all services provided to individuals during the life of their service record whether provided by the VR agency or others as comparable services or benefits. Except for assessment services that can be provided to determine eligibility prior to an IPE or to assign an individual to a priority category, the services provided should be those identified on the IPE, not services merely authorized, but actually provided. There are five data elements for each of the 28 service categories. The first data element indicates whether service has been provided. If purchased by the VR agency, the second data element identifies the primary service provider type. The third and fourth data elements are used to identify the source of funds for VR-purchased services as being State VR (Title I) grant funds, or State supported employment (Title VI, Part B) grant funds. The fifth data element is used to capture up to three comparable services and benefits providers.”

Similar requirements remain for the subsequent RSA-911 reporting instructions (PD-16-04). PD-14-02 states for RSA-2 Schedule III instructions:

“Schedule III: Number of Individuals Served and Purchased Service Expenditures by Service Category

The purpose of this schedule is to provide information on the number of individuals with disabilities receiving purchased services and on the funds expended on their behalf by the State VR agency for each major type of VR service using VR or SE program funds during the fiscal year for which the form is being prepared. The service categories in Schedule III are the same as those reported on the RSA-911...”

As such, VR agencies are required to have internal controls in place to ensure all requirements of the Federal VR award are met. RSA’s review of the DRH contract established on-site that BSBP has not designed this contract to capture the reporting requirements of the VR award. BSBP must meet the terms and conditions of the Federal award, including all reporting requirements. The financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit preparation of reports required by general and program-specific terms and conditions, and to trace expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the award (2 C.F.R. § 200.302(a)). Uniform Guidance makes clear in 2 C.F.R. § 200.105 that States must follow requirements of a Federal statute:

For Federal awards subject to this Part, all administrative requirements, program manuals, handbooks and other non-regulatory materials that are inconsistent with the requirements of

this Part must be superseded upon implementation of this Part by the Federal agency, except to the extent they are required by statute or authorized in accordance with the provisions in § 200.102 Exceptions.

As such, the use of approximations to allocate DRH costs between the VR and IL OIB programs does not permit the VR agency to meet the statutory, regulatory or program-specific requirements and terms and conditions of the award, or ensure that reports are complete and accurate. This portion of the finding and corrective action 5.2.2 stand as written, with the exception of the correction identifying the IL OIB program as a participating program under the DRH contract.

Technical Assistance:

None requested.

5.3. Unallowable Assignment of Personnel Costs to the VR Program

Corrective Action Steps:

- 5.3.1 Cease using VR funds to pay for personnel costs that must be allocated to other cost objectives including the YLV program;
- 5.3.2 Revise and implement policies and procedures to correctly assign personnel costs, including fringe benefits, to the benefitting cost objectives;
- 5.3.3 Revise SF-425 reports to reflect accurate expenditures and ensure accurate reporting of personnel costs in future submissions; and
- 5.3.4 Develop and implement a written internal control process, including a monitoring component, to ensure ongoing compliance with personnel cost allocation requirements.

Agency Response:

5.3.1 Cease using VR funds to pay for personnel costs that must be allocated to other cost objectives including the YLV program.

Note: Corrective Action Step 5.3.1 is based on a narrative found on page 35 of the report addressing the YLVP. BSBP response is based on the on-site monitoring report narrative which discusses the Youth Low Vision Program.

The Youth Low Vision program (YLVP) is a very small program funded by State appropriation dollars – approximately \$200,000. Referrals originate from Teacher Consultants for the Visually Impaired (TCVIs) employed by the Intermediate School Districts (ISDs). BSBP incurs minimal time for administrative function and case service authorizations related to the YLVP (see further analysis below). BSBP utilizes the YLVP to develop relationships with TCVIs, the ISDs', parents of students and students themselves. BSBP strongly values the YLVP as an essential component of outreach to students and ISDs and a key strategy for identifying potentially eligible (PE) students qualifying for Pre-Employment Transition Services (Pre-ETS). As noted in this monitoring report the ability to identify students needing services from BSBP's VR/Pre-ETS programs is a required function of the Bureau. In Michigan, Pre-ETS services may be provided

to qualifying students at age 14. BSBP has historically provided VR services to qualified students at age 14 who apply for VR services. WIOA makes it possible to serve students prior to VR application. The YLVP is a key component of BSBP's strategy for reaching PE students and expanding the provision of Pre-ETS statewide. The YLVP serves students who are eligible for special education services and may not be legally blind but at age 14 qualify for Pre-ETS services from BSBP pursuant to the MOU with the general agency. The early knowledge of VR services utilizing this program as a catalyst for that connection heightens familiarity with VR services for parents, families and teachers that in turn can inspire the invitation to attend IEP's which is a requirement of WIOA as referenced in 34 CFR 361.48(a)(4)(i) *Pre-employment transition coordination*. Each local office of a designated State unit must carry out responsibilities consisting of— (i) Attending individualized education program meetings for students with disabilities, when invited.

BSBP is utilizing the authorized activities in developing strategies to improve the transition of students with disabilities from school to postsecondary education or an employment outcome. For example, authorized activity (1) implementing effective strategies to increase the likelihood of independent living and inclusion in communities and competitive integrated workplaces; (4) disseminating information about innovative, effective and efficient approaches to achieve the goals of this section; (9) disseminating information and strategies to improve the transition to postsecondary activities of individuals who are members of traditionally unserved populations. The YLVP is a key component in BSBP strategies to achieve these authorized activities and a valuable opportunity to identify potentially eligible students.

One of the Pre-Employment Transition Coordination Activities is –“Each local office of a designated State unit shall carry out responsibilities consisting of – (3) work with schools, including those carrying out activities under Section 614(d)(1)(A)(i)(VIII) of the Individuals with Disabilities Education Act (20 U.S.C. 1414(d)(1)(A)(i)(VIII), to coordinate and ensure the provision of pre-employment transition services under this section...”

Based on recent FY 18 data from the BSBP electronic case management system, approximately 41.5% of program participants are age 14 to 26. Approximately 45.5% of program participants reside in the Detroit metro area. The Michigan Comprehensive Statewide Needs Assessment (CSNA) dated March 31, 2017, states the following: “The Rehabilitation Act requires the CSNA to describe at a minimum, the rehabilitation needs of individuals with disabilities residing within the State, particularly the vocational rehabilitation needs of:Individuals with disabilities who are minorities...” Detroit is an area of various minority populations that BSBP is particularly interested in serving. The fact the majority of YLVP participants reside in the Detroit area illustrates the outreach to both minority populations and the PE students. The CSNA also states that “...transition services should be initiated early...” and “identified lack of access to services in K-12 settings...” for individuals with sensory disabilities. The YLVP reaches a broad array of students and earlier exposure to services maximizes use of residual vision ensuring a better post-secondary outcome.

The YLVP offers an opportunity for exposure to the VR agency, related Pre-ETS services and the education of TCVI's, parents and students about Pre-ETS services available. As a focused BSBP strategy, the YLVP also contributes to coordination of Pre-ETS services with TCVI's in

the school districts (attendance at IEPs, for example) and significantly engages parents, students and educators early and often.

BSBP Ages 11 - 13 Served under the Youth Low Vision Program

FY 2014	FY 2015	FY 2016
89	117	99

BSBP Pre-ETS Ages 14 – 26 Served

FY 2014	FY 2015	FY 2016
120	150	153

BSBP Ages 0 – 26 Grand Total Served

FY 2014	FY 2015	FY 2016
383	413	429

The Youth Low Vision Program (YLVP) is a referral-based program that originates from the functional vision assessment performed by the Teacher Consultants for the Visually Impaired (TCVIs) working in the schools. Upon identification of the need, the TCVI will make a referral to BSBP for the YLVP to purchase specific head-borne visual aids for the student. A service authorization is drafted by BSBP staff. The initial time spent approximates 15 minutes. The service provider, a low vision optometrist, will conduct an exam and send recommendations back to the TCVI / BSBP staff. An additional 5 to 10 minutes is incurred to review the recommendations from the service provider. Another service authorization is usually required for the head borne device recommendation which is approximately 15 minutes. BSBP staff might incur 5 to 10 minutes to update BSBP’s case management system YLVP case file throughout the process. For purposes of estimating the impact of YLVP on the VR cost objective, assume an hour total per case (although this is more than the 50 minutes documented above - some cases might take slightly more and some cases might take slightly less – accordingly an hour is a reasonable estimate). Note: Service authorizations currently involve administrative staff further reducing professional staff time.

FY 2014 – 383 hours times an estimated average staff hourly fully burdened cost (salary and all associated benefits) serving YLVP results in a total estimated cost of the program for FY 2014 of

\$21,112.88. Excluding the 120 YLVP participants age 14 or greater results in a potential personnel cost allocation error of \$14,497.88. As a Pre-ETS outreach program, the \$14,497.88 is a minimal cost compared to other personnel costs required to accomplish the objectives of the YLVP which tie into Pre-ETS services as follows:

- 1) Identification of Potentially Eligible Pre-ETS students;
- 2) Positive relationship development with TCVIs and schools;
- 3) Positive relationship development with parents (who must invite BSBP to the IEP); and
- 4) Positive relationship development with students (The objective of Pre-ETS is embedded in the concept that services to students early on will achieve a positive post-secondary outcome. Students must be willing to work with VR in order for VR to achieve the WIOA Pre-ETS goals).

FY 2015 – 413 YLVP participants less 150 YLVP participants age 14 or greater times 1-hour times an estimated average staff fully burdened hourly cost (salary and all associated benefits) results in a total estimated cost of the program for ages less than 14 of \$14,497.88. As a Pre-ETS outreach program, the \$14,497.88 is a minimal cost compared to other personnel costs required to accomplish the objectives of the YLVP which tie into Pre-ETS services as follows:

- 1) Identification of Potentially Eligible Pre-ETS students;
- 2) Positive relationship development with TCVIs and schools for coordination and delivery of Pre-ETS services;
- 3) Positive relationship development with parents (who must invite BSBP to the IEP); and
- 4) Positive relationship development with students (The objective of Pre-ETS is embedded in the concept that services to students early on will achieve a positive post-secondary outcome. Students must be willing to work with VR in order for VR to achieve the WIOA Pre-ETS goals).

FY 2016 – 429 YLVP participants less 153 YLVP participants age 14 or greater times 1-hour times an estimated average staff fully burdened hourly cost (salary and all associated benefits) results in a total estimated cost of the program for ages less than 14 of \$15,214.50. As a Pre-ETS outreach program, the \$15,214.50 is a minimal cost compared to other personnel costs required to accomplish the objectives of the YLVP which tie into Pre-ETS services as follows:

- 1) Identification of Potentially Eligible Pre-ETS students;
- 2) Positive relationship development with TCVIs and schools for coordination and delivery of Pre-ETS services;
- 3) Positive relationship development with parents (who must invite BSBP to the IEP); and
- 4) Positive relationship development with students (The objective of Pre-ETS is embedded in the concept that services to students early on will achieve a positive post-secondary outcome. Students must be willing to work with VR in order for VR to achieve the WIOA Pre-ETS goals).

The cumulative program costs for the three-year monitoring period total \$61,835,120. Even assuming the YLVP is not properly accounting for personnel costs (BSBP believes YLVP is properly accounting for personnel costs as a Transition/Pre-ETS outreach as more fully described above) the cumulative error rate is approximately 0.0715%. [Note: Staff hourly cost used for purposes of the above calculations would be overstated during the monitoring period if the

current practice of utilizing administrative staff for service authorizations occurred uniformly during the period of monitoring.]

Regulatory reform comments by both NCSAB and CSAVR and informal feedback requested by other governmental bodies and consumer groups represented at recent conferences express concern regarding the narrow interpretation of Pre-ETS services. Furthermore, at a recent conference, agencies discussed the associated budget challenges of administering a program of narrowly defined service categories including the possibility of being forced into an order of selection as a result.

For all of the above-stated reasons, the YLVP remains an important outreach activity for PE and VR Pre-ETS students.

5.3.2 Revise and implement policies and procedures to correctly assign personnel costs, including fringe benefits, to the benefitting cost objectives.

Note: Corrective Action Step 5.3.2 is based on a narrative found on page 35 of the report addressing the YLVP.

Depending on technical assistance provided – BSBP will address the YLVP accordingly which may require establishing a YLVP payroll cost objective in the state accounting system - SIGMA.

For YLVP participants that qualify as VR clients, time is correctly coded to the VR cost objective.

5.3.3 Revise SF-425 reports to reflect accurate expenditures and ensure accurate reporting of personnel costs in future submissions.

Note: Corrective Action Step 5.3.3 is based on a narrative found on page 35 of the report addressing the YLVP.

BSBP will ensure accurate reporting of personnel costs for future submissions of the SF-425.

5.3.4 Develop and implement a written internal control process, including a monitoring component, to ensure ongoing compliance with personnel cost allocation requirements.

Note: Corrective Action Step 5.3.4 is based on a narrative found on page 35 of the report addressing the YLVP. BSBP and LARA maintain an existing internal control process for ensuring ongoing compliance with personnel cost allocation including fringe benefits. BSBP and LARA have properly accounted for personnel cost allocation to other cost objectives. Depending on the response to technical assistance requested, BSBP may need to add an additional labor distribution code to SIGMA to allocate staff time to YLVP consumers as appropriate.

RSA Response: RSA acknowledges the response BSBP put forth regarding the YLVP, and generally the efforts made to identify students who are potentially eligible for the VR program who can benefit from pre-employment transition services.

In its response, BSBP indicated that the personnel costs charged to the VR program represent allowable pre-employment transition services authorized activities or coordination activities. Authorized activities are intended to improve the transition of students with disabilities from school to postsecondary education or an employment outcome; and support the arrangement or provision of the “required” activities. Additionally, BSBP has identified the duties performed by BSBP staff in support of the YLVP. These duties include:

- Drafting a service authorization (~15 minutes);
- Reviewing the recommendation from the service provider’s examination (~5 to 10 minutes);
- Drafting a second service authorization for the head borne device (~15 minutes); and
- Updating the case management system throughout the process (~5 to 10 minutes).

These duties, as described by BSBP, do not represent the provision of required activities, authorized activities, or pre-employment transition coordination for students with disabilities. These activities reflect BSBP staff member time spent conducting case work and authorizing for YLVP services that are individualized to each person. To the extent that any of these individuals met the requirements of the VR program, allocable portions of cost could potentially be charged to the VR program. However, regardless of the amount of funds charged to the VR program, any cost allocable to another program may not be charged to the VR program simply due to the smaller size of, or limited funding authorized for, the other program.

Furthermore, in accordance with 34 C.F.R. § 361.48(a)(3), a VR agency may provide authorized activities under pre-employment transition services only to the extent that reserved funds remain after providing the required activities. As part of the CSNA, States should determine the number of potential individuals eligible for pre-employment transition services. To the extent a State demonstrates that it has made the required pre-employment transition services activities available to the population identified in the CSNA, the State has met the requirement to provide the required activities prior to the authorized activities. During the on-site visit, RSA and BSBP discussed pre-employment transition services reserve forecasting for required activities, and learned that BSBP had developed such an assessment on March 31, 2017, in a memo titled “Pre-ETS – Forecast of FY 2017 Pre-ETS Costs,” which would preclude its ability to spend pre-employment transition services reserve funds on authorized activities in FFYs 2014, 2015 and 2016, prior to the completion of the forecast.

As a result, this finding and corrective action stand as written.

Technical Assistance:

5.3.1 BSBP would like technical assistance regarding the use of the YLVP as an innovative approach to identifying PE students, outreach to TCVI’s including the opportunity to educate TCVI’s, ISD’s and parents about available Pre-ETS services in particular prior to application

(PE) and minority populations that may view working with VR as a negative particularly as it is perceived to loss of public benefit payments.

NOTE: The following finding and corrective actions were included in the draft report issued on May 9, 2018. RSA subsequently made revisions in this final report and the revised findings and corrective actions are presented below following the draft finding, corrective actions, and responses provided by BSBP and RSA in response to the draft report.

5.4 Unallowable Sources of Match in the VR Program

Corrective Action Steps:

- 5.4.1 Cease reporting non-Federal expenditures incurred for Randolph-Sheppard vending facility renovation and expansion activities that involve structural changes to the building site as match for the VR program;
- 5.4.2 Revise and implement policies and procedures related to non-Federal share to correctly account for allowable VR program match;
- 5.4.3 Revise SF-425 reports to reflect accurate non-Federal expenditures and ensure accurate reporting of non-Federal share in future submissions;
- 5.4.4 Demonstrate to RSA how BSBP will ensure that it is solely responsible for the expenditure of funds under the VR program, as required by 34 C.F.R. § 361.13(c)(1)(iv), so that it is able to account for and report the expenditure of funds, whether Federal or non-Federal, in such a way that ensures the funds were spent on allowable purposes, as required by 34 C.F.R. § 361.12;
- 5.4.5 Demonstrate to RSA how BSBP will ensure its financial management system and internal controls are in compliance with 2 C.F.R. §§ 200.302 and 200.303;
- 5.4.6 Provide an assurance that BSBP will expend funds and report expenditures only for those costs that are allowable under the VR program, regardless of whether they are paid with Federal or non-Federal funds used for matching purposes; and
- 5.4.7 Provide RSA with the information it needs to determine which costs incurred in these vending facility projects were allowable, such as the actual contracts that contained actual costs proposed for each aspect of the work performed.

Agency Response:

5.4.1 Cease reporting non-Federal expenditures incurred for Randolph-Sheppard vending facility renovation and expansion activities that involve structural changes to the building site as match for the VR program.

Corrective Action Plan item 5.4.1 springs from the following on-site monitoring team issue identified on page 36 of the Monitoring Report:

***Issue:** Whether non-Federal expenditures incurred for the renovation and expansion of existing vending facilities constitute allowable VR expenditures under section 103(b)(1) of the Rehabilitation Act and 34 CFR §361.49(a)(5) as “acquisition of vending facilities and other equipment” and, thus are allowable*

for match purposes under the VR program in accordance with 34 CFR §361.60. This area of monitoring is included on page 52 of the MTAG. [Emphasis added]

The MTAG focus areas were as follows:

- Performance of the VR and Supported Employment programs, including competitive integrated employment outcomes;
- Transition services and employment outcomes for youth with disabilities, including pre-employment transition services for students with disabilities;
- Supported employment for individuals with the most significant disabilities, including youth with the most significant disabilities;
- Fiscal integrity of the VR and Supported Employment programs; and
- Progress of VR agencies toward implementing certain requirements under Title I of WIOA governing unified and combined planning, performance accountability, and the one-stop delivery system.

Page 52 of the MTAG discusses in much detail internal controls citing 2 CFR 200.303; 34 CFR 361.12; and, 2 CFR 200.302. Reports cited include RSA-2 and SF-425s. The RSA-15, Report of Vending Facility Program is not cited on page 52 or referenced in the MTAG or Monitoring Report. Because the Randolph-Sheppard program was not a focus area, there was not a Randolph-Sheppard subject matter expert assigned to the RSA monitoring team.

The Monitoring Report on page 38 makes the following assumption not based on any facts that are specific to the State of Michigan:

“As part of our analysis, we must take into consideration that it is typically the responsibility of the landlord or governmental agency that owns the building, for purposes of the Randolph-Sheppard program, to provide a site for the location and operation of a vending facility that is in a condition suitable for the addition of a vending facility to the space.”

The State of Michigan charges rent to the occupants of the building shell. Because each agency holds a leasehold interest in the space it occupies and is responsible for all costs associated within the confines of the building’s structural shell the above-referenced assumption is not accurate. The Monitoring Report then attempts to tie ownership to structural improvements identified in the Monitoring Report as pre-defined bright-line items divorced from facts and circumstances:

This means a site’s infrastructure and floor plan ordinarily should be sufficient for the operation of a vending facility. Therefore, any structural changes to walls, windows, floors, ceilings, or otherwise general electrical, mechanical, and plumbing work required to bring the site up to a satisfactory condition are the responsibility of the building owner, landlord, or governmental department. As such, these costs would not be allowable under the VR program and, thus, could not be used for match purposes under the VR program.

Structural changes to a building site. Structural changes to a building site is not a defined term in the Randolph-Sheppard Act (RS Act) or the 34 C.F.R. program regulations. Structural changes are largely a question of fact.

One definition of structural change is “significant and fundamental change in the configuration or framework of a building or system, resulting in essentially a different building or system.

Source: <http://www.businessdictionary.com/definition/structural-alteration.html>

“Fundamental and significant change of the building’s framework or system that results in different building.” Source: <https://thelawdictionary.org/structural-alteration>

Structural engineers are responsible for engineering design and structural analysis. Entry-level structural engineers may design the individual structural elements of a structure, such as the beams and columns of a building. More experienced engineers may be responsible for the structural design and integrity of an entire system, such as a building. Structural building engineering is primarily driven by the creative manipulation of materials and forms and the underlying mathematical and scientific ideas to achieve an end which fulfills its functional requirements and is structurally safe when subjected to all the loads it could reasonably be expected to experience. Source: https://en.wikipedia.org/wiki/Structural_engineering

Accordingly, structural changes to a building site relate to “load bearing” design features that are significant, representing a fundamental change in the configuration or framework of a building. BSBP is aware of no such change in the renovation of the Randolph-Sheppard sites in question.

There is uniqueness to each context in which facts reside. For example, the definition of equipment might seem fairly straightforward and easy to apply until a reading of 2 C.F.R. § 200.2 illustrates the complexities of determinations of total acquisition cost and the importance of examining the facts as related to each particular item of equipment, for example.

2 C.F.R. § 200.2 Acquisition cost. “Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. [Emphasis added]

BSBP believes that facts control and there are no bright lines that can simply be cited void of relevant facts and circumstances.

5.4.2 Revise and implement policies and procedures related to non-Federal share to correctly account for allowable VR program match.

Corrective Action Plan item 5.4.2 springs from the following on-site monitoring team issue identified on page 36 of the Monitoring Report:

***Issue:** Whether non-Federal expenditures incurred for the renovation and expansion of existing vending facilities constitute allowable VR expenditures under section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) as “acquisition of vending facilities and other equipment” and, thus are allowable for match purposes under the VR*

program in accordance with 34 C.F.R. § 361.60. This area of monitoring is included on page 52 of the MTAG. [Emphasis added]

34 CFR 361.49 authorizes the State unit to provide services for the benefit of groups of individuals with disabilities. Subsection (5) states:

“In the case of any small business enterprise operated by individuals with significant disabilities under the supervision of the designated State unit, including enterprises established under the Randolph-Sheppard program, management services and supervision provided by the State unit along with the acquisition by the State unit of vending facilities [Emphasis added] or other equipment, initial stocks and supplies, and initial operating expenses, in accordance with the following requirements:

(i) Management services and supervision includes inspection, quality control, consultation, accounting, regulating, in-service training, and related services provided on a systematic basis to support and improve small business enterprises operated by individuals with significant disabilities. Management services and supervision may be provided throughout the operation of the small business enterprise.

(ii) Initial stocks and supplies includes those items necessary to the establishment of a new business enterprise during the initial establishment period, which may not exceed six months.

(iii) Costs of establishing a small business enterprise may include operational costs during the initial establishment period, which may not exceed six months.

(iv) If the designated State unit provides for these services, it must ensure that only individuals with significant disabilities will be selected to participate in this supervised program.

(v) If the designated State unit provides for these services and chooses to set aside funds from the proceeds of the operation of the small business enterprises, the State unit must maintain a description of the methods used in setting aside funds and the purposes for which funds are set aside. Funds may be used only for small business enterprises purposes, and benefits that are provided to operators from set-aside funds must be provided on an equitable basis.

34 C.F.R. § 361.49 does not provide a definition of the term “acquisition”. However, RSA provides a summary of its own internal “analysis” that indicates:

“Therefore, any structural changes to walls, windows, floors, ceilings, or otherwise general electrical, mechanical, and plumbing work required to bring the site up to a satisfactory condition are the responsibility of the building owner, landlord, or governmental department. As such, these costs would not be allowable under the VR program and, thus, could not be used for match purposes under the VR program.”

RSA does not provide any citations where this analysis is documented in law or in RSA promulgated directives or circulars as the policy of RSA. BSBP is not aware of any published document from RSA that contains this information. BSBP’s first indication of this analysis is through the DRAFT FY17 Monitoring Report dated May 9, 2018.

As discussed in Section 5.4.1 above, structural changes to a building site relate to “load bearing” design features that are significant, representing a fundamental change in the configuration or framework of a building. BSBP is aware of no such change in the renovation of the Randolph-Sheppard sites in question. BSBP believes that facts control and there are no bright lines that can simply be cited void of relevant facts and circumstances.

BSBP and LARA already maintain policies and procedures to correctly account for allowable VR program match. BSBP is following current published guidance with respect to Randolph-Sheppard match. Although page 52 of the MTAG failed to mention the RSA-15 – Report of Vending Facility Program, since the Randolph-Sheppard program and related match are discussed in BSBP’s Corrective Action Steps it is appropriate to highlight the guidance for completing the RSA-15.

RSA Policy Directive – RSA PD 12-04 provided guidance to state VR agencies regarding completion of RSA-15 – Report of Vending Facility Program during the Monitoring Period. [Note: PD = 12-04 was retired via PD 17-01, dated January 18, 2017, effective date of retirement was upon issuance. As of the date of this response, no PD exists to replace PD 12-04. BSBP is unaware of any other federal guidance regarding the preparation of RSA 15 – Report of Vending Facility Program. A current Google search results in PD 12-04 and related RSA-15 instructions as the sole continuing authority for the preparation and completion of the RSA 15.]

On the RSA 15 Part IV. Program Expenditures by Source of Funds, line 4. “Refurbishment of Facilities” has seven columns:

- 1 – Total
- 2 & 3 Vending Machine Income broken out between Federal/Non-federal
- 4 – Set-Aside
- 5 – State Appropriated Fund
- 6 – Federal Funds
- 7 - Other

The design of the table for RSA 15 Part IV is instructive to VR Agencies as column 6 is blacked out and unavailable for use where RSA intended match not to be available. Line 4 as illustrated above does not show Federal Funds as unavailable for “Refurbishment of Facilities.”

The instructions for Line 4 are as follows:

Refurbishment of Facilities (Line 4)

*Enter, by source of funds, the cost of renovating the existing facilities that were expended only during the current federal fiscal year. **Painting, remodeling, changing the layout design, upgrading the equipment as part of a process whereby the facilities are being redecorated or renovated for the purpose of improving their appearance and efficiency would be typical examples of expenditures in this category.** Expenditures to totally refurbish vending machine equipment would also be reported in this category. Expenditures shown in this category should not be repeated or duplicated on any other line in this section.*

Only allowable sources of funding may be used to finance the cost of refurbishment. [Emphasis Added]

Note where it is intended that federal funds may not be used for a line there is a specific statement to that effect in the instructions. See the following statement used in the instructions for line 7.

Retirement/Pension Programs (Line 7)

*Enter, by source of funds, the amount of expenditures made during the federal fiscal year for a retirement or pension program. **Note that federal funds may NOT be used for this purpose. [Emphasis added]***

BSBP relied on federal guidance provided in the RSA 15 and related instructions as well as other statutory interpretive regulations in the Randolph-Sheppard (R/S) match calculation.

Michigan along with every other State Licensing Agency must submit to RSA its R/S rules for approval. Accordingly, the following excerpts from Michigan's Vending Facility Program filed with the Michigan Secretary of State on June 24, 2004 taking effect on October 1, 2004, were vetted by RSA and are controlling for the State of Michigan.

(t) "Management services and supervision" means and includes inspection, quality control, consultation, accounting, regulating, in-service training, and related services provided on a systematic basis provided to support and improve Randolph-Sheppard small business enterprises operated by blind individuals. "Management services and supervision" does not include routine services or costs that pertain to the ongoing operation of an individual facility after the initial establishment period.

34 C.F.R. § 395.1(j) states: “*Management Services* means supervision, inspection, quality control, consultation, accounting, regulating, in-service training, and other related services provided on a systematic basis to support and improve vending facilities operated by blind vendors. *Management services* does not include those services or costs which pertain to the ongoing operation of an individual facility after the initial establishment period.”

In attempting to determine how to define “...related services... that improve...” R/S small business enterprises, SLA's must look to further guidance and logic within the law as written or any properly promulgated circulars or directives from RSA that publicly announce RSA's position on that term. No definition of this term can be found within the CFR, nor is there any properly promulgated guidance in effect from RSA.

When defining how “set aside fees” can be utilized by SLA's, federal law (34 C.F.R. § 395.9(b)) lists purposes for which Set Aside fees can be used: (1) Maintenance and replacement of equipment, (2) The purchase of new equipment, (3) Management Services, (4) Assuring a fair minimum return to vendors, or (5) the establishment and maintenance of retirement or pension funds, health insurance contributions, and provision for paid sick leave and vacation time...

'Maintenance and replacement of equipment' cannot be included in "Management Services" based upon 34 CFR 395.9(b). If that was the intent, then 34 CFR 395.9(b) would not have listed "Maintenance and replacement of equipment" and "Management Services" separately when instructing how an SLA can spend set aside fees.

Therefore, going back and considering what was intended by the regulations when the writers added the phrase "and related services provided on a systematic basis provided to support and improve R/S facilities, we can eliminate from the possibilities the following: 1) supervision, 2) inspection, 3) quality control, 4) consultation, 5) accounting, 6) regulating, 7) in-service training, 8) maintenance and replacement of equipment, 9) purchase of new equipment, 10) assuring a fair minimum return to vendors, 11) establishment of retirement, pension or health care funds, and 12) routine services or costs related to the ongoing operation of an individual facility. The only type of non-routine related service that remains is the physical improvement of the vending facility itself such as a renovation that in the case of the BSBP BEP vending facility included paint, carpet, new fixtures, space reconfiguration, updating fire suppression systems, better ventilation, additional electrical outlets, and other renovations. There is no basis within the law or any promulgated policies of RSA that would limit the physical improvements an SLA should undertake to "improve" the R/S small business enterprise; however, RSA has issued instructions to the RSA 15 as illustrated above that state:

*Enter, by source of funds, **the cost of renovating the existing facilities** that were expended only during the current federal fiscal year. Painting, remodeling, changing the layout design, upgrading the equipment as part of a process whereby the facilities are being redecorated or renovated for the purpose of **improving** their appearance and efficiency would be typical examples of expenditures in this category. [Emphasis added]*

It has already been established that the RSA 15 clearly provided a space for federal funds allocable to renovations of R/S vending facilities.

RSA-15 data from FY16 indicates that 8 different states reported state appropriated funds spent to refurbish facilities, and 17 different SLA's reported Federal money spent to refurbish facilities under Section IV line 4. Yet, RSA did not promulgate or issue any type of circular or directive to SLA's or revise the instructions for the completion of the RSA-15 report.

BSBP objects to RSA's challenge to an established practice by SLA's. Regulatory policy should be clear and not promulgated through a monitoring review. Otherwise, "selective enforcement" occurs to the detriment of the program and program administrator.

5.4.3 Revise SF-425 reports to reflect accurate non-Federal expenditures and ensure accurate reporting of non-Federal share in future submissions.

BSBP is following current published guidance with respect to Randolph-Sheppard match.

5.4.4 Demonstrate to RSA how BSBP will ensure that it is solely responsible for the expenditure of funds under the VR program, as required by 34 CFR

§ 361.13(c)(1)(iv), so that it is able to account for and report the expenditure of funds, whether Federal or non-Federal, in such a way that ensures the funds were spent on allowable purposes, as required by 34 C.F.R. § 361.12.

34 C.F.R. § 361.13(c) *Responsibility for administration – (1) Required Activities.* At a minimum the following activities are the responsibilities of the designated State unit or the sole local agency under the supervision of the State unit: (iv) The allocation and expenditure of vocational rehabilitation funds.

34 C.F.R. § 361.12 *Methods of Administration.* The vocational rehabilitative services portion of the Unified or Combined State Plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

5.4.4 is in reference to *5.4 Unallowable Sources of Match in the VR Program.* The only issue identified is the renovation and expansion of existing vending facilities (page 36 of the Monitoring Report). Therefore, BSBP response addresses the issue identified.

The on-site monitoring team sent an email regarding renovation and expansion of existing vending facilities for the period of the 107 Monitoring dated February 20, 2018. The email stated in part – RSA indicated that on its exit call August 16, 2017, all areas discussed would be “vetted with management and our office of general counsel, as appropriate.”

5.4.4 seems to indicate that BSBP is not a responsible VR grantee. BSBP takes exception to such implication on the following grounds:

- 1) If the law and guidance is so abundantly clear that such implication may be asserted, then why is it required that vetting with management and the office of general counsel be required? Interpretive regulatory language should be clear to enable and empower the regulated entity to carry out the program objectives. President Clinton issued two separate Executive Orders emphasizing the need for plain language. E.O. 12866 says that regulations must be simple and easy to understand, with the goal of minimizing uncertainty and litigation. E.O. 12988 says that each regulation must specify its effect in clear language. On January 18, 2011, President Obama issued E.O. 13563 – Improving Regulation and Regulatory Review that states the regulatory system must ensure that regulations are accessible, consistent, written in plain language and easy to understand. The two regulations cited 34 C.F.R. § 361.12 and 34 C.F.R. § 361.13(c)(1)(iv) are very broad in nature and non-specific to Randolph-Sheppard. Further, these broad

citations do not contradict the RSA 15 form or language articulated in the RSA 15 instructions for renovations (See 5.4.2 response above).

2) From page 39 of the Monitoring Report:

*RSA's review of the work completed at the various Randolph-Sheppard vending facility sites, including the description of the work provided by BSBP, **appears** to indicate that the majority of the work that was completed comprises of structural renovation or improvements to the walls, floors, ceilings, or otherwise general electrical, mechanical, and plumbing work at the three vending facility sites. **To the extent** that BSBP reported non-Federal expenditures incurred for these purposes, such expenditures would not be allowable as match under the VR program. However, to the extent that BSBP reported expenditures incurred for the purchase and installation of equipment and other trade fixtures to make the site operational as a vending facility, such expenditures could be used for match purposes under the VR program because such costs could be considered incurred in the acquisition of a vending facility or other equipment. [Emphasis Added]*

With all due respect to the on-site monitoring team, a question of fact is the issue documented in the Monitoring Report. Questions of fact should not be cited as non-compliance in and of itself.

3) Programmatic intent. The Randolph-Sheppard Act (RS Act) was enacted by the US Congress and signed by President Franklin D. Roosevelt on June 20, 1936. Per the RSA website, "The program, enacted into law in 1936, **was intended to enhance employment opportunities for trained, licensed, blind persons to operate facilities.** The law was subsequently amended in 1954 and again in 1974 to ultimately ensure individuals who are blind are given a priority in the operation of vending facilities which included cafeterias, snack bars and automated vending machines, that are on federal property. The intent of the law is clearly for programmatic support of blind entrepreneurs. [Emphasis Added] Additionally, the following memorandum re-emphasizing the importance of the Randolph-Sheppard program was published in the Federal Register and is dated January 20, 2012:

Memorandum for the Heads of Executive Departments and Agencies

Thousands of Americans who are blind have embraced the entrepreneurial spirit that helps define our Nation as a land of opportunity. Through the Federal Randolph-Sheppard [Vending Facility](#) Program administered by the Department of Education, talented and creative individuals who are blind have acquired the management training and business skills necessary to realize the American dream—a lifetime of economic opportunity, independence, and self-sufficiency for themselves and their families.

For 75 [years](#), blind business managers have successfully operated food services and commercial ventures at Federal, [State](#), and private buildings and locations nationwide. We honor and celebrate this program's historic achievements. We also trust that the Randolph-Sheppard Program will continue to be a leading model for providing high-quality entrepreneurial opportunities for blind individuals. From a simple snack shop, to tourist services at the Hoover Dam, to full food-services operations at military installations, blind entrepreneurs have provided exceptional customer service to Federal and [State](#) employees,

the Armed Forces, and the general public. With proven ability, they have challenged preconceived notions about disability.

The Randolph-Sheppard Act ([20 U.S.C. 107et seq.](#)) created the [Vending Facility](#) Program requiring qualified blind individuals be given a priority to operate vending facilities on Federal properties. This program is responsible today for providing entrepreneurial opportunities for over 2,500 individuals who are blind. In turn, these business managers have hired thousands of workers, many of whom are individuals with disabilities. Every American, including persons with disabilities, deserves the opportunity to succeed without limits, earn equal pay for equal jobs, and aspire to full-time, career-oriented employment. Continued support and cooperation are needed from executive departments, agencies, and offices (agencies) to extend the Randolph-Sheppard priority to qualified blind managers through the [State](#) licensing agencies that implement the program. Therefore, I direct all agencies that have property management responsibilities to ensure that agency officials, when pursuing the establishment and operation of vending facilities (including cafeterias and military dining facilities) as defined in [20 U.S.C. 107e](#), issue permits and contracts in compliance with the Randolph-Sheppard Program and consistent with existing regulations and law. I further direct the Secretary of Education, through the Commissioner of the Rehabilitation Services Administration, to submit a report to the President on agencies' implementation of the Randolph-Sheppard Program not later than 1 year from the date of this memorandum.

This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the [United States](#), its departments, agencies, or entities, its officers, employees, or agents, or any other person.

The [Secretary](#) of Education is hereby authorized and directed to publish this memorandum in the Federal Register.

Barack Obama.

BSBP embraces the programmatic intent of the law recognizing that the Randolph-Sheppard program is an allowable use of VR funds.

5.4.5 Demonstrate to RSA how BSBP will ensure its financial management system and internal controls are in compliance with 2 C.F.R. § §200.302 and 200.303.

Section 5.4.5 is in reference to: *5.4 Unallowable Sources of Match in the VR Program*. The only issue identified is the renovation and expansion of existing vending facilities (page 36 of the Monitoring Report). Therefore, BSBP response addresses the issue identified.

Section 5.4.5 seems to indicate that BSBP is not a responsible VR grantee. BSBP takes exception to such implication on the grounds outlined in its response to 5.4.4 above.

BSBP program expenditures totaled \$61,835,120 for the period of 107 Monitoring (See page 83 of the Monitoring Report). The questioned expenditures of \$110,951.58 and \$42,800.00 represents .2486 percent of total BSBP program expenditures. Even if the issue did not represent a question of fact, the error rate is miniscule compared to total program expenditures.

5.4.6 Provide an assurance that BSBP will expend funds and report expenditures only for those costs that are allowable under the VR program, regardless of whether they are paid with Federal or non-Federal funds used for matching purposes.

BSBP applies existing guidance, where such guidance is clear and unambiguous to the expenditure and reporting of funds that are allowable under the VR program and embraces its responsibility.

5.4.7 Provide RSA with the information it needs to determine which costs incurred in these vending facility projects were allowable, such as the actual contracts that contained actual costs proposed for each aspect of the work performed.

BSBP would like to refute a statement made in the 107 Monitoring Report which it believes is grossly inaccurate. On page 39 of the Monitoring Report the following statement is made:

*Furthermore, BSBP's inability to provide information to the level needed by RSA to make this determination, **despite multiple requests for such information**, raises concerns as to whether BSBP is in compliance with 34 CFR §361.13(c)(1)(iv), which requires BSBP to be solely responsible for the allocation and expenditure of funds under the VR program, and with 2 CFR §§200.302 and 200.303 of the Uniform Guidance, which require that the grantee's financial management must be sufficient to trace funds to a level that ensures they were spent on allowable activities and that the grantee's internal controls are adequate to ensure that it is administering the program in compliance with Federal requirements, respectively.*

[Emphasis provided]

By way of background, at the on-site monitoring review, the fiscal representatives of BSBP requested technical assistance for expenditures incurred in FFY 17 representing potential match to ensure that BSBP requested re-allotment funds in a responsible manner. Included in the list of items of potential match were two Randolph-Sheppard renovations. The on-site monitoring team toured the two sites with a BSBP fiscal representative to allow the on-site team to gain additional understanding of the two renovations. Subsequently, a conference call with RSA representatives occurred to discuss the FFY 17 re-allotment request. The RSA Randolph-Sheppard subject matter expert was not present on the call despite a specific request by BSBP. Based on the conference call, BSBP amended its re-allotment request where appropriate and re-submitted it.

During the 107 Monitoring and at the exit conference following the 107 Monitoring, Randolph-Sheppard match for the period of the 107 Monitoring was never challenged or raised as an issue.

Upon conclusion of the on-site review, the RSA on-site team complimented BSBP on the timely production of requested information and organization of the documents. During the 107 Monitoring exit conference call that occurred August 16, 2017, the RSA on-site team again thanked BSBP for its collaboration and indicated additional follow-up may be required. At no time did BSBP withhold information or not respond to requests for information.

BSBP awaited its 107 Monitoring report.

On February 20, 2018 (almost seven months after the on-site visit), the on-site monitoring team sent an email to the BSBP fiscal representative regarding renovation and expansion of existing vending facilities for the period of the 107 Monitoring. Included in the email were specific questions for BSBP fiscal. Since the expenditures in question related to FFY 2014 & 2016 and were not previously requested by the on-site team, additional time was requested to follow up and locate off-site records. BSBP appreciated the additional time granted by the RSA on-site team. On March 30, 2018, BSBP responded by email and answered all questions included in the above-referenced email of February 20, 2018. At the end of the BSBP March 30, 2018, response, the following offer was made by BSBP: **“Thanks for allowing BSBP the opportunity to provide additional factual context to these questions. If you need additional clarifications, please do not hesitate to call me.”** BSBP received no additional phone calls or emails.

BSBP awaited its 107 Monitoring report and on May 10, 2018, at 12:21PM, BSBP did receive its draft 107 Monitoring report. Upon later reading of the 107 Monitoring Report, BSBP learned of the statement on page 39 that allegedly “multiple requests” for information occurred with no response. BSBP emphatically disputes such a statement based upon the actual factual context above.

BSBP again makes the following offer: **“If you need additional clarifications, please do not hesitate to call me.”**

Technical Assistance:

- BSBP requests technical assistance regarding the requirements for the uniform application of the Randolph-Sheppard Act in order to determine whether the programmatic objectives of the RS Act is being met by regulations aligned with this mandate: The Randolph- Sheppard Act, Chapter 6A, Section 107a (a) states “...The Secretary of Health Education, Welfare shall insure that the Rehabilitation Services Administration is the principal agency for carrying out this chapter; *and the Commissioner shall, within one hundred and eighty days after December 7, 1974, establish requirements for the uniform application of this chapter by each State agency...*”
- BSBP requests the technical assistance of the RSA Randolph-Sheppard subject matter expert and State of Michigan structural engineers in reviewing factual context of renovations as required by further information requests noting that a layman is not qualified to render judgment as to what does and what does not constitute a “Fundamental and significant change of the building’s framework or system that results in different building.”

FINAL REPORT FINDINGS AND CORRECTIVE ACTIONS:

5.4 Financial Management System and Internal Controls Fail to Ensure Supporting Documentation is Maintained

Corrective Action Steps:

- 5.4.1 Demonstrate to RSA how BSBP will ensure its administrative procedures related to financial management, internal controls, and record retention will satisfy Federal requirements at 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333, particularly when the expenditures are incurred by another State agency on the VR program's behalf, consistent with PA 260, and used by BSBP for match purposes under the VR program; and
- 5.4.2 Provide a written assurance that BSBP will account for and report the expenditure of funds incurred by other State agencies, consistent with PA 260, as though it incurred the costs directly, whether Federal or non-Federal, in such a way that ensures the funds were spent on allowable purposes, as required by 34 C.F.R. § 361.

5.5 Questioned Expenditures Used for Match under the VR Program

Corrective Action Steps:

- 5.5.1 Cease reporting non-Federal expenditures incurred for Randolph-Sheppard vending facility renovation and expansion activities that do not constitute "acquisition of vending facilities or other vending equipment" or that should be the responsibility of the building's owner, if any, as match for the VR program;
- 5.5.2 Revise and implement policies and procedures related to non-Federal share, as applicable, to correctly account for allowable VR program match;
- 5.5.3 Revise SF-425 reports, as necessary, to reflect accurate and allowable non-Federal expenditures and ensure accurate reporting of allowable non-Federal share in future submissions;
- 5.5.4 Provide an assurance that BSBP will obtain prior written approval from RSA before incurring certain costs, as required by 2 C.F.R. § 200.407, and report expenditures only for those costs that are allowable under the VR program, particularly with respect to the acquisition of vending facilities and vending equipment, regardless of whether they are paid with Federal or non-Federal funds used for matching purposes; and
- 5.5.5 Provide RSA with the information it needs to determine which costs incurred in these vending facility projects were allowable, such as the actual contracts that contained actual costs proposed for each aspect of the work performed, the leasehold agreements for the vending facilities, and the permits for those facilities, as well as the additional information RSA needs to determine whether costs of the electrical, plumbing, mechanical, painting, flooring installation, and carpentry work performed at the vending facilities are allowable.